



**MEDICOVER**



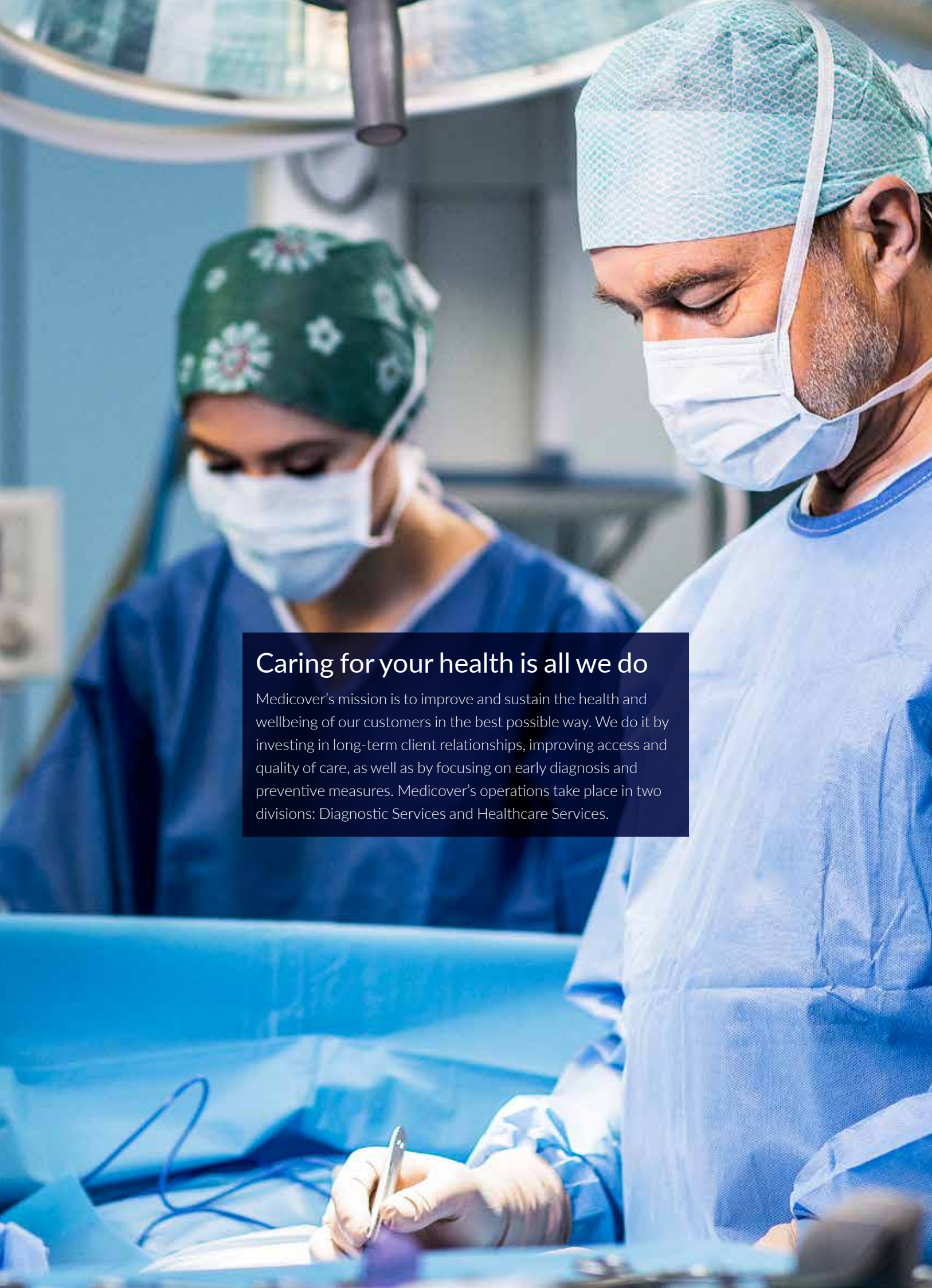
Caring for your  
health is all we do

Medicover Annual Report 2018

## CONTENT

The year in brief	2
Medicover in brief	3
Statement from the CEO	4
Strategy	6
Medicover's business model	6
Financial targets	9
Foundation for growth	10
Strategic direction	12
Markets	16
Divisions	20
Diagnostic Services	20
Healthcare Services	22
Our people	25
Sustainability	28
Information about the share	36
Management report	38
Risk and risk management	44
Corporate governance report	48
Board of directors	54
Executive management	56
Financial reports	58
Board of directors assurance	96
Auditor's report	97
Auditor's report on the sustainability report	101
5-year financial review	102
Definitions & glossary	104
Information to shareholders	105



A photograph of two surgeons in an operating room. The surgeon in the foreground is a man with a beard, wearing a light blue surgical cap and mask, focused on his work. The surgeon in the background is a woman wearing a green surgical cap with a floral pattern and a white mask. They are both wearing blue scrubs. The scene is lit with bright, clinical lights, and the overall color palette is dominated by blues and greens.

## Caring for your health is all we do

Medicover's mission is to improve and sustain the health and wellbeing of our customers in the best possible way. We do it by investing in long-term client relationships, improving access and quality of care, as well as by focusing on early diagnosis and preventive measures. Medicover's operations take place in two divisions: Diagnostic Services and Healthcare Services.

## THE YEAR IN BRIEF

- Acquired Pelican, a leading hospital provider in north-western Romania.
- Acquired a leading genetics laboratory in Germany (Center for Human Genetics and Laboratory Diagnostics of Dr. Klein, Dr. Rost and colleagues). The acquisition was completed in January 2019.
- Expanded our footprint in India, increased number of fertility clinics to 15 and increased ownership in the MaxCure hospital group.
- Number of members increased by 18.1 per cent, our strongest member growth ever.

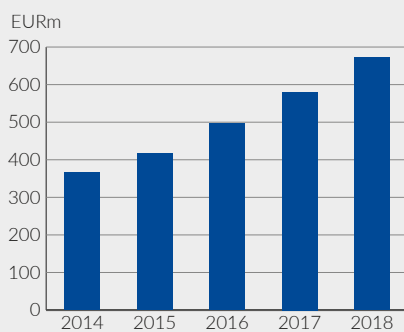
### Key figures

	2018	2017	2016
Revenue, EURm	671.6	580.2	497.3
EBITDA, EURm	59.8	55.0	44.3
Earnings per share, EUR	0.185	0.157	0.046
Revenue growth, %	15.8	16.7	19.7
EBITDA growth, %	8.7	24.2	12.2

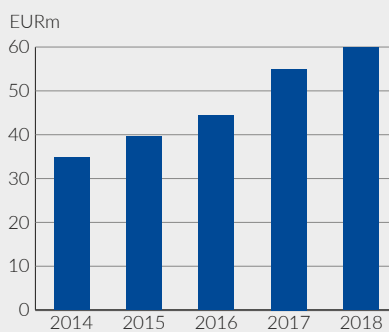


## PERFORMANCE TRENDS

### Revenue



### EBITDA



## KEY FACTS

672  
EURm revenue

60  
EURm EBITDA

20,970  
co-workers

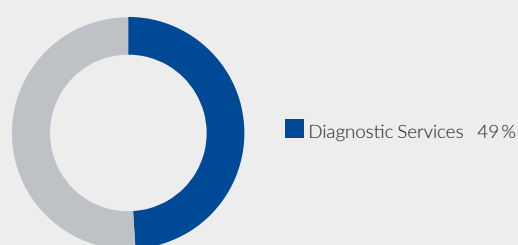
## MEDICOVER IN BRIEF

Medicover is a specialised provider of diagnostic and healthcare services, focusing on markets mainly in Central and Eastern Europe and has recently entered India. The company operates through two divisions – Diagnostic Services and Healthcare Services.

### DIAGNOSTIC SERVICES

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 95 laboratories and 570 blood-drawing points (BDP).

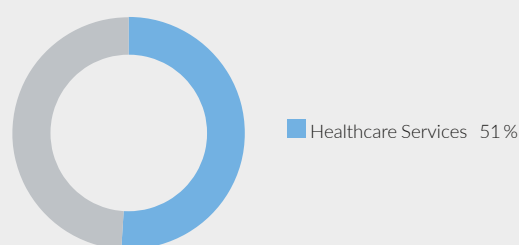
Share of revenue



### HEALTHCARE SERVICES

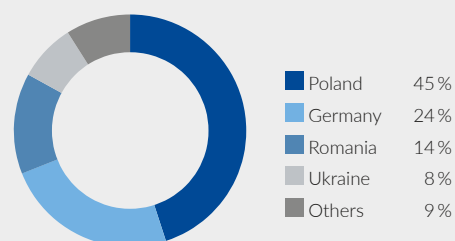
Healthcare Services offers high-quality care based on an Integrated Healthcare Model. The basis for this is a network of 17 hospitals and 108 clinics and medical facilities.

Share of revenue

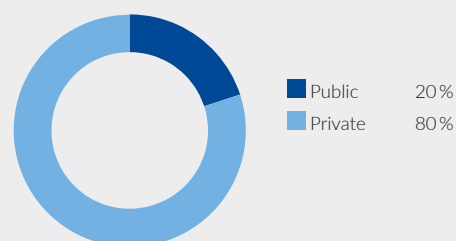


### BREAKDOWN OF REVENUE

Revenue by country



Revenue by payer



### KEY FACTS

98  
million laboratory tests

>1.2  
million members

6.1  
million medical visits

## STATEMENT FROM THE CEO

# Another year of strong growth

**2018 was Medicover's first full year as a listed company. We maintained our long-term trend with another year of strong revenue growth. We have also successfully continued our acquisition agenda, adding new businesses that will contribute to revenue and profitability over time.**

Medicover continues to deliver revenue growth. In 2018 growth was 15.8 per cent, lifting revenue to EUR 671.6m of which 13.5 per cent was organic growth, evidencing the strength of our business model. To maintain this into the future, we focus very clearly on quality and access to care – the two most important competitive advantages in attracting customers.

We have a solid reputation as a premium brand in terms of quality, striving for continuous enhancement which is integrated into all areas of our business. By combining quality with high accessibility we ensure that customers get the right help when they need it, and we can therefore achieve high customer loyalty and sustained organic growth. Growth opportunities are further enhanced by continued favourable market conditions in our main markets with low unemployment rates, good economic growth and continued strong demand for private healthcare services.

We recorded an EBITDA of EUR 59.8m. As previously communicated, profit was held back by regulatory changes in Germany that affected our Diagnostic Services division. Adjusted organic EBITDA growth of 12.2 per cent (excluding Fertility India) was at the upper end of the revised 2018 target communicated in the second quarter. We expect the situation to revert over time and we have already seen an improvement during the last quarter.

### Diagnostics increasingly important

In the Diagnostic Services division we are continuously increasing access to our services by extending our footprint in our chosen markets. During 2018 we added another 69 blood-drawing points (BDPs). Across all our markets we are now operating a total of 570 BDPs, which, together with favourable market conditions, spurred revenue growth in 2018.

The role of diagnostics throughout the entire care chain is becoming increasingly important. As new advanced diagnostic tests are developed, opportunities for early detection and disease prevention become greater. In order to take advantage of this developing business opportunity we are expanding our existing expertise and capacity as well as acquiring new advanced laboratory capabilities that cover new application competences and new geographical areas – for example the acquisition of the Center for Human Genetics and Laboratory Diagnostics of Dr Klein, Dr Rost and colleagues in Munich.

### Strong organic growth for Healthcare Services

The Healthcare Services division reported continued good progress and growth. The Integrated Healthcare Model continues to be the main driver of growth, and the number of members



exceeded 1.2 million at the end of 2018, representing our strongest growth year on record at 18.1 per cent over the previous year. The high customer retention rate and membership growth are a recognition of the value we deliver to our customers. In addition, we are seeing a continued good performance for our expanding Fee-For-Service offering of specialty healthcare services. All in all, we are experiencing a robust demand for our services in our key markets Poland and Romania, and we currently foresee no major changes to market conditions.

### Digitalisation the way forward

There is an ongoing shift in influence from healthcare providers to consumers. This is driven in part by changes in behaviour but most importantly by increased digitalisation. Patients are becoming more aware and informed about their state of health, have higher expectations on the availability of healthcare services and are wanting to be involved in decisions on medical treatment. An increasing proportion of patients' interaction with us takes place online and we are investing significantly in innovation so as to be at the forefront in meeting customer demands for personalised experience and increased service levels – on their terms. We see this as a key area in increasing customer satisfaction and loyalty.

Digital technology is just as important from an efficiency perspective, since it is one of our most effective tools for addressing the challenges of cost inflation in our industry. As competition for



»We focus very clearly on quality and access to care – the two most important competitive advantages in attracting customers.«

health professionals increases, so do wage costs. As a result, we need to constantly streamline our processes and make sure that our medical staff spend most of their time with the patients, which brings benefits to both Medcover and our customers.

### Accelerating growth through acquisitions

We have a strong balance sheet, which means that we can act when we find the right acquisition opportunities. In order to continue pursuing our successful acquisition agenda we have strengthened the organisational unit responsible for acquisitions, adding resources both for securing a pipeline of high-quality acquisition targets and for carrying out the transactions.

We have continued our investments in Medcover Fertility in India, which currently comprises 15 clinics. We have also increased our share of ownership in the Indian hospital group MaxCure, which now amounts to effective 45.1 per cent and is expected to be further increased in 2019. India shares many characteristics with our markets in Central and Eastern Europe, such as strong economic growth, a high level of private health-care funding and a large middle class with expectations of high-quality care. We are excited about the possibilities in India and expect both our businesses there to add to revenue and profitability over time.

### Success rests on our employees

Our continued success rests on our professional and committed employees, who every year provide outstanding care for millions of people. I would like to thank you for your tremendous efforts in 2018. We constantly strive to become the best employer we can be, to attract the best professionals, and to be their workplace of choice. We continue to score well and also outperform the benchmark in the employee survey for 2018. We strive to improve further and have plenty of opportunities to do so.

In 2019 we will continue to focus on operating efficiency and on leveraging our advantages of scale wherever possible. We will further develop the service propositions offered to our customers, and we expect acquisitions in both divisions to complement our current services and footprint in line with our strategies.

Stockholm, March 2019

Fredrik Rågmark,  
CEO

## MEDICOVER'S BUSINESS MODEL

# Sustaining our customers' health and wellbeing

**Medicover's mission is to improve and sustain the health and wellbeing of our customers in the best possible way. We take care of patients' health in the right place, at the right time, with the right outcome, and in the most effective way.**

Medicover is a specialised diagnostic and healthcare services provider offering its services through two divisions:

- Diagnostic Services offers a broad range of laboratory tests in all major clinical pathology areas and ranging from routine to advanced tests covering all customer touchpoints from prevention to monitoring of treatments. The business is conducted through a network of 95 laboratories and 570 blood-drawing points (BDPs).
- Healthcare Services offers high-quality care based on the Integrated Healthcare Model and an expanded offering of specialty-care services. The basis for this is a network of 108 clinics, medical facilities and 17 hospitals (including 11 MaxCure hospitals).

For Diagnostic Services, almost two-thirds of the revenue is generated through private pay from patients who are usually

referred for a diagnostic test by their doctors. The remaining one-third of revenue comes from publicly funded sources.

59 per cent of Healthcare Services' revenue is generated through the company's subscription-based Integrated Healthcare Model – a pre-paid funded healthcare package purchased by individuals, or more typically, by employers as a benefit for their employees. This model now serves over 1.2 million members. A further 38 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 3 per cent of revenue stems from publicly funded sources.

Medicover offers its diagnostic and healthcare services primarily in Central and Eastern Europe and in Germany, and has a strong position as a trusted premium brand providing high quality healthcare services.



## TWO DIVISIONS...



## ...PROVIDING HIGH-QUALITY HEALTHCARE SERVICES...



## ...TO A STRONG AND GROWING REVENUE BASE...



## ...IN ATTRACTIVE MARKETS WITH LONG-TERM STRUCTURAL GROWTH DRIVERS.



## CREATING LONG-TERM VALUE

### ➤ FOR CUSTOMERS

- Delivers the highest standards of healthcare based on patients' needs.
- Provides high access to care through continuous capacity building and digitalisation.

### ➤ FOR EMPLOYEES

- Engaging experience with an evolving company.
- Excellent learning and development opportunities.
- Community engagement through Medcover Foundation.

### ➤ FOR SHAREHOLDERS

- Delivers financial value through stable profitable growth.

### ➤ FOR SOCIETY

- Contributes in meeting society's increased need for healthcare.
- Constitutes an important part of the total healthcare solution in the markets where the company is present.
- Promotes health and wellbeing in society through the Medcover Foundation.



## FINANCIAL TARGETS

# On track towards medium-term targets

### COMMENTS ON FINANCIAL PERFORMANCE 2018

#### › Revenue

Growth was 15.8 per cent of which 13.5 reported organic growth. Growth for Diagnostic Services amounted to 10.6 per cent and was negatively impacted by the revision of reimbursement rules for tests funded by public insurance in Germany. Healthcare Services reported a solid growth of 21.1 per cent, reflecting good membership development.

EBITDA growth for Diagnostic Services amounted to 5.6 per cent and was negatively impacted by the reimbursement revision in Germany described previously. Healthcare Services saw a healthy EBITDA growth of 13.0 per cent as a result of an increase in employer-funded members and good growth of the Fee-For-Service businesses such as fertility and dental.

#### › Profitability

EBITDA growth was 8.7 per cent in 2018. Adjusted organic EBITDA growth was 12.2 per cent, at the upper end of the revised 2018 growth target communicated in the second quarter, where Medcover also reconfirmed the medium-term target of 18-20 per cent growth.

#### › Capital structure

Medcover had a strong financial position at the end of 2018, allowing room for funding of further expansion organically and for executing Medcover's acquisition agenda.

### MEDICOVER FINANCIAL TARGETS

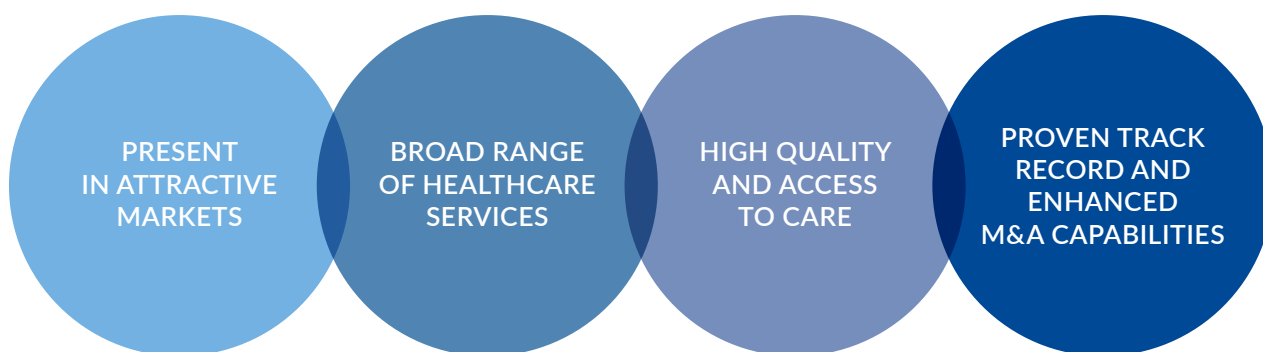
	Medium-term target (2016-2019)	Outcome 2018
› Revenue	<b>9–12%</b> Organic revenue growth	<b>13.5%</b>
› Profitability	<b>18–20%</b> Organic EBITDA growth	<b>12.2%<sup>1</sup></b>
› Capital structure	<b>&lt;3.5x</b> Interest-bearing net debt/EBITDA	<b>1.6x</b>

<sup>1)</sup> Adjusted organic EBITDA excluding Fertility India.

## FOUNDATION FOR GROWTH

# Solid foundation for the continued development of Medcover

Medcover's successful development is built on a solid foundation. By further exploiting the inherent strengths, Medcover is dedicated to advancing its leading position through both organic growth and selective acquisitions.



Medcover strengths provide a solid foundation for the continued development of Medcover

### ● Present in attractive markets

Medcover provides diagnostic and healthcare services in Central and Eastern Europe, Germany and India. These are markets that show good GDP growth. As economies mature and GDP increases, a greater proportion of GDP is devoted to healthcare as these services become affordable to more people. In many markets where Medcover operates – for example Poland, Romania and Hungary – there is entitlement to universal public healthcare. However, the State's ability to provide such care is limited because healthcare spending as a percentage of GDP in these countries is significantly lower than the average for most developed countries. Private healthcare funding is then the obvious way to fill the gap between demand and supply, and is expanding fast.

Growth in healthcare spending is further increased by an ageing and more health-aware population and by rapid advancements in new treatments.

### ● Broad range of healthcare services

Medcover offers a broad range of healthcare services through its two divisions. Diagnostic Services offers laboratory testing in all major clinical pathology areas, ranging from routine to advanced tests. 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 diagnostic) tests, which clearly indicates the central role of diagnostics in healthcare.

Through its extensive network of healthcare centres, hospitals and third-party health providers, the Healthcare Services division's offering ranges from preventive and primary care to specialist outpatient care and hospital care. Medcover also offers expanded services of specialty care in specific areas like dental care, orthopaedics, wellness and the diagnosis and treatment of infertility.

Medcover can therefore meet a large proportion of customers' total care needs – from diagnosing diseases to performing healthcare services through its proprietary Integrated Healthcare Model or its Fee-For-Service offering of specialist healthcare services which are not always suitable for insurance. Medcover's integrated care and funding model is an important driver for increased quality of care and it greatly benefits the customer experience and satisfaction as well as driving operational efficiency for Medcover.

By providing customers with services in many areas of care and at all stages of life, long customer relationships are created, benefiting both the customer and Medcover.

### ● High quality and access to care

Providing high-quality and accessible care and services is crucial for Medcover's past and future success. It ensures client loyalty and drives continuing organic growth in the main markets in Central and Eastern Europe and Germany.

Maintaining premium quality differentiates the business from its competitors, strengthens the market position and enables Medcover to continue attracting the best medical practitioners. Medcover continuously measures and follows-up a wide range of parameters to indicate the quality of care delivery. This ongoing quality work is supported by the proprietary information systems. From the data gathered, Medcover can establish an anonymised research database upon which it may perform deep analytics and draw valuable clinical insights to support continuous improvement of service quality and clinical outcomes. Medcover enjoys high patient satisfaction, which is in general well above 98 per cent for patients visiting Medcover's medical facilities. Medcover's patients recommend Medcover, and this is reflected in the Net Promoter Score for Medcover which is higher compared to the main competitors.

It is also equally important to guarantee that customers have access to the healthcare services they need – when they need it. Medcover continuously improves access by building additional capacity, for example by adding new BDPs within the Diagnostic Services division, and by investing in digital technology. In 2018, more than 60 per cent of all clinical consultation bookings were made directly by patients through the Medcover Online patient portal and the associated mobile application. In addition to appointment bookings, these digital channels allow patients to review clinical diagnostics results and consult doctors at their convenience and need.

### ● Proven track record and enhanced M&A capabilities

Medcover demonstrates an unparalleled long-term growth record. Since its foundation, the company has had 24 consecutive years of organic growth. In the last ten years, Medcover has had a compounded revenue growth rate of more than 12 per cent per year. This demonstrates the power of the business concept and its inherent growth potential.

Acquisitions have been an important part of Medcover's growth strategy. Selective acquisitions have been made to expand the footprint in existing markets and to develop into new segments of specialty care. Further acquisitions have been accomplished to enter and develop new countries with high long-term growth potential such as India. In 2018 Medcover has further strengthened internal M&A capabilities to continue its acquisition agenda.

The management team is experienced, and several of the members have a long background with Medcover. The 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 as well industry as specific competences.

The constitution and the long experience of Medcover's board of directors also underline the company's long-term perspective. Throughout its growth journey Medcover has been supported by its main owner Celox Holding AB, owned by the Jonas and Christina af Jochnick Foundation.



## STRATEGIC DIRECTION

# Dedicated to profitable growth

Medicover is dedicated to profitable growth. To continue to be successful, the company's activities are based on a long-term strategic agenda. The strategic agenda is implemented and adapted to the two divisions since their businesses, scope and activities are specific.

## Strategic agenda per division

### ■ DIAGNOSTIC SERVICES:

- Expand geographical footprint in existing markets
- Continuously increase the range of diagnostic tests
- Pursue operational excellence to increase profitability

### ■ HEALTHCARE SERVICES:

- Organically grow the Integrated Healthcare Model in existing markets
- Expand service offering within specialty-care areas through both organic growth and acquisitions in existing and new markets
- Pursue operational excellence to increase profitability



## ■ DIAGNOSTIC SERVICES

### ➤ Expand geographical footprint in existing markets

Medicover provides its diagnostic services to hospitals and to public and private medical facilities as well as directly to individual patients and doctors. Regardless of the paying system, which varies between markets, there is a strong common denominator: the tests are mostly performed on the recommendation of a doctor. It is therefore important for Medicover to have close relations with doctors responsible for referring patients for diagnostic testing. These doctors are spread across all regions of the countries where Medicover is active. In order to be a preferred partner, there is a need to be present in their respective regions. Geographical coverage through the company's network of strategically located blood-drawing points is therefore critical to growing the business. For that reason, it is also a priority for Medicover to establish or acquire additional BDPs. In pace with this expansion, further investments in laboratory capacity might be required to take care of the growing number of tests. Today, Medicover has a total of 95 clinical laboratories (including the central laboratories) and 570 blood-drawing points in more than ten countries.

### ➤ Continuously increase the range of diagnostic tests

Medicover's diagnostic services range from routine to advanced tests across all major clinical pathology areas. 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. Examples include histopathology, genetics, immunology, allergology and molecular diagnostics. These advanced tests greatly increase the accuracy and depth of the diagnosis for both the treating physician and the patient. These tests are significantly more costly, and provide a growing proportion of revenue for Diagnostic Services. The figure is now more than 34 per cent, while only accounting for 4 per cent of volume.

Besides offering a complete range of routine tests, which is a prerequisite for being a preferred partner to doctors, Medicover is committed to leading the way in diagnostics by making further dedicated inroads into the advanced-test area. This is done by

expanding our existing expertise and capacity as well as acquiring new advanced laboratories that cover new application competences. The acquisition of the Centre for Human Genetics and Laboratory Diagnostics is an example of this strategy.

To be successful in taking advantage of the rapidly expanding diagnostic offering, it is also of critical importance to continuously inform and educate clinicians about the uses and advantages of the ever-expanding range of tests. Significant efforts are put into keeping clinicians up to date – through personal visits or seminars – about the benefits of the latest advanced diagnostics and how these can help in their interaction with patients. Medicover's annual symposium in Romania, now in its 21st year, attracts more than 2,000 professionals and is a good example.

### ➤ Pursue operational excellence to increase profitability

Medicover is working strategically to take advantage of the economies of scale resulting from being a major diagnostics provider. With a large volume of diagnostic tests performed, there are significant opportunities for centralisation and automation of the tests. Medicover works in a hub-and-spoke model where a large test volume is collected in major central and regional laboratories. This way of organising operations is supported by a proprietary Laboratory Information System (LIS) which is implemented in eight countries. It is fine-tuned for optimal laboratory process efficiency, inter-lab referrals and distributed analysis, as well as results-reporting and post-analytical customer services.

Through centralisation of procurement activities, Medicover seeks to achieve scale effects and better terms from suppliers through volume-purchasing. The main cost component besides staff is materials and consumables, called reagents.



## ■ HEALTHCARE SERVICES

### ➤ Organically grow the Integrated Healthcare Model in existing markets

In Poland, Romania and Hungary, Medcover has built a strong business for Healthcare Services based on the employer-funded Integrated Healthcare Model. 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 talents.

Medcover's strong brand reputation in combination with proven client loyalty is the obvious springboard to drive further organic growth in these markets. To remain successful, Medcover needs to maintain premium quality of services through continuous improvements and by attracting the best medical practitioners, and also by continually innovating to improve customers' access to services. Significant investments have been made in digitalisation to develop new ways of meeting, diagnosing and treating patients and thereby enhancing customer experience. This is accentuated by Medcover's high retention of its corporate clients, which is currently 98 per cent. During 2018, organic growth of the Integrated Healthcare Model was 15.9 per cent and the total membership base increased by 18.1 per cent, which confirms that the Medcover Healthcare Services offering is attractive.

### ➤ Expand service offering within specialty-care areas through both organic growth and acquisitions in existing and new markets

About one-third of the Healthcare Services revenue is generated through the strong and expanding Fee-For-Service (FFS) model. The FFS offering covers specialty-care areas like dental care, orthopaedics, wellness and the diagnosis and treatment of infertility. Medcover seeks to expand its specialist-care business based on FFS in both existing and new markets. The decision to enter new areas or markets is based on market characteristics such as growth and potential for consolidation, as well as the ability to offer a high-quality service in line with Medcover's pre-

mier-brand reputation. The investments in India in the Medcover Fertility and MaxCure hospitals are examples of this strategy.

By adding new specialty-care areas through selective acquisitions in existing markets, Medcover can expand its service-offering to customers who use the Integrated Healthcare Model by offering on a FFS basis, items not included in standard plans. The benefits for customers are obvious: they can rely on the quality of care services reaching the standard they are used to, and it contributes to providing integrated care. For Medcover, it creates conditions for even stronger and longer customer relationships, which in the end spells growth. In addition, individuals who have not subscribed to prepaid memberships can gain access to services at any time through the FFS model.

### ➤ Pursue operational excellence to increase profitability

Medcover is continuously working to gain productivity increases in the delivery of medical services. An important part of this is to ensure that medical staff have the right prerequisites to do a good job. Their time should be spent primarily in front of the patient and solving the patient's problems. Administrative tasks should as far as possible be minimised. Healthcare Services puts strong emphasis on leveraging its proprietary information systems to increase productivity. The systems support the complete journey of healthcare service provision whilst ensuring optimal patient care, clinical service quality and efficiency. Costs related to medical staff and medical facilities are the main cost items in the Healthcare Services division.

Medcover owns some of its facilities, primarily highly specialised facilities such as hospitals, while others are leased on long-term contracts. Medcover has a good reputation with real-estate developers and landlords, which means that the company can secure competitive rents and influence the initial design to match its requirements. This greatly reduces expensive later adaptations and increases the productive use of space as well as supporting efficient business flows for Medcover.





## MARKETS

# A growing demand for private healthcare and diagnostic services

Medicover's markets for diagnostic services and healthcare services are 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 India and has a share of ownership in the Indian hospital group MaxCure. 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 in many cases a lack of well-developed State-funded healthcare offering high quality health and patient service. As the economies of these countries have grown, the expectations of local citizens for healthcare quality and choice have increased. These factors have 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 and functions as an effective and appreciated complement to publicly funded care.

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

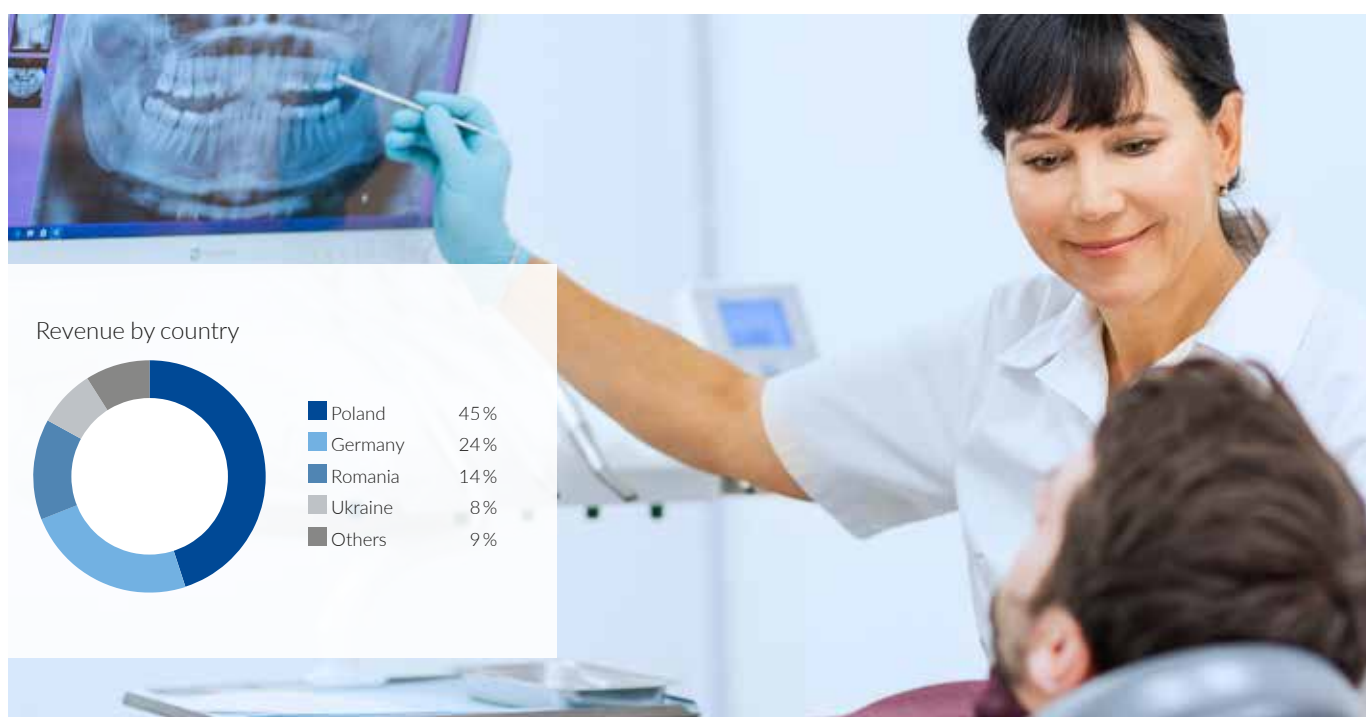
### ■ Fee-For-Service (FFS)

In the FFS model the patient or other payer pays an amount for each specific service provided – normally at the same time as 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 or an insurance) 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 offers both these private payment models. In 2018 about 80 per cent of its revenue came from private payment. In the Diagnostic Services division, private payment represented a 62 per cent share of revenue in 2018, compared with a share of 97 per cent in the Healthcare Services division. Dependence on public funding is therefore 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. Medicovert 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 healthy living.

## KEY MARKETS

### Poland

Medicovert 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 with a significant margin. 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 2017–2018, the Polish private healthcare market, excluding expenditure on pharmaceuticals, is estimated to have grown at a compounded annual rate of 9.3 per cent.

### Germany

Medicovert entered the German diagnostic services market in 2008 and the healthcare services market in 2016. It is present primarily in the north-eastern part of Germany with its laboratories, and all over Germany with its clinic network. 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 113 in total in 2017) covering approximately 90 per cent of the population, and private health insurance (PHI) covering approximately 10 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 level responsible for ensuring service provision according to the rules set centrally. Because the public healthcare system is below the EU average standard and its quality is low, the private sector has developed 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). Following the strong recovery in 2016-2017 (with the economy growing by 4.5-6.0 per cent per annum), driven by robust domestic demand, the pace of economic growth slowed a bit to a still strong 4.2 per cent in 2018. In addition, the unemployment rate declined from 5.0 per cent in December 2017 to 4.2 per cent in December 2018. 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.

Additional measures to bring the Ukrainian healthcare system closer to the EU's, such as increased funding and a structural change towards a system where the money follows the patient, are being implemented, 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. Medicover's diagnostic network in Ukraine annually services more than two million unique customers which represents more than 10 per cent of the population in the geographic area covered, showing the wide spread demand for our services.

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.

### India

Medicover entered the Indian market in 2017. The company has 15 fertility clinics, mostly located in the Delhi area, and a substantial minority share in the hospital group MaxCure. The Indian healthcare sector is growing at a rapid rate due to a rising population and the development of previously less urbanised regions, resulting in more public spending and investments by private healthcare providers. The Indian healthcare system is divided into two main sectors – public and private. The public sector covers mainly basic healthcare, while the private sector provides the majority of more complex services with high concentration in the major cities. The hospital segment is particularly interesting, with private facilities holding a dominant position, supported by well-developed and growing hospital insurance products. Medical tourism has increased significantly at between 22 and 25 per cent a year and its value may reach \$6 billion by the end of 2018. Outlay on medical care has also increased over the past few years and now represents 1.4 per cent of gross domestic product. The increasing proportion of wealthy people in the Indian population combined with the higher standard of medical care now expected has expanded the opportunities for premium services.

### Market data

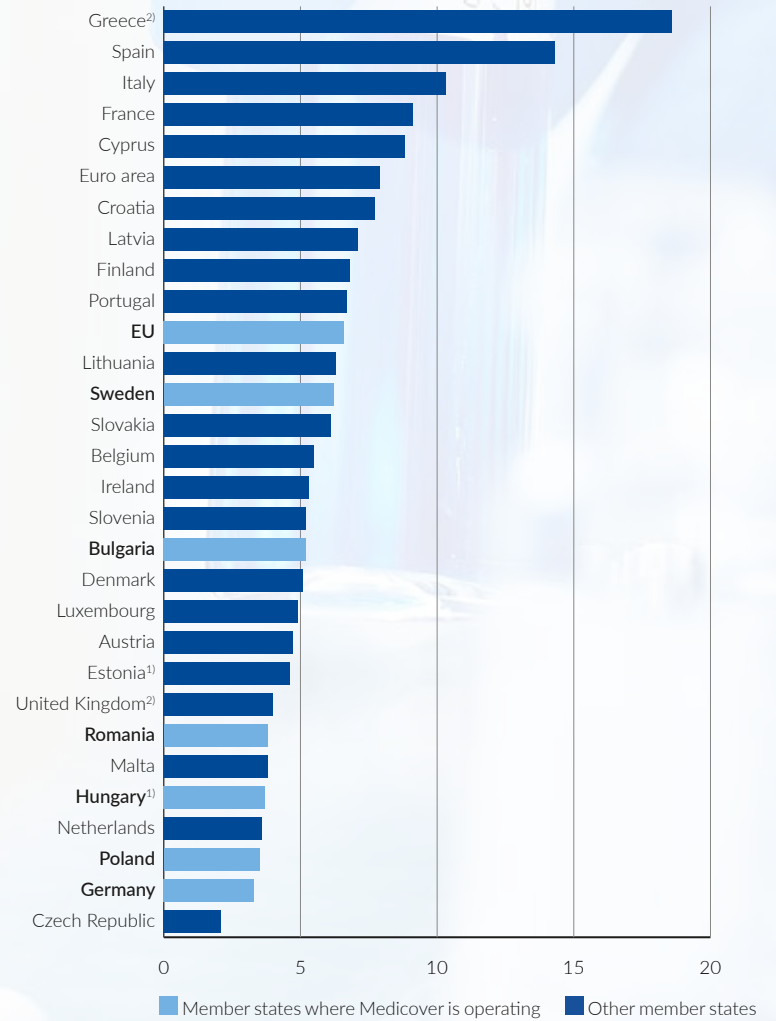
	Poland	Germany	Romania	Ukraine	India
GDP per capita, PPP (current international \$) <sup>1)</sup>	29,122.1	50,638.9	26,656.8	8,666.9	7,059.3
GDP growth, annual %	4.8	2.2	7.3	2.5	6.7
Unemployment rate, % <sup>2)</sup>	3.5	3.3	4.2	9.5	6.1
Employment rate, 2018 %	68.0	76.3	66.2	67.3	-
Population, million	38.0	82.7	19.6	44.8	1,339.2

<sup>1)</sup> PPP = Purchasing Power Parity.

<sup>2)</sup> 2018 statistics for Poland, Germany, Romania and India.

Sources: Eurostat, the World Bank, Private healthcare market in Poland, PMR 2018, Private healthcare market in Romania, PMR 2018, Romania Economic and Business Outlook, MEA 2019 and The assessment by the National Sample Survey Office (NSSO). Figures refer to 2017 unless otherwise stated.

Unemployment rate in member states of the European Union in December 2018 (seasonally adjusted)



<sup>1)</sup> as of November 2018. <sup>2)</sup> as of October 2018.

Source: Eurostat

## DIAGNOSTIC SERVICES

# A full-scale provider of tests from routine to advanced

The Diagnostic Services division, which was established in 1997, has operations in Germany, Romania, Ukraine, Poland, Belarus, Moldova, Serbia, Turkey, Georgia and Bulgaria. However, the four largest geographic markets represent 88 per cent of revenue. The division accounted for 49 per cent of total revenue in 2018. 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 98 million tests in 2018 a growth of 7.3 per cent over 2017. The division currently operates a total of 95 clinical laboratories and 570 blood-drawing points (BDPs) across ten countries.

Many of Medcover's key markets have a strong dependency on private payers, except for Germany which is predominantly publicly funded. The markets are also structured differently. Outside the German market patients either go to a physician who refers to a BDP or go directly to a BDP which collects blood samples for testing at a laboratory. In Germany, patients go to a physician who collects blood samples for testing at a laboratory. In 2018 private payments made up 62 per cent of Diagnostic Services' revenue, and public payments made up 38 per cent of revenue. 32 per cent of the division's revenue relates to the public funding in Germany.

### Testing

Today, diagnostic testing ranges over every stage of patient care: predisposition testing, prevention, diagnostics, theranostics (the new science of combining therapy and diagnostics for individual patients) and monitoring of treatments. There is a trend within diagnostics with increased attention to prevention besides treatment, and a correct diagnosis is a prerequisite for good healthcare provision. Modern medicine depends on many different diagnostic techniques, and roughly 65 per cent of global healthcare treatment decision involves diagnosis. 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.

## DIAGNOSTIC SERVICES' BUSINESS MODEL - THE PATIENT IS THE CENTRE OF OUR ACTIVITIES

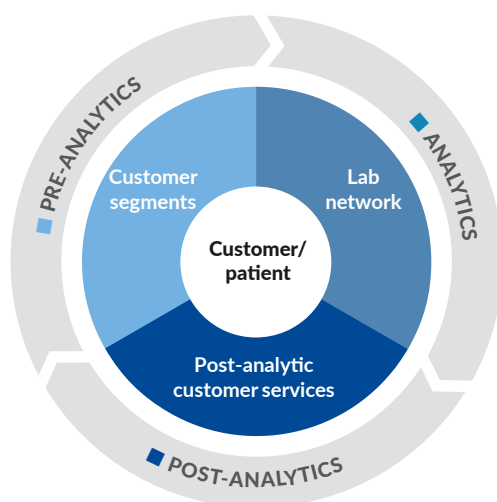
### PRE-ANALYTICS

#### Customer segments

- Patients
- Doctors
- Clinic networks
- Contact
- Education

#### Key success factors in pre-analytics

- Provide a strong BDP network
- Efficient logistics network
- Diversified customer base



### ANALYTICS

#### Lab network

- Hospital lab
- Regional lab
- Specialised lab
- Central lab

#### Key success factors in analytics

- High volume routine testing
- Broad test menu
- Capabilities in advanced diagnostics
- International lab network
- Integrated IT system

### POST-ANALYTICS

- Result interpretation
- Web services
- Data storage

Today Medcover's Diagnostic Services offers a broad range of routine to advanced tests covering the whole span from early diagnosis to prevention.

In 2018, routine tests represented 66 per cent of revenue, while advanced tests represented 34 per cent of revenue but only 4 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, genetics and non-invasive prenatal testing (NIPT). In 2018, further investments in capabilities for advanced testing were made. A leading genetic laboratory in Germany was acquired and a collaboration regarding NIPT tests was launched.

#### Examples of areas:

- 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.
- Genetic testing is a type of medical test that identifies changes in chromosomes, genes or proteins. The results of a genetic test can confirm or rule out a suspected genetic condition or help determine a person's chance of developing or passing on a genetic disorder.
- Non-invasive prenatal testing (NIPT) is a type of genetic test that screens for birth defects and inherited diseases.

#### 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 Medcover to capture a vast coverage and provide a wide range of tests regardless of location.

**Central and regional laboratories:** At the end of 2018 Medcover operated 6 central laboratories providing advanced diagnostics

as well as support for clinical trials. These centralised laboratories act as hubs in the country of operation and conduct routine tests, immunology tests and advanced tests (including histopathology and genetics). There are a total of 49 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 2018 Medcover operated 29 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 2018 Medcover ran a total of 11 laboratories providing centralised services in a dedicated field such as special immunology, genetics and histopathology.

**BDPs:** At the end of 2018 Medcover operated a total of 570 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 Medcover's laboratories where these are analysed.

**Medcover Clinics:** In 2016 Medcover entered the German clinical services market. At the end of 2018 Medcover ran a total of 23 clinics in Germany specialising in 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

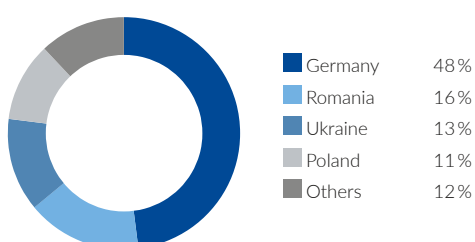
Medcover provides its diagnostic services to hospitals and to public and private medical facilities as well as to doctors and patients. However, due to diverse regulatory environments and market dynamics, Medcover tailors its approach to each market.

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

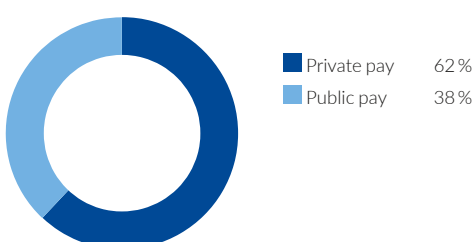
#### Operations by key markets

	Revenue, EURm	Total number of laboratories	Central labs	Regional labs	Hospital labs	Specialised labs	Medcover clinics	BDPs	Lab tests (million)
Germany	169.0	16	2	4	6	4	23	-	34.8
Romania	55.3	17	1	10	5	1	-	97	13.3
Ukraine	46.8	7	1	6	-	-	-	232	17.8
Poland	40.7	32	1	12	13	6	-	96	23.5
Others	43.9	23	1	17	5	-	-	145	32.2
Intra-segment	-19.0								
<b>Total</b>	<b>336.7</b>	<b>95</b>	<b>6</b>	<b>49</b>	<b>29</b>	<b>11</b>	<b>23</b>	<b>570</b>	<b>98.1</b>

#### Revenue by country



#### Revenue by payer



## HEALTHCARE SERVICES

# Ranging from consumer care to specialist care

The Healthcare Services division was established in Poland in 1995 and now has operations in Poland, Romania, Hungary, Ukraine and India. The division accounted for 51 per cent of total revenue in 2018. Its main activities range from consumer to specialist healthcare and inpatient care and are targeted at both corporate and private customers and patients. Medcover currently runs 108 medical clinics, 23 fertility clinics, 17 hospitals and 26 dental clinics.

The backbone of Healthcare Services' operations is the Integrated Healthcare Model, which generated 59 per cent of the division's revenue in 2018. The Integrated Healthcare Model primarily targets corporate customers, offering prepaid insurance/membership solutions to their employees, managing access to healthcare and also providing care through Medcover's own networks of clinics, hospitals and local healthcare providers.

The remaining 41 per cent of revenue consists of 38 per cent generated through a Fee-For-Service (FFS) payment model, where the customer pays for healthcare services as they are used, and 3 per cent generated through public funding. The public funding part relates mainly to services conducted at Medcover's Wilanow hospital in southern Warsaw.

Poland is the dominant market with 78 per cent of divisional revenue, followed by Romania, Hungary and Ukraine. In 2017 Medcover expanded into India which is expected to become a significant market over time. At the end of 2018 Medcover was operating 15 fertility clinics in India, mostly located in the Delhi area. Medcover also holds an effective 45 per cent share in MaxCure, which was operating a total of 11 hospitals in India at the end of 2018.

### 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

## HEALTHCARE SERVICES' BUSINESS MODEL

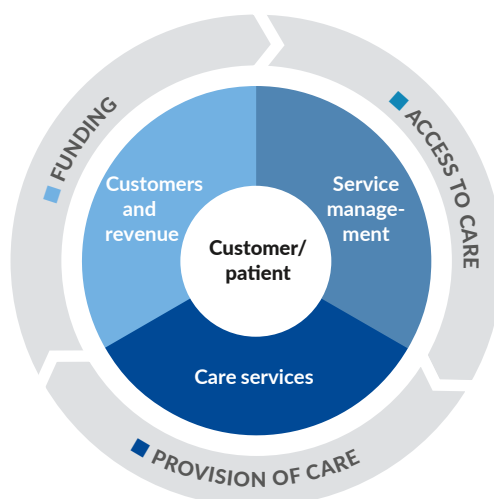
### FUNDING

#### Customers and revenue

- Funded (groups and individuals)
- Public funding
- Fee For Service (individuals)

#### Key benefits for Medcover

- Integrated care model allows customer centricity and operating efficiency
- More credibility than stand alone insurer as care is provided
- Better access to quality
- Better understanding of costs of care enables more accurate pricing, more of every euro delivered back as care to our customers
- High client retention and revenue model allows investment in prevention and healthy lifestyle education



### PROVISION OF CARE

#### Care services

- Ambulatory clinics
- Hospitals
- Network providers
- Specialist services

#### Key benefits for Medcover

- Predictable revenue enables long-term investment and healthcare planning
- Ability to coordinate care provision across multiple facilities
- Manage outcomes, quality and cost
- Training and education of our medical staff

### ACCESS TO CARE

#### Service management

- Telemedicine
- Online service access
- Customer service
- Medistore

#### Key benefits for Medcover

- Better ability to control appropriateness and quality of care efficiency
- Better customer service

»In 2018 the number of online medical interventions grew by 17 per cent to 1.1 million.«

raising funds through memberships and providing access to healthcare 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 provided which enables more accurate pricing and most importantly, ensuring as much as possible of our premium revenue received is provided back as quality core-services to our customers. Through the Integrated Healthcare Model, we are able to provide more customer centric services, the right care at the right time and the right location while reducing waste and improving operating efficiency.

By year-end 2018 Medcover had a membership-base in excess of 1.2 million members, representing 18.1 per cent growth over 2017. The growth is driven both by an increased number of employees at current clients and by new corporate clients. 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 providers, affiliated hospitals and laboratory services.

Members can also opt for 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 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:

**Hospital care:** Medcover operates 17 hospitals throughout its geographies. 11 of these hospitals are part of the MaxCure group in India where Medcover holds a minority ownership, which is expected to be further increased in 2019.

**Fertility:** Medcover operates 23 fertility clinics across Poland, Ukraine 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 85 per cent of Medcover Fertility's revenue in 2018 was FFS.

**Dental care:** Medcover currently runs a total of 26 dental facilities in Poland. The clinics offer a broad range of services, including implants and prosthetics, orthodontics, paediatric dentistry and periodontics. Over 60 per cent of this revenue now comes from FFS and the remainder from services provided to pre-paid 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 operate 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 medication, 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 MediClub and was introduced as a way to differentiate Medcover from other service providers and attract a new segment of more health-conscious customers.

Hospital statistics	MaxCure, India	Romania	Poland
Number of beds	1,750	285	206
Number of patients served	474,587	324,892	208,993
Number of interventions and surgeries to save lives	109,279	787	8,096



**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.

#### 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 the 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 2018 the number of online medical interventions grew by 17 per cent to 1.1 million.

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.

**OK System:** In 2018, Medcover acquired OK System, a sports/fitness employee benefit system in Poland, in order to expand the offering to our business-to-business community.

**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 over 100,000 monthly visitors, and is growing 37 per cent year on year.

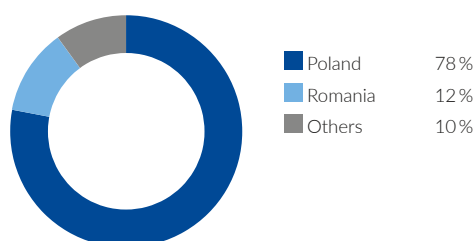
**E-member:** a self-service platform for corporate customers, offering a range of services such as online enrollment, healthcare policy management, access to medical and occupational reports and e-invoicing.

#### Operations by key markets

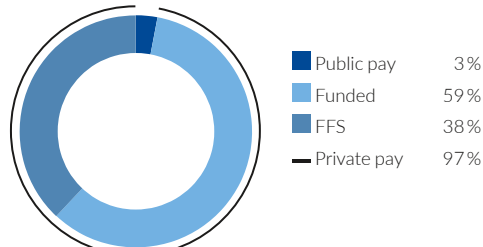
	Revenue, EURm	Centres	Hospitals <sup>1)</sup>	Fertility	Dental	Members (thousand)	Visits (million)
Poland	277.5	83	3	5	26	858	5.3
Romania	42.2	23	3	0		229	0.8
Others	33.8	2	11	18		122	
Intra-segment	-7.4						
<b>Total</b>	<b>346.1</b>	<b>108</b>	<b>17</b>	<b>23</b>	<b>26</b>	<b>1,209</b>	<b>6.1</b>

<sup>1)</sup> Including 11 MaxCure hospitals in India.

#### Revenue by country



#### Revenue by payer



## OUR PEOPLE

# Shaping the future of healthcare, together

Medicover's people work to improve and sustain the health and wellbeing of our patients. Our dedication and competence make a real difference. Together, we are shaping the future of healthcare.

### Our approach

Medicover's business begins with caring for our own people. We support our employees so they can do their very best for customers and patients, and we develop them so they can enjoy a fulfilling career.

Medicover's success depends on our ability to create the right culture to engage and develop our employees. With the right conditions and tools in place, we can grow and achieve more together. This is why Medicover is so committed to attracting, recruiting, retaining and developing the best people.

Everything we do, including how we approach human resources management, derives 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 21,000 people in more than ten countries make up Medicover. Together, we work to make healthcare better and more accessible for more people. Around two thirds of Medicover's team are medical professionals: doctors, nurses, specialist medical technicians and laboratory specialists of which 78 per cent are women. More than 74 per cent have a university degree, and the average age is 41. We are proud to have a diverse and well educated workforce.

Around two thirds of our workforce is employed by Medicover. The rest, mainly medical professionals, are self-employed and contracted by Medicover. We also hire temporary resources to accommodate the needs of patients, for instance during flu and allergy seasons. Our aim is to have long-standing relationships with everyone working at Medicover. Medicover grew by more than three thousand new colleagues in 2018. Our ability to retain and engage our staff and recruit new colleagues is a critical business success factor.

### Working at Medicover

Working at Medicover entails having an engaging experience with an evolving company. We take a long-term view and are



20,970  
co-workers

>10 78%  
countries women

>74%  
have a university degree

104,000  
hours of training

continuing to grow our operations in existing and new markets. Our dedication to excellence is evident – we continue to improve the quality of care and services as well as financial performance.

Apart from skills and qualifications that suit our needs, we look for people with positive and forward-looking attitudes. We also know that competence can come in any package, and welcome diversity in the broadest sense. Our culture of inclusion creates an atmosphere where everyone can contribute, learn and grow. We would like everyone who joins Medcover to be in for a rewarding journey.

### Clear leadership profile

Our leadership displays Medcover's values: we emphasise passion for quality in everything we do, and encourage empowerment and entrepreneurship. Anyone can suggest targets and achieve them in the way they see fit. Consistent evaluation promotes performance and accountability.

Medcover has defined how our leaders need to behave to deliver the company's strategic ambitions. We focus on transactional, transformational and innovative leadership. Essentially, this means that leadership starts with self-knowledge and individual performance. The next step is about leading others. The final step entails being able to innovate and enabling others to innovate.

### Leadership programmes

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

Medcover also works in partnership with several excellent educational institutes, for instance Roffey Park Institute in the UK and MIM Business School in Ukraine.

We use a common process to evaluate the performance of Medcover's leaders throughout the company. The process focuses on continuous improvements and development. The performance of senior managers is also measured against business objectives, including financial targets.

### Continuous development

Medcover is dependant on dedicated and highly skilled people. In addition to professional skills, we value four specific capabilities: thinking and behaving in line with Medcover's 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. Identifying and developing these capabilities is embedded in all major HR processes, from recruitment to appraisals and leadership development.

There are many ways for Medcover employees to develop, from everyday learning on the job to formal training and education. Development opportunities are offered depending on each person's role, area of expertise, motivation and potential. During 2018 Medcover invested 104,000 hours in training, which corresponds to 1.4 days per full-time employee.

### Educating nurses

Some of Medcover's training programmes are very comprehensive. For instance, we educate nurses. In last year, over 650 students in Ukraine and 200 in Poland have received training through Medcover's nursing programmes.

### Innovating together

To facilitate joint innovation within Medcover, we have set up an innovation hub, Health Innovators by Medcover. Anyone at Medcover can submit ideas on how to develop the company and our services. Many ideas are turned into development projects, for instance to improve efficiency and quality.

### Wellbeing at Medcover

We help our employees to stay safe, healthy and productive. Medcover ensures safe workplaces in accordance with legal requirements and industry standards. Everyone receives comprehensive training in workplace health and safety.

We take a holistic approach, knowing that everyone working at Medcover is affected by various 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 ionising radiation as well as chemical and biological hazards. In every case, we provide our employees 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.

Finally, Medcover maintains a work environment where everyone is treated equally and fairly. Our approach is defined in the Medcover Code of Conduct. During the past year we revised our Code of Conduct and distributed it to all managers and employees. We will continue these efforts in 2019 by raising awareness through various training initiatives.

### Engaged employees

We have several ways to ensure and monitor the wellbeing and engagement of our employees. Our most comprehensive tool is the Medcover Employee Opinion Survey, which is conducted across the company. The survey focuses on engagement. More specifically, we examine alignment (understanding and supporting the strategy of the company), involvement and loyalty.

Medcover continues to outperform the benchmark. We do well in many important areas: our employees see their job as interesting, are motivated to do their best, can see how they contribute to the company's overall performance, and believe there is a clear focus on quality and great customer service. The result from the survey is followed up by the local teams.

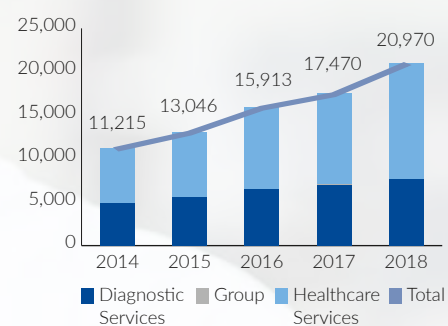
All teams work with their respective development areas, and with their strengths. Progress will be followed up throughout the whole company.

### Dedication beyond the job

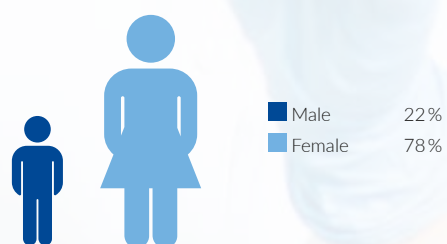
The dedication of Medcover's employees goes beyond their jobs. During the year, more than 850 volunteered to assist in 50 projects that benefited more than 4,500 people. Our people offer their compassion, time and professional knowledge to those who need it.

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

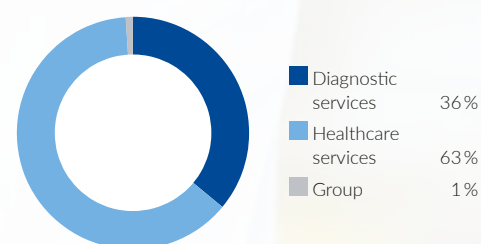
Read more about the Medcover Foundation on page 29.

Number of co-workers<sup>1)</sup><sup>1)</sup> Has been restated to include the seasonal workforce.

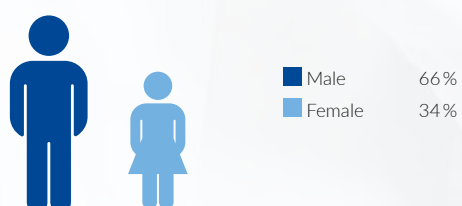
Co-workers by gender, %



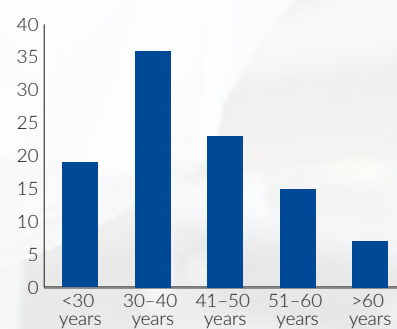
Number of co-workers by segment, %



Managers by gender, %



Age Structure, %



## SUSTAINABILITY

# A mission to improve health and wellbeing

**Medicover's mission is to improve and sustain the health and wellbeing of its customers in the best possible way. We aim to be a responsible and sustainable company by doing what we do as well as we can. Medicover is still driven by the ambition to deliver the highest standards of healthcare and to constantly develop.**

For Medicover sustainability means understanding our role in society and making responsible, long-term decisions in the areas that we can influence. We develop quality healthcare by working together and maintaining a dialogue with our customers, employees and other important stakeholders. Read about Medicover's business model on pages 6-7. Sustainability is handled by several departments and as a part of the operations of Medicover's divisions. Medicover is committed to the fundamental principles of human rights, labour rights, the environment and the fight against corruption.

Our work is based on our values and committed employees as well as dialogue and cooperation with our stakeholders. During the financial year we developed a framework for sustainability. In order to facilitate sustainability work, we have developed policy documents that reflect Medicover's material sustainability aspects. This includes updating and developing several steering documents: the Medicover Code of Conduct, Medicover Supplier Code of Conduct, Medicover Environmental Policy, Medicover Whistleblower Policy and Medicover's Anti-Bribery Policy.

## PREVENTION AND EDUCATION

### ■ Our commitment

Medicover strives to contribute to a sustainable society and our sustainable business generates value for our stakeholders. Medicover's mission begins with prevention and education. The earlier our medical professionals are able to intervene, the better the outcome. When it comes to education, we engage with stakeholders internally and externally to promote health and wellbeing. Medicover invests in different kinds of capacity-building and support, both as a part of company operations and through the Medicover Foundation.

Medicover's approach to prevention and education consists of several building-blocks. Firstly, the care and services offered to customers and patients form the core of our business. 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. Importantly, the Medicover business model aligns operating incentives with our sustainability targets, the better and more healthy our customers are, the better our business performs.

### **Diagnostic Services**

Medicover's Diagnostic Services division is largely centred around early detection, prevention and monitoring of treatments – most medical treatments are based on some type of testing. In addition to offering a broad range of routine laboratory tests, Diagnostic Services is increasing its focus on advanced testing and advice. The broader the test-panel offered the more likely we are to support the clinicians to offer the correct diagnoses, as early as possible in the disease process. Advanced tests are conducted in the fields of specialist pathology (for instance, molecular pathology and genetics) and histopathology.

### **Healthcare Services**

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. Medicover's Prevention Standard 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, Healthcare Services carries out anonymised health analyses of corporate clients' employees. The purpose is to suggest and implement preventive actions to suit the needs of specific employee groups. The offer includes workshops, seminars and campaigns around topics like healthy eating, heart health and stress management. We also offer corporate health reports.

### **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, in the Medicover Hospital in Warsaw and in Medicover clinics throughout Poland. The partnership is a response to a shortage of nurses in Poland and insufficient practical preparation of graduates.

Medicover Romania has teamed up with 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 offers several training programmes for nurses, both internally and externally. One example



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

is 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 among nursing school students. Currently Medicover is just finalising the third year of the Queen Silvia Nursing Award in Poland.

### **Boosting the healthcare sector**

Medicover helps to develop and increase competence and knowledge in the healthcare sector in several countries of operation. For instance, Diagnostic Services holds hundreds of educational events each year. The events attract thousands of healthcare specialists in Germany, Romania, Ukraine and other countries. Medicover also offers various online resources for healthcare professionals. One example is *Inflammatio.de*, where doctors can access e-learning programmes, webinars, research papers and more.

### **The Medicover Foundation**

The Medicover Foundation was established to add to the company's mission of maintaining and improving health and wellbeing. Its purpose is threefold: to educate about the power of preventive medicine, to inspire healthy living, and to support communities in special need. Medicover's extensive medical expertise and resources form the basis of the Foundation's programmes.

Diabetes is one of the Medicover Foundation's main focus areas. The Foundation's diabetes prevention programme for school children was launched in 2013 in Poland (PoZdro!), and in 2017 it was duplicated in Romania (inCerc). These are now two of the largest prevention programmes of their kind in Europe. The diabetes programmes involve individual health screening and coaching, complemented by parental support groups and school programmes. The PoZdro! Programme is present in 4 Polish cities

and in total 3,500 children have been qualified to health coaching, in total 45,000 individual visits to families whose children are at risk of developing diabetes type 2 have been completed. More than 50 per cent of families are showing positive results. InCerc is present in two Romanian cities and 75 schools are participating in the programme. By the end of 2018 more than 2,900 children had been screened. Results from the screening shows that 21 per cent are obese and 14 per cent are overweight. At the moment 405 children have been qualified to health coaching. Screening and coaching will continue in 2019. These efforts have been made possible through a significant donation from the Jonas and Christina af Jochnick Foundation.

### **■ Activities in 2018**

During 2018 Medicover's Diagnostic Services division expanded and improved several offerings. A major contribution was the acquisition of one of Germany's leading laboratories for genetic diagnostics. The laboratory is particularly strong in genetic testing, pathology, transfusion medicine, microbiology and virology and will boost Medicover's offering in these areas. Diagnostic Services also initiated a collaboration with a laboratory in Cyprus with a comprehensive range of non-invasive prenatal testing. The offering of the laboratory currently reaches 16 countries and the goal is to make it available in all Medicover markets.

Diagnostic Services also continues to develop in the field of genetic counselling. Medicover believes in integrated diagnostics, where advanced testing is conducted, the results are transformed into meaningful insights and advice is provided so that patients can make informed decisions.

During 2018 Healthcare Services further developed its holistic approach to health and wellbeing. For instance, Healthcare Services broadened its offering to include a gym access membership. Instead of joining one gym, users get access to an entire network of different fitness centres. This makes fitness become an integral part of healthcare and wellness instead of being viewed mainly as an optional leisure activity. 60,000 people in Poland currently enjoy this benefit.

## 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 Medcover's core values, among which passion for quality is at the forefront.

The advice, care and treatment that Medcover provides must be safe, appropriate and cost-effective, giving a good experience and an outcome that benefits the patient. 'Appropriate' means the right treatment at the right time provided by the right clinician in the right place; while 'cost-effective' is about delivering good outcomes at the best price for Medcover's customers and patients.

Quality of both care and services is also crucial for Medcover to stay successful. Maintaining quality and effectiveness strengthens our position and enables us to attract the best medical practitioners.

### A wide range of quality indicators

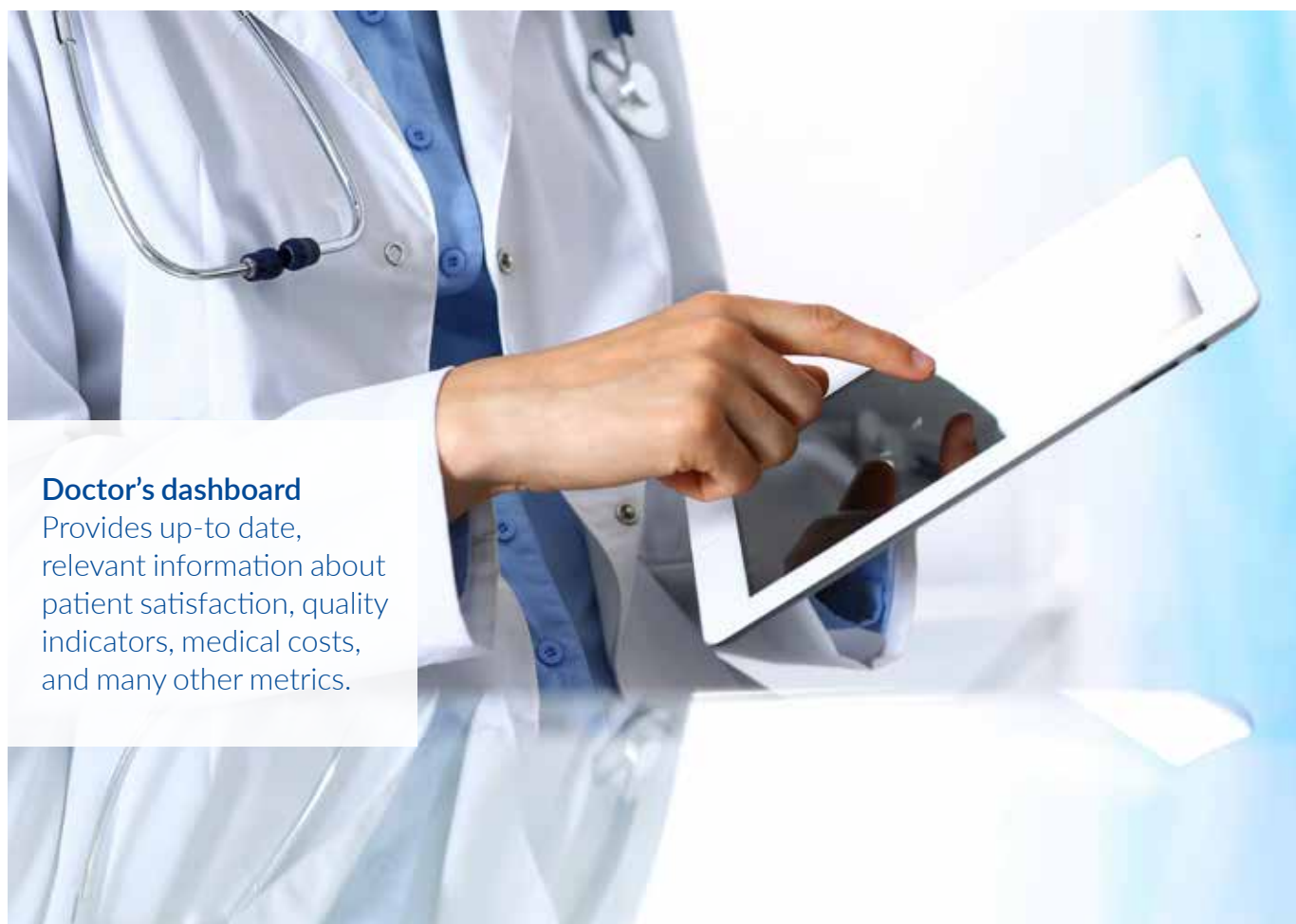
We currently manage quality at the division or country level while continuing our efforts to establish a unified approach for the whole Company. Medcover's Healthcare Services division applies a quality policy to guide its quality targets. The quality management system used by our Diagnostic Services division is ISO-certified. Both divisions apply 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 needs.

Each physician is assessed by clinical outcomes as well as by their attitude, effectiveness of decisions and customer satisfaction. Overall, the satisfaction of patients visiting Medcover's medical facilities is well above 90 per cent. Our patients are also willing to recommend Medcover – the Net Promoter Score for Medcover is higher compared to main competitors.

### ■ Activities in 2018

In 2018 we continued to develop a common approach to quality. Part of this aim is to define high-level key performance indicators to be used across the entire Company. Our Medical Advisory Council, which was established last year, met three times. During the year, the Council focused on clinical indicators in Medcover's hospitals to seek best practices, learn from it and extend it to other units. In addition, we can learn from the practices of our fertility centres, which have exceptional quality assurance.

Defining and applying the right indicators is both a challenge and an opportunity to further develop high quality operations and services. The standard indicators currently used in our sector and our company principally focus on safety and on appropriateness of care. In the longer term we also want to capture and communicate clinical outcomes, that is the health benefits gained from treatment. Medcover's Healthcare Services division has begun using surveys to see how patients in Poland view their treatments and the resulting outcomes.



### Doctor's dashboard

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



## ACCESS TO CARE

### ■ *Our commitment*

Medicover is continuing to expand in order to reach even more customers and patients in both existing and new markets. We are improving access to care by digitalisation and by capacity-building.

By providing quality care and services, Medicover improves health, ensures customer satisfaction and drives growth in our main markets in Central and Eastern Europe and Germany. Medicover also reaches 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 6–15.

Innovation is key to meeting clients' needs and expectations. Medicover constantly searches for new ways of meeting, diagnosing and treating clients and patients. An increasing portion of patients' interaction with Medicover now 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, and can also communicate with their physician via messaging and video or voice calls.

Medicover's Diagnostic Services division uses modern technology to make vast improvements in services, access and efficiency. 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. With improved efficiency, Medicover is able to advise and treat more patients even more effectively.

### ■ *Activities in 2018*

Healthcare is being reinvented and many improvements are enabled by digitalisation. In 2018 Medicover's Diagnostic Services division further developed its e-commerce initiative. The purpose is to increase access to Medicover's labs, for instance by providing patient information and making it possible to purchase tests online. Through efficient online ordering and processing we can free up valuable time to our customer's benefit. This is done in collaboration with Medicover's Healthcare Services division. The initiative is still in its early stages, but over time we aim to generate easier access and a significant proportion of revenue from online access.

During 2018 Diagnostic Services also established 69 new blood-drawing points to further improve access.

Healthcare Services increased access to its services by, among other things, developing its digital resources. Around 200,000 people now use Medicover's app. Using the app, customers can book appointments, access test results, interact with their physician and get prescriptions. The app has several new features – for example, by sharing location, patients can register appointment simply by walking into the clinic.

Healthcare Services also improved several processes, for instance its treatment practices for back-pain. Bringing services together in specialist units produced better medical outcomes and increased customer satisfaction while lowering costs.

## BUSINESS ETHICS

### ■ Our commitment

Being entrusted with our customers' health is a responsibility Medicover takes 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 has zero tolerance of non-compliance with rules and regulations.

Medicover operates in a sector that faces risks within bribery, corruption and political risks. Read more about Medicover's risks and risk management on pages 44–47 and in note 24.

### Policies to guide our business

Medicover Code of Conduct, which was implemented in 2006 and most recently amended in 2018, sets out the ethical standards we expect of everyone working at Medicover. The Medicover Code of Conduct is the foundation of the Group's sustainability efforts, guiding our business and supporting sound decisions. The Medicover Code of Conduct reflects the company's material sustainability aspects and values. Medicover's sustainability work also builds on the UN Global Compact; The Ten Principles, human rights, labour law, environment and corruption. The Medicover Code of Conduct contains guidelines about the requirements we place on ourselves. Further, during the year Medicover Supplier Code of Conduct was adopted. The Medicover Supplier Code of Conduct also builds on the UN Global Compact and contains guidelines about requirements we place and expect from our business partners.

Medicover takes a zero-tolerance approach to bribes and

corruption, and the Medicover Anti-bribery Policy, expanding on the Medicover Code of Conduct, also contains clear guidelines and requirements on such matters.

Medicover applies a Code of Ethics developed specifically for our fertility centres. Frequent advances in the technology and science of fertility medicine are constantly raising new ethical dilemmas. The 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 2018.

### ■ Activities in 2018

During the year, implementation of the amended Medicover Anti-Bribery Policy began. To start with, anti-bribery and anti-corruption e-learning is being rolled out for management in local languages.

We also adopted a Medicover Whistleblower Policy. Its purpose is to enable employees to report their concerns about serious wrongdoings committed by a person holding a senior position.

Medicover Supplier Code of Conduct was adopted in 2018 and Medicover's 30 biggest suppliers signed it to verify that they will comply with the Medicover Supplier Code of Conduct.

A Corporate Compliance Officer joined in early 2019, to further boost Medicover's group-wide efforts in business ethics.





## AN ATTRACTIVE EMPLOYER

### ■ Our commitment

Medicover strives to be an attractive employer. At Medicover we care about each other and our stakeholders, and we show consideration for our customers, business and stakeholders. In order to attract and retain committed and engaged employees we offer fair, decent and safe working conditions and strive for our employees to be happy and engaged. We also see ourselves as an inclusive employer which promotes diversity and inclusion and sees the benefits in different competences, backgrounds and viewpoints.

Medicover wants to have committed employees. We are therefore working continuously with skills development, career planning and the promotion of our employees' health and well-being. As an employer, we are determined to provide secure and safe workplaces that are free from discrimination and harassment and where all employees are treated equally and with respect. We also strive to have a dynamic equal and diverse workplace. Read more about our workforce, initiatives and KPI's on pages 25–27.

## ENVIRONMENTAL CARE

### ■ Our commitment

Medicover strives to decrease the company's environmental impact over time. We view environmental care as part of human health and wellbeing, and during the year we developed Medicover's first Group-wide environmental policy and the implementation of the policy was initiated.

Medicover's main environmental impacts and risks are related to energy use in our hospitals, clinics and other premises; from various equipment and materials; from external and internal transport; and from waste.

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 according to schemes such as EMAS.

Currently, our focus is to ensure compliance with all applicable rules and regulations as well as the environmental policy and to manage environmental risks. Our operations also achieve environmental gains by focusing on efficiency and cost.

# FINANCIAL REPORTS





## CONTENTS

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Information about the share	36
Management report	38
Risk and risk management	44
Corporate governance report	48
Board of directors	54
Executive management	56
Financial reports	58
Board of directors assurance	96
Auditor's report	97
Auditor's report on the statutory sustainability report	101
5-year financial review	102
Definitions and glossary	104
Information to shareholders	105

## 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 27.1m and the quota value is EUR 0.2 per share. Medicover has three classes of shares: 79,204,796 class A shares which carry one vote, 54,130,399 class B shares which carry one tenth vote and 2,400,000 class C shares which carry one tenth vote. The total number of votes is 84,857,835.9.

### Share performance and volume

During the year the highest closing price paid was SEK 89.60 on 8 November and the lowest closing price paid was SEK 60.80 on 22 March. Highest bid price during the year was SEK 91.80. The Company's market capitalisation at year end amounted to SEK 9.9 billion. The share price increased by 16.4 per cent since year-end 2017. Total share turn-over amounted to 17,091,964 with a daily average volume of 68,368 shares.

### Shareholders and ownership structure

At 28 December 2018 Medicover had 2,150 (2,240) shareholders. Ownership outside of Sweden corresponded to 35.0 per cent (260 shareholders) of the total share capital and 27.5 per cent of the voting rights. Financial and institutional shareholders held 87.5 per cent of share capital and 88.3 per cent of the voting rights and private shareholders 12.5 per cent of share capital and 11.7 per cent of voting rights.

### Dividend

There will be no dividend payable to shareholders for the financial year 2018, but from the financial year 2019 onwards, the board of directors will consider an annual dividend of up to 30 per cent of net profit. The proposed dividend will take into account Medicover's long-term development opportunities and its financial position. Class A and class B shares are entitled to dividends, but class C shares are not entitled.

### Silent period

Medicover maintains a silent period beginning 30 days prior of publication of interim and year-end reports. During the

	28 Dec 2018	Capital, %	Voting rights, %
Class A shares	79,204,796	58.3	93.3
Class B shares	54,130,399	39.9	6.4
Class C shares	2,400,000	1.8	0.3
<b>Total number of shares</b>	<b>135,735,195</b>	<b>100.0</b>	<b>100.0</b>

	Number of shareholders	% of shareholders	Capital, %	Votes, %
Private shareholders	1,709	79.5	12.5	11.7
– of which based in Sweden	1,666	77.5	12.3	11.7
Institutional shareholders	441	20.5	87.5	88.3
– of which based in Sweden	224	10.4	52.7	60.8
<b>Total</b>	<b>2,150</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
– of which based in Sweden	1,890	87.9	65.0	72.5

Source: Euroclear as of 28 December 2018

Number of shares	Number of shareholders	% of shareholders	Capital, %	Votes, %
1–500	1,348	62.7	0.2	0.03
501–1,000	236	11.0	0.1	0.03
1,001–5,000	281	13.1	0.5	0.09
5,001–10,000	74	3.4	0.4	0.08
10,001–50,000	110	5.1	1.8	0.39
50,001–100,000	23	1.1	1.3	0.38
100,001–	78	3.6	95.7	99.00
<b>Total</b>	<b>2,150</b>	<b>100.0</b>	<b>100.0</b>	<b>100.00</b>

Source: Euroclear as of 28 December 2018

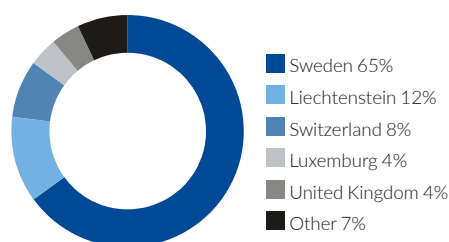
Long-term performance-based share program	Plan 2018	Plan 2017
Approval date, general meeting	26 April 2018	31 March 2017
Maximum no of shares to be allotted	1,004,000	938,000
% of total shares	0.007	0.011
% of voting rights	0.001	0.001
Number of co-workers offered to participate	50	45
Number of participants at inception date	43	32
Estimated number of B shares to be allotted (subject to possible recalculation)	862,016	742,000
as percentage of total shares	0.006	0.009
as percentage of voting rights	0.001	0.001
Number of participants at year-end 2018	38	28

silent period no meetings with investors, analysts or media are arranged.

### Long-term performance-based share program

The annual general meeting in 2018 and the extraordinary shareholders' meeting in 2017 have decided on a long-term performance-based share program for key employees. The table above shows the main characteristics for the programs. For more information, see note 30 of the consolidated financial statements.

### Share capital by country



Source: Euroclear as of 28 December 2018

## 15 largest shareholders

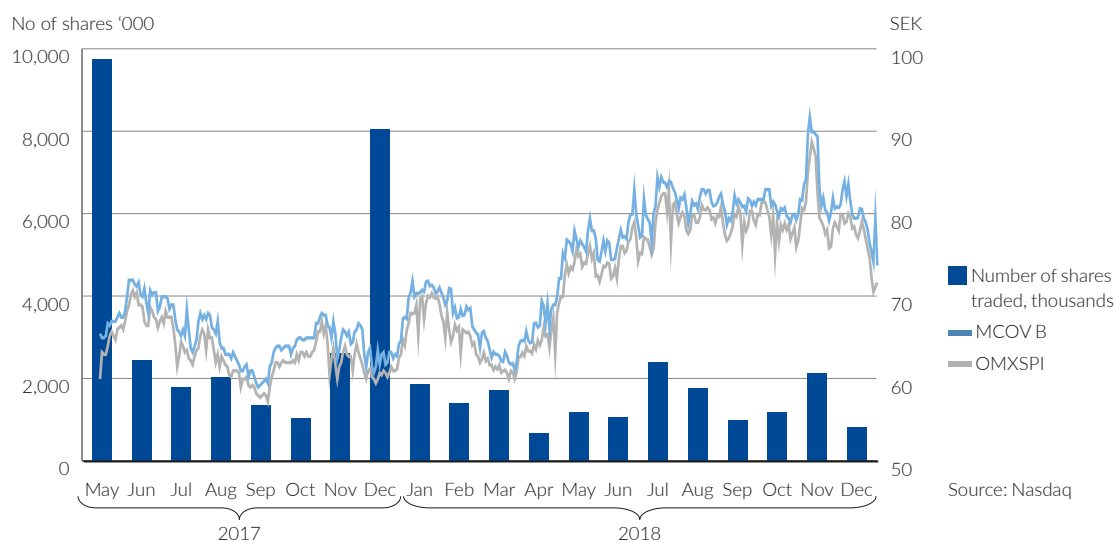
	Class A shares	Class B shares	Class C shares	Total shares	Capital, %	Votes, %
Celox Holding AB	47,157,365			47,157,365	34.7	55.6
Jonas af Jochnick Family	18,880,915	32,210		18,913,125	13.9	22.3
Robert af Jochnick Family	9,909,861	4,176,034		14,085,895	10.4	12.2
Fjärde AP-Fonden		7,312,307		7,312,307	5.4	0.9
SEB S.A.		3,193,294		3,193,294	2.4	0.4
HSBC Bank		2,627,831		2,627,831	1.9	0.3
Fredrik Rågmark		2,479,155		2,479,155	1.8	0.3
UBS AG		1,970,700		1,970,700	1.5	0.2
Enter Fonder		1,400,439		1,400,439	1.0	0.2
Cliens Sverige Fokus		1,300,050		1,300,050	1.0	0.2
Mertzig Equity Fund		1,195,000		1,195,000	0.9	0.1
Knutsson Holdings AB		950,000		950,000	0.7	0.1
BNY Mellon SA/NV	443,825	402,188		846,013	0.6	0.6
BNY Mellon NA		805,740		805,740	0.6	0.1
Skandinaviska Enskilda Banken		802,485		802,485	0.6	0.1
Others	2,812,830	25,482,966	2,400,000	30,695,796	22.6	6.4
<b>Total</b>	<b>79,204,796</b>	<b>54,130,399</b>	<b>2,400,000</b>	<b>135,735,195</b>	<b>100.0</b>	<b>100.0</b>

Source: Euroclear as of 28 December 2018

Date	Event	Number of shares			Share capital		
		Change in number of class A shares	Change in number of class B shares	Change in number of class C shares	Number of shares following the transaction	Change, €	Total, €
22/08/2016	Incorporation	–	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 <sup>1)</sup>	–5,774,964	5,774,964		133,335,195	–	26,667,039
30/06/2017	Conversion <sup>1)</sup>	–55,555	55,555		133,335,195	–	26,667,039
31/07/2017	Conversion <sup>1)</sup>	–320,525	320,525		133,335,195	–	26,667,039
31/08/2017	Conversion <sup>1)</sup>	–39,940	39,940		133,335,195	–	26,667,039
30/09/2017	Conversion <sup>1)</sup>	–125,855	125,855		133,335,195	–	26,667,039
30/11/2017	Conversion <sup>1)</sup>	–31,110	31,110		133,335,195	–	26,667,039
31/01/2018	Conversion <sup>1)</sup>	–13,960	13,960		133,335,195	–	26,667,039
30/06/2018	Conversion <sup>1)</sup>	–409,475	409,475		133,335,195	–	26,667,039
31/08/2018	Conversion <sup>1)</sup>	–50,000	50,000		133,335,195	–	26,667,039
31/10/2018	Share issue	–	–	2,400,000	135,735,195	480,000	27,147,039
31/12/2018	Conversion <sup>1)</sup>	–1,669,930	1,669,930		135,735,195	–	27,147,039

<sup>1)</sup> Conversion from A to B shares

## The share



# 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 2018.

## 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, Diagnostic Services and Healthcare Services.

## Operations and organisation

**Diagnostic Services:** Offers a broad range of diagnostic laboratory testing for humans and some veterinary services across all major clinical pathology specialties. The division generated 49% of the Group's revenue for the year ended 31 December 2018. Of this, 62% was generated from private payments and the remaining 38% through public funding sources, primarily from the German market (32%). The balance of 6% of the division's revenue comes from public payment sources in the remaining markets.

**Healthcare Services:** Offers services ranging from primary care to specialist outpatient and inpatient care. The division generated 51% of the Group's revenue for the year ended 31 December 2018. In 2018, 59% 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 primarily 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. 38% 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 3% from public funded sources.

**Market:** Medcover's services can be sub-divided 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 80% of the Group's revenue in 2018 originated from private payments, reflecting Medcover's low reliance on public funding. In the Healthcare Services division, the overall private pay share of 2018 revenue was 97% compared to 62% 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 accounting for the majority of the Group's revenue. For the year ended 31 December 2018, the share of revenue for each respective market was: Poland 45%, Germany 24%, Romania 14% and Ukraine 8%. The remaining 9% was generated by operations across Belarus, Hungary, India and other smaller markets.

## Important events during the financial year

The Group acquired 80% of the voting shares in Pelican, a hospital operator in the north-western part of Romania, on 12 September 2018 for a payment net of cash acquired of €20.7 million with a deferred payment due of €0.5 million. Other acquisitions during the year include 3 dental businesses in Poland, 78.5% of the shares in OK System (a sports/fitness employee benefit operator in Poland), two Romanian medical centres in Bucharest, medical centres in Craiova and the Oltenia region in Romania, as well as a German endocrinology clinic and genetic laboratory. These acquisitions were settled for payments in cash totalling €13.8 million and deferred/contingent payments of €1.5 million. Investment into expanding the greenfield Indian fertility business continued with 7 new sites opened during the year taking the number open to 15 at year end. Further investments were made into MaxCure, an Indian hospital operator which is an associate. €12.1 million of cash was injected for the issue of new capital and €3.2 million of cash used to acquire existing shares. A restructuring of MaxCure's capital was substantially completed in 2018, which effectively increased the Group ownership from 39.2% to 45.1%. At year end MaxCure operated a total of 11 hospitals, up from 9 when Medcover first invested and work is underway to add 2 extensions dedicated to cancer care. The Group has certain rights to invest further into MaxCure in 2019 that would see Medcover becoming the majority shareholder.

For further details see notes 12 and 13 of the consolidated financial statements.

## Financial Overview Revenue

Medcover's consolidated revenue was €671.6 million (€580.2 million) a growth of 15.8%. Organic growth was 13.5%. Medcover's operations grew revenue mainly by increased physical capacity, service extensions, distribution reach,

higher volume of members and acquisitions. Medcover operates in healthcare markets characterised by growing demand.

#### *Diagnostic Services*

Diagnostic Services revenue grew by €32.3 million, or 10.6%, to €336.7 million in 2018 compared to €304.4 million in 2017. The number of laboratory tests grew by 7.3% from 91.4 million in 2017 to 98.1 million in 2018. Organic growth amounted to €36.2 million, or 11.8%, with strong growth from all major markets and a large contribution from the German clinical business. Weaker currencies in Ukraine and Romania had a negative impact of € 7.1 million or 2.3% on revenue.

#### *Healthcare Services*

Revenue for the Healthcare Services segment increased by €60.3 million, or 21.1%, to €346.1 million in 2018 compared to €285.8 million in 2017. The segment's organic revenue grew by 14.9% 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 development. The employer funded member base increased from 1,024K at the end of 2017 to 1,209K at the end of 2018, a growth of 18.1%. Organic growth came from a favourable employment market supporting member growth in the main markets as well as consumer care initiatives and the insurance business in Hungary. Acquisitions contributed €19.6 million in 2018, or 6.9% primarily related mainly to the Polish acquisition of OK System, a sports/fitness employee benefit business, and Pelican, a Romanian hospital operator. Revenue was negatively impacted by 0.7% or €2.1 million relating to the weaker Romanian and Hungarian currency effect during 2018.

### Full year 2018 compared to the full year 2017

#### *Revenue*

Growth components (€m)	Revenue 2017	Organic growth	Acquisition growth	Currency effects	Total growth	Revenue 2018
Medcover	580.2	77.7	22.9	-9.2	91.4	671.6
As % of revenue		13.5%	3.9%	-1.6%	15.8%	
Diagnostic Services <sup>1)</sup>	304.4	36.2	3.2	-7.1	32.3	336.7
As % of revenue		11.8%	1.1%	-2.3%	10.6%	
Healthcare Services <sup>2)</sup>	285.8	42.8	19.6	-2.1	60.3	346.1
As % of revenue		14.9%	6.9%	-0.7%	21.1%	

<sup>1)</sup> Including inter-segment revenue of €10.9 million in 2018 (€9.9 million)

<sup>2)</sup> Including inter-segment revenue of €0.6 million in 2018 (€0.4 million)

€m equivalent	External revenue by location of customers	
	Year 2018	Year 2017
Poland (PLN)	302.6	259.8
Germany (€)	163.3	150.7
Romania (RON)	93.8	73.8
Ukraine (UAH)	52.7	44.0
Other (Various)	59.2	51.9
<b>Total</b>	<b>671.6</b>	<b>580.2</b>

#### *Operating profit*

Operating profit for 2018 was €29.4 million compared to €28.8 million for 2017. The German laboratory business was affected by reimbursement revisions for publicly funded tests, which has held back profit growth. EBITDA was €59.8 million (€55.0 million) a margin of 8.9% (9.5%). Annual organic EBITDA growth reached 11.9%. Adjusted EBITDA was €63.2 million (€57.7 million) a margin of 9.4% (9.9%). The greenfield Indian fertility business generated an EBITDA loss of €2.5 million for the year (€-0.9 million). The adjusted EBITDA removing the impact of acquisitions and the greenfield Indian fertility business loss for the first nine months for comparability, grew 12.2% organically for the year, at the top end of the range, communicated during 2018.

Medical costs for 2018 were €510.9 million (€438.2 million) and increased by 60 basis points from 75.5% of revenue to 76.1% of revenue with contribution increasing by €18.7 million to €160.7 million. Selling and marketing costs increased by €6.8 million to €35.3 million

(€28.5 million). Administration costs increased by €11.3 million to €96.0 million (€84.7 million).

#### *Other income/costs and net financial items and tax*

Other income/costs amounted to €8.6 million (€2.9 million) mainly relating to fair value changes in respect of the Group's option contracts to acquire more shares of MaxCure.

Medcover completed and disposed of a real estate development project in Warsaw (Poland) thereby realising the value of a plot of surplus land, with a profit of €1.5 million recognised in other income/costs.

Medcover disposed of its UK based fertility operation with a non-cash loss of €1.8 million recorded in other income/costs.

Net financial items for 2018 amounted to €-1.8 million (€-3.9 million). €4.0 million (€4.9 million) interest was expensed on the Group's debt and other discounted liabilities. €1.4 million (€0.2 million) of interest was earned on cash balances.

Unrealised foreign exchange gains amounted to €0.8 million (€0.8 million).

#### **Profit for the period and earnings per share**

Profit before income tax increased by €6.4 million to €34.4 million in 2018 with a margin of 5.1% (4.8%). Income taxes were largely static at €7.9 million (€7.8 million) with a lower effective tax rate of 23.0% (27.9%). The lower effective tax rate was driven by the other income from MaxCure not being subject to tax due to its nature. Profit for the period in 2018 was €26.5 million compared to €20.2 million in 2017.

Basic/diluted earnings per share was €0.185 (€0.157).

#### **Cash flow from operating activities**

The net cash flow from operating activities before working capital changes and tax payments increased by €6.9 million, or 12.1%, to €63.9 million in 2018 compared to €57.0 million in 2017. This translates to a conversion of EBITDA of 106.9%. Working capital increased in 2018 by €7.6 million compared to a decrease of €0.4 million in 2017 due to expansion of activity in general. Income tax payments increased by €4.8 million, to €11.9 million in 2018 compared to €7.1 million in 2017 as a result of advance payments and of the settlement of assumed tax liabilities within acquisitions. In total, net cash from operating activities decreased by €5.9 million, or 11.7%, to €44.4 million in 2018 compared to €50.3 million in 2017.

#### **Cash flow from investing activities**

The net cash flow from investing activities amounted to €-116.1 million in 2018 compared to €-53.5 million in 2017.

Payment for acquisition of fixed assets increased by €11.6 million to €41.0 million in 2018 compared to €29.4 million in 2017 and payments for acquisition of subsidiaries increased by €23.9 million to €34.5 million in 2018 compared to €10.6 million in 2017. Significant payments for acquisitions of subsidiaries include: a payment net of cash acquired of €20.7 million for Pelican, a hospital

operator in the north-western part of Romania, and €5.8 million for OK System, a sports/fitness employee benefit business in Poland. A payment of €15.3 million was made during the year to increase the effective associate interest in MaxCure, by 22.1% to 45.1%. €24.7 million was paid into escrow to pre-fund the acquisition of a German genetics business completed in January 2019.

#### **Cash flow from financing activities**

The net cash flow from financing activities was impacted by loans repaid and received. Underlying net cash flow from financing activities amounted to €64.6 million in 2018 compared to €31.3 million in 2017.

#### **Financing**

Consolidated debt amounted to €131.8 million at year end 2018, an increase of €74.6 million on the €57.2 million balance at the end of 2017. The Group has a debt facility at year-end of €200 million with a maturity of 2.5 years, extendable by 1 year, and financial covenants in relation to net debt/EBITDA and interest cover. At the 2018 balance sheet date €115.4 million of this facility was utilised. After the year end, the Group's debt facilities were increased by €100 million to €300 million on the same terms and lenders.

Medicover repaid in the first quarter of 2018 €30.3 million of debt secured on its real estate in Poland and refinanced with debt advanced under its Group facility. The acquisition of the Center for Human Genetics and Laboratory Diagnostics in Germany closed at the beginning of January 2019 for a total consideration of €25.3 million. €20.9 million was released from the escrow account.

Net financial debt was €93.4 million at year end 2018, an increase of €81.6 million from year end 2017, with the increase being used to fund investments and acquisitions.

#### **Share capital**

Share capital as at 31 December 2018 was €27.1 million represented by

135,735,195 shares divided into 79,204,796 class A shares, 54,130,399 class B shares and 2,400,000 class C shares. The quota value is €0.2 per share. Each class A share carries one vote. Each class B and class C share carries one tenth of a vote. Medicover's class B share has been listed on Nasdaq Stockholm since May 2017. In the fourth quarter 2018, 2,400,000 class C shares were issued and immediately repurchased for a price of €0.2 per share totalling €480,000 to ensure delivery of shares to employees in accordance with the long-term performance-based share programs for 2017 and 2018.

Celox Holding AB, the largest shareholder, owns 47,157,365 shares with 34.7% of the capital and 55.6% of the voting rights. The Jonas af Jochnick family owns 18,913,125 shares with 22.3% of the voting rights. The Robert af Jochnick family owns 14,085,895 shares with 12.2% of the voting rights. Consolidated equity as at 31 December 2018 amounted to €323.9 million (€304.0 million).

The increase in the levels of equity is resulting from profit for the period and movements on non-controlling interests in relation to acquisitions and disposals.

#### **Co-workers**

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 co-workers please see "Our People" section.

As at 31 December 2018, Medicover had 20,970 co-workers, split into 78% women and 22% men, and 13,393 FTE's on average over the year. 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 commitments 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: 6–7
- Risks and risk management: 44–47
- Sustainability: 28–33

During the year, Medicover established an extensive framework for sustainability. This included updating and developing several steering documents: Medicover Code of Conduct, Medicover Supplier Code of Conduct, Medicover Environmental Policy and Medicover Whistle-blower Policy. Medicover's Anti-Bribery Policy is also included in the framework. Medicover's main focus areas within sustainability areas are prevention 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 101.

### **Remuneration to the board members**

Fees and other remuneration to the members of the board of directors are resolved by the annual general meeting (AGM). At the AGM held on 26 April 2018, it was resolved that remuneration for the time until the end of the next AGM for board members elected by the general 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 proposed that the AGM 2019 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 performance-based share program
- 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 contribution 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 2018 there were no deviations from the remuneration guidelines adopted at the 2018 AGM.

For details of the remuneration of the CEO and senior executives for the year 2018 paid under the 2018 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 €2.9 million in 2018 (€1.3 million). In addition, Medicover researches novel tests and test protocols for laboratory tests, as well as new approaches for delivery of medical services with a strong focus on electronic means and utilisation of data to improve medical effectiveness. All such research 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 2018 was €0.6 million (€0.1 million) and the net profit was €24.9 million (loss of €3.7million). Income was boosted by dividends received from subsidiaries. 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 2018 was €457.0 million.

#### **Financial targets**

Medicover's board of directors adopted in 2016 the following medium-term financial targets:

##### **Revenue**

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**

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 for 2018, but from 2019 onwards, the board of directors will consider an annual dividend of up to 30% of net profit. The proposed dividend will take into account Medcover's long-term development opportunities and its financial position.

**Proposed distribution of earnings**

For the 2018 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 included in note 13.

## 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.

### ■ OPERATIONAL RISKS

Risk	Risk area	Risk management
<b>Market risk</b>	<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 healthcare 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 them. These are to a large degree personal services of medical professionals providing health care 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 payer.</p>
<b>Political risks</b>	<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.</p> <p>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 Code of Conduct was first launched in 2006, and is supplemented by Medicover Supplier Code of Conduct, Medicover Environmental Policy and Medicover Whistle-blower Policy. The Medicover Anti-Bribery Policy was developed in 2017. 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>

## ■ OPERATIONAL RISKS

Risk	Risk area	Risk management
<b>Legislation and regulation risks</b>	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.	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. 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.
<b>Reputational risk</b>	Reputational risk is the risk that Medicover's reputation will be damaged among customers or the general public. Activities of healthcare providers both public and private are covered by the media, whose coverage from time to time may be extensive. Media interest and coverage of Medicover 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 Medicover, one of our competitors, or the industry as a whole may have a negative impact on Medicover's reputation directly or indirectly. This may reduce trust of our customers in our services and propensity to maintain contracts or buy services.	Medicover 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 practises 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.

## ■ EXTERNAL RISKS

Risk	Risk area	Risk management
<b>Staff availability</b>	<p>Medicover is growing at a fast rate, as more customers wish to access Medicover's network and services. This imposes on Medicover a requirement to expand its facilities and most importantly its staffing levels for services provided directly by medical staff. It is important for Medicover 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 Medicover, 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.</p> <p>Moreover, Medicover is dependent on certain key individuals in the executive management. Medicover's ability to recruit and retain qualified senior executives is important for Medicover'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 senior executives will not perform in accordance with customers' expectations and the quality standards set by the Group. If Medicover is unable to retain a qualified senior management team, this could result in a poorer development and outlook.</p>	<p>Medicover 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 Medicover 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.</p> <p>In respect of the executive management Medicover 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.</p>

## ■ EXTERNAL RISKS

Risk	Risk area	Risk management
<b>Information-systems</b>	<p>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 Medcover'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.</p>	<p>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. Medcover 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.</p> <p>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 prepare for and implement the new EU General Data Protection Regulation which came into effect in May 2018.</p>
<b>Permits and property</b>	<p>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.</p> <p>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.</p>	<p>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.</p>
<b>Acquisition execution</b>	<p>Growth through acquisitions, large as well as small, is part of Medcover's strategy. This entails a risk that Medcover will not identify suitable acquisition targets, that Medcover will not successfully negotiate acceptable terms, or be able to finance the acquisitions. Growth through acquisition also entails risks that Medcover 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 Medcover'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.</p>	<p>Medcover 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. Medcover 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 Medcover mitigates risk by linking the acquisition price to future development and performance of the target acquired. Medcover has established and implemented a structured acquisition process that requires analysis, documentation and sufficient approval prior to each acquisition. In addition, Medcover establishes a detailed integration plan in connection with the acquisition decision whereby the risk of increased costs related to integration is measured and managed.</p>

## ■ FINANCIAL RISKS

Risk	Risk area	Risk management
<b>Exchange rate risk</b>	<p>The Group operates across several countries with its major operations in Poland, Germany, Romania, Ukraine and India. 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:</p> <ul style="list-style-type: none"> <li>– Transaction risk, arising from transactions being conducted by entities in currencies other than their currency;</li> <li>– Balance sheet translation risk being the risk of the net investment exposure to foreign currency subsidiaries;</li> <li>– Profit and loss translation risk being the risk that the profit of foreign subsidiaries when translated to euros is reduced.</li> </ul>	<p>Most of the Group's local businesses operate in a local market with staff employed providing services to the population. Employees are the largest cost and resource of the Group. As such a match between costs and revenue of the local currency is achieved by reducing exposures to transaction foreign currency risks.</p> <p>The Group's net investment into subsidiaries and associates 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 Medcover'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.</p>
<b>Credit risk</b>	Credit risk is the risk that trade receivables are not paid or assets held by counterparties are not paid or recoverable.	<p>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.</p> <p>Counterparties with whom assets are deposits or loaned, such as banks or custodians are monitored for credit worthiness and ratings.</p>
<b>Interest rate risk</b>	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. Medcover monitors interest rate projections with a view to decision-making as to investments and acquisitions and how these would be financed in the future.
<b>Liquidity and financing risk</b>	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.	Medcover 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, which has been extended after the year-end 2018 by €100 million to €300 million on the same terms. For more information refer to note 24 of the consolidated financial statements. 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.

### Corporate governance

The external framework for Medicover's corporate governance includes the Swedish Companies Act, the Swedish Annual Accounts Act, 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 explain the reasons for each such deviation. Medicover deviates from the Code in one respect (point 2.4), in that the chairman of the board is also chairman of the nomination committee. This deviation is explained below under "Nomination committee". The current version of the Code is available on the Swedish Corporate Governance Board's website: [www.bolagsstyrning.se](http://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 for the CEO and various other policy documents.

### Shares and votes

As at 31 December 2018, Medicover AB (publ) had 135,735,195 shares, consisting of 79,204,796 class A shares, 54,130,399 class B shares and 2,400,000 class C 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 and each class C share respectively represents one tenth of a vote. Each class A share and each class B share respectively entitles its holder to a dividend (assuming a resolution regarding dividend has been passed), but holders of class C shares are not entitled to any dividend. In case of liquidation of the Company, class C shares carry equivalent right to the Company's assets

as other shares, however not to an amount exceeding the quota value of the share. The articles of association contain a conversion clause with respect to class A shares and class C shares, see under "Articles of association" on page 50. There are no other differences between class A shares, class B shares and class C shares.

### Shareholders

The Company had a total of 2,150 shareholders at the end of 2018. The largest shareholder is Celox Holding AB with 47,157,365 class A shares, equivalent to 34.7 per cent of the total number of shares and share capital and 55.6 per cent of the total number of votes. The second largest shareholder is NG Invest Beta AB with in total 10,574,760 shares (8,443,571 class A shares and 2,131,189 class B shares), equivalent to 7.8 per cent of the total number of shares and share capital and 10.2 per cent of the total number of votes. No other shareholder than Celox Holding AB and NG Invest Beta AB has a direct or indirect shareholding that represents 10 per cent or more of the total number of votes in the Company. On 31 December 2018, the Company held all 2,400,000 class C shares. For additional information on the share and owners, see pages 36–37 and Medicover's website [www.medicover.com](http://www.medicover.com).

### Authorisations – approved by the 2018 annual general meeting ("2018 AGM")

At the 2018 AGM, two resolutions were passed authorising the board to issue shares and one resolution authorising the board to repurchase its own class C 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 resolutions 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 per cent of the total number of shares outstanding at the time of the 2018 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 shareholders' 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 acquisition agreements, or, alternatively, to procure capital for such acquisitions. 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, on one or several occasions, to increase the Company's share capital by not more than EUR 480,000 by the issue of not more than 2,400,000 class C shares, each with a quota value of one fifth of a EUR (0.2). With deviation from the shareholders' preferential rights, the participating bank shall be entitled to subscribe for the new class C shares at a subscription price corresponding to the quota value of the shares. The purpose of the authorisation and the reason for the deviation from the shareholders' preferential rights in connection with the issue of shares is to ensure delivery of shares to employees under the long-term performance-based share program adopted by the extraordinary general meeting held on 31 March 2017 (the "Plan 2017") and the long term performance-based share program adopted by the 2018 AGM 2018 (the "Plan 2018"), as well as to secure potential social charges arising as a result of the Plan 2017 and Plan 2018, as applicable.
- Authorisation for the board to resolve, on one or several occasions, to repurchase its own class C shares. The repurchase may only be effected through a public offer directed to all holders of class C shares and shall comprise all

outstanding class C shares. Repurchases shall be effected at a purchase price corresponding to the quota value of the share. Payment for the acquired class C shares shall be made in cash. The purpose of the repurchase authorisation is to ensure delivery free of charge of the class B shares that the participants in the Plan 2017 and Plan 2018 will be granted the opportunity to receive (so called performance shares) as well as to secure potential social charges arising as a result of the Plan 2017 and Plan 2018, as applicable.

The above authorisations are valid until the next annual general meeting. The board has on 26 October 2018 resolved to issue and repurchase class C shares in accordance with the above mentioned authorisations to do so. As of 31 December 2018, the above mentioned mandate to issue class B shares has not been utilised.

### General meetings

The general meeting is Medicovert's highest decision-making body, at which Medicovert'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 Medicovert's most recent AGMs and EGMs held after the listing at Nasdaq Stockholm can be found in the corporate governance section of Medicovert's website [www.medicovert.com](http://www.medicovert.com). In the same section, there is also information on the shareholders' right to have matters addressed at general meetings and the date by which Medicovert must receive shareholder requests to ensure the matter is included in the notice to attend the meeting.

The AGM is the name of the general 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 Medicovert's website no later than in connection with the publication of the third quarter interim report.

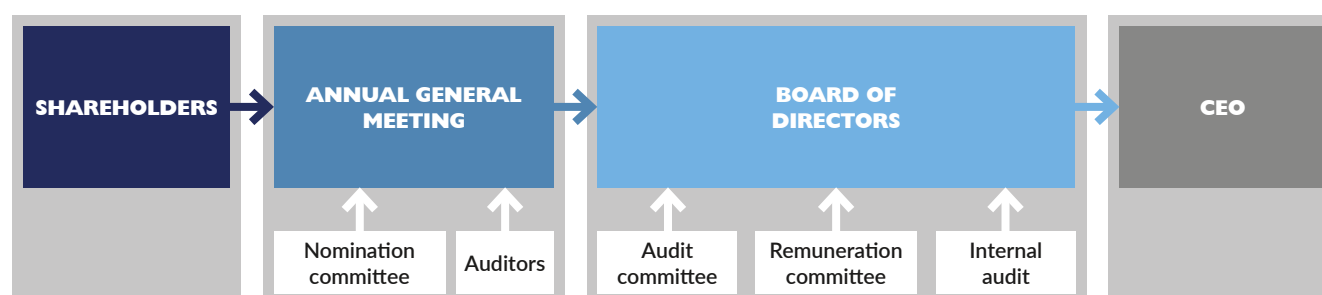
At the AGM the shareholders have an opportunity to ask questions about Medicovert's operations. Members of the board are present to respond to shareholder questions. The auditor will also attend the AGM.

### 2018 AGM

The 2018 AGM took place on 26 April 2018 in Stockholm. In total, 88,463,555 shares and 76,759,879.4 votes, out of which 75,459,471 class A shares (representing 56.6 per cent of the shares and 87.2 per cent of the votes in the Company) and 13,004,084 class B shares (representing 9.8 per cent of the shares and 1.5 per cent of the votes in the Company), were present or represented at the meeting, either in person or by proxy. The following main resolutions were passed:

- Adoption of the 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

## Governance model



- Adoption of principles for appointment of a nomination committee
- Adoption of guidelines on remuneration to senior management
- Adoption of a long-term performance-based share program (the Plan 2018) (for further information regarding the Plan 2018, see note 30 page 85), authorisation for the board to issue and repurchase class C shares (see page 48) and decision to – following conversion into class B shares – transfer such shares to participants in the Plan 2017 and Plan 2018 and in order to secure possible social charges arising as a result of the Plan 2017 and Plan 2018 (as applicable), and approval of the inclusion of the CEO (who is also a board member of the Company) in the Plan 2018
- Authorisation for the board to issue class B shares (see page 48)

## 2019 AGM

Medicover's 2019 AGM will take place on Friday 3 May 2019 at Grev Turegatan 16 (IVA) 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 Medicover's website [www.medicover.com](http://www.medicover.com).

## Articles of association

The Company'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. Each class A share entitles its holder to one vote, while each class B share – just as each class C share – entitles to one tenth of a vote. Class C shares do not carry any right to a dividend. In case of liquidation of the Company, class C shares carry equivalent right to the Company's assets as other shares, however not to an amount exceeding the quota value of the share.

The Company'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 2018 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 2018 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 as 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 general 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 26 September 2018, 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
- Erik Malmberg, TVF TopCo Limited

## Nomination committee's work in preparation for the 2019 AGM

The nomination committee has held one meeting in 2018 and one in 2019 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 2019 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 per cent women and the nomination committee's ambition is to strive to reach a more equal gender distribution on the board over time. The committee has concluded that the Company fulfils the Code's independence requirements as a majority of the proposed board members are independent in relation to the Company and its executive management, and as at least two of the board members who are independent of the Company and its executive management are also independent in relation to the Company's major shareholders. Further-

more, when making its proposal regarding the appointment 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](http://www.medicover.com).

The shareholders have had the possibility to submit proposals to the nomination committee. The nomination committee's proposal to the 2019 AGM are presented in the convening notice to the AGM on Medicover's website [www.medicover.com](http://www.medicover.com). The AGM will be held on Friday 3 May 2019, see page 105.

### 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 Company 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 the Company'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.

The Company'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 2018 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). Apart from the CEO, none of the board members is employed by Medicover. Information about remuneration for board members resolved upon at the 2018 AGM is available in note 29. The independence status of each board member is indicated on pages 54–55.

### 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, rules of procedure for and instructions to the audit committee and the remuneration committee, 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 made.

### Structure of the board work

As outlined in the rules of procedure for the board, 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 Medicover'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, and meets with the board with-

Attendance	Board meeting	Audit committee	Remuneration committee	Board fees, €	Committee fees, €
Fredrik Stenmo, chairman	11/11	7/7	4/4	60,000	15,000
Jonas af Jochnick, vice chairman	11/11		4/4	40,000	7,500
Peder af Jochnick	10/11			40,000	
Robert af Jochnick	11/11			40,000	
Arno Bohn	11/11			40,000	
Sonali Chandmal	11/11	7/7		40,000	7,500
Michael Flemming	11/11	7/7		40,000	15,000
Margareta Nordenvall	11/11	7/7		40,000	7,500
Fredrik Rågmark	11/11				

out the CEO or any other member of the executive management present. The board has delegated authority to approve smaller acquisitions within specified parameters to the M&A committee, see under "M&A committee" on page 52.

### **Work of the board in 2018**

In 2018, 11 board meetings were held (one of which per capsulam). Focus was given primarily to interim reports and the M&A activity of Medcover, in addition to the usual reporting and decision items. The attendance of the board members at the board meetings is indicated in the table on page 51.

### **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. In 2018 the board has evaluated its work through a so called self-assessment, and in the end 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 among 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 2018 consisted of four members, as indicated in the table on page 51. 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 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 the auditor, and monitoring the impartiality and independence of the auditor.
- Informing 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.
- Assisting in conjunction with preparation of, and recommending 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.

The committee held seven meetings in 2018 with particular emphasis on interim reports, audit reports, internal control and audit (internal and external), and on the audit tender process that was conducted in the autumn of 2018 leading up to a recommendation to the nomination committee in early 2019. The attendance of the committee members is indicated in the table on page 51.

### **Remuneration committee**

The remuneration committee consists of two members, as indicated in the table on page 51. 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 executive management.
- Monitoring and evaluating programs for variable remuneration, ongoing as well as such that have ended during the year, for 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 2018, the committee held four ordinary meetings focusing on remuneration policies within the group and proposals for the long-term performance-based share program approved by the 2018 AGM. The attendance of the committee members is indicated in the table on page 51.

### **Executive management team**

The Group's executive management team consists of eight<sup>1)</sup> members; in addition to the CEO, the team comprises the CFO, 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 56–57 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 83–84.

### **M&A committee**

The Company has established an M&A committee, comprising five members; the CEO, the CFO, the COO for the Diagnostic Services division, the COO for the Healthcare Services division and the General Legal Counsel. The M&A committee meets on a regular basis to monitor the Group's ongoing M&A projects and decide on key steps to be taken in such projects, and the board has delegated authority to approve smaller acquisitions within specified parameters to the M&A committee. Acquisitions approved by the M&A committee based on this delegated authority is reported back to the board. Save for this delegated authority to approve smaller acquisitions within specified parameters, the authority to approve acquisitions rests with the board.

<sup>1)</sup> Until end of 2018, the executive management team comprised also a ninth member; Paula Treutiger, Director Corporate Communication & IR.

### Auditor

Medicover'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 2018 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, 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 financial reporting is intended to provide reasonable assurance regarding the reliability of external financial reporting in the form of quarterly and annual reports and financial statements as well as ensuring 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.

### *Risk assessment, control activities, information, communication and monitoring*

The board has the overall responsibility for the Company's internal control. This is executed formally through written rules of procedure which define the board's 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 that is the key

factor in the overall process. Written policies, guidelines and instructions, such as the Company's Information Security Policy, Medicover Code of Conduct and Internal Control Guidance are examples of the body of direction, guidance and support available to managers and staff of the Company. 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 of these risks see the risk section.

The managers of the Company's divisions and business units, together with their respective organisation, have a responsibility for internal control (including operational, compliance and financial monitoring). The Company has established common reporting standards across all entities of the Company, overseen by dedicated controlling finance personnel with monthly reviews 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 are achieved.

Communication of Medicover's internal control objectives and processes is assisted by a Medicover 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 department.

### Internal audit

Medicover 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 reviews and approves 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 Medicover and thereby giving a deep understanding of the operational units, business model, systems and internal controls. This has been instrumental in driving efficiency of operations 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 and 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 Ltd. 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 company<sup>1)</sup>:* 5,497,050 class A shares and 23,210 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 company<sup>1)</sup>:* 4,470,020 class A shares and 25,000 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.



### 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, NG Invest Beta AB 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:* No.  
*Independency in relation to the company and management:* Yes.  
*Shareholding in the company:* 250,000 class A shares and 1,485,638 class B 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.  
Member of the audit committee.  
Born 1968.  
*Nationality:* Belgian, Indian.  
*Education:* MBA Harvard Business School and, BA (economics) University of California (Berkeley).  
*Other assignments:* Vice chair of the Board of Trustees in The International School of Brussels. Partner at A Lamot & Company. Board member of Ageas SA/NV and of Harvard Club of Belgium.  
*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.

<sup>1)</sup> 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 True North Development Ltd.

*Professional experience:* Board member and CEO of Life Healthcare Ltd. Board member of Saanyati Holding Ltd and Capio AB (publ).

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



### LISELOTTE BERGMARK

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:* 2 650 class B shares.



### 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:* Attorney at Law at Mannheimer Swartling law firm and Law Clerk at the District Court of Stockholm.  
*Shareholding in the company:* 8,500 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 Paediatric Vaccines at Chiron  
*Shareholding in the company:* 20,000 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 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:* Spent 18 years at BUPA in a number of varied positions including nine years working globally for their International Arm.

*Shareholding in the company:* 443,825 class A shares and 80,000 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:* Chair of UK's Private Healthcare Information Network and Chair of the Scientific Advisory Board of 'iamYiam'

*Professional experience:* Chief Medical Officer and Group Medical Director, Bupa, Chair of UKTI's Healthcare Business Group and Specialist Medical Advisor to Healthcare UK. Senior Independent Director at the Royal Brompton and Harefield NHS Foundation Trust.

*Shareholding in the company:* –

In 2018, Paula Treutiger (Director Corporate Communication & IR) was also included in the management team.

# FINANCIAL REPORTS

## CONTENT

### CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement	59
Consolidated statement of comprehensive income	59
Consolidated statement of financial position	60
Consolidated statement of changes in equity	61
Consolidated cash flow statement	62

### Notes to the consolidated financial statements

1. Status and principal activity	63
2. Summary of significant accounting policies	63
3. Revenue	63
4. Insurance contracts	67
5. Nature of expenses	67
6. Segment information	67
7. Other income/costs	69
8. Interest expense	69
9. Income tax	69
10. Intangible fixed assets	70
11. Tangible fixed assets	71
12. Significant business combinations	72
13. Investment in associates	73
14. Inventories	73
15. Trade and other receivables	73
16. Trade and other payables	74
17. Provision for unearned premiums/deferred revenue	74
18. Other non-current liabilities	74
19. Loans payable	74
20. Liabilities arising from financing activities	74
21. Financial assets and liabilities	75
22. Operating leases	77
23. Capital management	78
24. Risk management and financial instruments	78
25. Contingencies	80
26. Share capital	81
27. Information per share	81
28. Co-workers	82
29. Salaries and other remuneration	83
30. Share-based payments	85
31. Related parties and related party transactions	86
32. Subsidiaries and associates	87
33. Principal accountant fees and services	88
34. Events after balance sheet date	88
35. Definition and reconciliation of alternative performance measures (APM)	89

### PARENT COMPANY FINANCIAL STATEMENTS

Parent company income statement	90
Parent company balance sheet	91
Parent company statement of changes in equity	92
Parent company cash flow statement	93

### Notes to the parent company financial statements

1. Summary of significant accounting policies	94
2. Intra-Group transactions and guarantees	94
3. Nature of expenses	94
4. Income from participation in Group companies	94
5. Income tax	94
6. Tangible assets	94
7. Non-current loans to Group companies	94
8. Accruals	95
9. Non-current loans from Group companies	95
10. Salaries and other remuneration	95
11. Principal accountant fees and services	95
12. Participation in Group companies	95
13. Proposed appropriation of the Company's profit	95

# Consolidated income statement

€m, for the years ended 31 December	Note	2018	2017
Revenue	3	671.6	580.2
<b>Operating expenses</b>			
Medical provision costs	5	-510.9	-438.2
<b>Gross profit</b>		<b>160.7</b>	<b>142.0</b>
Distribution, selling and marketing costs	5	-35.3	-28.5
Administrative costs	5	-96.0	-84.7
<b>Operating profit</b>		<b>29.4</b>	<b>28.8</b>
<b>Other income/(costs)</b>	7, 21	<b>8.6</b>	<b>2.9</b>
Interest income		1.4	0.2
Interest expense	8	-4.0	-4.9
Other financial income		0.8	0.8
<b>Total financial result</b>		<b>-1.8</b>	<b>-3.9</b>
Share of profit/(loss) of associates		-1.8	0.2
<b>Profit before income tax</b>		<b>34.4</b>	<b>28.0</b>
Income tax	9	-7.9	-7.8
<b>Profit for the year</b>		<b>26.5</b>	<b>20.2</b>
<b>Profit attributable to:</b>			
Owners of the parent		24.6	18.7
Non-controlling interests		1.9	1.5
<b>Profit for the year</b>		<b>26.5</b>	<b>20.2</b>
<b>Earnings per share attributable to parent:</b>			
Basic/diluted, €	27	0.185	0.157

# Consolidated statement of comprehensive income

€m, for the years ended 31 December	Note	2018	2017
<b>Profit for the year</b>		<b>26.5</b>	<b>20.2</b>
<b>Other comprehensive income/(loss):</b>			
Items that may be reclassified subsequently to income statement:			
Exchange differences on translating foreign operations		-6.2	-1.0
Income tax relating to these items		0.5	-0.2
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>-5.7</b>	<b>-1.2</b>
<b>Total comprehensive income for the year</b>		<b>20.8</b>	<b>19.0</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		18.9	17.2
Non-controlling interests		1.9	1.8
<b>Total comprehensive income for the year</b>		<b>20.8</b>	<b>19.0</b>

# Consolidated statement of financial position

€m, as at 31 December	Note	2018	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	10	150.1	126.8
Other intangible fixed assets	10	50.8	36.4
Tangible fixed assets	11	165.0	148.9
<b>Total fixed assets</b>		<b>365.9</b>	<b>312.1</b>
Deferred tax assets	9	2.9	3.7
Investment in associates	13	43.8	22.1
Other financial assets	21	9.3	5.2
<b>Total non-current assets</b>		<b>421.9</b>	<b>343.1</b>
<b>Current assets</b>			
Inventories	14	30.3	30.7
Other financial assets	21	27.8	2.1
Trade and other receivables	15, 21	92.8	82.5
Cash and cash equivalents	21	38.4	45.4
<b>Total current assets</b>		<b>189.3</b>	<b>160.7</b>
<b>Total assets</b>		<b>611.2</b>	<b>503.8</b>
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital and reserves attributable to owners of the parent	26	319.4	300.3
Non-controlling interests		4.5	3.7
<b>Total shareholders' equity</b>		<b>323.9</b>	<b>304.0</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans payable	19, 20, 21	126.6	52.9
Deferred tax liabilities	9	23.7	22.8
Provisions		0.3	0.4
Other financial liabilities	21	28.6	23.6
Other liabilities	18	5.6	4.7
<b>Total non-current liabilities</b>		<b>184.8</b>	<b>104.4</b>
<b>Current liabilities</b>			
Loans payable	19, 20, 21	5.2	4.3
Provision for unearned premiums/deferred revenue	17	10.3	12.3
Corporate tax payable		4.2	6.8
Other financial liabilities	21	3.6	4.9
Trade and other payables	16, 21	79.2	67.1
<b>Total current liabilities</b>		<b>102.5</b>	<b>95.4</b>
<b>Total liabilities</b>		<b>287.3</b>	<b>199.8</b>
<b>Total shareholders' equity and liabilities</b>		<b>611.2</b>	<b>503.8</b>

# Consolidated statement of changes in equity

€m	Share capital	Treasury 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
<b>Opening balance as at 1 January 2017</b>	<b>109.0</b>	<b>-</b>	<b>46.4</b>	<b>-29.3</b>	<b>-13.0</b>	<b>0.4</b>	<b>-20.8</b>	<b>92.7</b>	<b>6.1</b>	<b>98.8</b>
Profit for the year	-	-	-	18.7	-	-	-	18.7	1.5	20.2
Other comprehensive income	-	-	-	-	-	-	-1.5	-1.5	0.3	-1.2
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.7</b>	<b>-</b>	<b>-</b>	<b>-1.5</b>	<b>17.2</b>	<b>1.8</b>	<b>19.0</b>
<b>Transactions with owners in their capacity as owners:</b>										
De-recognition of previous parent company	-109.0	-	-125.1	-	-	-	-	-234.1	-	-234.1
Issuance of Medcover AB shares for in kind contribution	19.4	-	214.7	-	-	-	-	234.1	-	234.1
Share issue for cash, 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
Recognition of 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	-	-	-
<b>Total transactions with owners in their capacity as owners</b>	<b>-82.3</b>	<b>-</b>	<b>273.3</b>	<b>-0.7</b>	<b>-0.8</b>	<b>0.9</b>	<b>-</b>	<b>190.4</b>	<b>-4.2</b>	<b>186.2</b>
<b>Closing balance as at 31 December 2017</b>	<b>26.7</b>	<b>-</b>	<b>319.7</b>	<b>-11.3</b>	<b>-13.8</b>	<b>1.3</b>	<b>-22.3</b>	<b>300.3</b>	<b>3.7</b>	<b>304.0</b>
Profit for the year	-	-	-	24.6	-	-	-	24.6	1.9	26.5
Other comprehensive income	-	-	-	-	-	-	-5.7	-5.7	-	-5.7
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24.6</b>	<b>-</b>	<b>-</b>	<b>-5.7</b>	<b>18.9</b>	<b>1.9</b>	<b>20.8</b>
<b>Transactions with owners in their capacity as owners:</b>										
Share issue for cash	0.4	-	-	-	-	-	-	0.4	-	0.4
Acquisition of treasury shares	-	-0.4	-	-	-	-	-	-0.4	-	-0.4
Disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-1.5	-1.5
Non-controlling interests put-option reserve	-	-	-	-	-1.1	-	-	-1.1	-2.2	-3.3
Recognition of non-controlling interests on business combinations	-	-	-	-	-	-	-	-	2.6	2.6
Employee share-based compensation costs	-	-	-	-	-	1.3	-	1.3	-	1.3
<b>Total transactions with owners in their capacity as owners</b>	<b>0.4</b>	<b>-0.4</b>	<b>-</b>	<b>-</b>	<b>-1.1</b>	<b>1.3</b>	<b>-</b>	<b>0.2</b>	<b>-1.1</b>	<b>-0.9</b>
<b>Closing balance as at 31 December 2018</b>	<b>27.1</b>	<b>-0.4</b>	<b>319.7</b>	<b>13.3</b>	<b>-14.9</b>	<b>2.6</b>	<b>-28.0</b>	<b>319.4</b>	<b>4.5</b>	<b>323.9</b>

# Consolidated cash flow statement

€m , for the years ended 31 December	Note	2018	2017
<b>Profit before income tax</b>		34.4	28.0
Adjustments for:			
Depreciation and amortisation	5, 10, 11	30.4	26.2
Gain on disposal of fixed assets		-0.1	-0.1
Other income (non-cash components)	7, 21	-7.2	-2.9
Net interest expense	8	2.6	4.7
Employee share-based compensation costs	30	1.6	1.1
Other non-cash transactions		3.3	1.4
Unrealised foreign exchange gain		-1.1	-1.4
<b>Cash generated from operations before working capital changes and tax payments</b>		<b>63.9</b>	<b>57.0</b>
<b>Changes in operating assets and liabilities:</b>			
Increase in receivables and inventories		-13.3	-10.1
Increase in payables		5.7	10.5
<b>Cash generated from operations before tax payments</b>		<b>56.3</b>	<b>57.4</b>
Income tax paid		-11.9	-7.1
<b>Net cash from operating activities</b>		<b>44.4</b>	<b>50.3</b>
<b>Investing activities:</b>			
Payment for acquisition of fixed assets	11	-41.0	-29.4
Proceeds from disposal of fixed assets	11	0.1	0.2
Payment for acquiring interest in associates	13	-15.3	-13.8
Dividends received from associates		0.1	-
Payment for acquisition of subsidiaries, net of cash acquired	12	-34.5	-10.6
Proceeds from disposal of subsidiaries, net of cash sold		0.5	-
Payment into escrow for acquisitions	21	-24.7	-
Loans granted		-2.7	-
Interest received		1.4	0.1
<b>Net cash used in investing activities</b>		<b>-116.1</b>	<b>-53.5</b>
<b>Financing activities:</b>			
Proceeds from issue of shares	26	0.4	199.3
Acquisition of treasury shares	26	-0.4	-
Acquisition of non-controlling interests		-	-3.1
Loans repaid	20	-35.6	-174.8
Loans received	20	106.1	16.0
Interest paid		-3.9	-5.0
Distribution to non-controlling interests	20	-2.0	-1.1
<b>Net cash from financing activities</b>		<b>64.6</b>	<b>31.3</b>
<b>Total cash flow</b>		<b>-7.1</b>	<b>28.1</b>
<b>Cash and cash equivalents</b>			
Cash balance as at 1 January		45.4	18.4
Net effects of exchange gain/(loss) on cash balances		0.1	-1.1
Total cash balance as at 31 December		38.4	45.4
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>-7.1</b>	<b>28.1</b>

# 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 5283 Riddargatan 12A, SE-102 46 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 ended 31 December 2018 were authorised by the board of directors on 27 March 2019. The annual general meeting (AGM) will be held on Friday 3 May 2019 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 2018.

#### (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 and estimation uncertainties in the financial statements have 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 10); share-based payments (note 30); recognised fair value measurements (note 21); and to a less material degree 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 10); first day profit and loss release of financial instruments (note 21); absence of control in the investment in associates (note 13); and measurement of certain rights and obligations in acquiring business interests (notes 13 and 30).

#### (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 notes 2.15 to 2.18 below.

The consolidated financial statements are presented in Euro, rounded to the nearest tenth of a 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 with the exception of the implementation of IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, as described below and in notes 2.4 and 2.15.

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 2018.

**IFRS 9, *Financial Instruments*** was implemented under the exemption not to restate comparative information for prior periods. No adjustments to the carrying amounts of financial assets and liabilities resulting from the adoption of the standard were required to be made in retained earnings or reserves as at 1 January 2018. The adoption of IFRS 9 did not have a material impact on the Group in the current reporting period and is not expected to have any material impact in future reporting periods.

The Group has adopted **IFRS 15, *Revenue from Contracts with Customers*** using the cumulative effect option. No adjustments resulting from the adoption of the standard were required to be made in retained earnings at 1 January 2018. The adoption of IFRS 15 did not have a material impact on the Group in the current reporting period and is not expected to have any material impact in future reporting periods.

In addition the Group has adopted consequential amendments to **IFRS 7, *Financial Instruments: Disclosures*** and applied them to the disclosures relating to 2018 (not to comparative information).

No other new standards, interpretations or amendments that are mandatory for the first time for 31 December 2018 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 2018 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 16, *Leases***: the standard is of mandatory application for annual reporting periods commencing 1 January 2019. As the impact is 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.

Although the Group acts as a lessor in limited instances, the major impact is where the Group acts as a lessee. The new standard introduces a single lessee accounting model whereby lessees are required to present the future right-of-use assets and lease liabilities in 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 future lease payments arising from the lease, with recognition of a corresponding right of use asset, representing the lessee's right to use, or control the use of that specified asset for the lease term.

The use of these assets is recognised over time by a depreciation charge to the income statement and the reduction of the liability is recognised through the payment of the lease obligations over time and an imputed interest charge through the income statement.

Leased premises are an integral part of the Group's business model, providing cost effective funding and flexibility for clinics, offices and laboratories. To a much lesser extent, some other leased assets, most notably vehicles, are as well part of this model.

The Group had operating lease costs expensed in 2018 of €36.9 million (€35.0 million) and future minimum undiscounted operating lease obligations as of 31 December 2018 of €104.3 million (€95.4 million), maturing over periods up to 10 years (10 years). Also, perpetual usufruct has been granted to the Group in Poland in relation to certain state-owned or local-government-owned land for a specified period of time up to 99 years. The Group is required to pay an annual fee to the state or the local government unit. Such fee is by nature deemed to be a levy and is currently accounted for as such. Under IFRS 16, perpetual usufruct will qualify as a lease and be accounted for as such. Value added tax that is not recoverable is generally recognised as part of the right of use asset and liability.

To minimise the cost of transition, the Group will apply the expedient not to apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4, and use the exemptions to the standard relating to short-term leases and low value items.

The current estimate of the impact of IFRS 16 to the consolidated statement of financial position as at 31 December 2018 (within a range of +/- €5.0 million) is a recognition of right-of-use assets of €115.8 million and an increase in reported lease liabilities of €124.9 million. The expected reduction in profit before tax amounts to approximately €2.9 million for the financial year 2018.

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 tax. The application of this guidance is not expected to result in any material change in reported tax liabilities.

## 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 forms 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:

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

IFRS 15, *Revenue from Contracts with Customers* has been applied, with revenue recognised when a customer obtains control of the goods or services. For the large part of the services provided in (b) and (c), revenue is recognised in the period when services are rendered, since the timing of provision of services and payment is usually very close. The change in accounting policy did not have a material impact on the Group (IAS 18 applied in prior period - refer to 2017 consolidated financial statements).

In rarer specific cases, the Group does not have contractual certainty of the amount it will be paid for services rendered. Revenue is recognised where such a variable consideration is included in the transaction price only to the extent that it is highly probable that the amount of revenue recognised will not be subject to significant future reversals as a result of subsequent re-estimation. Refer to note 15 for more details.

## 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. An insurance 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 dis-

closed. 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 CODM 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 (COO). 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.

## 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 (being employed). 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 is 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 IFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-con-

trolling 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

Costs 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	2–20 years
Operating licenses	5–10 years

## 2.11 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

## 2.12 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.

### 2.13 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 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 profit or loss 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 impairment based on expected credit losses (IAS 39 applied in prior period, whereby a loss was recorded when incurred - refer to 2017 consolidated financial statements).

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 profit or loss along with the release of the initial deferral.

All investments in equity instruments are measured at fair value in the statement of financial position, with value changes recognised in profit or loss.

### 2.16 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 instru-

ment. Any difference between the fair value estimated by the entity and the transaction price ("day one gain or loss") is recognised:

- in profit or loss, 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 note 2.18);
- 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 note 2.17);
- 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.

### 2.17 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 shareholders' 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 result in profit or loss. 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.

### 2.18 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 profit or loss.

### 2.19 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.

### 2.20 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.

## 2.21 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. Contingently issuable ordinary shares are treated as outstanding and included in the calculation of diluted EPS only from the date when the conditions are satisfied.

## NOTE 3 REVENUE

	2018	2017
Insurance contracts earned premiums	204.7	177.6
Laboratory services	320.6	289.5
Other	146.3	113.1
<b>Total revenue</b>	<b>671.6</b>	<b>580.2</b>

## 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:

2018	Regulated	Non regulated	Total
Revenue earned in the period	57.2	147.5	204.7
Claims	45.2	108.9	154.1
Expenses	6.0	10.1	16.1
Assets	40.5	53.5	
Liabilities	-10.2	-28.7	

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	

The insurance contracts are predominantly with employer groups to pay for healthcare 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:

2018	Medical provision costs	Distribution, selling & marketing costs	Administrative costs	Total
Staff costs	-222.8	-20.6	-54.2	-297.6
Property lease costs, heat and other establishment costs	-44.2	-0.6	-7.1	-51.9
Depreciation	-20.1	-0.5	-6.5	-27.1
Amortisation	-0.9	-0.1	-2.3	-3.3
Medical services and other non-salary medical related costs	-203.3	-	-	-203.3
Expected credit losses	-	-	-1.5	-1.5
Other	-19.6	-13.5	-24.4	-57.5
<b>Total operating expenses</b>	<b>-510.9</b>	<b>-35.3</b>	<b>-96.0</b>	<b>-642.2</b>

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	-18.1	-0.5	-5.0	-23.6
Amortisation	-0.7	0.0	-1.9	-2.6
Medical services and other non-salary medical related costs	-172.6	-	-	-172.6
Incurred credit losses	-	-	-1.4	-1.4
Other	-17.5	-10.7	-23.6	-51.8
<b>Total operating expenses</b>	<b>-438.2</b>	<b>-28.5</b>	<b>-84.7</b>	<b>-551.4</b>

## NOTE 6 SEGMENT INFORMATION

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 in vitro 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 patients themselves directly. The aim is to become a valued partner to the clinician, whether 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 these 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 the location of clients. Depreciation of segment assets includes depreciation of property, plant and equipment and amortisation of intangible assets.

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

2018	Healthcare Services	Diagnostic Services	Central/ other	Group Total
<b>Revenue</b>				
Total revenue	346.1	336.7	0.3	
Inter-segment revenue	-0.6	-10.9	0.0	
<b>Total revenue from external customers</b>	<b>345.5</b>	<b>325.8</b>	<b>0.3</b>	<b>671.6</b>
Of which funded:				
Privately	336.0	199.0	0.3	535.3
Publicly	9.5	126.8	-	136.3
Originating from:				
Poland	270.7	31.9	-	302.6
Germany	-	163.3	-	163.3
Romania	41.1	52.7	-	93.8
Ukraine	6.2	46.5	-	52.7
Other countries	27.5	31.4	0.3	59.2
<b>Segment result: EBITDA</b>	<b>30.4</b>	<b>43.7</b>	<b>-14.3</b>	<b>59.8</b>
Margin, %	8.8%	13.0%		8.9%
Depreciation & amortisation	-17.0	-13.1	-0.3	-30.4
Other income/(costs)	8.5	0.2	-0.1	8.6
Share of profit/(loss) of associates	-2.0	0.2	-	-1.8
<b>Segment result</b>	<b>19.9</b>	<b>31.0</b>	<b>-14.7</b>	<b>36.2</b>
Other financial income				0.8
Net interest expense				-2.6
Tax				-7.9
<b>Group profit after tax</b>				<b>26.5</b>
Additions to non-current assets:				
Tangible fixed assets, other than land & buildings	18.6	16.3	-	34.9
Land & buildings	6.0	0.1	-	6.1
Intangible fixed assets	15.1	8.2	1.0	24.3
Goodwill	26.2	-0.5	-	25.7
Investment in associates	24.2	-	-	24.2
<b>Total</b>	<b>90.1</b>	<b>24.1</b>	<b>1.0</b>	<b>115.2</b>

2017	Healthcare Services	Diagnostic Services	Central/ other	Group Total
<b>Revenue</b>				
Total revenue	285.8	304.4	0.3	
Inter-segment revenue	-0.4	-9.9	0.0	
<b>Total revenue from external customers</b>	<b>285.4</b>	<b>294.5</b>	<b>0.3</b>	<b>580.2</b>
Of which funded:				
Privately	275.3	174.5	0.3	450.1
Publicly	10.1	120.0	-	130.1
Originating from:				
Poland	231.5	28.3	-	259.8
Germany	-	150.7	-	150.7
Romania	28.8	45.0	-	73.8
Ukraine	4.8	39.2	-	44.0
Other countries	20.3	31.3	0.3	51.9
<b>Segment result: EBITDA</b>	<b>26.9</b>	<b>41.4</b>	<b>-13.3</b>	<b>55.0</b>
Margin, %	9.4%	13.6%		9.5%
Depreciation & amortisation	-13.7	-12.3	-0.2	-26.2
Other income/(costs)	2.9	-	0.0	2.9
Share of profit/(loss) of associates	0.1	0.1	-	0.2
<b>Segment result</b>	<b>16.2</b>	<b>29.2</b>	<b>-13.5</b>	<b>31.9</b>
Other financial income				0.8
Net interest expense				-4.7
Tax				-7.8
<b>Group profit after tax</b>				<b>20.2</b>
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
<b>Total</b>	<b>39.2</b>	<b>23.0</b>	<b>1.7</b>	<b>63.9</b>

As almost all sales in each geography are denominated in the countries' respective currency the above tables show the exposure of the Group to foreign currency risks for revenue. Within the Healthcare Services segment, revenue from insurance contracts for the year was €204.7 million (€177.6 million).

€m equivalent	2018	2017
<b>Non-current assets by location of assets</b>		
Poland (PLN)	137.6	125.5
Germany (EUR)	138.5	137.6
Romania (RON)	65.7	30.7
India (INR)	50.3	25.5
Ukraine (UAH)	11.7	7.7
Other (various)	15.2	12.4
<b>Total non-current assets by location of assets</b>	<b>419.0</b>	<b>339.4</b>

Non-current assets by geography include land and buildings, equipment, intangible assets including goodwill, other financial assets and investments in associates. Deferred tax assets of €2.9 million (€3.7 million) are not included in the above table.

## NOTE 7 OTHER INCOME/COSTS

	2018	2017
Change in fair value of MaxCure financial assets and liabilities (see note 21)	8.6	2.8
Change in fair value of other non-current liabilities (see note 30 cash settled share-based payments)	0.2	0.1
Loss on disposal of interest in subsidiaries	-1.6	-
Profit on real estate development project (see note 17)	1.5	-
Other	-0.1	-
<b>Total other income/costs</b>	<b>8.6</b>	<b>2.9</b>

## NOTE 8 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 9 INCOME TAX

	2018	2017
Current corporation tax	7.2	9.2
Withholding tax	0.2	0.2
Deferred tax	0.5	-1.6
<b>Total income tax</b>	<b>7.9</b>	<b>7.8</b>

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 €6.4 million were used against foreign income taxes in the year (€3.9 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:

	2018	2017
Profit before tax	34.4	28.0
Weighted average applicable tax rate, %	22.4%	25.7%
Tax at applicable tax rate	7.7	7.2
<b>Reconciliation of tax expense:</b>		
Non-taxable income	-6.8	-5.1
Non-deductible expenses	6.5	4.1
Profit share non-controlling interest	-0.7	-0.6
Effect tax losses and tax credits not recognised	2.0	1.1
Adjustments to prior year estimates	-0.9	0.8
Withholding tax on intra Group payments	0.2	0.2
Other	-0.1	0.1
<b>Tax expense</b>	<b>7.9</b>	<b>7.8</b>
<b>Effective tax rate, %</b>	<b>23.0%</b>	<b>27.9%</b>

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

	2018	2017
Deferred tax assets	2.9	3.7
Deferred tax liabilities	-23.7	-22.8
<b>Net deferred tax liabilities</b>	<b>-20.8</b>	<b>-19.1</b>

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
<b>Assets/liabilities as at 1 January 2017</b>	<b>3.2</b>	<b>-19.0</b>	<b>-4.9</b>	<b>0.4</b>	<b>0.6</b>	<b>-19.7</b>
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
<b>Assets/liabilities as at 31 December 2017</b>	<b>4.0</b>	<b>-19.4</b>	<b>-5.6</b>	<b>1.9</b>	<b>0.0</b>	<b>-19.1</b>
Business combinations	-	0.1	-2.1	-	0.2	-1.8
Disposal of subsidiaries	-	-	0.4	-	-	0.4
Recorded in income statement	0.5	-0.4	0.2	-0.7	-0.1	-0.5
Recorded in statement of comprehensive income	-	-	-	-	0.2	0.2
Exchange adjustments	-0.1	-	0.1	0.0	0.0	0.0
Reclassifications	-	-	-	0.1	-0.1	0.0
<b>Assets/liabilities as at 31 December 2018</b>	<b>4.4</b>	<b>-19.7</b>	<b>-7.0</b>	<b>1.3</b>	<b>0.2</b>	<b>-20.8</b>

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. The Group has unrecognised tax losses as at 31 December 2018 amounting to €98.4 million (€85.9 million) that are available to be offset against the future profits for periods between five to nine years or unlimited. These losses were not recognised as deferred tax assets as their eventual use is not probable. The movement in unrecognised tax losses in 2018 is the net effect of additional tax losses of €24.8 million, utilisation of €4.5 million, expired losses of €2.9 million, disposals of €2.4 million and foreign exchange impact of €-2.5 million.

## NOTE 10 INTANGIBLE FIXED ASSETS

	Goodwill	Software	Other intangibles	Total
<b>Cost</b>				
<b>31 December 2016</b>	<b>137.4</b>	<b>15.4</b>	<b>38.4</b>	<b>191.2</b>
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
<b>31 December 2017</b>	<b>145.6</b>	<b>20.8</b>	<b>43.9</b>	<b>210.3</b>
Effect of changes in foreign exchange rates	-0.3	-0.5	-0.3	-1.1
Business combinations	25.7	0.3	14.0	40.0
Additions	-	2.6	7.5	10.1
Disposal of subsidiaries	-2.1	-	-2.0	-4.1
Reclassifications	-	1.0	-0.7	0.3
<b>31 December 2018</b>	<b>168.9</b>	<b>24.2</b>	<b>62.4</b>	<b>255.5</b>

	Goodwill	Software	Other intangibles	Total
<b>Amortisation</b>				
<b>31 December 2016</b>	<b>-18.8</b>	<b>-11.0</b>	<b>-11.2</b>	<b>-41.0</b>
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
Reclassifications	-	0.0	-0.1	-0.1
<b>31 December 2017</b>	<b>-18.8</b>	<b>-13.2</b>	<b>-15.1</b>	<b>-47.1</b>
Effect of changes in foreign exchange rates	-	0.3	0.1	0.4
Amortisation	-	-3.1	-4.6	-7.7
Reclassifications	-	-0.7	0.5	-0.2
<b>31 December 2018</b>	<b>-18.8</b>	<b>-16.7</b>	<b>-19.1</b>	<b>-54.6</b>

	Goodwill	Software	Other intangibles	Total
<b>Net book value</b>				
<b>31 December 2017</b>	<b>126.8</b>	<b>7.6</b>	<b>28.8</b>	<b>163.2</b>
<b>31 December 2018</b>	<b>150.1</b>	<b>7.5</b>	<b>43.3</b>	<b>200.9</b>

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

Included in the above amortisation charge is €3.0 million (€2.6 million) relating to amortisation of intangible assets recognised upon business combinations.

Included in the above figures are internally generated development costs of €9.3 million (€6.4 million) related to development of software applications used within the business. The net book value of these items was €4.2 million at 31 December 2018 (€2.5 million).

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

	2018	2017
Germany Diagnostic Services	81.1	81.1
Germany Clinical Services	15.6	16.0
Other	3.0	3.1
<b>Subtotal Diagnostic Services</b>	<b>99.7</b>	<b>100.2</b>
Poland Healthcare Services	26.4	16.1
Romania Healthcare Services	17.4	1.8
Fertility Services	6.6	8.7
<b>Subtotal Healthcare Services</b>	<b>50.4</b>	<b>26.6</b>
<b>Total Group</b>	<b>150.1</b>	<b>126.8</b>

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 5-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 8.0% and 25.6% (6.8% and 22.5%). These rates are then applied in discounting the projected cash flows.

Major pre-tax discount rates used in %:

	2018	2017
Germany	8.2	6.8
Poland	9.5	9.4

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.

## NOTE 11 TANGIBLE FIXED ASSETS

	Land & buildings	Leasehold improvements	Equipment	Vehicles	Total
<b>Cost</b>					
<b>31 December 2016</b>	<b>84.1</b>	<b>48.9</b>	<b>103.9</b>	<b>3.1</b>	<b>240.0</b>
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
<b>31 December 2017</b>	<b>86.3</b>	<b>59.4</b>	<b>117.7</b>	<b>2.9</b>	<b>266.3</b>
Effects of changes in foreign exchange rates	-1.7	-0.7	-1.8	-	-4.2
Business combinations	4.8	0.6	2.2	-	7.6
Additions	1.4	13.4	18.1	0.4	33.3
Disposal of subsidiaries	-	-0.1	-	-	-0.1
Disposal by sale	-	-0.1	-0.9	-0.3	-1.3
Retirements	-	-0.3	-2.0	-	-2.3
Reclassifications	2.1	-3.1	1.3	-	0.3
<b>31 December 2018</b>	<b>92.9</b>	<b>69.1</b>	<b>134.6</b>	<b>3.0</b>	<b>299.6</b>
<b>Depreciation</b>					
<b>31 December 2016</b>	<b>-6.4</b>	<b>-20.8</b>	<b>-68.9</b>	<b>-2.1</b>	<b>-98.2</b>
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
<b>31 December 2017</b>	<b>-8.1</b>	<b>-26.0</b>	<b>-81.4</b>	<b>-1.9</b>	<b>-117.4</b>
Effect on changes in foreign exchange rates	0.1	0.4	1.5	-	2.0
Depreciation	-2.4	-6.3	-13.6	-0.4	-22.7
Disposal by sale	-	0.1	0.9	0.2	1.2
Retirements	-	0.3	2.0	-	2.3
Reclassifications	-	-	-	-	-
<b>31 December 2018</b>	<b>-10.4</b>	<b>-31.5</b>	<b>-90.6</b>	<b>-2.1</b>	<b>-134.6</b>
<b>Net book value</b>					
<b>31 December 2017</b>	<b>78.2</b>	<b>33.4</b>	<b>36.3</b>	<b>1.0</b>	<b>148.9</b>
<b>31 December 2018</b>	<b>82.5</b>	<b>37.6</b>	<b>44.0</b>	<b>0.9</b>	<b>165.0</b>

The net book value of assets held under finance leases is €1.1 million (€1.6 million). At the reporting date the cost of fully depreciated tangible fixed assets still in use amounted to €84.2 million (€68.3 million). Included in leasehold improvements is €9.9 million (€6.3 million) of assets under construction.

## NOTE 12 SIGNIFICANT BUSINESS COMBINATIONS

During 2018 the following cash flows (net of cash acquired) were paid in relation to business combinations:

	2018
Pelican (a)	20.7
Other (b)	13.8
<b>Cash out flow on acquisitions net of cash acquired</b>	<b>34.5</b>

Preliminary purchase price allocation has been performed, subject to change in the 12 months from the acquisition date. Significant business combinations are detailed in the following summary. Non-controlling interests (NCI) amounting to €2.6 million have been measured at the NCI's proportionate share of the identified net assets of the acquiree.

	Pelican	Other	Total
Cash	2.1	1.3	3.4
Accounts receivable and inventories	3.0	1.4	4.4
Tangible fixed assets	6.1	1.5	7.6
Goodwill	12.8	12.9	25.7
Other intangible fixed assets:	9.8	4.5	14.3
Brand	7.5	1.1	8.6
Customer relations	1.7	-0.2	1.5
Licenses	0.4	-	0.4
Set-up costs	-	3.5	3.5
Other	0.2	0.1	0.3
Deferred tax asset	-	0.2	0.2
Deferred tax liability	-1.3	-0.7	-2.0
Corporate tax payable	-0.2	0.0	-0.2
Accounts payable	-3.4	-2.5	-5.9
Third party loans	-3.4	-0.8	-4.2
Non-controlling interests	-2.2	-0.4	-2.6
<b>Total purchase price</b>	<b>23.3</b>	<b>17.4</b>	<b>40.7</b>
Less: cash acquired	-2.1	-1.3	-3.4
Deferred and contingent consideration payable	-0.5	-1.5	-2.0
Other	-	-0.8	-0.8
<b>Total cash flow for acquisitions net of cash acquired</b>	<b>20.7</b>	<b>13.8</b>	<b>34.5</b>

- a) The Group acquired 80% of the voting shares in Pelican, a hospital operator in the north-western part of Romania, on 12 September 2018 for a payment net of cash acquired of €20.7 million with a deferred payment due of €0.5 million (80% in each of the legal entities Pelican Impex SRL, Diagnostica SRL, Optica Pelican SRL, Pelican Servicii SRL, Via Sana SRL and Farmacia Vitamina SRL). €9.8 million has been allocated to other intangible fixed assets (presented in detail in the table). €12.8 million goodwill was recognised on this acquisition, which is not deductible for tax purposes. Included in the consolidated income statement for the year ended 31 December 2018 is revenue of €6.7 million and net operating income of €0.8 million relating to the impact of this acquisition. If this acquisition had occurred on 1 January 2018, Group consolidated revenue would have been €11.7 million higher and net operating profit would have been €1.9 million higher.
- b) Other acquisitions during the year (including 3 dental businesses in Poland, a sports/fitness employee benefit operator in Poland, several clinics in Romania and a German genetic business and laboratory)

resulted in total payments net of cash acquired of €13.8 million, with deferred and contingent payments valued at €1.5 million. Contingent payments have been recognised and capped as part of the purchase price based on future performance targets. €4.5 million has been allocated to other intangibles (presented in detail in the table) and €12.9 million goodwill was recognised on these acquisitions, unallocated to specific intangibles and representing expected synergies with existing operations. €3.9 million of goodwill is deductible for tax purposes. These acquisitions complement the existing medical, genetic and dental networks in all three markets. Included in the consolidated income statement for the year ended 31 December 2018 is revenue of €10.5 million and net operating profit of €1.0 million relating to the other acquisitions of the Group. If these acquisitions had occurred on 1 January 2018, Group consolidated revenue would have been €12.3 million higher and net operating profit would have been €1.5 million higher.

An overview of all other intangible fixed assets identified during the purchase price allocation performed relating to grouped business combinations for 2018 is presented below:

	Method used	Estimated useful life	2018		
			Pelican	Other	Total
Brand	Income-based valuation (how much the brand owner would have to pay to use its brand if it licensed the brand from a third party, using DCF generated by the acquired entity for a period of time to capitalise future branded cash flows)	2-7 years	7.5	1.1	8.6
Customer relations	Valuation model based on multi-period-excess-earnings-method	10 years	1.7	-0.2	1.5
Licenses	Greenfield costs for obtaining the compulsory licenses to be able to run the business	5-10 years	0.4	-	0.4
Set-up costs	Greenfield costs for reconstructing the business with the same level of users and partners	4 years	-	3.5	3.5
Other	Fair value approximated to book value	5 years	0.2	0.1	0.3
<b>Total other intangible fixed assets</b>			<b>9.8</b>	<b>4.5</b>	<b>14.3</b>

## NOTE 13 INVESTMENT IN ASSOCIATES

	2018	2017
MaxCure	43.1	21.4
Other investments in associates	0.7	0.7
<b>Total investment in associates</b>	<b>43.8</b>	<b>22.1</b>

Investment in associates includes the Group's effective 45.1% holding in MaxCure.

	31 Dec 2017	Additions	Translation movement	31 Dec 2018
<b>Investment in MaxCure</b>				
Cash paid for issued new shares (a)	9.5	12.1	-2.0	19.6
Cash paid for existing shares (a)	4.3	3.2	-0.2	7.3
Recognition of liability (economic interest) (b)	7.6	4.8	-0.2	12.2
Options exercised (c)	-	6.1	-0.1	6.0
Share of loss of associate (d)	-	-2.0	0.0	-2.0
<b>Closing carrying value of investment in MaxCure</b>	<b>21.4</b>	<b>24.2</b>	<b>-2.5</b>	<b>43.1</b>
<b>Effective ownership, %</b>	<b>23.0%</b>			<b>45.1%</b>

- a) 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") for a cash payment of €13.8 million. During 2018, an additional €15.3 million was paid in cash increasing the effective ownership to 45.1%. The funds injected were used to acquire MaxCure's 10th unit, to acquire a minority in one of the existing units and to fund the launch of an additional greenfield 286-bed unit opened in the third quarter 2018, bringing total beds to 1,750.
- b) 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. It was measured at fair value at the acquisition date and further accrues 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.
- c) This represents the fair value of call options recognised on the date of exercise. Medcover has options to acquire a 51% stake through to 2019 mainly through infusions of new equity to support the growth of MaxCure. 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.
- d) MaxCure is included in the consolidated financial statements using the equity method. A loss of €2.0 million was recognised in 2018 for the calendar year. The accounting year of the associate runs from 1 April 2018–31 March 2019.

The table below provides summarised financial information for the MaxCure group for the calendar years ending 31 December 2018 and 31 December 2017:

	2018	2017
Current assets	22.9	16.2
Non-current assets	48.8	33.6
Current liabilities	-25.1	-19.9
Non-current liabilities	-21.6	-12.2
Net assets	25.0	17.7
Non-controlling interests within MaxCure	-2.2	-2.7
MaxCure shareholders' share in net assets	22.8	15.0

The average holding over the period was 36.4%. The share of loss picked up in the Group's financial statements for the calendar year (12 months from 1 January 2018 to 31 December 2018) is presented in the following table:

12 months ended	2018	2017
Revenue	55.1	55.0
Profit/(loss) for the year attributable to the shareholders	-5.5	1.3
Share of loss 12 months	-2.0	-

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.

The Group and other shareholders of MaxCure have entered into an agreement such that management control is vested with the founders until such time that the Group has a stake greater than 50%, with the Group holding only protective rights until that time. Given the existence of this agreement, and because the option to acquire the majority of shares described in c) is currently not exercisable, the directors concluded that the Group, despite being the largest shareholder, does not currently control MaxCure.

Other investments in associates include the investment in Diagenom GmbH amounting to €0.7 million (€0.7 million).

## NOTE 14 INVENTORIES

Within inventories is included €6.8 million (€12.1 million) relating to real estate developments.

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

	2018	2017
Trade receivables	68.7	62.5
Other receivables	8.6	8.4
Amounts due from related parties	0.0	0.2
Third party loan receivables	0.2	0.6
Prepayments	6.3	4.3
Accrued income	9.0	6.5
<b>Total trade and other receivables</b>	<b>92.8</b>	<b>82.5</b>

All financial assets carried at amortised cost are shown net of expected credit losses (ECL). The charge in the income statement for 2018 for ECL was €1.5 million (2017 incurred loss of €1.4 million).

Within the category accrued income, €7.2 million is recognised out of a total of €8.7 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 (€5.2 million recognised of €6.3 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. The Group has recognised only the value that it judges to be highly probable

to be realised. Upon application of IFRS 15, *Revenue from Contracts with Customers*, no change in the revenue recognition policy was required as the Group's accounting policy under IAS 18 already conformed with the variable consideration constraint.

During 2018, an additional €3.3 million was recognised for 2018 procedures and no settlement was received. 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

	2018	2017
Trade payables	24.6	23.1
Other payables	11.3	10.3
Accruals	43.3	33.7
<b>Total trade and other payables</b>	<b>79.2</b>	<b>67.1</b>

## NOTE 17 PROVISION FOR UNEARNED PREMIUMS/ DEFERRED REVENUE

	2018	2017
Deferred revenue	3.5	7.4
Provision for unearned premiums	6.8	4.9
<b>Total provision for unearned premiums/ deferred revenue</b>	<b>10.3</b>	<b>12.3</b>

A provision for unearned premiums is established to defer these to future periods for release to the income statement as earned premiums. The comparative deferred revenue amount included €4.1 million of advances received from customers related to a real estate development project in Poland. Medcover completed and disposed of a real estate development project in Warsaw (Poland) thereby realising the value of a plot of surplus land, with a profit of €1.5 million recognised in other income/costs in 2018 (refer to note 7).

## NOTE 18 OTHER NON-CURRENT LIABILITIES

	2018	2017
Cash settled share-based payments	5.4	4.7
Other liabilities	0.2	–
<b>Total other non-current liabilities</b>	<b>5.6</b>	<b>4.7</b>

Refer to note 30 share-based payments for more details.

## NOTE 19 LOANS PAYABLE

	2018	2017
<b>Non-current loans payable</b>		
Loans	117.3	43.4
Finance lease liabilities	0.2	0.5
Acquisition vendor notes and other	9.1	9.0
<b>Total non-current loans payable</b>	<b>126.6</b>	<b>52.9</b>

	2018	2017
<b>Current loans payable</b>		
Loans	0.9	1.6
Finance lease liabilities	0.4	0.6
Acquisition vendor notes and other	3.9	2.1
<b>Total current loans payable</b>	<b>5.2</b>	<b>4.3</b>

The Group has a €200 million facility with a maturity of 2.5 years, extendable by 1 year, and has financial covenants in relation to net debt/EBITDA and interest cover. At the balance sheet date €115.4 million (€14.1 million) of this facility was utilised.

At the balance sheet date, the Group has issued guarantees for premises operation lease commitments, medical equipment and tender specifications for a total of €5.0 million (€4.6 million). After the year end, the Group's debt facilities were increased by €100 million to €300 million on the same terms and lenders. The increase is to provide funding capability for acquisitions and general corporate purposes.

At 31 December 2018, €3.2 million of the plant, property and equipment were pledged as security for liabilities and leases (2017: €55.5 million including €30.3 million of debt secured on real estate of the Group with a registered mortgage which was repaid in January 2018).

Maturity of loans and other liabilities are payable as follows at the balance sheet date:

2018	Bank loans	Other liabilities
Within one year	0.9	3.9
Years two to five	117.3	9.1

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

The weighted average interest rate of total debt outstanding at the balance sheet date was 1.8% (2.0%).

## NOTE 20 LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2018	2017
<b>Gross debt</b>		
Non-current loans payable	126.6	52.9
Current loans payable	5.2	4.3
<b>Total gross debt</b>	<b>131.8</b>	<b>57.2</b>

	2018	2017
<b>Other financial liabilities</b>		
Non-current	28.6	23.6
Current	3.6	4.9
<b>Total other financial liabilities</b>	<b>32.2</b>	<b>28.5</b>

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

	Debt		Other financial liabilities	
	2018	2017	2018	2017
<b>Opening balance</b>	<b>57.2</b>	<b>210.7</b>	<b>28.5</b>	<b>17.9</b>
<b>Cash movements</b>				
Loans repaid	-35.6	-174.8	-0.4	-
Loans received	106.1	16.0	0.0	-
Distribution to non-controlling interests	-	-	-2.0	-1.1
<b>Non-cash movements</b>				
Net foreign exchange movements	-1.5	0.1	-	-
Debt assumed upon business combinations and acquisition of assets	5.4	5.3	-	-
Recognition of liquidity obligation to non-controlling interests	-	-	2.2	2.1
Economic interest liability for associate recognised	-	-	4.8	7.6
Other non-cash transactions	0.2	-0.1	0.0	-0.2
Fair value changes recognised through equity	-	-	1.1	0.8
Fair value through profit and loss:				
Fair value changes	-	-	-3.1	1.2
Recognition of deferred inception losses	-	-	1.1	0.2
<b>Closing balance</b>	<b>131.8</b>	<b>57.2</b>	<b>32.2</b>	<b>28.5</b>
Less cash balance	-38.4	-45.4		
<b>Debt net of cash</b>	<b>93.4</b>	<b>11.8</b>		

## NOTE 21 FINANCIAL ASSETS AND LIABILITIES

The following table shows the Group's significant financial assets and liabilities. All financial assets and liabilities are carried at amortised cost with the exception of:

- derivative financial instruments being reported at fair value through profit or loss;
- 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;
- contingent consideration payable in relation to acquisitions;
- a financial 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;
- certain call and put options written over shares of an associate, carried at fair value less deferred day one profit or loss, with the fair value re-measurement at each reporting date being reflected in the income statement along with the release of the initial deferral; and
- investments in equity instruments accounted for at fair value through profit or loss.

All financial assets and liabilities at amortised cost are considered to have carrying amounts that materially correspond to their fair value; for loan borrowings this is due to floating interest rates.

	Note	2018			2017		
		Non-current	Current	Total	Non-current	Current	Total
<b>Financial assets at fair value through profit or loss</b>							
Call options on associate's shares	21 b)	1.6	3.1	4.7	2.1	2.1	4.2
Other financial assets	21 c)	2.8	-	2.8	-	-	-
<b>Subtotal financial assets at fair value through profit or loss</b>		<b>4.4</b>	<b>3.1</b>	<b>7.5</b>	<b>2.1</b>	<b>2.1</b>	<b>4.2</b>
<b>Financial assets at amortised cost</b>							
Other financial assets		4.9	24.7 <sup>1)</sup>	29.6	3.1	-	3.1
Trade and other receivables, gross		-	98.9	98.9	-	87.3	87.3
Provision for expected credit losses		-	-6.1	-6.1	-	-4.8	-4.8
<b>Subtotal financial assets at amortised cost</b>		<b>4.9</b>	<b>117.5</b>	<b>122.4</b>	<b>3.1</b>	<b>82.5</b>	<b>85.6</b>
Cash and cash equivalents		-	38.4	38.4	-	45.4	45.4
<b>Total financial assets</b>		<b>9.3</b>	<b>159.0</b>	<b>168.3</b>	<b>5.2</b>	<b>130.0</b>	<b>135.2</b>
<b>Financial liabilities at fair value through profit or loss</b>							
Put options on associate's shares	21 b)	1.7	-1.1	0.6	1.5	-	1.5
Other financial liabilities	21 d)	11.2	-	11.2	7.5	-	7.5
Contingent acquisition consideration payable	21 e)	5.6	0.6	6.2	5.8	0.5	6.3
Derivatives (interest rate swap)		-	-	-	-	0.4	0.4
<b>Subtotal financial liabilities at fair value through profit or loss</b>		<b>18.5</b>	<b>-0.5</b>	<b>18.0</b>	<b>14.8</b>	<b>0.9</b>	<b>15.7</b>
Put option liquidity obligation with non-controlling shareholder (with movement through equity)	21 a)	15.7	-	15.7	14.6	-	14.6
<b>Subtotal financial liabilities at fair value</b>		<b>34.2</b>	<b>-0.5</b>	<b>33.7</b>	<b>29.4</b>	<b>0.9</b>	<b>30.3</b>
<b>Financial liabilities at amortised cost</b>							
Borrowings		117.5	2.0	119.5	44.1	2.3	46.4
Other liabilities		-	4.7	4.7	-	4.5	4.5
Trade and other payables		-	79.2	79.2	-	67.1	67.1
Deferred consideration payable		3.5	2.6	6.1	3.0	1.5	4.5
<b>Subtotal financial liabilities at amortised cost</b>		<b>121.0</b>	<b>88.5</b>	<b>209.5</b>	<b>47.1</b>	<b>75.4</b>	<b>122.5</b>
<b>Total financial liabilities</b>		<b>155.2</b>	<b>88.0</b>	<b>243.2</b>	<b>76.5</b>	<b>76.3</b>	<b>152.8</b>

<sup>1)</sup> €24.7 million into escrow relating to the acquisition of a German genetics business completed in January 2019.

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

	2018	2017
<b>Change in fair value of financial assets/liabilities</b>		
Release of deferred profit upon initial call option recognition	4.9	1.7
Release of deferred loss upon initial put option recognition	-1.1	-0.2
Change in fair value of call/put option on associate's shares	3.7	1.2
Change in fair value of other financial liabilities	1.1	0.1
<b>Total fair value recognised in other income</b>	<b>8.6</b>	<b>2.8</b>

#### 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 *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 2018 and in 2017) and the discount rate applied to the nominal value (2018: 1.7% and 2017: 1.4%). 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 36.6%–38.2% (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 9.2% (9.5%) and volatility of 18.1% (19.3%).
- Other financial assets at fair value through profit and loss include a purchase of 11.2% of shares in an innovative biotechnology company that is specialised in non-invasive diagnostics in the second half of 2018 for a total of €2.8 million.
- The Group has a contractual obligation to an unrelated third party in relation to the investment in an 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 12.9% (12.9%). 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 has made in 2018 and is likely to make over 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 payable. 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 profit or loss.

- 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 profit or loss. Contingent consideration payable decreased by €0.1 million from the prior year end, due to extinguishment of certain liabilities and reassessment of the forecasted performance of one acquisition being offset by recognition of the estimated liability payable for 2018 acquisitions. No additional material changes have occurred to any related assumptions during the year to 31 December 2018.

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 b), 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 formula 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 profit or loss 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 €7.6 million (€11.7 million) and €6.0 million (€7.8 million) respectively at year-end. Any subsequent change in fair value is recognised in profit or loss.

The aggregate difference yet to be recognised in the profit or loss 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.

	2018	2017
<b>Call options</b>		
Opening balance	4.2	-
Increase due to options acquired/recognised	0.4	9.2
Deferral of profit of options acquired	-0.4	-9.2
Decrease due to options exercised and transfer to cost of investment	-6.1	-
Release of profit deferral	4.9	1.7
Revaluation of options	1.7	2.5
<b>Closing balance</b>	<b>4.7</b>	<b>4.2</b>

	2018	2017
<b>Put options</b>		
Opening balance	-1.5	-
Increase due to options acquired/recognised	-0.3	-6.5
Deferral of loss of options acquired	0.3	6.5
Release of loss deferral	-1.1	-0.2
Revaluation of options	2.0	-1.3
<b>Closing balance</b>	<b>-0.6</b>	<b>-1.5</b>

### 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)
	2018	2017		2018	2017	
Put option (liquidity obligation with non-controlling shareholder)	15.7	14.6	Earnings growth factor	5.5%	5.5%	Increase of 1% point in profit growth = increase in FV liability of €0.6m
			Risk adjusted discount rate	1.7%	1.4%	Decrease of 1% point in discount rate = increase in FV liability of €0.8m
Call option <sup>1)</sup> (asset to acquire additional associate's shares)	7.6	11.7	Risk free rate	7.2%–7.5%	6.1%–7.6%	Decrease of 1% point in risk free rate = decrease in FV asset of €0.3m
			EBITDA growth rate	9.2%	9.5%	Increase of 1% point in EBITDA growth rate = decrease in FV asset of €0.2m
Put option <sup>2)</sup> (liability to acquire associate's shares held by other investors)	6.0	7.8	Risk free rate	7.2%–8.1%	7.2%–7.6%	Decrease of 1% point in risk free rate = increase in FV liability of €0.7m
			EBITDA growth rate	9.2%	9.5%	Increase of 1% point in EBITDA growth rate = increase in FV liability of €0.7m
Economic interest (other non-current liability)	11.2	7.5	4 year projected CAGR EBITDA	33.6%	43.3%	Increase of 10% in CAGR EBITDA = increase in FV liability of €1.2m
			Risk adjusted discount rate	12.9%	12.9%	Decrease of 1% point in discount rate = increase in FV liability of €0.4m
Contingent acquisition consideration payable	6.2	6.3	Risk adjusted discount rate	5.5%–8.5%	5.5%	Decrease of 1% point in discount rate = increase in FV liability of €0.1m

<sup>1)</sup> The fair value of the call option includes the unamortised deferral of day one profit.

<sup>2)</sup> The fair value of the put option includes the unamortised deferral of day one loss.

## NOTE 22 OPERATING LEASES

The Group has entered into leases for property to operate offices and medical facilities. 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 are for vehicles and laboratory machine leases. No financial covenants or restrictions have been granted in respect of these operating leases.

Lease payments were as follows:

	2018	2017
Property lease payments	32.5	30.8
Other assets lease payments	4.4	4.2
<b>Total lease payments</b>	<b>36.9</b>	<b>35.0</b>

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

	2018	2017
Within one year	27.7	25.0
Years two to five	58.6	51.3
After 5 years	18.0	19.1
<b>Total</b>	<b>104.3</b>	<b>95.4</b>

## 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 liquidity 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:

	2018	2017
Net debt (see note 20)	93.4	11.8
Future minimum lease obligations (see note 22)	104.3	95.4
Total net debt and future lease obligations	197.7	107.2
<b>Ratio to total shareholders' equity</b>	<b>0.6</b>	<b>0.3</b>

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

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The audit committee is responsible for monitoring and addressing issues concerning the efficiency of the Group's internal controls, regulatory compliance and risk management.

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, policies and processes for managing these risks and methods used to measure 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 those 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 the KV, the German system for compensation of healthcare services, 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.

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.

The Group applies the simplified approach to providing for expected credit losses (ECL) prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. No ECL has been recorded for other financial assets carried at amortised cost as there is no related credit risk.

A provision matrix was prepared based on historical observed default rates over the expected life of trade receivables for the segments of the Group, resulting in an ECL reflecting the predictive risk. Changes in economic conditions, types of customer and credit management practices were not considered in the calculation of the ECL for the Group as it is not considered sensitive to such changes.

The risk profile of trade receivables based on the Group's provision matrix arising from the ECL is presented below:

	Current	<30 days	<180 days	<365 days	>365 days
Expected credit loss rate	0.5%	1.7%	5.9%	25.5%	71.7%
Gross trade receivables	42.3	11.9	10.2	5.1	5.3
Expected credit losses	0.2	0.2	0.6	1.3	3.8

### Amounts recognised in profit or loss

During the year, the following losses were recognised in profit or loss in administrative costs in relation to impaired receivables:

	2018	2017
<b>Impairment losses</b>		
Movement in provision for impairment	-1.5	-1.4
<b>Total impairment losses</b>	<b>-1.5</b>	<b>-1.4</b>

Comparative information under IAS 39: the ageing of trade receivables past due at the balance sheet date but which are not impaired or provisioned were as follows:

	2018	2017
Past due 0–30 days	11.7	11.3
Past due 31–180 days	9.6	7.2
Past due more than 180 days	5.3	4.3
<b>Total</b>	<b>26.6</b>	<b>22.8</b>

A reconciliation of the loss allowance provision for trade receivables to the opening loss allowance for that provision is presented as follows:

	2018	2017
As at 1 January – calculated under IAS 39	4.8	4.2
Amounts restated through opening retained earnings	–	–
Movements under IFRS 9	1.3	–
Movements under IAS 39	–	0.6
Unused amounts reversed	–	–
<b>As at 31 December (2017 amounts calculated under IAS 39)</b>	<b>6.1</b>	<b>4.8</b>

#### 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 31 basis points from year end levels before there would be an increase in the Group's cost of funding. A 100 basis point increase in current interest rates would have a negative impact on the Group income statement of €0.9 million. 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.

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 the Group has consequently positioned its financial debt by weighting predominantly to short-term floating rates.

#### Liquidity risk

The Group has positive operating cash flows in all of its main markets and business lines, and projections and forecasts expect these cash flows to remain positive. These cash flows 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, cash flows 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 2018 of €216.1 million (€236.0 million) of which €118.2 million was drawn for loans or third party guarantees (€45.1 million).

In 2017, the previous €220 million credit facility was repaid and cancelled and a new facility of €200 million was signed with a maximum maturity up until May 2022. In January 2019, the Group's debt facilities were increased by €100 million to €300 million on the same terms and lenders to provide flexibility for further non-organic growth.

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 2018 the Group was at a leverage ratio of net debt/last 12 months EBITDA of 1.6x in relation to a covenant of 3.5x.

A maturity analysis for financial liabilities is presented as follows:

	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
<b>2018</b>							
Borrowings (including finance leases)	2.7	1.6	3.6	116.4	0.1	124.4	119.5
Trade and other payables	76.4	2.8	-	-	-	79.2	79.2
Put option liquidity obligation with non-controlling shareholders	-	-	-	10.2	6.8	17.0	15.7
Economic interest liability for associate	-	-	-	17.8	-	17.8	11.2
Deferred/contingent consideration payable	2.3	0.8	4.8	4.9	-	12.8	12.3
Other liabilities	3.2	2.1	-	-	-	5.3	5.3
<b>Total financial liabilities</b>	<b>84.6</b>	<b>7.3</b>	<b>8.4</b>	<b>149.3</b>	<b>6.9</b>	<b>256.5</b>	<b>243.2</b>

	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
<b>2017</b>							
Borrowings (including finance leases)	2.1	0.5	6.4	38.2	0.0	47.2	46.4
Trade and other payables	64.8	2.3	-	-	-	67.1	67.1
Put option liquidity obligation with non-controlling shareholders	-	-	-	-	15.9	15.9	14.6
Economic interest liability for associate	-	-	-	10.6	-	10.6	7.5
Deferred/contingent consideration payable	1.3	0.6	2.4	6.4	-	10.7	10.8
Derivatives	0.4	-	-	-	-	0.4	0.4
Other liabilities	2.2	2.3	1.5	-	-	6.0	6.0
<b>Total financial liabilities</b>	<b>70.8</b>	<b>5.7</b>	<b>10.3</b>	<b>55.2</b>	<b>15.9</b>	<b>157.9</b>	<b>152.8</b>

In the above tables, the liabilities from put options written are allocated to the earliest period in which the Group can be required to pay.

### 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), Euro, 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 in relation to costs of premises leases which in some cases are 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 is substantially all revenue. 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 those countries 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 reduction on 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 the Group's policy is not to actively hedge the net investment position in 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 4 main countries of operation 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.

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

2018 €m equivalents	EUR	PLN	RON	UAH	Other	Total
Receivables	35.5	35.4	10.8	1.4	9.7	92.8
Loans payable	99.0	30.2	2.6	–	0.0	131.8
Payables	18.8	39.4	14.1	2.2	4.7	79.2

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

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.

	2018		2017	
	Equity	Profit and loss	Equity	Profit and loss
PLN	7.9	0.6	6.9	1.7
RON	4.8	0.2	3.2	0.5
UAH	1.2	0.4	0.7	0.3

A 10% weakening of the following currencies against the Euro at 31 December for equity and throughout the year for profit and loss would have 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	
	2018	2017	2018	2017
United States Dollar	1.15	1.20	1.18	1.13
Polish Zloty	4.30	4.17	4.26	4.26
Romanian Lei	4.66	4.66	4.65	4.57
Ukrainian Hryvnia	31.71	33.50	32.13	30.03
Indian Rupee	79.73	76.61	80.73	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 view 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 reasonably 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 €0.1 million 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. Medicover's class B share has been listed on Nasdaq Stockholm since May 2017. At the shareholders' request class A shares may be converted to an equal number of class B shares. In the fourth quarter 2018, 2,400,000 class C shares were issued and immediately repurchased for a price of €0.2 per share totaling €480,000. The purpose of the issue was to ensure delivery of shares to employees in accordance with the long-term performance-based share programs for 2017 and 2018. Refer to note 30 for more information.

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

	2018 Shares	2017 Shares	2018 €m	2017 €m
Capital	135,735,195	133,335,195	27.1	26.7
Additional paid in capital			319.7	319.7
<b>Total capital and additional paid in capital</b>			<b>346.8</b>	<b>346.4</b>

	Number of shares, class A	Number of shares, class B	Number of shares, class C	Par value, €m	Additional paid-in capital, €m	Total, €m
<b>Opening balance as at 1 January 2017</b>	<b>6,500</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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	-	-	-	-
<b>Closing balance as at 31 December 2017</b>	<b>81,348,161</b>	<b>51,987,034</b>	<b>-</b>	<b>26.7</b>	<b>319.7</b>	<b>346.4</b>
Share issue for cash	-	-	2,400,000	0.4	-	0.4
Conversion between class A and class B shares	-2,143,365	2,143,365	-	-	-	-
<b>Closing balance as at 31 December 2018</b>	<b>79,204,796</b>	<b>54,130,399</b>	<b>2,400,000<sup>1)</sup></b>	<b>27.1</b>	<b>319.7</b>	<b>346.8</b>

<sup>1)</sup> Shares held by the Company as treasury shares.

## 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.

	2018	2017
Profit for the year, €m	24.6	18.7
Basic/diluted EPS, €	0.185	0.157

### Weighted average number of shares for EPS (thousands)

	2018	2017
Weighted average number of shares for basic EPS	133,335	119,187
Effect of dilution from employee share-based payments	0	0
Weighted average number of shares for diluted EPS	133,335	119,187

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.

2,400,000 class C shares were issued to satisfy long-term performance-based share programs for 2017 and 2018 (see note 30). These shares are held as treasury shares and are not reflected in the EPS calculation.

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 CO-WORKERS

	Average FTE					
	2018			2017		
	Women	Men	Total	Women	Men	Total
<b>By country</b>						
<i>Poland</i>	4,394	1,259	5,653	3,596	1,028	4,624
<i>Romania</i>	2,458	674	3,132	1,315	312	1,627
<i>Ukraine</i>	1,962	220	2,182	1,725	227	1,952
<i>Germany</i>	921	279	1,200	806	246	1,052
<i>Belarus</i>	350	53	403	302	43	345
<i>Serbia</i>	128	40	168	113	35	148
<i>India</i>	65	77	142	34	46	80
<i>Moldova</i>	115	21	136	98	17	115
<i>Turkey</i>	87	32	119	78	31	109
<i>Bulgaria</i>	63	13	76	65	12	77
<i>Georgia</i>	56	11	67	37	7	44
<i>Other</i>	24	21	45	5	5	10
<i>UK</i>	17	3	20	18	5	23
<i>Hungary</i>	13	4	17	4	1	5
<i>Benelux</i>	9	7	16	11	8	19
<i>Russia</i>	6	3	9	2	2	4
<i>Sweden</i>	4	4	8	2	3	5
<b>Co-workers – total average FTE</b>	<b>10,672</b>	<b>2,721</b>	<b>13,393</b>	<b>8,211</b>	<b>2,028</b>	<b>10,239</b>
Employees	8,542	1,735	10,277	6,676	1,378	8,054
Contractors	2,130	986	3,116	1,535	650	2,185

Average full time equivalent (FTE) figures presented for 2017 have been restated to include the seasonal workforce (impact of 392).

Co-workers presented above include every person who worked for or provides services to any Medcover company during the period, under an employment contract or as contracted by Medcover on a self-employed basis or similar. Contractors included in 2018 total figures amounted to 3,116 (Poland: 2,302, Romania: 722, Ukraine: 72 and other: 20). Contractors included in 2017 total figures amounted to 2,185 (Poland: 1,938, Romania: 156, Ukraine: 75 and other: 16).

## Gender distribution in board/Medcover management

	2018		2017	
	Women	Men	Women	Men
Board of directors	2	6	2	6
CEO and other senior executives	3	6	3	6
Other senior management	31	61	31	57
<b>Total</b>	<b>36</b>	<b>73</b>	<b>36</b>	<b>69</b>

## 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 by the annual general meeting (AGM). At the AGM held on 26 April 2018, it was resolved that remuneration for the time until the end of the next AGM to board members elected by the general meeting shall be paid with €60,000 to the chairman of the board and €40,000 to each of the board members, except for the CEO. In addition, €15,000 shall be paid to the chairman of the audit committee, €7,500 to each of the other members of the audit committee and €7,500 to each member of the remuneration committee. Total board fees amounted to €392,500 for the period from 1 April 2018 to 31 March 2019 (€290,000 from 1 April 2017 to 31 March 2018).

### CEO and senior executives

At the annual general meeting held on 26 April 2018, it was resolved to adopt guidelines for remuneration and other terms of employment for the CEO and other members of the executive management. These guidelines adopted in April 2018 were in line with those adopted in April 2017. The principles, which are accounted for in brief below, shall be applied for employment agreements entered into after the 2018 annual general 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 performance-based share program.

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 performance-based share program, 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, is 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 contribution 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

	2018			2017		
	Remuneration/ board fees	Social security costs	Of which pension costs	Remuneration/ board fees	Social security costs	Of which pension costs
Board of directors, CEO and other senior executives	5.1	0.3	0.1	3.8	0.3	0.1
Other employees	210.7	27.2	1.2	177.7	26.4	3.3
Contractors	54.3	–	–	45.8	–	–
<b>Total</b>	<b>270.1</b>	<b>27.5</b>	<b>1.3</b>	<b>227.3</b>	<b>26.7</b>	<b>3.4</b>

### 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 meeting of 2018 for the Company. The CEO is a director of the Company but was not remunerated for such office separately in 2018.

€ 000's	2018			2017		
	Board fees	Committee fees	Total	Board fees	Committee fees	Total
Fredrik Stenmo (chairman)	60	15	75	50	10	60
Jonas af Jochnick (vice chairman)	40	7.5	47.5	30	5	35
Board Members:						
Arno Bohn	40	–	40	30	–	30
Sonali Chandmal	40	7.5	47.5	30	–	30
Michael Flemming	40	15	55	30	10	40
Peder af Jochnick	40	–	40	30	–	30
Robert af Jochnick	40	–	40	30	–	30
Margareta Nordenvall	40	7.5	47.5	30	5	35
Fredrik Rågmark (CEO)	–	–	–	–	–	–
<b>Total</b>	<b>340</b>	<b>52.5</b>	<b>392.5</b>	<b>260</b>	<b>30</b>	<b>290</b>

Other than the CEO no director received any remuneration or benefit from any Group entity other than the Company. 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	807	–	7	296	7	1,117
Other senior executives (8)	1,980	681	206	657	85	3,609
<b>Total 2018</b>	<b>2,787</b>	<b>681</b>	<b>213</b>	<b>953</b>	<b>92</b>	<b>4,726</b>
Fredrik Rågmark, CEO	810	–	12	99	–	921
Other senior executives (8)	1,723	393	285	224	104	2,729
<b>Total 2017</b>	<b>2,533</b>	<b>393</b>	<b>297</b>	<b>323</b>	<b>104</b>	<b>3,650</b>

During 2018, one executive retired and another was recruited. Pension contributions include statutory employer contributions to state pensions and payments to defined contribution pension schemes.

## NOTE 30 SHARE-BASED PAYMENTS

The Group recorded a charge of €2.2 million for share-based payments in 2018 (€1.1 million).

### Equity settled share-based payments

The purpose of the programs 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 programs 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 22,500 saving shares for Plan 2018 and 18,750 saving shares for Plan 2017. As of 31 December 2018, 38 employees have chosen to participate in Plan 2018 and 28 (32) employees in Plan 2017. In total, the program comprises 107,752 saving shares for Plan 2018 and 92,750 saving shares for Plan 2017. There was a reduction of 4 participating employees as at 31 December 2018 for Plan 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 2023 for Plan 2018 (1 January–31 March 2022 for Plan 2017) 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 2018–2022 with 2017 as comparative year for Plan 2018 (2017–2021 with 2016 as comparative year for Plan 2017) are fulfilled. Should Medcover's compound annual EBITDA growth rate (CAGR) amount to more than 10% for Plan 2018 (14% for Plan 2017), 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 20% for Plan 2018 (28% for Plan 2017) 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 2018, 862,016 instruments have been granted relating to Plan 2018 and 742,000 relating to Plan 2017. 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% per annum among participants, therefore estimating that ~59% of instruments will eventually vest due to the service vesting conditions.

### 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 employees 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 2018 amounted to €2.8 million (€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. 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 2018 amounted to €2.6 million (€2.8 million) and is estimated to become due in 2026.

## NOTE 31 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	2018	2017
Celox Holding AB share capital	34.7%	35.4%
Celox Holding AB votes	55.6%	54.5%

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:

	2018	2017
<b>Celox Group companies</b>		
Expenses and employment costs recharged	0.4	0.4
Outstanding receivables at period end	0.0	0.2
Free of charge settlement of equity awards to management (a)	–	0.2
Acquisition of Medicover Healthcare Private Limited (at original cost) (b)	–	10.0
Acquisition of MaxCure interests and other rights and obligations (at original cost) (c)	–	21.4

- a) Celox S.A. and Mr. Jonas af Jochnick made available shares free of charge to fulfil share-based payments fulfilled 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) 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 greenfield development was originally funded by the major shareholder of the Group prior to the Medicover AB's listing on the Nasdaq Stockholm Exchange with the view of being transferred under the Group's ownership after the listing.
- c) The Group acquired on 4 October 2017 from Celox Holding AB, a 22.0% interest in the share capital of Sahrudaya Health Care Private Limited ("MaxCure") 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.

## 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
Centrum Medyczne Damiana Holding Sp. z o.o.	Medical	Poland
Doctor Luca SRL	Medical	Romania
Iowemed Topmed SRL <sup>2)</sup>	Medical	Romania
Intersono Medical Center Private Enterprise <sup>2)</sup>	Medical	Ukraine
Invimed - T Sp. z o.o.	Medical	Poland
Medicover Investment B.V.	Holding/Financing/Management	The Netherlands
Medicover Försäkrings AB (publ)	Insurance	Sweden
Medicover Healthcare Private Limited <sup>2)</sup>	Medical	India
Medicover Holding S.A. <sup>2)</sup>	Holding/Financing/Management	Luxembourg
Medicover Hospitals SRL	Medical	Romania
Medicover Sp. z o.o.	Medical	Poland
Medicover SRL	Medical	Romania
OK System Polska S.A. [78.5%] <sup>1)</sup>	Medical	Poland
Pelican Impex SRL [80%] <sup>1)</sup>	Medical	Romania
Rehasport Clinic Sp. z o.o.	Medical	Poland
Reminos Investments SRL	Real Estate	Romania
Sahrudaya Health Care Private Limited [39.2%] <sup>1) &amp; 2)</sup>	Medical	India
Synevo FLLC	Medical	Belarus
Synevo Holding S.à r.l.	Holding/Financing/Management	Luxembourg
Synevo Romania SRL	Medical	Romania
Synevo Sp. z o.o.	Medical	Poland
Synevo Ukraine LLC	Medical	Ukraine
Whimsical Holding Limited	Holding/Management	Cyprus

All new entities and changes in ownership in 2018 versus 2017 are marked with<sup>1)</sup>

All changes in 2017 versus 2016 are marked with<sup>2)</sup>

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 <sup>2)</sup>	Medical	Germany
Genetik Berlin-Lichtenberg GmbH <sup>1)</sup>	Medical	Germany
IHP Institut für Hämostaseologie und Pharmakologie MVZ GmbH	Medical	Germany
Hogyn MVZ GmbH	Medical	Germany
IMD Institut für Medizinische Diagnostik GmbH* <sup>2)</sup>	Medical	Germany
IMD Labor Oderland GmbH* <sup>2)</sup>	Medical	Germany
IMD MVZ Beteiligungs GmbH [92.5%]*	Holding	Germany
Infektiologie Ärzteforum Seestraße MVZ GmbH <sup>2)</sup>	Medical	Germany
IVD Institut für Veterinärmedizinische Diagnostik GmbH	Medical	Germany
Laborbetreuung IMD GmbH	Trading/Administration	Germany
Labormedicus GmbH	Medical	Germany
Medicover GmbH*	Medical	Germany
Medicover Gerlingen GmbH	Medical	Germany
Medicover Genetics GmbH <sup>2)</sup>	Medical	Germany
Medicover Ulm MVZ GmbH	Medical	Germany
Medicover Stuttgart MVZ GmbH	Medical	Germany
Medizinisches Versorgungszentrum Labor Greifswald GmbH*	Medical	Germany
Nordmed Healthcare GmbH*	Medical	Germany
Nordmed Klinik GmbH*	Holding/Management	Germany
Medizinisches Versorgungszentrum Martinsried GmbH <sup>1)</sup>	Medical	Germany
Medicover Medizin GmbH (previously named Projektentwicklungsgesellschaft IMD Greifswald GmbH)	Medical	Germany
Synevo GmbH*	Holding/Management	Germany
Synevo Studien Service Labor GmbH	Medical	Germany

All entities marked with an \* are significant subsidiaries

All new entities and changes in ownership in 2018 versus 2017 are marked with<sup>1)</sup>

All changes in 2017 versus 2016 are marked with<sup>2)</sup>

## NOTE 33 PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

	2018	2017
Audit assignments	0.8	0.7
Auditing activities other than audit assignments	0.1	0.6
Tax consultancy services	0.0	-
Other assignments	0.0	0.2
<b>Total fees</b>	<b>0.9</b>	<b>1.5</b>

Included within the above is €0.8 million (€1.3 million) paid to BDO Sweden AB and its network. Other assignments in 2017 principally included amounts in relation to work associated with the preparation of the Offering Circular and listing of the shares of Medicover on Nasdaq Stockholm.

## NOTE 34 EVENTS AFTER BALANCE SHEET DATE

- a) On 14 February 2019, Medicover has signed an agreement to acquire 100% of the voting rights of Neomedic, a leading neonatology and obstetrics hospital group in southern Poland with annual revenue of € 27.1 million, for €70.5 million. The transaction is subject to customary merger control approvals and the investment is expected to be consolidated during the second quarter of 2019.
- b) The acquisition of 100% of the voting rights of the centre for genetic diagnostics of Dr. Klein, Dr. Rost and colleagues ('Klein') located near Munich in Germany was completed in January 2019 for a total consideration of €25.3 million. €20.9 million was released from money deposited in an escrow account in 2018. A preliminary purchase price

allocation is presented below. It resulted in a total cash settlement of €21.4 million with contingent consideration payable totaling €4.5 million recognised and capped as part of the purchase price based on future performance targets. It is expected that €2.1 million will be allocated to other intangibles and that €20.6 million goodwill will be recognised on this acquisition, unallocated to specific intangibles representing expected synergies with existing operations. If this acquisition had occurred on 1 January 2018, the Group consolidated revenue would have been €16.0 million higher and net profit would have been €0.3 million higher.

	Klein
Cash	-
Accounts receivable and inventories	0.6
Tangible fixed assets	2.1
Goodwill	20.6
Other intangible fixed assets :	2.1
Customer relations	2.0
Other	0.1
Other payable	-0.1
<b>Total purchase price</b>	<b>25.3</b>
Less: cash acquired	-
Deferred and contingent consideration payable (discounted)	-3.9
<b>Total cash flow for acquisition net of cash acquired</b>	<b>21.4</b>

- c) After the year end, the Group's debt facilities were increased by €100 million to €300 million on the same terms and lenders. The increase is to provide funding for acquisitions and general corporate purposes.

## NOTE 35 DEFINITION AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

In its decision-making, the Group uses some alternative performance measures (APMs) that are not defined in IFRS. They are used 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. These APMs may not be comparable to similar measures presented by other companies. The main alternative performance measures used by the Group are explained and reconciled below.

### Acquired revenue

Represents revenue recognised from acquired businesses in the first 12 months from the acquisition. This represents non-organic growth. If there is significant expansion of the acquired business post-acquisition due to investments made post-acquisition and such revenue can be readily identified then this additional revenue is excluded from acquired revenue.

### Organic revenue

Organic revenue combines real internally generated growth and also comprises price changes. This represents the growth of the business after removing the impact of acquisitions and disposals or other scope changes and exchange rate movements. This provides a "like for like" comparison with the previous year or period in constant scope and constant currency enabling a deeper understanding of the business and evolution of revenue.

The revenue of an acquired business is generally excluded for the 12 months following the business combination, but revenue generated by post-acquisition expansion of the business due to investments made subsequent to acquisition, if significant, are included. Revenue of disposed businesses are removed from the comparatives for the 12 months prior to the disposal. The effects of changes in foreign exchange rates are calculated as the current year's revenue less the current year's revenue converted at the prior year's rates.

Organic growth is the comparison of organic revenue for the current year to the comparable prior year revenue, expressed as a percentage or absolute figure.

### EBITA

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

### EBITA margin

EBITA as a percentage of revenue.

### EBITDA

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

### EBITDA margin

EBITDA as a percentage of revenue.

### Adjusted EBITDA

EBITDA, as defined above, adjusted for non-cash equity settled share-based payments, merger and acquisition related expenses and initial public offering (IPO) 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.

### Net financial debt

Net financial debt represents the net level of financial debt contracted by the Group with external parties (banks, bonds) upon which interest is charged after deducting the cash and cash equivalents. Refer to note 20 for the composition of debt and a reconciliation of movements for the year.

### 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.

### Laboratory tests

Number of laboratory tests performed within the Diagnostic Services segment for the period referenced. The basis of counting tests has been restated such that certain test parameters are grouped together, sold as a single item and are counted as a single test. This provides information more consistent between the revenue development and the underlying activity. The previously reported and restated amounts are as follows:

	FY 18	FY 17	Growth	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17
Lab test volume											
As reported	132.6	123.8	7.1%	33.3	31.9	32.5	34.9	30.9	29.7	31.2	32.0
Restated	98.1	91.4	7.3%	24.8	23.8	24.0	25.5	23.3	22.3	22.2	23.6

Reconciliation to EBITDA	2018	2017
Operating profit	29.4	28.8
Amortisation	3.3	2.6
<b>EBITA</b>	<b>32.7</b>	<b>31.4</b>
Depreciation	27.1	23.6
<b>EBITDA</b>	<b>59.8</b>	<b>55.0</b>
Non-cash equity settled share-based payments	1.6	0.8
Merger and acquisition related expenses	1.8	0.4
Initial public offering (IPO) related expenses	–	1.5
<b>Adjusted EBITDA</b>	<b>63.2</b>	<b>57.7</b>
Revenue	671.6	580.2
Operating profit margin, %	4.4%	5.0%
EBITDA margin, %	8.9%	9.5%
Adjusted EBITDA margin, %	9.4%	9.9%
Profit margin, %	3.9%	3.5%

Reconciliation to organic revenue	2018	2017
Revenue	671.6	580.2
Less acquired revenue impact	-22.9	-9.4
<b>Revenue excluding acquisitions</b>	<b>648.7</b>	<b>570.8</b>
Currency effect	9.2	-1.4
<b>Organic revenue</b>	<b>657.9</b>	<b>569.4</b>

# Parent company income statement

For the years ended 31 December, €m	Note	2018	2017
Revenue		0.6	0.1
Gross profit		0.6	0.1
Distribution, selling and marketing costs		0.0	0.0
Administrative costs	3	-6.3	-4.0
Operating loss		-5.7	-3.9
Income from participation in Group companies	4	30.5	-
Interest income from Group companies		0.1	0.2
Total financial result		0.1	0.2
Profit/(loss) before income tax		24.9	-3.7
Income tax	5	-	-
Profit/(loss) for the year		24.9	-3.7

As the profit 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	2018	2017
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Tangible assets</i>			
Vehicles	6	0.0	0.1
<i>Financial assets</i>			
Participation in Group companies	12	434.8	434.8
Loans to Group companies	7	28.0	-
<b>Total fixed assets</b>		<b>462.8</b>	<b>434.9</b>
<b>Current assets</b>			
Receivables from Group companies		0.7	0.3
Other receivables		0.2	0.4
Cash and cash equivalents		-	0.5
<b>Total current assets</b>		<b>0.9</b>	<b>1.2</b>
<b>Total assets</b>		<b>463.7</b>	<b>436.1</b>
<b>EQUITY</b>			
<i>Restricted equity</i>			
Share capital		27.1	26.7
<b>Total restricted equity</b>		<b>27.1</b>	<b>26.7</b>
<i>Non restricted equity</i>			
Share premium		407.0	407.0
Retained earnings		20.8	-3.7
Other reserves		2.1	0.5
<b>Total non-restricted equity</b>		<b>429.9</b>	<b>403.8</b>
<b>Total equity</b>		<b>457.0</b>	<b>430.5</b>
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
Loans from Group companies	9	3.3	3.3
<b>Total non-current liabilities</b>		<b>3.3</b>	<b>3.3</b>
<i>Current liabilities</i>			
Trade payables		0.0	0.1
Liabilities to Group companies		2.7	1.8
Accruals	8	0.6	0.2
Other liabilities		0.1	0.2
<b>Total current liabilities</b>		<b>3.4</b>	<b>2.3</b>
<b>Total liabilities</b>		<b>6.7</b>	<b>5.6</b>
<b>Total equity and liabilities</b>		<b>463.7</b>	<b>436.1</b>

# Parent company statement of changes in equity

€m	Restricted equity	Non-restricted equity			Total equity
	Share capital	Share premium	Retained earnings and result of the year	Other reserves	
<b>Closing balance as at 31 December 2016</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>
Loss for the year	-	-	-3.7	-	-3.7
Issuance of Medcover 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
<b>Closing balance as at 31 December 2017</b>	<b>26.7</b>	<b>407.0</b>	<b>-3.7</b>	<b>0.5</b>	<b>430.5</b>
Profit for the year	-	-	24.9	-	24.9
Share issue for cash	0.4	-	-	-	0.4
Acquisition of treasury shares	-	-	-0.4	-	-0.4
Employee share-based compensation costs	-	-	-	1.6	1.6
<b>Closing balance as at 31 December 2018</b>	<b>27.1</b>	<b>407.0</b>	<b>20.8</b>	<b>2.1</b>	<b>457.0</b>

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 profit for the year.

In the fourth quarter 2018, 2,400,000 class C shares were issued and immediately repurchased for a price of €0.2 per share totaling €480,000. The purpose of the issue was to ensure delivery of shares to employees in accordance with the long-term performance-based share programs for 2017 and 2018.

The share capital consisted of 79,204,796 class A shares, 54,130,399 class B shares and 2,400,000 class C shares for 135,735,195 shares in total. Class A shares carry one vote per share and class B and class C 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	2018	2017
<b>Profit/(loss) before income tax</b>		<b>24.9</b>	<b>-3.7</b>
Adjustments for:			
Income from participation in Group companies	4	-30.5	-
Net interest expense		-0.1	-0.3
Employee share-based compensation costs	10	1.6	0.5
(Increase)/decrease in receivables and inventories		0.3	-0.3
Increase in payables		0.1	2.4
Income tax paid		-	-
<b>Net cash from operating activities</b>		<b>-3.7</b>	<b>-1.4</b>
<b>Investing activities:</b>			
Payment for acquisition of fixed assets	6	0.0	-0.1
Interest received		0.4	-
Dividend received		2.0	-
<b>Net cash used in investing activities</b>		<b>2.4</b>	<b>-0.1</b>
<b>Financing activities:</b>			
Proceeds from issue of shares		0.4	199.6
Acquisition of treasury shares		-0.4	-
Loans repaid		-	-197.6
Loans received		0.8	-
<b>Net cash from financing activities</b>		<b>0.8</b>	<b>2.0</b>
<b>Total cash flow</b>		<b>-0.5</b>	<b>0.5</b>
<b>Cash and cash equivalents</b>			
Cash balance as at 1 January		0.5	0.0
Cash balance as at 31 December		-	0.5
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>-0.5</b>	<b>0.5</b>

# 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 did not apply IFRS 9 (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.
- The parent company reports the Group contribution received from subsidiaries as financial income in accordance with the principal rule in RFR2.

## NOTE 2 INTRA-GROUP TRANSACTIONS AND GUARANTEES

During the year, the parent company had intra-group transactions with its subsidiaries amounting to income of €0.7 million (€0.4 million) and costs of €1.8 million (€1.9 million) for Group wide services. Interest relates to loans advanced to the parent company's direct subsidiary Medcover Holding S.A. In 2017, 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 cover during the year ending 31 December 2018 all commitments entered into by its indirect German subsidiaries in accordance with the German Commercial code. 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 of the consolidated financial statements.

Medcover AB (publ) has guaranteed the obligations of its direct subsidiary, Medcover Holding S.A., under a revolving credit facility of up to €200 million, which was subsequently increased to €300 million after the balance sheet date.

## NOTE 3 NATURE OF EXPENSES

	2018	2017
Staff costs	-2.8	-1.2
Property lease costs, heat and other establishment costs	-0.1	-0.1
Other	-3.4	-2.7
<b>Total operating expenses</b>	<b>-6.3</b>	<b>-4.0</b>

Included in the category 'other' are expenses relating to audit fees, other consultancy and legal fees (in 2017, expenses relating to the listing were included).

## NOTE 4 INCOME FROM PARTICIPATION IN GROUP COMPANIES

Income from participation in Group companies represents dividend income of €30.0 million received from the Company's direct subsidiary and €0.5 million of Group contribution.

## NOTE 5 INCOME TAX

	2018	2017
Profit/(loss) before tax	24.9	-3.7
Applicable tax rate, %	22.0%	22.0%
Tax at applicable tax rate	5.5	0.8
<b>Reconciliation of tax expense:</b>		
Current year effect of permanent differences	-6.2	-0.1
Tax loss carry forwards not recognised for deferred taxes	0.7	-0.7
<b>Tax expense</b>	<b>-</b>	<b>-</b>
<b>Effective tax rate, %</b>	<b>0.0%</b>	<b>0.0%</b>

The company has unrecognised tax losses at 31 December 2018 amounting to €6.7 million (€3.5 million) that are available to be offset against future profits for an unlimited period of time.

## NOTE 6 TANGIBLE ASSETS

	2018	2017
Opening cost of acquisition	0.1	-
Additions	0.0	0.1
<b>Closing cost of acquisition</b>	<b>0.1</b>	<b>0.1</b>
Opening depreciation	0.0	-
Depreciation charge	0.1	0.0
<b>Closing depreciation</b>	<b>0.1</b>	<b>0.0</b>
<b>Net book value as at 31 December</b>	<b>0.0</b>	<b>0.1</b>

## NOTE 7 NON-CURRENT LOANS TO GROUP COMPANIES

	2018	2017
Loans to Medcover Holding S.A. due between two and five years	28.0	-
<b>Total non-current loans to Group companies</b>	<b>28.0</b>	<b>-</b>

**NOTE 8 ACCRUALS**

	2018	2017
Other accruals	0.6	0.2
<b>Total accruals</b>	<b>0.6</b>	<b>0.2</b>

**NOTE 9 NON-CURRENT LOANS FROM GROUP COMPANIES**

	2018	2017
Loan from Medcover Holding S.A. due less than two years	3.3	3.3
<b>Total non-current loans from Group companies</b>	<b>3.3</b>	<b>3.3</b>

**NOTE 10 SALARIES AND OTHER REMUNERATION**

	2018			2017		
	Remuneration/ board fees	Social security costs	Of which pension costs	Remuneration/ board fees	Social security costs	Of which pension costs
Board of directors, CEO and other senior executives	1.2	0.1	0.1	0.6	0.1	0.0
Other Group share-based payments	1.3	-	-	0.4	-	-
Other employees	0.2	0.0	0.0	0.1	0.0	0.0
<b>Total salaries and other remuneration</b>	<b>2.7</b>	<b>0.1</b>	<b>0.1</b>	<b>1.1</b>	<b>0.1</b>	<b>0.0</b>

For further details on remuneration of the board, CEO and other senior executives and related remuneration policies and guidelines adopted, refer to note 29 of the consolidated financial statements. The average number of employees was 5 for 2018 with 3 women and 2 men (3 with 2 women and 1 man).

**NOTE 11 PRINCIPAL ACCOUNTANT FEES AND SERVICES**

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

	2018	2017
Audit assignments	0.3	0.1
Auditing activities other than audit assignments	0.1	0.5
Tax consultancy services	-	-
Other assignments	-	0.1
<b>Total fees</b>	<b>0.4</b>	<b>0.7</b>

**NOTE 13 PROPOSED APPROPRIATION OF THE COMPANY'S PROFIT**

Non-restricted equity in the parent company amounts to:

As at 31 December, €	2018
Share premium reserve	406,994,195
Retained earnings	20,654,605
Reserves	2,169,799
<b>Unappropriated earnings</b>	<b>429,818,599</b>

The board of directors proposes that no dividend will be distributed to the shareholders, instead the unappropriated earnings will be carried forward.

**NOTE 12 PARTICIPATION IN GROUP COMPANIES**

Subsidiaries	Corporate ID number	Registered office	Share of equity, %
Medcover Holding S.A.	B59021	Luxembourg	100
			<b>Carrying value</b>
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
<b>As at 31 December 2017</b>			<b>434.8</b>
Movements in 2018			-
<b>As at 31 December 2018</b>			<b>434.8</b>

## 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 27 March 2019. 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 3 May 2019.

Stockholm on 27 March 2019

Fredrik Stenmo  
Chairman of the board

Jonas af Jochnick  
Vice chairman

Peder af Jochnick  
Board member

Robert af Jochnick  
Board member

Arno Bohn  
Board member

Sonali Chandmal  
Board member

Michael Flemming  
Board member

Margareta Nordenvall  
Board member

Fredrik Rågmark  
Board member and CEO

Our audit report was submitted on 27 March 2019  
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 2018, except for the corporate governance report on pages 48-57. The annual accounts and consolidated accounts of the Company are included on pages 38-96 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 2018 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 2018 and its 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 48-57. 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 balance sheet for the parent company, and the consolidated statement of comprehensive income and consolidated statement of financial position for 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 judgment, 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 on, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Impairment testing 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 judgment 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 judgment 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 150.1 million and other consolidated fixed assets totaling EUR 215.8 million as of 31 December 2018.

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;
- Reperforming 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 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, 2.12, Impairment of non-financial assets; and
- Note 10 to the consolidated financial statements, Intangible assets.

### **Fair value measurement of certain 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 judgment 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.

### **Disclosure of the expected impact of the initial application of IFRS 16, Leases**

#### **Key audit matter**

Disclosure is required in the consolidated financial statements of the expected impact of the new standard on leases, IFRS 16, which will be adopted from 1 January 2019. Under IFRS 16, leases are accounted for based on 'right-of-use model'. The model reflects that, at lease commencement, a lessee has a finan-

cial obligation to make lease payments to the lessor for its right to use the underlying asset during the lease term. On adoption, the Group will apply the standard to its leases retrospectively to each prior reporting period presented. It expects the initial recognition will lead to an increase in fixed assets of approximately EUR 116 million, and to an increase in financial liabilities of approximately EUR 125 million as of 1 January 2019.

We considered this to be a key audit matter due to the Group being heavily dependent on leases as part of its business model and the significant associated impact expected on key accounting metrics.

#### **Our response**

To assess the Group's process for estimating the impact of adoption of IFRS 16, we performed the following audit procedures, amongst others:

- We have reviewed the implementation paper prepared by Group management and challenged management on their judgments made in the process of preparing the entity's IFRS 16 accounting policy;
- We have instructed the auditors of nine components of the Group with significant amount of leases to undertake specific procedures to confirm the complete identification of leases as well as the consistent and accurate compilation of lease master data; we evaluated the results of these procedures;
- We have obtained support from management for their determination of the discount rates used to calculate the present value of the lease payments used to measure the lease liabilities; we have considered similarity of benchmark borrowing and securing assets, validated market inputs, and examined assumptions made by management;
- We have performed independent recalculation of the right-of-use asset and lease liability calculated by the system for a sample of leases;
- We have assessed the design of the systems and processes set up by management to account for transactions in accordance with the new standard and used in determining the estimated impact of the initial application of IFRS 16.

Refer to Summary of significant accounting policies, 2.1(e) in the consolidated financial statements.

### **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 1–37 and 102–105. 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 knowl-

edge 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 intend to liquidate the Company, to cease operations, or have 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 judgment 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 2018 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 directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the Company's accounting in accordance with law to 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 judgment 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 judgment 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 48-57 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 26 April 2018 and has been the Company's auditor since 12 October 2016.

Stockholm, 27 March 2019

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 Medicover AB (publ), Corporate Identity Number 559037-9487

## Engagement and responsibility

The Board of Directors is responsible for the Sustainability Report for 2018 as on the pages 6–9, 28–33 as well as 44–47 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, 27 March 2019  
BDO Sweden AB

Jörgen Lövgren  
*Authorized Public Accountant*

## 5-YEAR FINANCIAL REVIEW

€ million	2018	2017	2016	2015	2014
<b>SUMMARY OF INCOME STATEMENT</b>					
Revenue	671.6	580.2	497.3	415.6	365.3
Medical provision costs	-510.9	-438.2	-377.3	-314.9	-277.6
Distribution, selling and marketing costs	-35.3	-28.5	-25.0	-21.3	-18.4
Administrative costs	-96.0	-84.7	-77.4	-57.9	-52.5
<b>Operating profit</b>	<b>29.4</b>	<b>28.8</b>	<b>17.6</b>	<b>21.5</b>	<b>16.8</b>
Other income/(costs)	8.6	2.9	0.2	-0.2	-
Total financial result	-1.8	-3.9	-5.6	-4.6	-4.1
Share of profit/(loss) of associates	-1.8	0.2	0.1	0.0	0.2
<b>Profit before income tax</b>	<b>34.4</b>	<b>28.0</b>	<b>12.3</b>	<b>16.7</b>	<b>12.9</b>
Income tax	-7.9	-7.8	-5.8	-7.7	-8.2
<b>Net profit</b>	<b>26.5</b>	<b>20.2</b>	<b>6.5</b>	<b>9.0</b>	<b>4.7</b>
<b>SUMMARY OF STATEMENT OF FINANCIAL POSITION</b>					
<b>ASSETS</b>					
<b>Non-current assets</b>					
Goodwill	150.1	126.8	118.6	106.6	97.5
Other intangible fixed assets	50.8	36.4	31.6	19.1	14.6
Tangible fixed assets	165.0	148.9	141.8	79.5	69.8
Investment in associates	43.8	22.1	1.0	1.1	0.7
Other assets	12.2	8.9	5.0	9.2	6.6
<b>Total non-current assets</b>	<b>421.9</b>	<b>343.1</b>	<b>298.0</b>	<b>215.5</b>	<b>189.2</b>
<b>Current assets</b>					
Inventories	30.3	30.7	25.8	24.2	12.7
Other financial assets	27.8	2.1	-	-	7.6
Trade and other receivables	92.8	82.5	77.3	55.9	48.3
Cash and cash equivalents	38.4	45.4	18.4	17.2	11.8
<b>Total current assets</b>	<b>189.3</b>	<b>160.7</b>	<b>121.5</b>	<b>97.3</b>	<b>80.4</b>
<b>Total assets</b>	<b>611.2</b>	<b>503.8</b>	<b>419.5</b>	<b>312.8</b>	<b>269.6</b>
<b>SHAREHOLDERS' EQUITY</b>					
Issued capital and reserves attributable to owners of the parent	319.4	300.3	92.7	89.2	88.6
Non-controlling interests	4.5	3.7	6.1	4.0	1.9
<b>Total shareholders' equity</b>	<b>323.9</b>	<b>304.0</b>	<b>98.8</b>	<b>93.2</b>	<b>90.5</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans payable	126.6	52.9	195.4	126.2	0.4
Other liabilities	58.2	51.5	40.4	34.8	26.7
<b>Total non-current liabilities</b>	<b>184.8</b>	<b>104.4</b>	<b>235.8</b>	<b>161.0</b>	<b>27.1</b>
<b>Current liabilities</b>					
Loans payable	5.2	4.3	15.3	3.1	101.9
Trade and other payables	79.2	67.1	57.2	45.2	41.7
Other liabilities	18.1	24.0	12.4	10.3	8.4
<b>Total current liabilities</b>	<b>102.5</b>	<b>95.4</b>	<b>84.9</b>	<b>58.6</b>	<b>152.0</b>
<b>Total liabilities</b>	<b>287.3</b>	<b>199.8</b>	<b>320.7</b>	<b>219.6</b>	<b>179.1</b>
<b>Total shareholders' equity and liabilities</b>	<b>611.2</b>	<b>503.8</b>	<b>419.5</b>	<b>312.8</b>	<b>269.6</b>
<b>SUMMARY OF CASH FLOW STATEMENT</b>					
Cash generated from operations before working capital changes and tax payments	63.9	57.0	47.1	40.5	35.1
Changes in operating assets and liabilities & income tax paid	-19.5	-6.7	-21.2	-11.8	-13.4
Net cash from operating activities	44.4	50.3	25.9	28.7	21.7
Net cash used in investing activities	-116.1	-53.5	-66.1	-45.6	-24.7
Net cash from financing activities	64.6	31.3	41.5	22.6	4.1
<b>Total cash flow</b>	<b>-7.1</b>	<b>28.1</b>	<b>1.3</b>	<b>5.7</b>	<b>1.1</b>
<b>INVESTMENTS</b>					
In intangible assets	10.0	7.1	8.7	5.3	2.2
In tangible assets	31.0	22.3	45.6	25.5	21.4
Disposals of intangible and intangible assets	-0.1	-0.2	-0.2	-0.9	-0.9
<b>Total net investments in fixed assets</b>	<b>40.9</b>	<b>29.2</b>	<b>54.1</b>	<b>29.9</b>	<b>22.7</b>

€ million	2018	2017	2016	2015	2014
<b>KEY FINANCIAL DATA</b>					
<b>Medicover</b>					
Revenue	671.6	580.2	497.3	415.6	365.3
Organic revenue	657.9	569.4	476.7	408.1	364.7
Organic growth, %	13.5%	14.5%	19.5%	17.6%	15.1%
Operating profit	29.4	28.8	17.6	21.5	16.8
Operating profit margin, %	4.4%	5.0%	3.5%	5.2%	4.6%
Net profit	26.5	20.2	6.5	9.0	4.7
Net profit margin, %	3.9%	3.5%	1.3%	2.2%	1.3%
EPS, EUR	0.185	0.157	0.046	0.079	0.045
Diluted EPS, EUR	0.185	0.157	0.045	0.078	0.044
EBITDA	59.8	55.0	44.3	39.5	34.9
EBITDA margin, %	8.9%	9.5%	8.9%	9.5%	9.5%
Adjusted EBITDA	63.2	57.7	46.5	39.7	35.1
Adjusted EBITDA margin, %	9.4%	9.9%	9.4%	9.5%	9.6%
EBITA	32.7	31.4	23.6	23.0	17.8
EBITA margin, %	4.9%	5.4%	4.7%	5.5%	4.9%
<b>Healthcare Services:</b>					
Revenue	346.1	285.8	244.7	212.2	177.6
Organic revenue	328.6	275.8	234.9	205.8	177.6
Organic growth, %	14.9%	12.7%	15.2%	16.8%	13.0%
EBITDA	30.4	26.9	20.0	16.0	13.5
EBITDA margin, %	8.8%	9.4%	8.2%	7.5%	7.6%
Adjusted EBITDA	31.2	27.3	21.1	16.1	13.6
Adjusted EBITDA margin, %	9.0%	9.6%	8.6%	7.6%	7.7%
Members (period end), 000's	1,209	1,024	889	750	660
<b>Diagnostic Services:</b>					
Revenue	336.7	304.4	260.5	212.9	195.6
Organic revenue	340.6	303.5	249.7	211.8	195.0
Organic growth, %	11.8%	16.5%	22.2%	18.5%	16.3%
EBITDA	43.7	41.4	33.3	30.8	28.1
EBITDA margin, %	13.0%	13.6%	12.8%	14.5%	14.4%
Adjusted EBITDA	44.3	41.7	33.5	30.8	28.1
Adjusted EBITDA margin, %	13.2%	13.7%	12.9%	14.5%	14.4%
Lab tests (period end volume), million	98.1	91.4	85.2	75.3	69.7

## DEFINITIONS

### Acquired revenue

Represents revenue recognised from acquired businesses in the first 12 months from the acquisition. This represents non-organic growth. If there is significant expansion of the acquired business post-acquisition due to investments made post-acquisition and such revenue can be readily identified then this additional revenue is excluded from acquired revenue.

### Organic revenue

Organic revenue combines real internally generated growth and also comprises price changes. This represents the growth of the business after removing the impact of acquisitions and disposals or other scope changes and exchange rate movements. This provides a “like for like” comparison with the previous year or period in constant scope and constant currency enabling a deeper understanding of the business and evolution of revenue.

The revenue of an acquired business is generally excluded for the 12 months following the business combination, but revenue generated by post-acquisition expansion of the business due to investments made subsequent to acquisition, if significant are included. Revenue of disposed businesses are removed from the comparatives for the 12 months prior to the disposal. The effects of changes in foreign exchange rates are calculated as the current year's revenue less the current year's revenue converted at the prior year's rates. Organic growth is the comparison of

organic revenue for the current year to the comparable prior year revenue, expressed as a percentage or absolute figure.

### EBITA

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

### EBITA margin

EBITA as a percentage of revenue.

### EBITDA

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

### EBITDA margin

EBITDA as a percentage of revenue.

### Adjusted EBITDA

EBITDA, as defined above, adjusted for non-cash equity settled share-based payments, merger and acquisition related expenses and initial public offering (IPO) 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.

### Net financial debt

Net financial debt represents the net level of financial debt contracted by the Group with external parties (banks, bonds) upon which interest is charged after deducting cash and cash equivalents. Refer to note 20 for the composition of debt and a reconciliation of movements for the year.

### IPO

Initial public offering.

### 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.

### Laboratory tests

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

### Co-workers

Co-workers include every person who works for or provides services to any Medcover company, under an employment contract or as contracted by Medcover on a self-employed basis or similar.

## GLOSSARY

**Allergology** The study of allergic diseases.

**BDP** Blood drawing point.

**CEE** Central and Eastern Europe.

**Endocrinology** The medical study of the hormone secreting glands (the endocrine system) and related functions, diseases and treatments.

**EMAS** The EU Eco-Management and Audit-Scheme.

**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.

**Immunology** The study of the immune system.

**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.

**PHI** The Private Health Insurance funds.

**PPP** Purchasing power parity.

**SHI** The Statutory Health Insurance.

**Theranostics** A field of medicine which combines specific targeted therapy based on specific targeted diagnostic tests.

# INFORMATION TO SHAREHOLDERS

## Financial calendar

Interim report January–March	3 May 2019
Annual General Meeting	3 May 2019
Interim report April–June	26 July 2019
Interim report July–September	6 November 2019

## Information about the 2019 Annual general meeting (AGM)

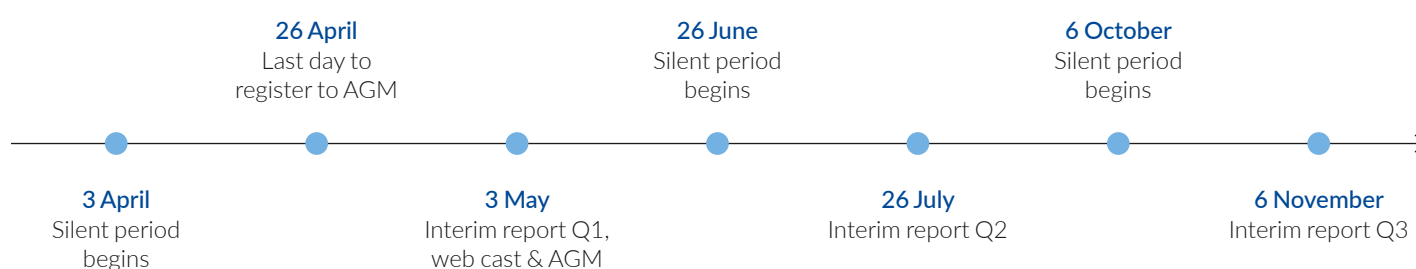
The annual general meeting of Medicover AB (publ) will be held on Friday, 3 May at 1:00 pm at IVA, Wallenbergsalen, Grev Turegatan 16, Stockholm.

## 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 26 April, 2019. Notification could be sent by post, Medicover AB, Att. AGM 2019, c/o Euroclear Sweden, Box 191, 101 23 Stockholm, Sweden, by phone: +46 8 40 292 74 or via [medicover.com](http://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 notarised 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.



## Addresses

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Keep up to date on our website: [Medicover.com](http://Medicover.com)

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