Medicover

Annual Report 2019

Caring for your health
is all we do.

MEDICOVER

"Keep-on fighting, never give up"

The passing of Jonas af Jochnick, co-founder of Medicover, in May 2019, was a big loss to us all. Jonas was an extraordinary person – a true entrepreneur, a fighter and a leader but also a father, husband, father-in-law, friend and mentor for many people. A person one can admire endlessly for his optimism, energy, curiosity, intellect and big heart. Jonas, who was a well-educated man with both a law degree and an MBA from Harvard, was always on the move and always recognised opportunities. Most people can only dream of founding one company that later becomes listed on a stock exchange. Jonas was able to create two of such success stories. Besides being the co-founder of Oriflame, together with his brother Robert, Jonas also co-founded Medicover.

Jonas was a very caring person and his charity work has spanned over decades. Together with his wife Christina, he created the Jonas & Christina af Jochnick Foundation, that will impact the world for years to come. However, most important to Jonas was his family – his wife Christina and their four children, their many grandchildren and of course all the af Jochnick family members. They meant the world to him.

Jonas entrepreneurial and visionary leadership was an instrumental ingredient in building Medicover to what we are today. We will remember Jonas for his never ending motivation, enormous generosity, always looking at the positive side and with a strong will to never give up!

Jonas – Thank you for everything!

Fredrik Stenmo
Chairman Medicover AB

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.

Caring for your health is all we do!

Contents

2019 highlights

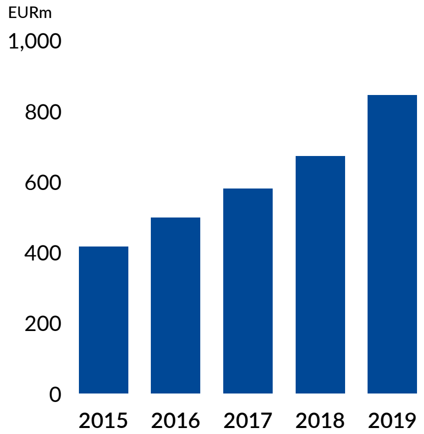
Medicover's growth journey continued. Revenue grew 26 per cent, organic growth was 15 per cent.

Acquired Neomedic, a leading neonatology and obstetrics hospital group in southern Poland.

Majority owner in Medicover Hospitals in India (MaxCure) and consolidated from 1 December.

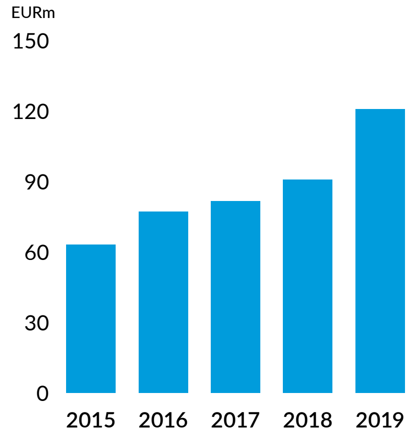
Revenue

844 EUR million



EBITDA

121 EUR million



Key figures

	2019	2018	2017	2016	2015
Revenue, EURm	844.4	671.6	580.2	497.3	415.6
EBITDA, EURm	120.7	90.7	81.5	77.2	63.0
Earnings per share, EUR	0.168	0.167	0.152	0.084	0.064
Revenue growth, %	25.7	15.8	16.7	19.7	13.8
EBITDA growth, %	33.0	11.3	5.6	22.5	13.2[1)]

[1)] Before application of IFRS 16 Leases.

Medicover in brief

Medicover is a specialised provider of diagnostic and healthcare services, focusing on markets mainly in Central and Eastern Europe and 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 96 laboratories, 670 blood-drawing points (BDPs) and 25 clinics.

Share of revenue

48%

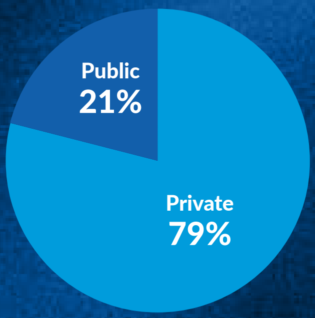
Healthcare Services

Healthcare Services offers high-quality care based on an Integrated Healthcare Model. The basis for this is a network of 20 hospitals and 120 clinics and medical facilities.

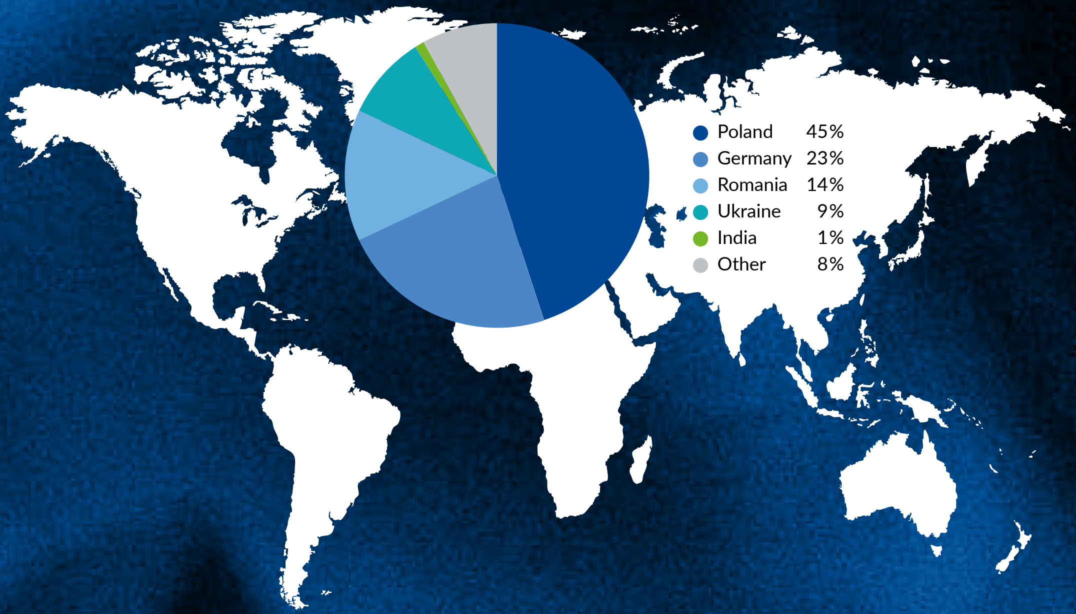
Share of revenue

52%

Revenue by payer



Revenue by country



No. of co-workers

28,784

No. of laboratory tests

107 million

No. of members

1.3 million

No. of medical visits

7.1 million

Our strongest growth to date

We have ended our three-year strategy period (2017 to 2019) with a strong sense of pride. Medicover has delivered on each of our financial targets and is demonstrating profitable growth and a sound capital structure.

In 2019, revenue was EUR 844.4m (EUR 671.6m), which represents 25.7 per cent growth compared with 2018. And of this year's growth, organic growth amounted to 14.8 per cent, proving once again the strength of our business model. Organic adjusted EBITDAaL growth amounted to 23.7 per cent. And finally, the company's interest-bearing debt was 2.8 times adjusted EBITDAaL for the year – significantly better than our target and cap of 3.5. This gives us the financial strength to continue our acquisition agenda.

It took persistent work to get here, with a focus on developing Medicover's high-quality offering and diversifying our business. These factors will go on to support Medicover's continued growth and success.

Uncertain times ahead

Currently, with the Covid-19 pandemic, we have entered challenging and uncertain times and this will continue for some time ahead. We are facing our biggest challenge in modern times and it will put pressure on every company and human being. Protective actions taken by governments and authorities are and will have an impact on economic activity which will see significant contraction in 2020. Medicover has sufficient financial resources to weather a protraction economic slow down and will be certain to be able to provide our customers and patients with care through the crisis and afterwards. We are taking all measures to protect our staff whilst also ensuring continuity of service for our patients and customers.

High-quality offering

Our success begins with the health and wellbeing of our clients and patients. Ensuring Medicover's premium offering – access to high-quality healthcare when and where customers need it – is our point of departure. This strengthens our relationships, ensures loyalty and drives organic growth.

Diverse business

Our diversification in terms of geography, revenue streams and service offering is the single most important reason behind Medicover's remarkable growth. Medicover is present in Central and Eastern Europe and in Germany, and we are deepening our engagement in selected states in India. Almost all of these countries are currently achieving double-digit growth, which of course benefits Medicover. Our aim is to grow even faster than the markets where we operate.

Medicover's revenue comes from three main sources: public, funded (corporate/employer) and Fee-For-Service (FFS). Having multiple payers gives us access to a greater share of the market and enables risk diversification.

In addition, we are continuing to expand our offering. By providing services in many areas of care and at all stages of life, we build trustful relationships, benefiting both customers and Medicover.

Finally, we are increasingly focusing on expanding our margins. The keys to success here are optimal use of existing infrastructure and capacity, network efficiency and cost management. During the year we have seen tangible results of these efforts. The EBITDA margin increased from 13.5 to 14.3 per cent during the year.

Diagnostic Services: positive development in Germany

During 2019, the situation in Germany normalised and volume is back as before the reimbursement revisions for publicly funded tests. This benefited our Diagnostic Services division and Germany represented about half of this year's revenue growth. Furthermore, we experienced remarkable progress in our Fee-For-Service business in Romania, Ukraine and Poland. The reason is threefold: we expanded our network of blood-drawing points, we worked hard to strengthen relations with physicians, and we developed our service offering to include more advanced diagnostics.

Healthcare Services: Fee-For-Service increases margins

Our strategy of diversification, which includes being present in attractive markets with strong structural growth, is the main reason behind growing revenue in Medicover's Healthcare Services division. Our Integrated Healthcare Model continues to drive growth. At the end of the year, we had 1.3 million members, which represents growth of 7.5 per cent. In addition, Healthcare Services is moving from working mainly with an employer-funded model and is continuing to increase the share taken by Fee-For-Service business. There is considerable potential here – for instance, the FFS market in Poland is about four or five times the size of the corporate payment market.

Acquisitions enable further growth

When Medicover was listed in 2017, we sought to strengthen our balance sheet to enable acquisitions and further growth. Since then, we have integrated 25 businesses into Medicover. This year's most significant acquisition was Neomedic, a leading neonatology and obstetrics hospital group in Poland. Neomedic is highly specialised, strategically located in the southern part of the country and makes a valuable synergistic addition to Medicover's offering.

During the year we continued to develop the fertility clinics in India, located in the Punjab and Delhi area in north of India. In connection with this, three fertility clinics closed due to weak development. We also became the majority owner of the Indian hospital group MaxCure, now Medicover Hospitals. Medicover Hospitals is now present in four Indian states – Andhra Pradesh, Bangalore, Telangana and Maharashtra. India is a natural step for Medicover: the states where we operate share many characteristics with our main markets, for instance strong economic growth, a high level of private healthcare funding and a large middle class with high expectations. The service model of Medicover Hospitals is also similar to that of our Wilanów hospital in Poland.

Maintaining our pattern of success

To maintain our pattern of success, we focus on doing what we do well. After all, healthy, satisfied and loyal customers are what keeps us going. Moving forward, we intend to focus even more on expanding margins. Here, digitalisation will continue to play a key role. We will also continue to complement organic growth with well-selected acquisitions when the economy eventually picks up.

New financial targets

Medicover's board has adopted new financial targets for the period 2020–2022. The strategic direction stands firm and the new targets reflect our continuing ambition to maintain robust organic revenue growth alongside margin expansion – and to maintain a strong balance sheet.

By people, for people

Medicover is genuinely a business conducted by people, for people.

Sadly, in May we lost a person who truly shaped Medicover – Jonas af Jochnick passed away at the age of 81. I have had the privilege of working near Jonas ever since the start of Medicover, following him and his entrepreneurship on a daily basis. We will treasure his visionary and entrepreneurial spirit on Medicover's journey ahead.

Medicover is also a team effort. We rely on our people to deliver first-class healthcare and to keep expanding. Attracting and keeping the right people is in fact our main challenge and a potential impediment to growth. We therefore strive to be the best possible workplace for every co-worker. Health and safety of our people, their families and our customers/patients is the main focus at the moment. We will do our uttermost to protect our people in these uncertain times and we need to stay strong and supportive. So, last but certainly not least, to the people of Medicover – a heartfelt thank you for all your efforts in 2019. Your passion and professionalism literally move our company forward.

Stockholm, March 2020

Fredrik Rågmark
CEO

Sustaining customers' health and wellbeing

Medicover's mission is to improve and sustain health and wellbeing. The aim is to 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 provider of diagnostic and health-care services, which are split between two divisions:

Diagnostic Services

Diagnostic Services division offers a broad range of laboratory tests in all major clinical pathology areas, ranging from routine to advanced tests and from prevention to monitoring of treatments. The business is conducted through a network of 96 laboratories, 670 blood-drawing points and 25 clinics.

66 per cent of revenue comes from private payments from patients. The remaining 34 per cent of revenue is generated from publicly funded sources.

Healthcare Services

Healthcare Services division offers high-quality care based on its Integrated Healthcare Model and a broad offering of specialty-care services. Services are offered in 120 medical clinics, 21 fertililty clinics, 41 dental clinics and 20 hospitals.

51 per cent of revenue is generated through Medicover's Integrated Healthcare Model – a prepaid healthcare package purchased primarily by employers as an employee benefit, and also by individuals. Another 40 per cent of revenue comes from the Fee-For-Service (FFS) model, where customers pay for healthcare services as they use them. The final 9 per cent stems from publicly funded sources.

Medicover offers diagnostic and healthcare services primarily in Central and Eastern Europe, Germany and India.

Two divisions…

Diagnostic Services

Healthcare Services

… providing high-quality healthcare services …

Diagnostic Services: Laboratory tests in all major clinical pathology areas

Healthcare Services:
- Primary care
- Specialist care
- Hospital care

… to a strong and growing revenue base …

Diagnostic Services:

66%	Privately paid
34%	Publicly funded

Healthcare Services:

51%	funded through Integrated Healthcare Model
40%	Fee-For-Service
9%	Publicly funded

… in attractive markets with long-term structural growth drivers …

Diagnostic Services:
- Germany
- Romania
- Ukraine
- Poland

Healthcare Services:
- Poland
- Romania
- India

… creating long-term value for:

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

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

Shareholders
- Deliver financial value through stable profitable growth.

Society
- Contribute in meeting society's increased need for healthcare.
- Constitute an important part of the total healthcare solution in the markets where the company is present.
- Promote health and wellbeing in society through the Medicover Foundation.

Success at the finish line

In connection with the IPO, Medicover set ambitious targets for the period 2017–2019 with 2016 as base year. The company is now celebrating success at the finish line, with all results above target.

	Medium-term target 2017–2019	Outcome 2019
Revenue		
Organic revenue growth	9–12%	14.8%
Profitability		
Adjusted organic EBITDAaL growth	18–20%	23.7%
Capital structure		
Interest bearing net financial debt/ Adjusted EBITDAaL	<3.5x	2.8x

Revenue

Growth was 25.7 (15.8) per cent, of which 14.8 (13.4) per cent represented organic growth. Growth for Diagnostic Services amounted to 21.3 (10.6) per cent. Healthcare Services reported a solid growth of 29.8 (21.1) per cent.

Profitability

EBITDA growth was 33.0 (11.3) per cent. Adjusted organic EBITDAaL growth was 23.7 (15.1) per cent, Medicover has delivered its profit targets at the top end of the target range for the last three-year period and expects to be able to continue to expand margins over the new period.

Capital structure

Medicover had a strong financial position at the end of 2019, allowing room for further organic expansion and for executing Medicover's acquisition agenda.

New financial targets

New medium-term financial targets for the period 2020–2022 have been communicated. The new financial targets with 2019 as a base year are as follows:

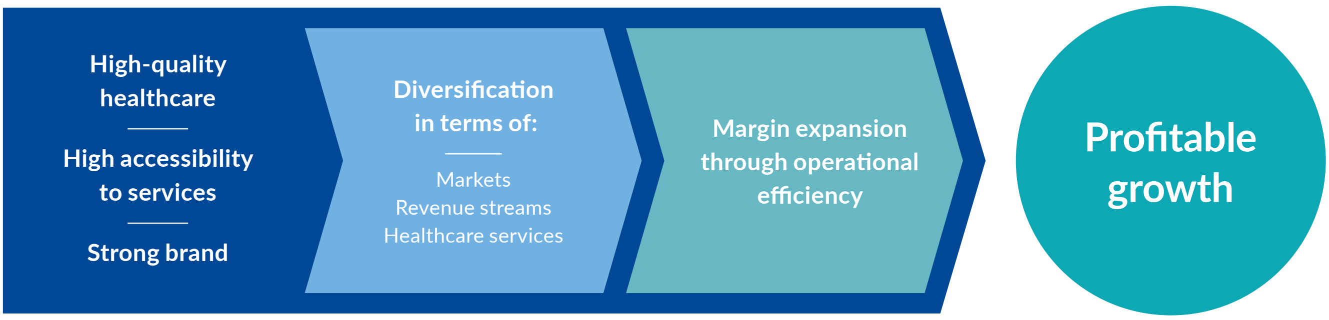
	2019 base year	Target
Organic revenue growth	EUR 844.4 m	9–12%
Adjusted EBITDA-margin target year-end 2022	14.8%	15.5–16.5%
Loans payable net of cash/ adjusted EBITDAaL[1)]	2.8x	≤3.5x
Dividend payout ratio		Up to 50% of net profit

[1)] This may temporarily be exceeded in relation to acquisitions.

The new medium-term financial targets confirm the continued expectation to maintain robust organic revenue growth alongside ongoing margin expansion, with a maintained strong balance sheet, allowing an ongoing active mergers and acquisitions agenda. This reflects Medicover's strong market position and positive outlook.

Premium quality and diversification are the way forward

Medicover's core objective is ensuring access to high-quality healthcare services when and where customers require these. What distinguishes Medicover and forms the company's foundation for growth is its diversification. This also strengthens its ability to expand margins.



Medicover's strengths provide a solid foundation for the continued development of the Company

Access to high-quality healthcare
Ensuring access to high-quality healthcare services when and where customers require these forms the core of Medicover's operations. This strengthens Medicover's relationships with clients, ensures loyalty and drives organic growth in the main markets in Central and Eastern Europe and Germany. Customer surveys demonstrate high satisfaction and willingness to recommend Medicover.

Subsequently, Medicover's path to profitable growth is shaped by its diversification in terms of markets, revenue streams and service offering, as well as the company's ability to expand margins.

Presence in attractive markets
Overall, geographical diversification reduces Medicover's exposure to market factors and dependency on individual markets. Furthermore, most markets where Medicover operates have a GDP below the EU-27 average and show substantial growth. At present none of Medicover's markets except Germany is growing by less than 10 per cent annually. Medicover naturally benefits from this and aims to grow faster than the markets where it operates. As these economies mature and GDP increases, a greater proportion of GDP will be devoted to healthcare since healthcare services become affordable to more people.

Multiple revenue streams
In many markets where Medicover operates – for example Poland, Romania and Hungary – there is entitlement to universal healthcare. However, health expenditure in relation to GDP is significantly lower than the average for most developed countries and, in reality, access to publicly funded care is limited. Consequently, corporate and private funding are the ways to fill the gap between supply and demand.

Medicover combines three sources of funding: public funding, corporate/employer funding through the prepaid Integrated Healthcare Model, and Fee-For-Service from individuals. Multiple payers mean diverse revenue profiles. Public and corporate payers provide volume and stable revenue over time. Individual customers bring solid, but less predictable, revenue at higher margins. All in all, different payers offer greater market access as well as risk diversification.

Broad range of healthcare services
Medicover offers a broad range of healthcare services through the two divisions. Diagnostic Services division offers labora-

tory 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.

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. Medicover also offers expanded services of specialty care in specific areas like dental care, orthopaedics, wellness and the diagnosis and treatment of infertility.

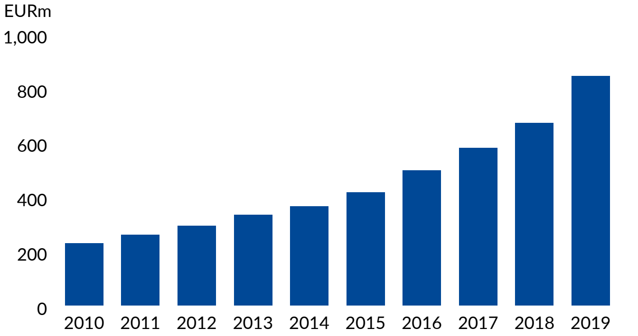
By providing customers with services in many areas of care and at all stages of life, long customer relationships are created, benefiting both the customer and Medicover.

Operational efficiency

Medicover is challenged by cost inflation, primarily related to wage costs. This requires relentless focus on operational excellence. Medicover's main keys to margin expansion are optimal utilisation of existing infrastructure and capacity, network efficiency, and cost management. Optimal use of the company's infrastructure includes all resources, not least to maximise doctor-patient interaction and billable hours in Healthcare Services. Diagnostic Services improves its efficiency by concentrating large volume of tests in highly specialised units. Digitalisation plays a major role in reducing costs. For instance, Diagnostic Services can process a growing number of tests and Healthcare Services can develop its ways of interacting with patients.

Long-term growth track-record

Revenue



Medicover's formula for 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. Implementation of this agenda is adapted to the two divisions since the businesses, scope and activities are specific.

Medicover's strategic agenda consists of three main areas:

Diagnostic Services

1. Grow in existing markets

Regardless of the market and the payer model, diagnostic tests are mostly performed on the recommendation of a physician. Consequently, it is crucial for Medicover to have close relations with doctors responsible for referring patients.

Physicians are thinly spread in most countries where Medicover operates. Consequently, geographical coverage through an expanding network of strategically located blood-drawing points (BDPs) is critical to growing the business. In addition to growing the BDP network, Medicover invests in laboratory capacity to manage the increasing number of tests. At present, Medicover has a total of 96 laboratories (including central laboratories), 670 BDPs and 25 clinics in ten countries.

2. Expand service offering

Medicover's diagnostic services range from routine to advanced tests across all major clinical pathology areas. New and more complex in-vitro diagnostic (IVD) tests are continually being developed, and this is an important driver of growth and profit. Examples include histopathology, genetics, immunology, allergology and molecular diagnostics. These tests are significantly more costly, and provide a growing proportion of revenue for Diagnostic Services. Advanced tests represent 35 per cent of revenue and only 5 per cent of volume.

Besides offering a complete range of routine tests, which is a prerequisite for being a preferred partner to physicians, Medicover is making further dedicated inroads into the advanced-test area. This is done both by expanding existing capacity and expertise and by acquiring advanced laboratories to add new application competences. The acquisition of the Centre for Human Genetics and Laboratory Diagnostics in Germany is an example of this strategy.

To take advantage of the rapid development in diagnostic testing, it is also critical to keep informing and educating clinicians about the uses and advantages of new tests. Significant efforts are put into keeping clinicians up to date through personal visits and seminars. Medicover's annual symposium in Romania, now in its 22nd year, attracts more than 2,000 professionals.

3. Pursue operational excellence

Medicover takes advantage of the economies of scale resulting from being a major diagnostics provider. With a large volume of tests, there are significant opportunities for centralisation and automation. Medicover works in a hub-and-spoke model where large test volume is collected in central and regional labs. This way of working is supported by a proprietary laboratory information system in ten countries which achieves optimal laboratory process efficiency, inter-lab referrals and distributed analysis, as well as results-reporting and post-analytical customer service.

Medicover also seeks scale effects and better purchasing terms by centralising procurement of materials and consumables, called reagents. These are the main cost components besides staff.

Healthcare Services

1. Grow in existing markets

In Poland, Romania and Hungary, Medicover Healthcare Services has built a strong business based on the employer-funded Integrated Healthcare Model. Employers are increasingly willing to invest in employee health, not least as a tool for attracting and keeping talent.

Medicover's solid reputation and client loyalty are the obvious springboard for further organic growth. Medicover maintains premium quality through continuous improvements and by attracting the best medical practitioners. Improving customers' access to services is equally crucial. Healthcare Services has made significant investments in digitalisation to develop new ways of meeting, diagnosing and treating patients.

In 2019, organic growth of the Integrated Healthcare Model was 13 per cent and the total membership base increased by 7.5 per cent. Medicover enjoys a high retention of corporate clients – 97 per cent in 2019.

2. Expand service offering

Medicover continues to expand specialty-care based on the Fee-For-Service (FFS) model, where individuals who have not subscribed to prepaid memberships can gain access to services at any time by purchasing them individually. The specialty-care/FFS offering includes dental care, orthopaedics, infertility diagnosis and treatment, wellness and fitness membership business. Revenue from the FFS model is currently at 40 per cent and growing.

By expanding the specialty-care offering in existing markets, Medicover can also reach users of the Integrated Healthcare Model. These customers too can pay a fee to purchase individual services that are not included in standard plans. The benefit is obvious: customers can turn to a single healthcare provider and get the quality they are used to. For Medicover, this means stronger and longer customer relationships, which in the end spells growth.

Medicover expands the specialty-care offering in both existing and new markets organically and by acquisitions. The decision to enter new areas or markets is based on market characteristics and the ability to offer high-quality services. The investments in India in the Medicover Fertility and Medicover Hospitals are examples of this strategy.

3. Pursue operational excellence

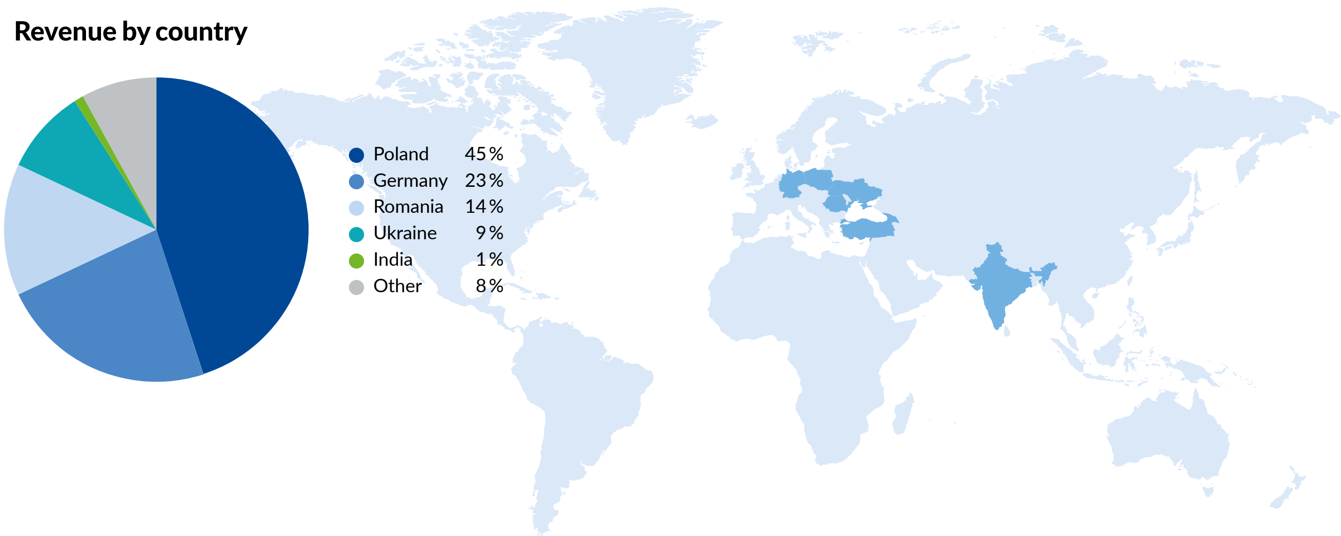
Costs related to medical staff and facilities are the main cost items in the Healthcare Services division. Consequently, an essential element of increasing productivity, as well as quality, is to ensure that medical staff devote time to direct patient interaction rather than administration. Furthermore, proprietary information systems support healthcare service provision whilst ensuring optimal patient care, clinical service quality and efficiency.

Medicover owns some of its facilities, primarily highly specialised facilities such as hospitals, while others are leased on long-term contracts. Medicover has a good reputation with real-estate developers and landlords, which makes it possible to influence the initial design and to secure competitive rent. This greatly reduces expensive later adaptations and increases the productive use of space and support efficient business flows for Medicover.

Present in attractive markets

Medicover's primary markets for both diagnostic services and healthcare services are in Central and Eastern Europe and in Germany. The largest markets are Poland, Germany, Romania, Ukraine and India. Medicover also has smaller operations in Belarus, Bulgaria, Georgia, Hungary, Moldova, Serbia, Turkey and headquarter in Sweden.

Revenue by country



Since 1989, healthcare reforms have been implemented in all the countries of Central and Eastern Europe. Despite the reforms there is still a lack of well-developed state-funded healthcare offering high-quality health and patient services in many of the countries. The economies of these countries have grown and the expectations of local citizens for health-care quality and choice have increased. These factors have been the main driver of growth in privately funded health-care. Private healthcare is quite well developed in most of the markets where Medicover is present and it functions as an effective and valued complement to publicly funded care.

There are a number of different payment models for privately funded healthcare which depend 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 premium) 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 of these private payment models. In 2019 about 80 per cent of its revenue came from private payment. In the Diagnostic Services division, private payment represented a 66 per cent share of revenue in 2019, compared with a share of 91 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 spending on healthcare grows faster, and the demand for private healthcare and diagnostic services has indeed increased further. Medicover has been well positioned to take advantage of these growth opportunities in its key markets.

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

- Changing demographics driving growth in healthcare.
- Growing economies with low unemployment rates.
- An increasing role for privately paid or funded and privately provided care.
- Increasing health awareness and healthy living.

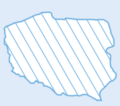
Key markets

Poland

Poland is the largest market for Healthcare Services and a major 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 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. The Fee-For-Service market is five times larger than the funded market. It is estimated that the total Polish private healthcare market between 2019 and 2024 will grow at a compounded annual rate of 6.3[1] per cent. The FFS market is expected to develop faster than the total market, at a compounded annual rate of 7.8 per cent. Dental care generates the largest portion of FFS spending. The diagnostics market is growing at a compounded annual rate of 7.6 per cent and is estimated to continue to grow by 8 per cent a year. IVD represents 19 per cent of the total diagnostics market and amounted to EUR 372 million in 2017.



Main competitors:
- Diagnostic Services: Diagnostyka, ALAB
- Healthcare Services: LuxMed, Enel-Med, PZU

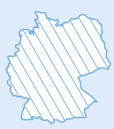
[1] PMR, market analysis and development forecasts for 2019–2024.

Germany

Medicover operates primarily in the north-eastern part of Germany with its laboratories and throughout Germany with its network of clinics. 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 (which amounted to 110 in 2018) covering approximately 90 per cent of the population, and private health insurance (PHI) covering approximately 10 per cent of the population. The German health expenditures amounted to EUR 375.6 billion in 2017, representing 11.5 per cent of GDP. The IVD market amounted to EUR 2,186 million in 2017 a decrease with 2.1 per cent.

Price and scale 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 in-patient 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 a 'percentage of applicable fee' scale set for example by the regional health authority (Kassenärztliche Vereinigungen, KV).



Main competitors:
- Diagnostic Services: Sonic Healthcare, Limbach Gruppe, Synlab

Romania

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 19.5 million, Romania has the sixth-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 6.0 per cent in 2016, 7.0 per cent in 2017 and 4.1 per cent in 2018) driven by robust domestic demand, during which the economy grew by 4.5–6.0 per cent a year, the pace of economic growth slowed a little to a still strong 3.9 per cent in November 2019. Over the same period 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.

Main competitors:

- For both Diagnostic Services and Healthcare Services: Regina Maria, MedLife

Ukraine

Medicover entered the Ukrainian market in 2007 and both divisions operate there. 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.

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 funded by private payments. Medicover's diagnostic network in Ukraine annually services more than two million individual customers which represents more than 10 per cent of the population in the geographic area covered, showing the widespread demand for our services. Healthcare Services is represented by its fertility business. The private healthcare market amounted to around USD 400 million in 2018 and has grown 20 per cent per year since 2016.

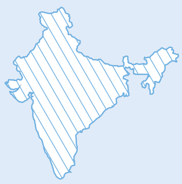
Ukraine's macroeconomic picture has improved since 2015. Although the situation in the Donbas area of the country remains unpredictable, the increased normalisation has resulted in improved domestic consumption and slightly improved private healthcare spending.

Main competitors:

- Diagnostic Services: Dila, Invitro
- Healthcare Services: BioTexCom Clinic, Mother & Child

India

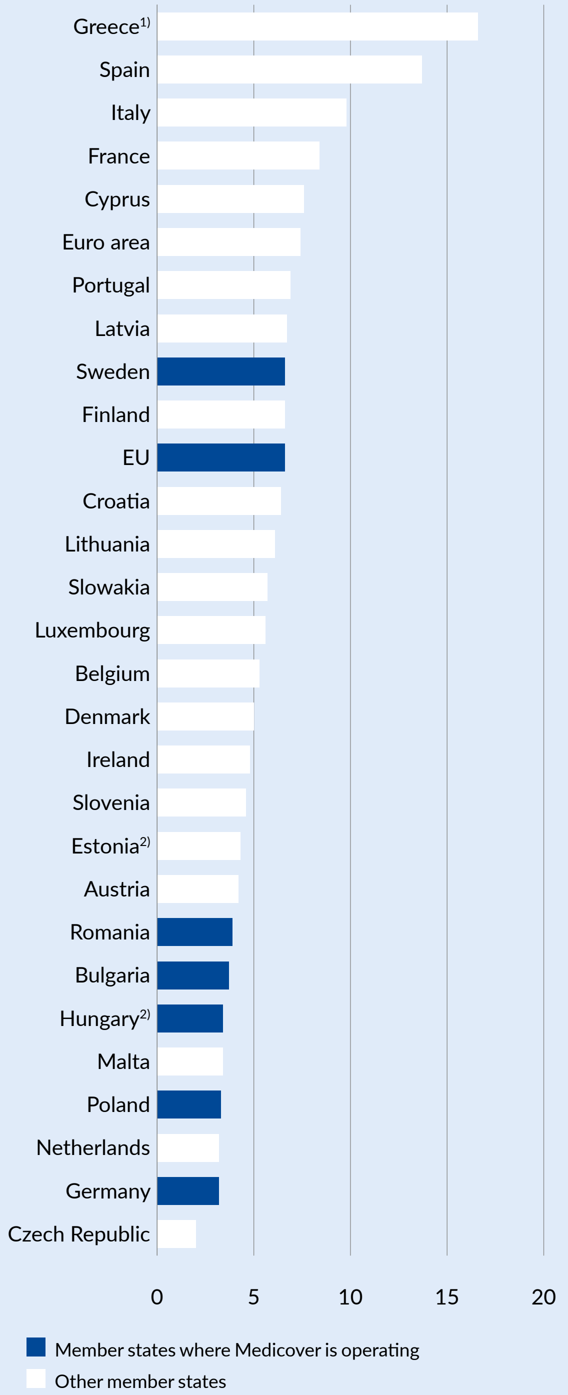
Medicover's Healthcare Services division operates on the Indian market with its fertility clinics and Medicover Hospitals. The company has 13 fertility clinics, mostly located in the Delhi area, and 11 hospitals in the states of Telangana, Andra Pradesh, Bangalore and Maharashtra. The Indian healthcare 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 a 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 between 22 and 25 per cent a year and its value may reach $9 billion by the end of 2020. Outlay on medical care (public sector) 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, together with the higher standard of medical care now expected, has expanded the opportunities for premium services.



Main competitors:

- Healthcare Services: Apollo Hospitals, Fortis Healthcare, Manipal Hospitals

Unemployment rate in EU countries December 2019
(seasonally adjusted), %



[1)] as of October 2019.
[2)] as of November 2019.

Source: Eurostat

Diagnostic Services

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 has operations in Germany, Romania, Ukraine, Poland, Belarus, Moldova, Serbia, Turkey, Georgia and Bulgaria.

The division accounted for 48 per cent of total revenue in 2019. More than 106 million tests were processed in 2019 a growth of 8.8 per cent over 2018. The division currently operates a total of 96 clinical laboratories, 670 blood-drawing points (BDPs) and 25 clinics across the geographies.

Trends and development

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. Increasingly, diagnostics focuses on 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 decisions involve diagnosis. At the highest level, diagnostics can be divided 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.

Revenue base and services

66 per cent of Diagnostic Services' revenue comes from private pay, and 34 per cent from public funding.

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

In 2019, routine tests represented 65 per cent of revenue, while advanced tests represented 35 per cent of revenue but only 5 per cent of the total number of tests performed. 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 Medicover focuses on are histopathology, molecular diagnostics, genetics and non-invasive prenatal testing (NIPT). In 2019, Medicover continued to invest in capabilities for advanced testing and developed the collaboration regarding NIPT tests that started in 2018.

Specialty areas

Diagnostic Services is active in several specialty areas, for example:

- **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 are referred for a second opinion.
- **Molecular genetic testing** is a branch of molecular diagnostics focused on putting the structure, function and activity of genes and gene products in the context of a disease, aiming to aid in finding the best possible treatment for each individual patient. Molecular genetic testing can also be employed to 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.

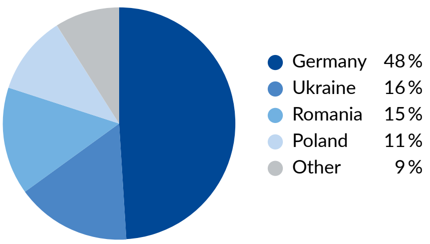
Diagnostic Services operates central and regional laboratories, hospital laboratories and special laboratories, as well as a large network of BDPs. With this hub-and-spoke layout, Medicover has vast coverage and provides a wide range of tests regardless of location.

Customers and countries

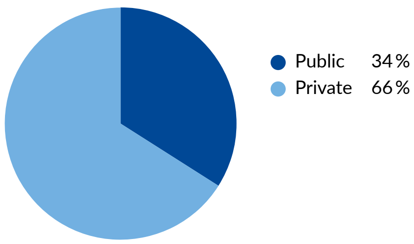
Diagnostic Services serves hospitals, public and private medical facilities as well as doctors, patients and private customers.

Due to diverse regulatory environments and market dynamics, Medicover tailors its approach to each market. For example, in Germany, which has a high proportion of public payment and

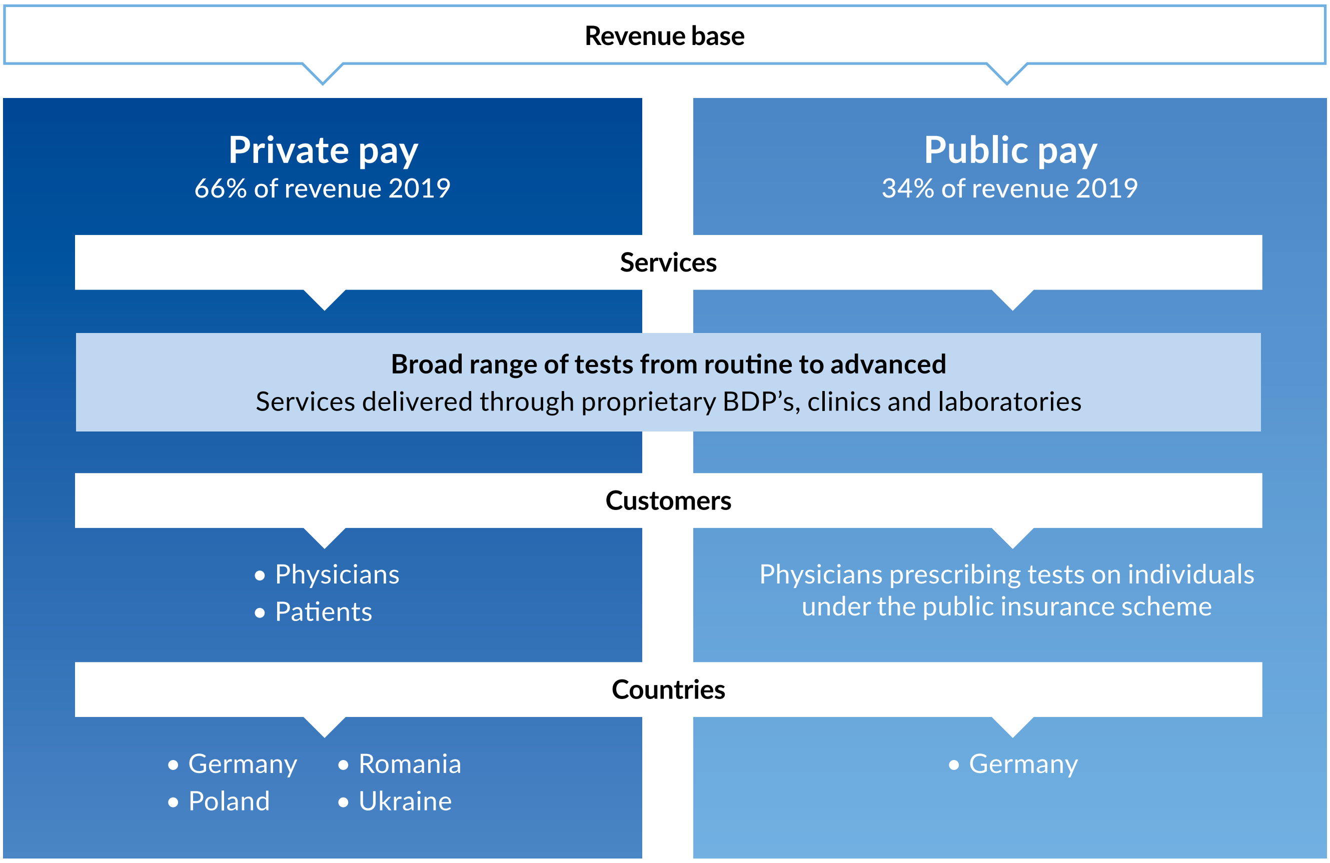
Revenue by country



Revenue by payer



Business model – Diagnostic Services



a well-functioning healthcare system, Medicover tends to work with doctors who order diagnostic tests on behalf of patients. In contrast, several countries in Central and Eastern Europe rely more on private payment. Consequently, patients purchase tests, either on the recommendation of a doctor or by own choice.

The Diagnostic Services division has operations in Germany, Romania, Ukraine, Poland, Belarus, Moldova, Serbia, Turkey, Georgia and Bulgaria.

Delivery

Diagnostic Services' hub-and-spoke layout comprises:

- Central and regional laboratories: Central laboratories provide 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). The regional laboratories are located around the central laboratories, providing a range of routine and immunology tests with shorter processing times, often with same-day delivery.
- Hospital laboratories: Provide urgent diagnostic testing and facilitate off-site access to a broad range of tests.
- Special laboratories: Provide centralised services in a dedicated field such as special immunology, genetics and histopathology.
- BDPs: Operates as collection points for blood, urine and tissue samples. The samples are then transported to Medicover's laboratories where these are analysed. The BDPs are spread across Poland, Romania, Ukraine and other countries.
- Medicover Clinics: A network of 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.

Operations by key markets	Revenue EURm	Total number of labs	Central labs	Regional labs	Hospital labs	Specialised labs	BDPs	Medicover clinics	Lab tests (million)
Germany	196.6	18	3	4	6	5		25	36.0
Ukraine	65.0	7	1	6			273		21.1
Romania	62.7	17	1	11	4	1	124		15.2
Poland	46.0	32	1	12	13	6	106		24.8
Others	38.4	22	1	16	5		167		9.6
Total	**408.7**	**96**	**7**	**49**	**28**	**12**	**670**	**25**	**106.7**

Healthcare Services

The Healthcare Services division operates in Poland, Romania, Hungary, Ukraine and India. Its activities range from consumer to specialist healthcare and inpatient care and are targeted at both corporate and private customers and patients.

The division represented 52 per cent of total revenue in 2019. Medicover currently runs 120 medical clinics, 21 fertility clinics, 20 hospitals and 41 dental clinics.

Trends and development

Healthcare Services' offer ranges from prevention to primary to specialist care. Increased health awareness and healthy living together with increased disposable income increases the demand on services offered. Digitalisation transforms the way people manage their health and companies have to meet customers where they are – through portals, health apps, or remote patient monitoring, encouraging also the preventive care. Through meeting the demand with a broad range of services together with good quality of care and accessibility, Healthcare Services creates good conditions for continued growth.

Revenue base and services

Funded

The backbone of Healthcare Services' operations is the Integrated Healthcare Model, which represents half of the division's revenue. Rather than separating insurance from healthcare, the Integrated Healthcare Model combines the two. Since Medicover overlooks and controls both parts, it is able to price membership subscription correctly and ensure that as much as possible of premiums reach customers as quality services. In short, the Integrated Healthcare Model entails providing the right care at the right time and place, while improving operational efficiency.

The number of members grew by 7.5 per cent in 2019 and now exceeds 1.3 million. Member growth is driven by new hires at existing customers and by new corporate clients. Medicover 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 and Romania. In addition, Medicover offers healthcare insurance in Hungary.

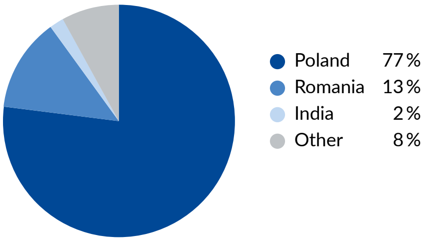
Private prepaid memberships entitle members to choose from a selection of benefit plans that provide them with access to Medicover's health centres, network providers, affiliated hospitals and laboratory services. Members can also opt for access to urgent healthcare in all locations where Medicover is present.

Fee-For-Service

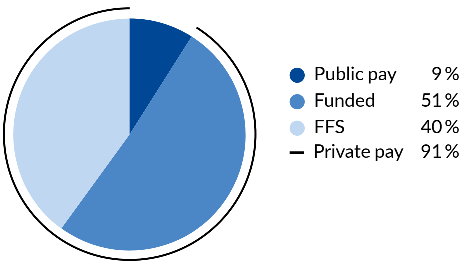
In addition, members wishing to access services beyond the scope of their benefit plans, and other individuals who have not subscribed to prepaid membership, can gain access to the services at any time through a Fee-For-Service (FFS) model.

More than one third of Healthcare Services' revenue comes from private payers who benefit from access to services through the FFS model. In recent years Medicover 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, fertility, dental care, pharmacies, rehabilitation and a number of online services.

Revenue by country



Revenue by payer



Business model – Healthcare services

Revenue base

Private pay | **Public pay**

Funded
51% of revenue 2019

Services

Integrated Healthcare Model
- Primary care
- Specialist care
- Hospital care
- Dental care
- Online services

Customers

Companies and employers
Individuals and families

Countries
- Poland
- Romania
- Hungary

Fee-For-Service
40% of revenue 2019

Services
- Primary care
- Specialist care
- Hospital care
- Rehabilitation
- Dental care
- Online services
- Fertility
- Pharmacies

Customers

Individuals

Countries
- Poland
- Romania
- Ukraine
- India

Public pay
9% of revenue 2019

Services
- Hospital care

Customers

Individuals
under the public insurance scheme

Countries
- Poland

Operations by key markets	Revenue EURm	Centres	Hospitals/ beds	Fertility	Dental	Other facilities	Members (thousand)	Visits (millions)
Poland	345.3	82	6 / 657	5	41	30	900	4.9
Romania	60.0	32	3 / 297				255	2.2
India	9.9	2	11 / 1,750	13		24		
Other	34.1	4		3			145	
Total	**449.3**	**120**	**20 / 2,704**	**21**	**41**	**54**	**1,300**	**7.1**

For example, during 2019 there has been an active focus on expanding the dental care network through both acquisitions and a greenfield roll-out plan. The online services include, among other things consultations with doctors by telephone, chat, audio or video, e-prescription, schedule appointments, receive test results and diet and exercise advice.

Public pay

Public pay is predominantly related to acute hospital services in Medicover's Wilanow hospital in southern Warsaw and to the neonatology and obstetrics care in Neomedic, a hospital group in southern Poland. The share of public pay has increased during the year due to the acquisition of Neomedic.

Customers and countries

The Integrated Healthcare Model, which generated 51 per cent of the division's revenue in 2019, primarily targets corporate customers (employers), but also individuals and families.

The remaining 49 per cent of revenue consists of 40 per cent generated through a Fee-For-Service (FFS) payment model, where the customer pays for healthcare services as they are used, and 9 per cent generated through public funding.

Poland is the dominant market with 77 per cent of divisional revenue, followed by Romania, Hungary, India and Ukraine. At the end of 2019, the Indian hospital group was rebranded to Medicover Hospitals and integrated with Medicover.

Medicover in India

In 2017, Medicover expanded into India, which is expected to become a significant market over time. The expansion started with a greenfield fertility business and a minority ownership in the MaxCure hospital group.

At the end of 2019, Medicover was operating 13 fertility clinics in India, mostly located in the Delhi area. Around one third of Medicover's IVF cycles are performed here.

Medicover Hospitals consists of 11 specialty hospitals; three in Hyderabad, two in Vizag and one each in Nizamabad, Karimnagar, Nellore, Kurnool, Sangareddy and Nashik. In addition, Medicover operates two radiology centres in Mysore and Bangalore. Two oncology centres are under construction.

Medicover now owns 54.4 per cent of Medicover Hospitals and the business was consolidated in December 2019.

Medicover has more than 4,200 employees in India.

Medicover in India

Medicover's people – the key to our success

Medicover relies on people who are both skilled and passionate. The company's employees work to improve and sustain the health and wellbeing of patients, and thereby enable Medicover itself to develop and grow.

Medicover supports its employees so they can do their very best for customers and patients, and develops their range of skills so they can enjoy a fulfilling career. The Company aims to build long-standing relationships with everyone. Keeping and motivating current employees as well as attracting and recruiting new colleagues are critical factors for the company's continued success and growth.

Medicover's people

Medicover grew by more than 7,800 people in 2019, and at the end of the year 28,784 people in more than 17 countries were working for Medicover.

Around two thirds of Medicover's employees are medical professionals: Doctors, nurses, specialist medical technicians and laboratory specialists. 74 per cent are women, more than

75 per cent have a university degree and the average age is 39. Around two thirds of the workforce are directly employed by Medicover and the rest, mainly medical professionals, are self-employed and contracted by Medicover.

Medicover constantly works to find better and more efficient recruitment solutions. During the year, Healthcare Services in Poland introduced an AI based chatbot. The bot helps source and selects candidates by initiating a conversation and gathering information to confirm the match.

Working at Medicover

Those who join Medicover can expect an engaging experience with an evolving company. Apart from the right skills and qualifications, Medicover looks for people with positive and forward-looking attitudes. The company also recognises that capability can come in any package, and welcomes diversity in the broadest sense. Medicover's culture of inclusion creates an atmosphere where everyone can contribute, learn and grow.

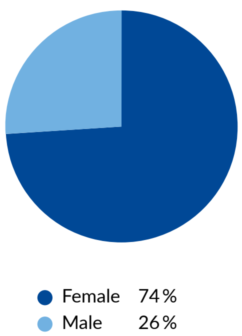
Covid-19

The outbreak of Covid-19 affects Medicover's co-workers and their families. The company is taking steps deemed appropriate to protect personnel, reduce exposure and risks for our people. If possible, people are encouraged to work from home and the company is trying to minimise the economic impact for its people and be supportive in these challenging times. Health and safety of Medicover's workers, customers and patients is the main focus at the moment.

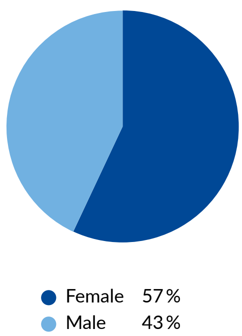
People development

Medicover is dependent on dedicated and highly skilled people. In addition to professional skills, four specific capabilities are valued: thinking and behaving in line with Medicover's values; committing to and contributing to our business; being willing and able to develop as a leader; and having the ability required to adapt to change. Identifying and developing these capabilities is embedded in all major HR processes, from recruitment to appraisals and leadership development.

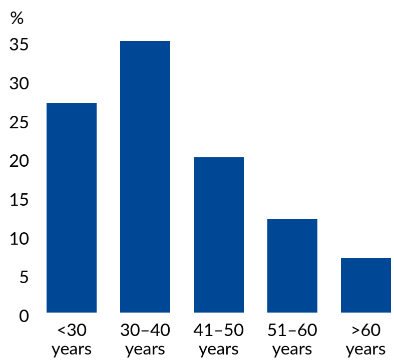
Co-workers by gender, %

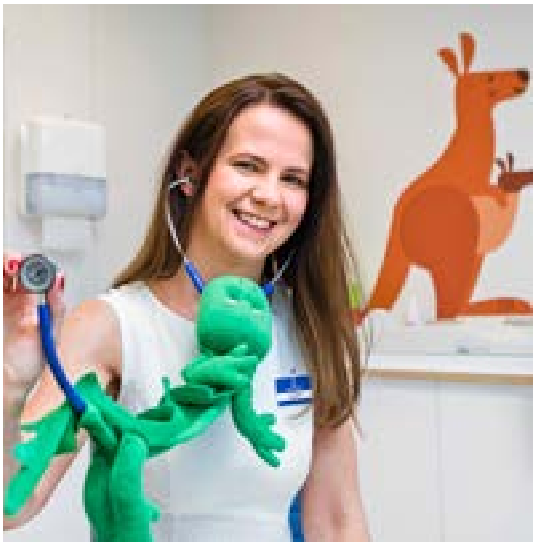


Managers by gender, %



Age Structure, %





During the year, the Healthcare Services division launched an initiative to boost internal development and recruitment in Poland. Employees are encouraged to change roles, teams or entities. The purpose is to extend employees' career opportunities and retain high calibre people.

Medicover offers a wide range of development opportunities, for instance workshops, e-trainings, managerial programmes and interpersonal trainings. The company also subsidises formal education such as graduate, postgraduate and doctoral studies. During the year, 1,167 nurses in Ukraine and 603 in Poland received training through the Company's nursing programmes.

Development opportunities are offered depending on each person's role, area of expertise, motivation and potential. During 2019 Medicover invested 374,700 hours in training, which corresponds to 3.1 (1.4) days per full-time co-worker.

Clear leadership philosophy

Medicover's leadership philosophy is based on its values: the Company emphasises passion for quality and encourages empowerment and entrepreneurship. Anyone can suggest targets and work to achieve them in the way they see fit. Consistent evaluation promotes performance and accountability.

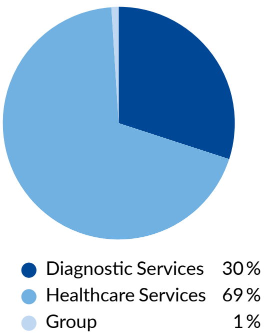
Medicover has defined how leaders need to behave to deliver the Company's strategic ambitions. Medicover focuses on transactional, transformational and innovative leadership. Essentially, this means that leadership starts with self-knowledge and individual performance. The next step is about leading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

Leadership development

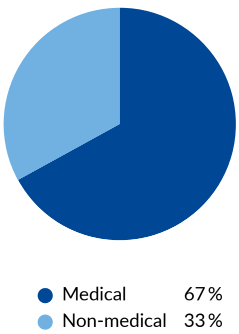
Medicover's leaders and professionals are offered various development opportunities. Development is based on need and the outcome from year-end reviews in our Performance Management process.

Medicover works in partnership with several excellent educational institutes and business schools. Over the years around 50 per cent of the participants in these programmes have been women and 50 per cent medical staff.

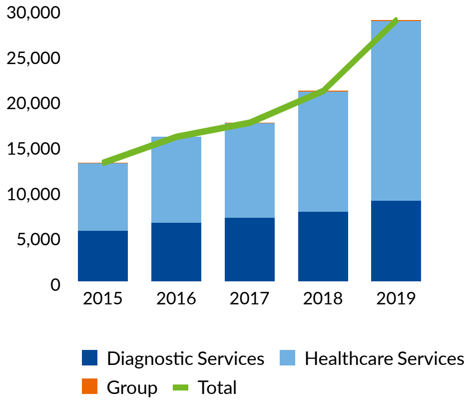
Number of co-workers by segment, %



Number of co-workers by category, %



Number of co-workers



"Working at Medicover entails having a positive impact on people's lives."

Performance management

The performance of senior managers and professionals is measured against business objectives, including financial targets.

During the year, Medicover introduced REACH, a Group-wide performance management tool that focuses on continuous improvements and development. The roll-out of REACH will continue in 2020.

Wellbeing at Medicover

Medicover employees stay safe, healthy and productive. The Company ensures safe workplaces in accordance with legal requirements and industry standards. Everyone receives comprehensive training in workplace health and safety.

Medicover takes a holistic approach, knowing that everyone is affected by a variety of factors both at work and outside. Some jobs and tasks in our hospitals and clinics are associated with specific risks, for instance exposure to UV and ionising radiation as well as chemical and biological hazards. In each case, employees are provided with the right conditions and protection to perform their job well and safely. Medicover also offers tools to cope with stressful situations and to maintain a healthy lifestyle. All health and safety measures and wellbeing programmes are managed at a local level.

Finally, Medicover maintains a work environment where everyone is treated equally and fairly. The Company's approach is defined in the Medicover Code of Conduct. The roll-out of the Code of Conduct continued during the year. In 2020, Medicover will continue to raise awareness about the Code through e-learnings and other communication activities.

Engaged employees

Medicover has several ways to ensure and monitor the well-being and engagement of employees. The most comprehensive tool is the Medicover Employee Opinion Survey, which is conducted across the company and focuses on engagement. More specifically, alignment (understanding and supporting the strategy of the company), involvement and loyalty are examined.

The survey is carried out every second year. This year, each country and team focused on activities linked to the results of the survey performed in 2018. Medicover continues to outperform the benchmark and does well in many important areas: 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.

Dedication beyond the job

Working at Medicover entails having a positive impact on people's lives. In addition, many employees find it meaningful to contribute their time and knowledge to Medicover's many philanthropic projects. During the year more than 910 employees volunteered to assist in 87 projects that benefited more than 12,733 people. More than 10,469 volunteering hours were spent on different projects.

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 skills can manage groups of volunteers or coordinate entire events. Read more in the Medicover Foundation section on page 30.

Mission with a meaning

Medicover's mission is to improve and sustain the health and well-being of customers. Medicover is driven by the ambitions 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 within the company's sphere of influence. Medicover develops high-quality healthcare by working together with its customers, employees and other important stakeholders and maintaining relations with them. Read about Medicover's business model on pages 6–7.

The Medicover Code of Conduct is the foundation of the company's sustainability efforts, guiding the business and supporting sound decision-making. The Code of Conduct is based on the UN Global Compact and reflects the company's material sustainability aspects. Medicover's other sustainability related steering documents are the Medicover Supplier Code of Conduct, the Medicover Environmental Policy, the Medicover Whistleblower Policy and the Medicover Anti-Bribery Policy.

Sustainability is a common effort by several departments and a part of the operations of Medicover's two divisions.

Medicover plans to reassess its materiality analysis and develop its sustainability framework in 2020.

Prevention and education

Medicover's commitment

Medicover's mission begins with prevention and education, in the sense that the earlier the intervention, the better the outcome.

The company's approach to prevention and education consists of several building-blocks. Firstly, care and services offered to customers and patients form the core of Medicover's business. Secondly, Medicover builds capacity in the communities where it operates, mainly through the Medicover Foundation. Thirdly, expertise is made widely available and Medicover engages in advocacy to promote health and wellbeing. Importantly, the Medicover business model aligns operating incentives with sustainability targets – the healthier customers are, the better the business performs.

Diagnostic Services

Medicover's Diagnostic Services division is largely centred around prevention, early detection, and the monitoring of treatments, since most medical treatments are based on some type of testing. Apart from offering a broad range of routine laboratory tests, Diagnostic Services is increasing its focus on advanced testing and advice. The broader the test-panel, the more likely clinicians are able to offer the correct diagnoses as early as possible. 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, as well as 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.

In addition, Healthcare Services carries out anonymised health analyses of corporate clients' employees. The purpose is to suggest and carry out preventive actions to suit the needs of specific groups. The offer includes workshops, seminars and campaigns around topics like dietary advice, heart health and stress management. Corporate health reports are also offered.

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. The partnership is a response to a shortage of nurses in Poland and insufficient practical preparation of graduates.

Medicover in Romania is teamed up with the country's largest vocational nursing school. The collaboration includes internships at Medicover's hospitals and clinics. Diagnostic Services in Romania offers several training programmes for nurses, both internally and externally.

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

Medicover is also a strategic partner to the Queen Silvia Nursing Award, a scholarship for nursing students in Sweden, Finland, Poland and Germany. The purpose is to increase awareness of and focus on good care of elderly and dementia patients among nursing-school students.

Boosting the healthcare sector

Medicover contributes to developing the healthcare sector in several countries of operation. For instance, Diagnostic Services holds hundreds of educational events each year that attract thousands of healthcare specialists in Medicover's main markets. Medicover also offers various online resources for healthcare professionals. One example is the website Inflammatio.de, where doctors can access e-learning programmes, webinars, research papers and more.

The Medicover Foundation

The Medicover Foundation was established to complement the mission of maintaining and improving health and wellbeing. The Foundation's purpose is threefold: to educate about preventive medicine, to inspire healthy living and to support communities in special need.

Diabetes is one of the Medicover Foundation's focus areas. The Foundation's diabetes prevention programme for school-

children was set up in Poland in 2013 and will be completed in 2020. In 2017, it was duplicated in Romania. These are 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.

Activities in 2019

During 2019 Medicover's Diagnostic Services division expanded and improved several offerings. A major step forward was the acquisition of one of Germany's leading laboratories for genetic testing for rare hereditary diseases, including a wide range of genetic cancer test-panels. In addition to genetic testing, the laboratory specialises in pathology, transfusion medicine, microbiology and virology and will therefore boost Medicover's offerings in these areas too.

Diagnostic Services also initiated a collaboration with a biotechnology company in Cyprus that offers a comprehensive range of in-vitro diagnostic solutions for screening and prediction of hereditary diseases. Diagnostic services successfully expanded the offering into all Medicover markets in 2019. Medicover will continue to expand its diagnostic portfolio in 2020, which will include new products developed by our partners in Cyprus.

Medicover believes in integrated diagnostics. This means that patients receive guidance from multiple medical disciplines before and after diagnostic testing. They gain meaningful insights and can make informed decisions about their individual health. Medicover continues to expand in genetic and general medical counselling.

Preventive healthcare is important. Healthcare Services engage in various activities to teach patients how to care for their health. Experts comment on the topic in media and in educational materials available on websites, news letters and social media. Healthcare Services business offer is also focusing on prevention and offers for example a combined medical care, sports packages and benefit platform.

The Medicover Foundation's Polish diabetes prevention programme PoZdro! is completed in three cities and is still running in one city. During the years more than 23,000 children have been screened and 3,500 children have been qualified to health coaching, 1,400 have completed the programme or will do so in 2020. 13 per cent of the children have reduced BMI by more than 10 centiles.

In Romania, two cities and 80 schools are participating in the similar InCerc programme. In total more than 5,000 children have been screened and 1,513 children have been qualified to health coaching. The screening results show that more than 20 per cent are obese and 15 per cent are overweight. So far 25 children have finished the health coaching and 20 per cent have decreased BMI with more than 20 per cent. Screening and coaching will continue in 2020.

Quality of care and services

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

The advice, care and treatment that Medicover 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' means delivering good outcomes at the best price for Medicover's customers and patients.

Medicover continuously measures and follows up the quality of care delivery. These ongoing quality efforts are supported by proprietary information systems. From the data gathered, Medicover can establish an anonymised research database, perform deep analytics and draw valuable insights to support continuous improvement.

Activities in 2019
During the year, Medicover developed standardised definitions for medical KPIs across the Healthcare Services division. Currently the same process is being completed for the Diagnostic Services division. The measures are the responsibility of the company's medical directors and are reviewed by Medicover's Medical Advisory Council.

The Healthcare Services division is trialling a new indicator in Poland, asking patients about the healthcare benefit they gained from the advice and treatment provided by Medicover. 74 per cent of respondents said the advice or treatment they had received improved their condition. Overall, patient satisfaction is well above 90 per cent and patients are willing to recommend Medicover – the Net Promoter Score for Medicover is higher than for its main competitors.

Medicover has developed a medical risk matrix to emphasise the importance of mitigating known risks. Both divisions undertake audits, take actions and report to the Medical Advisory Council. An open, fair culture is being promoted to encourage the reporting of issues.

Medicover's Medical Advisory Council is now well-established. The purpose of the council is to oversee the development and maintenance of consistent high standards of ethics and clinical practice, and it is encouraging to see cross-business groups continuously improving both quality and reporting. The council is chaired by Medicover's Chief Medical Officer and brings together medical directors from across the company as well as the CEO and an independent specialist. The council meets quarterly and reports annually to the Medicover board.

Access to care

Medicover's commitment
Medicover is continuing to expand so as to reach even more customers and patients in existing and new markets. Access to care is further improved by digitalisation and capacity-building. Providing quality care and services improves health, ensures customer satisfaction and drives growth in Medicover's main markets in Central and Eastern Europe and Germany. Read more about Medicover's strategy on pages 10–14.

Diagnostic Services uses next-generation sequencing technology to support the expansion of services by increasing laboratory efficiency and ultimately reducing the turn-around time for diagnostic reports. Advanced automated solutions facilitate the entire process, from sample collection to providing full diagnostic reports to physicians and patients. With improved efficiency, Medicover is able to advise and treat more patients even more effectively.

Both divisions employ new ways of meeting, diagnosing and treating clients and patients. An increasing portion of patients' interaction with Medicover takes place online. Research shows that many in-person visits, especially concerning minor ailments, are simply unnecessary. Patients can manage many issues by using Medicover's online plat-form and can also communicate with their physician via messaging and video or voice calls.

Activities in 2019
Diagnostic Services is continuing to expand its network. During the year number of blood-drawing points increased with 100. In addition, the division is increasing access to laboratories, for instance by providing patient information and enabling purchases online. In 2019, Diagnostic Services inaugurated its e-commerce initiative in another three markets. In total, more than 600,000 customers ordered online laboratory services, an increase of more than 42 per cent over 2018. The initiative is still in its early stages, but over time the aim is to generate easier access and a significant proportion of revenue from online access.

To accelerate innovation and deploy the latest technologies, Diagnostic Services also intensified its effort to collaborate with start-ups and early-stage companies. Early involvement in for instance point-of-care testing, novel diagnostic tests and artificial intelligence is crucial to further developing Medicover's integrated diagnostics. During 2019 more than 100 start-ups were screened and several pilots and collaborations were initiated across Medicover's markets.

Healthcare Services constantly works on increasing access to its services for example both organically and through acquisitions. New facilities have opened in Poland, Romania and Ukraine and acquisitions have been done in Poland such as Neomedic and several dental clinics.

Digitalisation is also an important factor for good access to care. MyID tool confirms patients' identity online and ensures sensitive data is protected. Through this solution patients in Poland will have easier access to telemedicine services, which account for nearly 40 per cent of all visits.

"Medicover is continuing to expand so as to reach even more customers and patients in existing and new markets."

Business ethics

Medicover's commitment
Being entrusted with customers' health is a responsibility that Medicover takes very seriously. The company's commitment to responsible business practice entails measuring success not only by financial performance but also by business conduct. Medicover has zero tolerance of non-compliance with rules and regulations.

Medicover operates in a sector that faces risks of bribery and corruption and also political risks. Read more about Medicover's risks and risk management on Pages 45–48 and in Note 24.

The Medicover Code of Conduct, which was implemented in 2006 and most recently amended in 2018, sets out the ethical standards expected of everyone working at Medicover. The Medicover Supplier Code of Conduct specifies the requirements placed on business partners.

The Medicover Anti-Bribery Policy expands on the Code of Conduct and states the company's zero-tolerance approach to bribes and corruption. This policy is supplemented by the Medicover Anti-Bribery Manual, providing further guidance and practical examples.

Medicover applies a specific Code of Ethics for fertility centres. Frequent advances in fertility medicine are constantly raising new ethical dilemmas. The Code of Ethics will develop as new issues arise.

Finally, Medicover applies a comprehensive set of policies and procedures to ensure the confidentiality and security of personal data. These are detailed in the Group Information Security Policy (GISP). GISP was implemented in 2006 and most recently updated in 2018.

Activities in 2019
During the year, implementation of the amended Medicover Anti-Bribery Policy began. Approximately 700 management positions and high-risk positions completed an anti-bribery and anti-corruption e-learning course.

Medicover also updated its risk assessments, focusing mainly on corruption risks. The assessments involved divisional and local management as well as individuals holding key positions. Various training sessions were also held for management. In total, more than 150 individuals participated in workshops, interviews and/or training.

A whistleblowing reporting system was set up to enable anonymous incident reports and two-way communication in key local languages with the individual submitting the report.

The Medicover Supplier Code of Conduct was adopted in 2018 and at year-end 2019 around 90 suppliers, including Medicover's 30 biggest suppliers, have signed off the code. Around 10 suppliers have refused to sign it due to different reasons such as: they have their own code similar to Medicover's, they are not required by law or the paragraph about audit and control is not acceptable. The work will continue in 2020 with a focus on the 20 largest suppliers in each country and high-risk suppliers.

Attractive employer

As a strongly expanding and personnel-intensive business, Medicover is dependent on attracting and retaining employees with the right attitudes and skills. To this end, the company offers attractive employment terms, an open and healthy workplace and plenty of opportunities to develop professionally and personally. Read more about Medicover's employer role and its workforce on pages 25–28.

Environmental care

Medicover views environmental care as part of human health and wellbeing. The company strives to reduce its negative impact over time. The Group's environmental policy forms the basis of Medicover's efforts in this area.

Medicover's main environmental impacts and risks derive from energy use in hospitals, clinics and other premises; from various equipment and materials; from external and internal transport, and from waste. Based on Medicover's principle of decentralised responsibility and accountability, environmental management takes place locally in each country and division. The environmental management systems used by several Medicover units are certified according to schemes such as EMAS.

Currently, Medicover's focus is to ensure compliance with all applicable rules and regulations as well as its own environmental policy, and to manage environmental risks. Medicover's operations also achieve environmental gains by focusing on efficiency and cost.

Contents

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: 78,771,431 class A shares which carry one vote, 54,563,764 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 84,467,807.4.

Share performance and volume

During the year the highest closing price paid was SEK 109.40 on 26 November and the lowest closing price paid was SEK 68.70 on 17 January. Highest bid price during the year was SEK 110.80. The Company's market capitalisation at year end amounted to SEK 14.7 billion. The share price increased by 48.2 per cent during the year. Total share turnover on Nasdaq Stockholm amounted to 11,345,823 with a daily average volume of 45,383 shares. Trading on Nasdaq Stockholm amounted to 73.3 per cent of total trading.

Shareholders and ownership structure

At 30 December 2019 Medicover had 4,214 (2,150) shareholders, an increase with 96.0 per cent. Ownership outside of Sweden corresponded to 24.0 per cent (215 shareholders) of the total share capital and 27.5 per cent of the voting rights. Financial and institutional shareholders held 87.0 per cent of share capital and 88.1 per cent of the voting rights and private shareholders 13.0 per cent of share capital and 11.9 per cent of voting rights.

Dividend

According to the company's dividend policy the board of directors could consider an annual dividend of up to 30 per cent of net profit. A 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. The right to a dividend is granted to those persons who are listed as shareholders in the share register maintained by Euroclear Sweden AB on the record date. From 2020 an annual dividend of up to 50 per cent of net profit can be considered.

Silent period

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

Long-term performance-based share programme

The annual general meetings in 2019, 2018 and the extraordinary shareholders' meeting in 2017 have decided on a long-term performance-based share programme for key employees. The following table shows the main characteristics for the programmes. For more information, refer to note 31.

	Plan 2019	Plan 2018	Plan 2017
Approval date, AGM	3 May 2019	26 April 2018	31 March 2017
Maximum no of shares to be allotted	1,060,000	1,004,000	938,000
% of total shares	0.78	0.74	0.69
% of voting rights	0.13	0.12	0.11
Number of employees offered to participate	53	50	45
Number of participants at inception date	46	43	32
Estimated number of B shares to be allotted, subject to possible recalculation	913,704	806,016	684,664
as percentage of total shares	0.67	0.59	0.50
as percentage of voting rights	0.11	0.10	0.08
Number of participants at year-end 2019	44	36	26

	31/12/2019	Capital, %	Voting rights, %
Class A shares	78,771,431	58.0	93.2
Class B shares	54,563,764	40.2	6.5
Class C shares	2,400,000	1.8	0.3
Total number of shares	**135,735,195**	**100.0**	**100.0**

Source: Euroclear Sweden AB, 30 December 2019

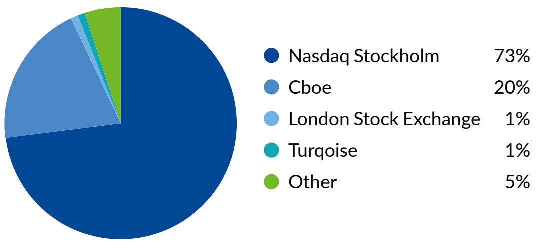
	Number of shareholders	% of shareholders	Capital, %	Votes, %
Private shareholders	3,879	92.1	13.0	11.9
– of which based in Sweden	3,828	90.8	12.8	11.9
Institutional shareholders	335	7.9	87.0	88.1
– of which based in Sweden	177	4.2	62.7	70.2
Total	**4,214**	**100.0**	**100.0**	**100.0**
– of which based in Sweden	4,005	95.0	75.5	82.1

Source: Euroclear Sweden AB, 30 December 2019

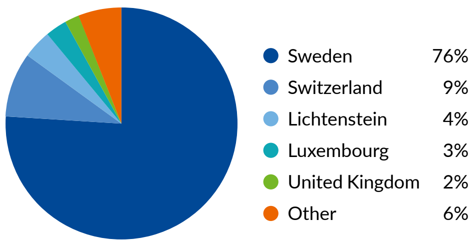
Number of shares	Number of shareholders	% of shareholders	Capital, %	Votes, %
1–500	3,478	82.5	0.2	0.04
501–1,000	252	6.0	0.2	0.03
1,001–5,000	225	5.3	0.4	0.08
5,001–10,000	61	1.4	0.3	0.07
10,001–50,000	98	2.3	1.7	0.38
50,001–100,000	16	0.4	0.9	0.41
100,001–	84	2.1	96.3	98.99
Total	**4,214**	**100.0**	**100.0**	**100.00**

Source: Euroclear Sweden AB, 30 December 2019

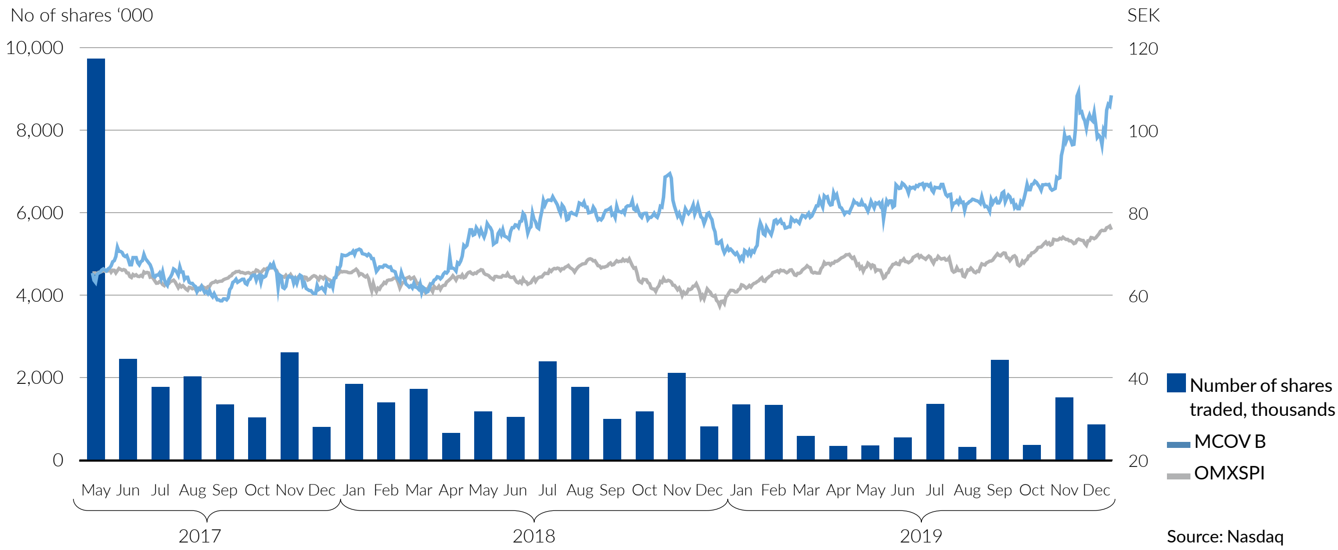
Share trading on different market places



Share capital by country



The share



Source: Nasdaq

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	55.8
Christina af Jochnick Family	18,880,915	48,210		18,929,125	14.0	22.4
Robert af Jochnick Family	9,909,861	3,867,757		13,777,618	10.2	12.2
Fjärde AP-Fonden		8,849,264		8,849,264	6.5	1.1
UBS Switzerland AG		3,361,672		3,361,672	2.5	0.4
HSBC Bank		2,732,548		2,732,548	2.0	0.3
Fredrik Rågmark		1,954,155		1,954,155	1.4	0.2
Enter Fonder		1,801,697		1,801,697	1.3	0.2
Cliens Sverige Fokus		1,545,000		1,545,000	1.1	0.2
AMF Aktiefond Småbolag		1,527,000		1,527,000	1.1	0.2
Svenska Handelsbanken		1,500,175		1,500,175	1.1	0.2
Mertzig Equity Fund Sweden		1,415,000		1,415,000	1.0	0.2
Öhman Fonder		1,345,229		1,345,229	1.0	0.2
SEB Europafond Småbolag		1,323,196		1,323,196	1.0	0.2
BNY Mellon SA/NV	443,825	563,616		1,007,441	0.7	0.6
Others	2,379,465	22,729,245	2,400,000	27,508,710	20.4	5.6
Total	**78,771,431**	**54,563,764**	**2,400,000**	**135,735,195**	**100.0**	**100.0**

Source: Euroclear Sweden AB, 30 December 2019

		Number of shares			Share capital		
Date	Event	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	Foundation		6,500		6,500	6,500	6,500
02/01/2017	Share issue in kind	17,539,222	1,873,923		19,419,645	19,413,145	19,419,645
02/01/2017	Reduction of share capital		-6,500		19,413,145	-6,500	19,413,145
10/03/2017	Share split (5:1)	70,156,888	7,495,692		97,065,725		19,413,145
30/03/2017	Share issue in kind		6,970		97,072,695	1,394	19,414,539
22/05/2017	New share issue in connection with the Offering		36,262,500		133,335,195	7,252,500	26,667,039
22/05/2017	Conversion[1]	-5,774,964	5,774,964		133,335,195		26,667,039
30/06/2017	Conversion[1]	-55,555	55,555		133,335,195		26,667,039
31/07/2017	Conversion[1]	-320,525	320,525		133,335,195		26,667,039
31/08/2017	Conversion[1]	-39,940	39,940		133,335,195		26,667,039
30/09/2017	Conversion[1]	-125,855	125,855		133,335,195		26,667,039
30/11/2017	Conversion[1]	-31,110	31,110		133,335,195		26,667,039
31/01/2018	Conversion[1]	-13,960	13,960		133,335,195		26,667,039
30/06/2018	Conversion[1]	-409,475	409,475		133,335,195		26,667,039
31/08/2018	Conversion[1]	-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[1]	-1,669,930	1,669,930		135,735,195		27,147,039
28/2/2019	Conversion[1]	-368,595	368,595		135,735,195		27,147,039
30/4/2019	Conversion[1]	-15,850	15,850		135,735,195		27,147,039
31/7/2019	Conversion[1]	-16,735	16,735		135,735,195		27,147,039
30/8/2019	Conversion[1]	-2,120	2,120		135,735,195		27,147,039
31/10/19	Conversion[1]	-5,065	5,065		135,735,195		27,147,039
31/12/19	Conversion[1]	-25,000	25,000		135,735,195		27,147,039

[1] Conversion from A to B shares.

Management report

The board of directors and chief executive officer (CEO) for Medicover AB (publ) hereby present the annual report and consolidated financial statements for the financial year 2019.

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

Business concept
Medicover offers a broad range of high-quality healthcare and diagnostic services through a comprehensive network of clinics and laboratories. Medicover operates through two divisions, Diagnostic Services and Healthcare Services.

Operations and organisation
Diagnostic Services
Offers a broad range of diagnostic laboratory testing across all major clinical pathology specialities. The division generated 48% of the Group's revenue. Of this, 66% was generated from private payments and the remaining 34% through public funding sources, out of which 30% from the German market. The balance of 4% 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 52% of the Group's revenue. 51% of total Healthcare Services revenue was generated by Medicover's integrated healthcare model, which is predominantly an employer funded employee benefit healthcare package (subscription/health plan). Medicover 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 Medicover's own network of clinics and medical facilities with a small reliance on third party health providers. Medicover 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. 40% 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 9% from public funded sources.

Market
Medicover'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: 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 79% of the Group's revenue in 2019 originated from private payments, reflecting Medicover's low reliance on public funding. In the Healthcare Services division, the overall private pay share of 2019 revenue was 91% compared to 66% 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 2019, the share of revenue for each respective market was: Poland 45%, Germany 23%, Romania 14%, Ukraine 9% and India 1%. The remaining 8% was generated by operations across Belarus, Hungary and other smaller markets.

Important events during the financial year
In January 2019, the Group acquired the business of Dr. Klein, Dr. Rost and colleagues ("Klein"), a center for genetic diagnostics located near Munich in Germany, for a total consideration of €25.3 million including contingent and deferred liabilities of €3.9 million.

In May 2019, 100% of the voting rights in Neomedic, a leading neonatology and obstetrics hospital group based in south of Poland, has been acquired for a total consideration of €69.0 million including debt assumed.

Over the year, additional shares were acquired in Medicover Hospitals India ("MHI", former Maxcure) for €6.6 million bringing the ownership from 45.1% to a controlling stake of 54.4%. MHI is from 1 December 2019 a subsidiary and consolidated into the Group for one month. For eleven months, a loss of €-2.0 million was recognised for MHI, which has been accounted for as an associate up to 1 December 2019. MHI consists of eleven specialised hospitals and two oncology centres under construction. Included in other income/cost are results from the accounting for the valuation exercises in respect of MHI consolidation. These exercises included revaluation of Medicover shareholding in MHI, options over non-controlling interests' shares (puts and calls) and reclassification of previous foreign exchange translation differences.

Other acquisitions during the year included five dental businesses in Poland, four medical clinics in Germany and a laboratory in Germany. Total purchase price for these acquisitions amounted to €22.0 million including contingent payments of €0.9 million. For further details regarding the business combinations, refer to note 13.

Medicover adopted IFRS 16 *Leases* from 1 January 2019. The standard implies new accounting for leases and replaced the previous standard IAS 17 *Leases*. The standard impacted Medicover as a lessee and required recognition in the statement of financial position of right-of-use assets and lease liabilities. In April 2019 Medicover released a restatement for IFRS 16, which included information regarding the impact of the implementation on the consolidated financial statements for 2018 as restated for the full retrospective application. As at 31 December 2018 the impact was principally an increase in fixed assets of €116.4 million, an increase in financial liabilities of €124.9 million and a decrease of shareholders' equity of €6.4 million. The implementation of IFRS 16 gave rise to a new segment measure of profit or loss EBITDAaL, defined as a new APM. For further details regarding the restatement of financial year 2018 due to the implementation of IFRS 16, refer to note 36.

Medicover AB (publ) issued its first commercial paper programme in June 2019. The programme has a total size of SEK 2 billion with possibilities to issue in both Swedish Krona and Euro. At year-end 2019, €80.4 million has been issued with tenors with maturities of up to six months. During the financial year, schuldschein loans have been issued in the German market for €140 million with maturities of five, seven and ten years at fixed and floating rate tranches. This issue opened a new funding source for the Group providing diversification of its funding counterparties and longer maturity profiles. In November, the Group cancelled €80 million of its available facility under the revolving credit facility, bringing it down from €300 million to €220 million.

Covid-19

The Covid-19 viral pandemic declared in March 2020 by the WHO is impacting health across all of our geographies and with the actions undertaken by governments and authorities up to the time of this report are having severe impacts on economic activity. Medicover is taking steps deemed appropriate to protect staff and reduce infection rates, exposure and risks for staff. There is a high degree of uncertainty on the length of time that restrictive actions will continue and on the course of the pandemic. Economic impacts are likely to continue through the second quarter of 2020 and the severity and duration of the economic downturn is uncertain. Medicover is just starting to see impacts of this for certain business lines and geographies, more weighted to areas of discretionary and elective medicine or services. The expectation is that some of this demand will be delayed but return later and a proportion will not. The magnitude and duration of the economic reduction for the Group is not quantifiable given the high degree of uncertainty at the date of this report. In the face of such uncertainty the Group is taking measures to protect its resources and is delaying and putting on hold investments until more clarity on the likely economic outlook is available. Certain of the Group's businesses are impacted to a lesser degree as the Group has a diversification of business sources which is protective. The board of directors' view that the Group has sufficient committed credit lines available to ensure liquidity and continuation of business.

Financial Overview

Revenue

Consolidated revenue was €844.4 million (€671.6 million), a growth of 25.7%. Organic growth was 14.8%. Medicover's operations grew revenue mainly by increased physical capacity, service extensions, distribution reach, higher volume of members and acquisitions. Medicover operates in healthcare markets characterised by growing demand.

Diagnostic Services

Revenue increased by €72.0 million, or 21.3%, to €408.7 million (€336.7 million). Organic growth amounted to €46.0 million or 13.6%. Growth was strong in all markets, but being particularly marked in Ukraine. Acquisitions contributed €21.4 million, or 6.4%, mainly related to the German acquisition of Klein. The number of laboratory tests grew by 8.8% to 106.7 million (98.1 million). Stronger currencies, mainly in Ukraine, had a positive impact of €4.6 million or 1.3% on revenue.

Healthcare Services

Revenue increased by €103.2 million, or 29.8%, to €449.3 million (€346.1 million). Organic revenue grew to 16.1% due to underlying private healthcare market growth in both major operating countries (Poland and Romania), with employer

Full year 2019 compared to the full year 2018

Revenue

Growth components (€m)	Revenue 2018	Organic growth	Acquisition growth	Currency effects	Total growth	Revenue 2019
Medicover	671.6	99.2	72.2	1.4	172.8	844.4
As % of revenue		*14.8%*	*10.8%*	*0.1%*	*25.7%*	
Diagnostic Services[1)]	336.7	46.0	21.4	4.6	72.0	408.7
As % of revenue		*13.6%*	*6.4%*	*1.3%*	*21.3%*	
Healthcare Services[2)]	346.1	55.6	50.8	- 3.2	103.2	449.3
As % of revenue		*16.1%*	*14.7%*	*- 1.0%*	*29.8%*	

1) Including inter-segment revenue of €13.2 million in 2019 (€10.9 million).
2) Including inter-segment revenue of €0.7 million in 2019 (€0.6 million).

funded care provision contributing approximately 48% of the organic development. The employer funded member base increased from 1,209K at the end of 2018 to 1,300K at the end of 2019, a growth of 7.5%. 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 €50.8 million, or 14.7%, primarily related to the consolidation of MHI and the acquisition of Neomedic. Revenue was negatively impacted by -1.0% or €-3.2 million relating to the weaker Romanian and Hungarian currency effect.

	External revenue by location of customers	
€m	**Year 2019**	**Year 2018**
Poland	381.5	302.6
Germany	196.6	163.3
Romania	119.1	93.8
Ukraine	73.0	52.7
India	9.9	3.4
Other	64.3	55.8
Total	**844.4**	**671.6**

Operating profit

Operating profit was €46.5 million (€33.7 million). The German laboratory business was affected by reimbursement revisions for publicly funded tests, which has held back profit growth. EBITDA was €120.7 million (€90.7 million), a margin of 14.3% (13.5%). Adjusted EBITDA amounted to €125.0 million (€94.1 million), a margin of 14.8% (14.0%). Adjusted EBITDAaL increased by 37.3% to €84.9million (€61.9 million), a margin of 10.1% (9.2%), with approximately 63% of this increase being organic.

Medical costs were €-637.6 million (€-507.3 million) and stable at 75.5% of revenue compared to previous year with contribution increasing by €42.5 million to €206.8 million. Distribution, selling and marketing costs increased by €9.8 million to €-45.0 million (€-35.2 million). Administrative costs increased by €19.9 million to €-115.3 million (€-95.4 million).

Other income/costs and net financial items and tax

Other income/costs amounted to €1.0 million (€8.6 million) included results from accounting for the valuation exercises in respect of MHI consolidation. These exercises included revaluation of the Medicover shareholding in MHI, options over non-controlling interests' shares (puts and calls) and reclassifications of previous foreign exchange translation differences.

Net financial cost amounted to €-12.3 million (€-8.8 million). €-13.7 million (€-9.6 million) of interest was expensed on the Group's debt, commitment fees and other discounted liabilities. Within the interest charged €-7.2 million (€-5.6 million) was related to lease liabilities. €1.8 million (€1.4 million) of interest was earned on cash balances. Foreign exchange losses amounted to €-0.4 million (€-0.6 million) of which a gain of €0.2 million (€-1.4 million) are related to lease liabilities.

Profit for the year and earnings per share

Profit before income tax increased by €1.6 million to €33.3 million with a margin of 3.9% (4.7%). Income taxes amounted to €-8.6 million (€-7.5 million) with a higher effective tax rate of 25.9% (23.7%). The higher effective tax rate is caused by 2019 tax effects of unrecognised losses, mainly India, and tax adjustments to prior year estimates. Profit for the period was €24.7 million (€24.2 million).

Basic/diluted earnings per share was €0.168 (€0.167).

Cash flow from operating activities

The net cash flow from operating activities before working capital changes and tax payments increased by €29.8 million, or 31.4%, to €124.2 million (€94.4 million). This translates to a conversion of EBITDA of 103.0%. Working capital increased by €23.4 million (€8.1 million), in line with the underlying growth in the business and adjusted for acquisitions. Income tax paid increased by €1.6 million to €13.5 million (€11.9 million) as a result of increased profitability and taxes paid by newly acquired businesses. Net cash from operating activities increased by €12.9 million, or 17.2%, to €87.3 million (€74.4 million).

Cash flow from investing activities

The net cash flow from investing activities amounted to €141.8 million (€116.1 million). Payment for acquisition of fixed assets increased by €22.2 million to €63.2 million (€41.0 million) and payments for acquisition of subsidiaries increased by €48.2 million to €82.7 million (€34.5 million). Significant payments for acquisitions of subsidiaries include payment net of cash acquired of €59.4 million for Neomedic, €4.4 million for MHI and €18.9 million for five dental businesses in Poland, four medical clinics in Germany and a laboratory in Germany.

Cash flow from financing activities

The net cash flow from financing activities was impacted by loans repaid and received, with a switch in funding during 2019 from the Group's revolving credit facility to the Group's commercial paper programme. Leases repaid were €29.9 million (€24.5 million). Net cash flow from financing activities amounted to €48.8 million (€34.6 million).

Financing

Loans payable amounted to €275.3 million (€131.3 million), an increase of €144.0 million, and lease liabilities to €176.2 million (€125.4 million) for a total financial debt of €451.5 million (€256.7 million). Loans payable net of cash amounted to €240.5 million, up €147.6 million. The Group has a debt facility at year-end of €220 million with a maturity of 2.5 years and financial covenants in relation to net debt/EBITDA and interest cover. At the year-end 2019 €12.2 million of this facility was utilised. Medicover is using its commercial paper programme backed by its revolving credit facility to achieve lower cost of borrowing. €80.4 million was drawn at year-end. The Group has also issued schuldschein loans in Germany for €140 million with maturities of five, seven and ten years at fixed and floating rate tranches, improving the Group's liquidity profile.

Net financial debt was €416.7 million, an increase of €198.4 million, with the increase being used to fund investments and acquisitions.

5-year financial summary

For a 5-year financial summary of the consolidated income statement, statement of financial position, cash-flow statement and key financial data, refer to pages 114 and 115.

Share capital

Share capital as at 31 December 2019 was €27.1 million represented by 135,735,195 shares divided into 78,771,431 class A shares, 54,563,764 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.

Celox Holding AB, the largest shareholder, owned 47,157,365 shares with 34.7% of the capital and 55.8% of the voting rights. The Christina af Jochnick family owned 18,929,125 shares with 22.4% of the voting rights. The Robert af Jochnick family owned 13,777,618 shares with 12.2% of the voting rights.

Consolidated equity amounted to €359.7 million (€317.5 million). The increase in the levels of equity resulted from profit for the year and positive movements on translation reserves plus recognition of non-controlling interests on MHI of €38.4 million upon initial consolidation. Offsetting this was a reduction in equity of €23.2 million due to recognition of put option liquidity obligations towards non-controlling shareholders.

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, refer to "Our People" section.

As at 31 December 2019, Medicover had 28,784 co-workers, split into 74% women and 26% men, and 15,193 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 57% and men 43% 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: 45–48
- Sustainability: 29–34

The Medicover Code of Conduct is the foundation of the company's sustainability efforts, guiding the business and supporting sound decision-making. The Code of Conduct is based on the UN Global Compact and reflects the company's material sustainability aspects. Medicover's other sustainability related steering documents are the Medicover Supplier Code of Conduct, the Medicover Environmental Policy, the Medicover Whistleblower Policy and the Medicover Anti-Bribery Policy. During the year, several training sessions were conducted in anti-bribery, anti-corruption and on corruption risks. Work on getting several suppliers to sign off Medicover Supplier Code of Conduct has continued. 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 on the sustainability report can be found on page 113.

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 3 May 2019, 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 note 30 for full disclosure.

The board of directors' proposal for guidelines for executive remuneration

The executive management falls within the provisions of these guidelines. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2020. Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines. These guidelines do not apply to any remuneration decided or approved by the general meeting.

The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

For information regarding the Company's business strategy, please see https://www.medicover.com/mission-strategy.

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration.

These guidelines enable the Company to offer the executive management a competitive total remuneration.

Long-term share-related incentive plans have been implemented in the Company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines. The long- term share-related incentive plan proposed by the board of directors and submitted to the annual general meeting 2020 for approval is excluded for the same reason. The proposed plan essentially corresponds to existing plans. The plans include among others executive management in the Company. The performance criteria used to assess the outcome of the plans are linked to the business strategy and thereby to the Company's long-term value creation, including its sustainability. At present, these performance criteria comprise growth in EBITDA over a 5-year period. The plans are further conditional upon the participant's own investment and certain holding periods of several years.

Variable cash remuneration covered by these guidelines shall aim at promoting the Company's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 75 per cent of the fixed annual cash salary. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 per cent of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the board of directors based on a proposal from the remuneration committee.

For the CEO, pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 20 per cent of the fixed annual cash salary. For other executives, pension benefits, including health insurance, shall be premium defined unless the individual concerned is subject to defined benefit pension under mandatory collective agreement provisions. Variable cash remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions. The pension premiums for premium defined pension shall amount to not more than 20 per cent of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance (Sw: sjukvårdsförsäkring) and company cars. Such benefits may amount to not more than 10 per cent of the fixed annual cash salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines. Executives who are expatriates may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the expat arrangement, taking into account, to the extent possible, the overall purpose of these guidelines. Such benefits may not in total exceed 75 per cent of the fixed annual cash salary.

Termination of employment

Upon termination of an employment, the notice period may not exceed twelve months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for two years for the CEO and one year for other executives. When termination is made by the executive, the notice period may not exceed twelve months, without any right to severance pay.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed cash salary at the time of termination of employment and be paid during the time the non-compete undertaking applies, however not for more than 24 months following termination of employment

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualised, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the Company's business strategy and long-term interests, including its sustainability, by for example being linked to the business strategy or promote the executive's long-term development.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the Company.

Salary and employment conditions for employees

In the preparation of the board of directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The board of directors has established a remuneration committee. The committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The members of the remuneration committee are independent of the Company and its executive management. The CEO and other members of the executive management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The board of directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the remuneration committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Research and development

Medicover has over many years developed its inhouse 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. During 2019 €3.8 million (€2.9 million) relating to development expenditure has been capitalised as intangible assets. 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

Revenue for the year 2019 was €1.0 million (€0.6 million). Profit for the year amounted to €4.4 million (€24.9million) and was positively impacted by dividends received from subsidiaries.

The parent company's assets consist of investments in subsidiaries. The business is financed with equity contributed by the owners and a short-term commercial paper programme launched in June 2019. €80.4 million was outstanding under the commercial paper programme at year-end. The proceeds of the programme have been lent to the parent's only subsidiary on the same maturity as the programmes drawings. Equity amounted to €463.1 million (€457.0 million) at 31 December 2019.

Dividend policy

According to the company's dividend policy the board of directors could consider an annual dividend of up to 30 per cent of net profit. A proposed dividend will take into account Medicover's long-term development opportunities and its financial position.

The board of directors will from 2020 and onwards consider an annual dividend of up to 50% of net profit. The proposed dividend will take into account Medicover's long-term development opportunities and its financial position.

Proposed distribution of earnings

The board of directors proposes to the annual general meeting that unappropriated earnings will be carried forward. More information is included in note P15.

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
Market risk	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. 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.	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. 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. 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.
Political risks	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. Healthcare provision is susceptible to ideological political actions and change of public funding arrangements, particularly viewed through the objective of state provision versus privately owned providers. Regulations are often not applied evenly, with state/public providers not being subject to or not complying with legislation, whilst private providers are obliged to comply.	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. 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 Whistleblower 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. 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.

Operational risks

Risk	Risk area	Risk management
Legislation and regulation risks	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.
Reputational risk	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
Pandemic	A global pandemic such as the current Covid-19 virus could impose restrictions on operations, expose medical staff to infection and require concerted actions by health authorities or governments to control the spread and manage the consequences of a pandemic. This risk could be limited to one geography or be global in nature leading to reduced economic activity, a lack of, or restriction of availability of staff, high levels of illness/absenteeism or even death of in particular medical staff. Authorities could requisition medical staff, facilities or equipment to assist in managing the consequences or other restrictions on the Group's ability to operate could be imposed.	Medicover monitors events closely in developing health risk fields that may impact its customers and staff and has a contingency plan and systems for regular flu seasons and other peak health demand periods and periodically acquires excess inventories to mitigate risks of availability of supplies or disruption of supply chains. By its nature pandemic events can be overwhelming upon healthcare resources and inherently means limitations to risk mitigation steps available.
Staff availability	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. 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.	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 in Poland, Romania and Ukraine. 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.

External Risks

Risk	Risk area	Risk management
Information-systems	One of the strengths of Medicover 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. Medicover's ability to leverage this combination of proprietary and commercial systems has been an important driver for Medicover's ability to meet customer's expectations and manage the costs of delivery of those services. This does mean however that Medicover 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 Medicover'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.	Medicover 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. Medicover regularly upgrades and invests in its information systems equipment and software solutions to maintain an environment that is able to resist new and developing threats. However strong such preventative measures may be, there is always a risk that failures may still occur and back-up procedures and failure protocols have been developed to mitigate the impact of any such outages or failures. In house software is developed by dedicated staff teams following and operating under best practice standards with extensive testing and quality control procedures. Medicover has over 20 years of experience in developing and deploying its in house solutions. Medicover 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.
Permits and property	Much of Medicover'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 practices, 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. Medicover 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 Medicover's needs. There is a risk that suitable space is not available at the price that Medicover is seeking or in the locations needed. This could hamper Medicover's expansion plans.	Medicover is diversified across several geographies and within those geographies is usually present across many sites. As most permitting in the markets where Medicover operates is location by location this diversifies the risks of any individual permit being invalidated or cancelled. Furthermore, Medicover 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.
Acquisition execution	Growth through acquisitions, large as well as small, is part of Medicover's strategy. This entails a risk that Medicover will not identify suitable acquisition targets, that Medicover will not successfully negotiate acceptable terms, or be able to finance the acquisitions. Growth through acquisition also entails risks that Medicover 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 Medicover'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.	Medicover 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. Medicover 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 Medicover mitigates risk by linking the acquisition price to future development and performance of the target acquired. Medicover has established and implemented a structured acquisition process that requires analysis, documentation and sufficient approval prior to each acquisition. In addition, Medicover establishes a detailed integration plan in connection with the acquisition decision whereby the risk of increased costs related to integration is measured and managed.

Financial Risks

Risk	Risk area	Risk management
Foreign currency risk	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 foreign currency risk being classified as: • Transaction risk, arising from transactions being conducted by entities in currencies other than their currency; • Balance sheet translation risk being the risk of the net investment exposure to foreign currency subsidiaries; • Profit and loss translation risk being the risk that the profit of foreign subsidiaries when translated to euros is reduced.	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. The Group's net investment into subsidiaries in foreign currencies is exposed to translation risk for the balance sheet, and a reduction of the value of local currencies to the Euro could impact the net equity of the Group. The Group views that the ability to earn income and the ability to increase prices in line or above inflation within the relevant markets compensates over time for such devaluations and although an immediate impact or reduction in operating cash flows can be felt, over a period of 12 to 24 months these effects are compensated through the relatively fast flow through of import cost inflation. With this in mind Medicover's policy is not to actively hedge the net investment position in our local operations. For more information on foreign currency exposures refer to note 24.
Credit risk	Credit risk is the risk that trade receivables are not paid or assets held by counterparties are not paid or recoverable.	Customers' compliance with agreed credit terms are monitored closely. A wide diversification of customers reduces the relative size of any individual customer's balances outstanding at any point in time. Where concentration does exist is with government or quasi government institutions which are either guaranteed by the state or have an implied state guarantee. This reduces the risk of irrecoverable amounts impacting the Group significantly. Counterparties with whom assets are deposits or loaned, such as banks or custodians are monitored for credit worthiness and ratings.
Interest rate risk	This is the risk that an increase or a decrease in general interest rates could adversely impact the Group.	Currently the Group does not have any significant borrowings or assets earning interest, which reduces the Group's direct exposure to interest rate movements. Medicover monitors interest rate projections with a view to decision-making as to investments and acquisitions and how these would be financed in the future.
Liquidity and financing risk	Liquidity risk relates to the ability to pay obligations as they become due, and financing risk relates to the ability to refinance loans or other debt as it matures.	Medicover 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 €220 million with a maximum maturity up until June 2022. Medicover is also using its commercial paper programme backed by its revolving credit facility to achieve lower cost of borrowing. The Group has during the financial year issued schuldschein loans in Germany for €140 million with maturities of five, seven and ten years at fixed and floating rate tranches improving its liquidity profile at attractive rates. For more information refer to note 24. 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, with corporate registration number 559073-9487 and with its registered office in Stockholm. Class B shares in Medicover AB (publ) 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.

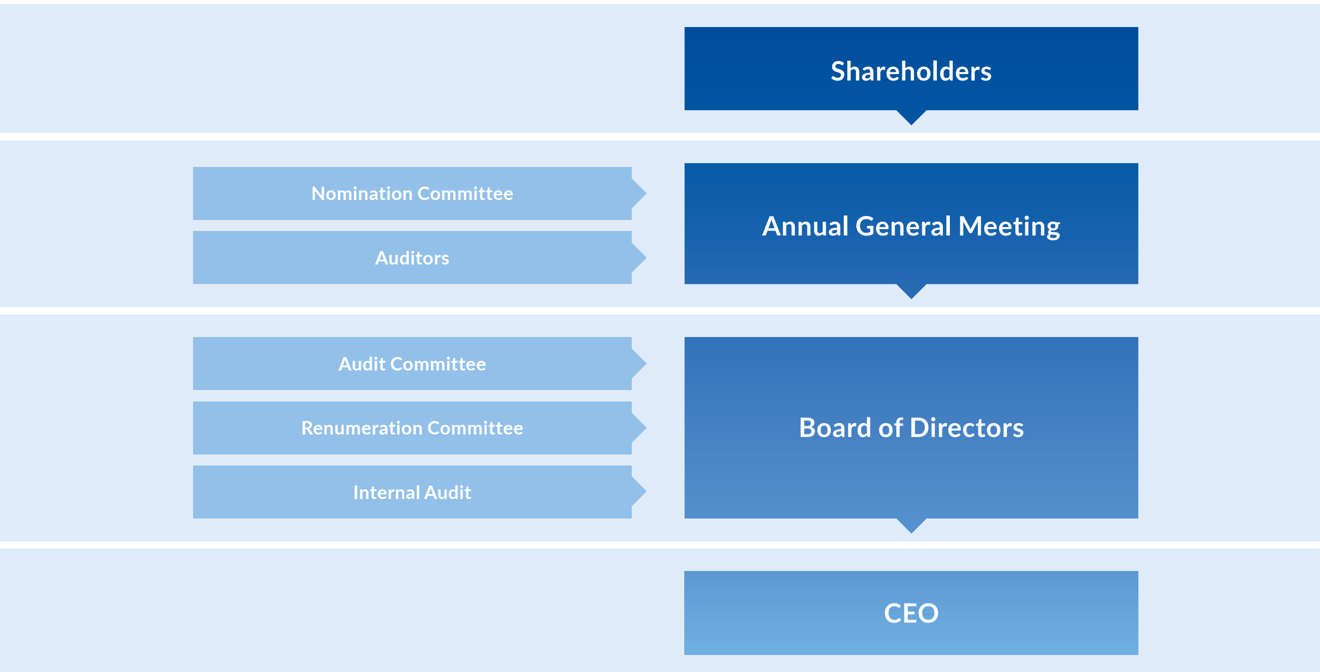
Internal regulations that affect the governance environment are the articles of association, rules of procedure for the board, rules of procedure for and instructions to the audit committee and the remuneration committee, instructions for the CEO and various other policy documents.

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. 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. There are no other differences between class A shares, class B shares and class C shares.

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.

Shares and shareholders
As at 31 December 2019, Medicover AB (publ) had 135,735,195 shares, consisting of 78,771,431 class A shares,

Governance model



54,563,764 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 dividends 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. For further information on the differences between the three classes of shares, see under "Articles of association" on page 49.

The Company had a total of 4,214 shareholders at the end of 2019 (as compared to 2,150 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 55.8 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 10.3 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 2019, the Company held all 2,400,000 class C shares. For additional information on the share and owners, see pages 36–38 and Medicover's website www.medicover.com.

General meetings

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

Convening 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 must be announced in Svenska Dagbladet that a notice has been issued.

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

Information from Medicover's most recent AGMs and EGMs held after the listing at Nasdaq Stockholm can be found in the corporate governance section of Medicover's website www.medicover.com. In the same section, information is also provided regarding the shareholders' right to have matters addressed at general meetings and the deadline by which Medicover must receive shareholder requests to be able to ensure the matter is included in the convening notice of 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 and the chairman of the board are elected at the AGM. The AGM also appoints the Company's auditors, and resolves upon fees for the auditors, and fees for the board and committee work. The Company's financial year runs from 1 January to 31 December, and the AGM must be held within 6 months of the end of the financial year. The meeting date and venue is announced on Medicover'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 Medicover's operations. Members of the board are present to respond to shareholder questions. The auditor will also attend the AGM.

2019 AGM

The most recent AGM was held on 3 May 2019 in Stockholm (the 2019 AGM). In total, 91,678,940 shares and 74,314,124.9 votes, out of which 72,384,701 class A shares (representing 53.3 per cent of the shares and 85.7 per cent of the votes in the Company) and 19,294,239 class B shares (representing 14.2 per cent of the shares and 2.3 per cent of the votes in the Company), were present in person or represented by proxy at the meeting.

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.
- 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 programme (the Plan 2019) (for further information regarding the Plan 2019, see note 31), authorisation for the board to issue and repurchase class C shares (see page 51) and decision to – following conversion into class B shares – transfer such shares to participants in the Plan 2019 and in order to secure possible social charges arising as a result of the Plan 2019, and approval of the inclusion of the CEO (who is also a board member of the Company) in the Plan 2019
- Authorisation for the board to issue class B shares (see under "Authorisations – approved by the 2019 AGM")

All but one of the board members were present at the 2019 AGM. The chairman of the nomination committee, the CEO, the CFO and a majority of the other executive management members, and the Company's auditor were also present.

Authorisations – approved by the 2019 AGM

At the 2019 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 2019 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 237,000 by the issue of not more than 1,185,000 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 programme adopted by the AGM 2019 (the "Plan 2019"), as well as to secure potential social charges arising as a result of the Plan 2019.
- 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 2019 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 2019.

The above authorisations are valid until the next AGM. As of 31 December 2019, none of the above mentioned mandates has been utilised.

2020 AGM

Medicover's 2020 AGM will be held on Thursday 30 April 2020 at Grev Turegatan 16 (IVA) in Stockholm. The notice of the 2020 AGM was published in March 2020. 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.

Nomination committee

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, and 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.

The 2019 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 2019 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.

As announced in a press release on 18 September 2019, 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

Independence of the nomination committee

According to the Code, the majority of the nomination committee's members must be independent of the company and its executive management, and at least one if these must also be independent of the company's largest shareholder in terms of voting power. As for the three members of the Company's nomination committee, all three are independent of the Company and its executive management and two are also independent of the Company's largest shareholder in terms of voting power, so the independence requirements of the Code are fulfilled.

Nomination committee's work in preparation for the 2020 AGM

The nomination committee has held one meeting in 2019 and two in 2020, 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 2020 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 25 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 fulfills 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. Furthermore, when making its proposal regarding the appointment of the external auditor, the recommendation from the audit committee has been taken into account.

No fees have been paid for the work of the nomination committee.

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

The shareholders have had the possibility to submit proposals to the nomination committee. The nomination committee's proposals to the 2020 AGM are presented in the convening notice to the AGM on Medicover's website www.medicover.com. The AGM will be held on Thursday 30 April 2020, see page 117.

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.

Up until Jonas af Jochnick passed away on 16 May 2019, the Company's board consisted of nine members elected by the AGM, including the chairman of the board. All nine board members were re-elected at the 2019 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). Since Jonas af Jochnick passed away, the board has consisted of eight members as nobody has been appointed to replace him. Apart from the CEO, none of the board members is employed by Medicover. All board members have attended Nasdaq's stock market training course for boards and management. The average age of the board members elected by the 2019 AGM was 60 at year-end 2019. Information about remuneration for board members resolved upon at the 2019 AGM is available in note 30.

Independence of the board

According to the Code, the majority of the board members elected by the general meeting must be independent of the company and its executive management and at least two of these must also be independent of the company's major shareholders. As for the Company's eight board members, all but one (the CEO) are independent of the company and its executive management and five are independent of the company's major shareholders. The independence status of each board member is indicated on pages 58–59.

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.

	Attendance			Fees (EUR)		
Member	**Board**	**Audit Committee**	**Remuneration Committee**	**Board**	**Audit Committee**	**Remuneration Committee**
Fredrik Stenmo, chairman	8/8	6/6	3/3	70,000	10,000	7,500
Jonas af Jochnick, vice chairman[1)]	4/4		2/2	50,000		7,500
Peder af Jochnick	7/8			50,000		
Robert af Jochnick	6/8			50,000		
Arno Bohn[2)]	8/8		1/1	50,000		7,500
Sonali Chandmal	7/8	5/6		50,000	10,000	
Michael Flemming	8/8	6/6		50,000	20,000	
Margareta Nordenvall	7/8	6/6		50,000	10,000	
Fredrik Rågmark, CEO	8/8					

1) Only until 16 May 2019, board and remuneration committee fees adjusted pro rata.
2) Appointed to remuneration committee on 25 July 2019, remuneration committee fees adjusted pro rata.

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 without 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 56.

Work of the board in 2019

In 2019, eight board meetings were held. Focus was given primarily to interim reports and the M&A activity of Medicover, 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 53.

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 2019 the board has evaluated its work through a so called self-assessment, and in the end of 2019 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

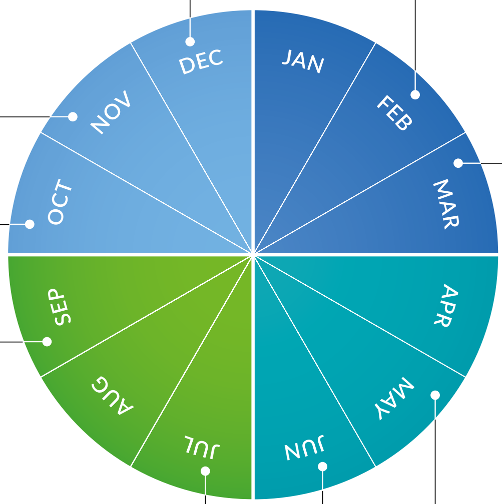
The audit committee has in 2019 consisted of four members, as indicated in the table on page 53. The audit committee has the following main responsibilities:

- 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 Medicover.

The committee held six meetings in 2019 with particular emphasis on interim reports, audit reports, internal control and audit (internal and external). The attendance of the committee members is indicated in the table on page 53.

The independence status of each committee member is indicated on pages 58–59.

Board activities 2019



February

Ordinary AC meeting. Recommendation to nomination committee regarding auditor, Q4 and FY 2018 interim report, audit wrap up.

Ordinary board meeting. Business update, report from audit committee, Q4 and FY 2018 interim report, review of acquisitions in 2018, review of LTIP for 2017 and 2018, succession planning for EMT, CEO evaluation, and review of EMT remuneration.

March

Ordinary AC meeting. Internal Audit annual report, IFRS 16, audit report 2018; annual report 2018.

Ordinary board meeting. Audit report 2018; annual report 2018 and proposal for allocation of the results, report from audit committee, business update, LTIP 2019 proposal to AGM, convening notice to AGM and related documents, and acquisitions and investments.

May

Ordinary AC meeting. IFRS 16 (Adjusted EBITDaL), Q1 2019 interim report.

Ordinary board meeting. Q1 2019 interim report, report from audit committee, business update, review of debt structure, approval of commercial paper programme, and acquisitions and investments (PMI review).

2019 AGM

Ordinary board meeting (inaugural). Confirmation of the board's composition following the AGM, authority to sign for the company, election of members of board committees, adoption of rules of procedure for the board and related policies and instructions, and delegation of certain acquisition decisions to M&A committee.

June

Strategy days. Strategy days in Berlin with EMT and representatives of the HS and DS divisions.

Extraordinary AC meeting. New Head of Internal Audit (replacement due to retirement).

July

Ordinary AC meeting. Q2 2019 interim report, internal controls update.

Ordinary board meeting. Q2 2019 interim report, report from audit committee, business update, LTIP 2019 update, approval of schuldschein loan, update forecast 2019, board calendar 2020, and appointment of new member of the remuneration committee.

September

Extraordinary board meeting (by phone). Approval of increased schuldschein loan mandate.

October

Site visits in Ukraine and on Cyprus.

November

Ordinary AC meeting. Auditor report re. Q3 2019 interim report, Q3 2019 interim report; audit plan, risk management overview, review of finance policies, Internal Audit plan (incl. budget) 2020.

Ordinary board meeting. Annual review of policies adopted by the board, report from audit committee; Q3 2019 interim report; business update; forecast III 2019, report from medical advisory council, and review of internal audit and risk management.

December

Ordinary board meeting. Forecast FY 2019, business update, budget 2020, financial targets, and board calendar 2020.

Remuneration committee

The remuneration committee consists of two members. Until 16 May 2019 the committee comprised Fredrik Stenmo and Jonas af Jochnick, and following the passing away of Jonas af Jochnick, it comprises Fredrik Stenmo and Arno Bohn, as indicated in the table on page 53. The remuneration committee has the following main responsibilities:

- Preparing the board's decisions on issues concerning principles for remuneration, remuneration amounts and other terms of employment for executive management.
- Monitoring and evaluating programmes 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 2019, the committee held three ordinary meetings focusing on remuneration policies within the group and proposals for the long term performance-based share programme approved by the 2019 AGM. The attendance of the committee members is indicated in the table on page 53.

Executive management

The Group's executive management consists of eight 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 60–61 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.

All members of the Group's executive management team have attended Nasdaq's stock market training course for boards and management.

For principles, remuneration and other fees for the CEO, see note 30.

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, and with the Group Strategy Director as permanent invitee. 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 the M&A committee to approve smaller acquisitions within specified parameters. 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. During 2019, the scope of the M&A committee's work has been broadened to cover also operational matters and capex decisions, and the committee has been renamed to investment committee with the General Legal Counsel as permanent invitee instead of member.

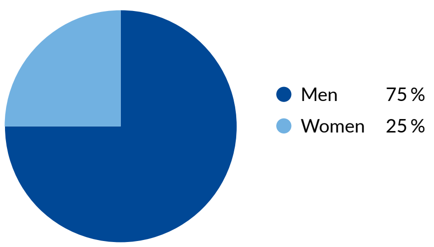
Auditor

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 2019 AGM for the period until the end of the next AGM. The proposal to the 2019 AGM regarding auditor was preceded by a procurement process in accordance with the stipulated requirements and guidelines.

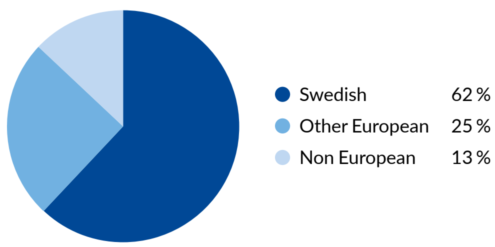
Control environment

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

Gender split board of directors



Board of directors' nationalities



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, Medicover Anti-bribery Policy, Medicover Whistleblower Policy 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 programme 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 Ltd 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[1]: 5,497,050 class A shares and 23,210 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 NG Invest Alpha AB, NG Invest Beta AB and af Jochnick Foundation. Board member of Oriflame Holding AG.
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 1,510,638 class B shares.

Arno Bohn

Board member since 2001.
Member of the remuneration committee.
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.

[1] Including holding of closely related parties.

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.

Michael Flemming

Board member since 2015.
Chair 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 Metair Investments Limited and True North Development Ltd.
Professional experience: Board member and CEO of Life Healthcare Ltd. Board member of Sanyati 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: Several assignments board 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: 1,954,155 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: 1,954,155 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: –
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: 11,500 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 PositiveID 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: 29,500 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.

Jaroslaw Urbanczyk
CIO

Employed since 2019.
Born 1968.
Nationality: Polish.
Education: University degree, Warsaw University of Technology, Warsaw School of Economics and IMD Top Executive Programme.
Other assignments: –
Professional experience: CIO American Home Products and Group CIO Skanska.
Shareholding in the company: –

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 Deputy Chair, Expert Advisory Group, 'Bite Back 2030'.
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: –

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Consolidated income statement

€m, for the years ended 31 December	Note	2019	2018[1]
Revenue	3	**844.4**	**671.6**
Operating expenses			
Medical provision costs	5	-637.6	-507.3
Gross profit		**206.8**	**164.3**
Distribution, selling and marketing costs	5	-45.0	-35.2
Administrative costs	5	-115.3	-95.4
Operating profit (EBIT)		**46.5**	**33.7**
Other income/(costs)	7	**1.0**	**8.6**
Interest income		1.8	1.4
Interest expense	8	-13.7	-9.6
Other financial income/(expense)		-0.4	-0.6
Total financial result		**-12.3**	**-8.8**
Share of loss of associates	14	-1.9	-1.8
Profit before income tax		**33.3**	**31.7**
Income tax	9	-8.6	-7.5
Profit for the year		**24.7**	**24.2**
Profit attributable to:			
Owners of the parent		22.5	22.3
Non-controlling interests		2.2	1.9
Profit for the year		**24.7**	**24.2**
Earnings per share attributable to parent:			
Basic/diluted, €	28	0.168	0.167

Consolidated statement of comprehensive income

€m, for the years ended 31 December	Note	2019	2018[1]
Profit for the year		**24.7**	**24.2**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to income statement:			
Exchange differences on translating foreign operations		7.8	-6.1
Income tax relating to these items		-0.6	0.5
Other comprehensive income/(loss) for the year, net of tax		**7.2**	**-5.6**
Total comprehensive income for the year		**31.9**	**18.6**
Total comprehensive income attributable to:			
Owners of the parent		30.0	16.7
Non-controlling interests		1.9	1.9
Total comprehensive income for the year		**31.9**	**18.6**

[1] 2018 is restated for full retrospective application of IFRS 16 *Leases*. For further information, refer to notes 2 and 36.

Consolidated statement of financial position

€m	Note	31 Dec 2019	31 Dec 2018[1)]	1 Jan 2018[1)]
ASSETS				
Non-current assets				
Goodwill	10	293.1	150.1	126.8
Other intangible assets	10	74.6	50.8	36.4
Tangible fixed assets	11	252.7	164.4	147.8
Right-of-use assets	12	166.0	117.0	110.3
Total fixed assets		**786.4**	**482.3**	**421.3**
Deferred tax assets	9	9.1	4.2	4.6
Investment in associates	14	0.7	43.8	22.1
Other financial assets	22	7.5	9.3	5.2
Total non-current assets		**803.7**	**539.6**	**453.2**
Current assets				
Inventories	15	37.1	30.3	30.7
Other financial assets	22	1.6	27.8	2.1
Trade and other receivables	16, 22	142.3	92.3	82.3
Cash and cash equivalents	22	34.8	38.4	45.4
Total current assets		**215.8**	**188.8**	**160.5**
Total assets		**1,019.5**	**728.4**	**613.7**
SHAREHOLDERS' EQUITY				
Issued capital and reserves attributable to owners of the parent	26	317.4	313.1	296.2
Non-controlling interests	27	42.3	4.4	3.6
Total shareholders' equity		**359.7**	**317.5**	**299.8**
LIABILITIES				
Non–current liabilities				
Loans payable	20, 21, 22	163.8	126.4	52.5
Lease liabilities	20, 21, 22	142.0	96.4	85.6
Deferred tax liabilities	9	27.5	23.7	22.8
Provisions		2.2	0.3	0.4
Other financial liabilities	21, 22	38.9	28.6	23.6
Other liabilities	19	3.7	5.6	4.7
Total non-current liabilities		**378.1**	**281.0**	**189.6**
Current liabilities				
Loans payable	20, 21, 22	111.5	4.9	3.7
Lease liabilities	20, 21, 22	34.2	29.0	30.3
Provision for unearned premiums/deferred revenue	18	11.4	10.3	12.3
Corporate tax payable		4.8	4.2	6.8
Other financial liabilities	21, 22	5.2	3.6	4.9
Trade and other payables	17, 22	114.6	77.9	66.3
Total current liabilities		**281.7**	**129.9**	**124.3**
Total liabilities		**659.8**	**410.9**	**313.9**
Total shareholders' equity and liabilities		**1,019.5**	**728.4**	**613.7**

1) 2018 is restated for full retrospective application of IFRS 16 *Leases*. For further information, refer to notes 2 and 36.

Consolidated statement of changes in equity

€m	Share capital	Treasury shares	Additional paid in capital	Retained earnings	Non-controlling interests put-option reserve	Other reserves	Trans-lation reserve	Total attributable to owners of the parent	Non-controlling interests	Total equity
Opening balance as at 1 January 2018	**26.7**	**–**	**319.7**	**-11.3**	**-13.8**	**1.3**	**-22.3**	**300.3**	**3.7**	**304.0**
IFRS 16 impact – first application (note 36)	–	–	–	-4.3	–	–	0.2	-4.1	-0.1	-4.2
Opening balance as at 1 January 2018, restated	**26.7**	**–**	**319.7**	**-15.6**	**-13.8**	**1.3**	**-22.1**	**296.2**	**3.6**	**299.8**
Profit for the year[1]	–	–	–	22.3	–	–	–	22.3	1.9	24.2
Other comprehensive income	–	–	–	–	–	–	-5.6	-5.6	–	-5.6
Total comprehensive income for the year	**–**	**–**	**–**	**22.3**	**–**	**–**	**-5.6**	**16.7**	**1.9**	**18.6**
Transactions with owners in their capacity as owners:										
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
Total transactions with owners in their capacity as owners	**0.4**	**-0.4**	**–**	**–**	**-1.1**	**1.3**	**–**	**0.2**	**-1.1**	**-0.9**
Closing balance as at 31 December 2018, restated[1]	**27.1**	**-0.4**	**319.7**	**6.7**	**-14.9**	**2.6**	**-27.7**	**313.1**	**4.4**	**317.5**
IFRIC 23 impact – first application (note 2.1)	–	–	–	-1.9	–	–	–	-1.9	–	-1.9
Opening balance as at 1 January 2019, restated	**27.1**	**-0.4**	**319.7**	**4.8**	**-14.9**	**2.6**	**-27.7**	**311.2**	**4.4**	**315.6**
Profit for the year	–	–	–	22.5	–	–	–	22.5	2.2	24.7
Other comprehensive income	–	–	–	–	–	–	7.5	7.5	-0.3	7.2
Total comprehensive income for the year	**–**	**–**	**–**	**22.5**	**–**	**–**	**7.5**	**30.0**	**1.9**	**31.9**
Transactions with owners in their capacity as owners:										
Acquisition of interest in a subsidiary	–	–	–	-2.3	–	–	–	-2.3	–	-2.3
Non-controlling interests put-option reserve	–	–	–	–	-23.2	–	–	-23.2	-2.4	-25.6
Recognition of non-controlling interests on business combinations	–	–	–	–	–	–	–	–	38.4	38.4
Employee share-based compensation costs	–	–	–	–	–	1.7	–	1.7	–	1.7
Total transactions with owners in their capacity as owners	**–**	**–**	**–**	**-2.3**	**-23.2**	**1.7**	**–**	**-23.8**	**36.0**	**12.2**
Closing balance as at 31 December 2019	**27.1**	**-0.4**	**319.7**	**25.0**	**-38.1**	**4.3**	**-20.2**	**317.4**	**42.3**	**359.7**

[1] 2018 is restated for full retrospective application of IFRS 16 *Leases*. For further information, refer to notes 2 and 36.

Consolidated cash flow statement

€m , for the years ended 31 December	Note	2019	2018[1)]
Profit before income tax		33.3	31.7
Adjustments for:			
Depreciation, amortisation and impairment	5, 10, 11,12	74.2	57.0
Gain on disposal of fixed assets		-0.2	-0.1
Gain on termination of leases		-0.8	-0.1
Other (income)/costs		-1.0	-7.2
Net interest expense		11.9	8.2
Employee share-based compensation costs	31	1.7	1.6
Other non-cash transactions		6.2	3.3
Unrealised foreign exchange (gain)/loss		-1.1	0.0
Cash generated from operations before working capital changes and tax payments		**124.2**	**94.4**
Changes in operating assets and liabilities:			
Increase in receivables and inventories		-25.0	-13.3
Increase in payables		1.6	5.2
Cash generated from operations before tax payments		**100.8**	**86.3**
Income tax paid		-13.5	-11.9
Net cash from operating activities		**87.3**	**74.4**
Investing activities:			
Payment for acquisition of fixed assets		-63.2	-41.0
Proceeds from disposal of fixed assets		0.3	0.1
Payment for acquiring interest in associates		–	-15.3
Dividends received from associates		–	0.1
Payment for acquisition of subsidiaries, net of cash acquired	13	-82.7	-34.5
Proceeds from disposal of subsidiaries, net of cash sold		0.1	0.5
Payment into escrow for acquisitions	22	–	-24.7
Loans repaid		2.0	–
Loans granted		–	-2.7
Interest received		1.7	1.4
Net cash used in investing activities		**-141.8**	**-116.1**
Financing activities:			
Proceeds from issue of shares	26	–	0.4
Acquisition of treasury shares	26	–	-0.4
Acquisition of non-controlling interests		-2.7	–
Loans repaid	21	-479.9	-35.6
Loans received	21	577.3	106.1
Leases repaid	21	-29.9	-24.5
Interest paid		-14.0	-9.4
Distribution to non-controlling interests	21	-2.0	-2.0
Net cash from financing activities		**48.8**	**34.6**
Total cash flow		**-5.7**	**-7.1**
Cash and cash equivalents			
Cash balance as at 1 January		38.4	45.4
Net effects of exchange gain on cash balances		2.1	0.1
Cash balance as at 31 December		34.8	38.4
Decrease in cash and cash equivalents		**-5.7**	**-7.1**

1) 2018 is restated for full retrospective application of IFRS 16 *Leases*. For further information, refer to notes 2 and 36.

Notes to the consolidated financial statements

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 2019 were authorised by the board of directors on 25 March 2020. The annual general meeting (AGM) will be held on Thursday 30 April 2020 in Stockholm, Sweden.

2 Summary of significant accounting policies

2.1 Basis of preparation

(a) Statement of compliance

The 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 application to 31 December 2019. In addition, the Group applies RFR 1 *Additional rules for Group Accounting*, related interpretations issued by the Swedish Financial Reporting Board, and the Swedish Annual Accounts Act.

The comparative numbers for 2018 have been restated for the implementation of IFRS 16 *Leases*. Refer to notes 2.1d and 36 for details.

(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); interest rates used when discounting future lease payments (note 12); valuation of purchase price allocation (note 13); share-based payments (note 31) and recognised fair value measurements (note 22).

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); assessment of control in the investment in associates (notes 13 and 14); determination whether an extension or termination option will be exercised in a lease contract (notes 12 and 36) and measurement of certain rights and obligations in acquiring business interests (notes 13 and 31).

(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.

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 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Positions*.

In 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 2019.

The Group has adopted IFRS 16 *Leases* as from 1 January 2019. The standard implies new ways of accounting for leases and replaces the previous standard IAS 17 *Leases*. The Group leases a large proportion of real estate used in providing medical services and administrative support including clinics, hospital sites, laboratories and offices. Under IAS 17, a significant number of these lease agreements were classified as operating leases with rental costs recognised as lease expenditures in the income statement on a straight-line basis. IFRS 16 impacts the Group as a lessee and has required recognition in the statement of financial position of right-of-use assets and lease liabilities. The Group has applied IFRS 16 using the full retrospective approach, with restatement of the comparative information for 2018. The impact was communicated in a restatement release in April 2019. Refer to note 36 for further details regarding the impact of IFRS 16. The new accounting policy for leases is disclosed in note 2.19.

The Group has also adopted IFRIC 23 *Uncertainty over Income Tax Treatments* as from 1 January 2019. The adoption is retrospective with the cumulative effects of initial application recognised at 1 January 2019 as an adjustment to the opening balance of retained earnings. The interpretation provides additional clarity regarding assessing uncertainties over income tax treatments and information to take into consideration to determine when and how any associated liability should be accounted for. The impact of the adoption is a recognition of a cumulative additional potential tax liability of €1.9 million at 1 January 2019, which is presented under income tax liabilities with a corresponding adjustment to retained earnings.

No other amendments to standards that are mandatory for the first time from 1 January 2019 have affected 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 amendments to accounting standards have been published, these are not mandatory for 31 December 2019 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 as follows:

IFRS 17 *Insurance Contracts* (issued in May 2017, but not yet endorsed by EU at the date of this report) establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*. The standard is effective for annual reporting periods beginning on or after January 2021, with early application permitted. The Group is currently reviewing the impact of IFRS 17. As the Group's insurance contracts are short-term contracts, no major changes to the amounts recognised are expected.

No amendments to standards that are issued but not yet effective are considered to affect the Group's accounting policies or any of the disclosures when applied for the first time.

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 33. 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 as other financial income/expense 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

The Group recognises revenue from healthcare and diagnostic services. Healthcare services include a broad range of medical services and diagnostic services include a broad range of routine and advanced laboratory testing. Revenue generated by services provided, from both public and private payers, is allocated to the following:

a) Public pay relates to medical or laboratory services funded by a government institution or statutory health body;
b) Earned premiums in respect of insurance contracts, received for access to a predetermined range of medical services or benefits (refer to note 2.5). This type of revenue is also referred to as funded payments;
c) Fee-for-Service (FFS) refers to fees paid for access to medical or laboratory services on a per-usage basis; and
d) Other services include non-medical related services such as gym memberships and benefit cards.

For a large part of the services provided in (a), (c) and (d), revenue is recognised in the period when services are rendered, the provision of the service and payment is usually very close. Revenue is measured based on the consideration to which the Group expects to be entitled.

A minor part of customer contracts includes variable consideration. For these contracts, revenue is only recognised to the extent that it is highly probable the amount of revenue recognised will not be subject to significant future reversals as a result of subsequent re-estimations.

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 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. The Group provides medical services through its owned and controlled facilities and medical staff to treat its members who subscribe to Medicover's insurance policies or commercial fixed rate contracts.

The Group assumes the risk in relation to the member's health demand needs. Both regulated insurance contracts and 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

Segment reporting is in line with management's use of information. It 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. 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 (COOs). 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 EBITDAaL as the two major financial measures of accountability and performance. The basis of measurement of segment profit or loss has, compared to prior year, changed from EBITDA to EBITDAaL due to the adoption of IFRS 16 *Leases* (refer to note 36). 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 executive management.

2.8 Share-based payments

(a) Equity settled plans

The Group has issued share grant programmes 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 share-based payments are recognised as employee costs during the vesting period with a corresponding increase in equity. Non-market performance conditions (EBITDA and EBITDAaL targets) 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 recognises a liability for social security expenses for all outstanding equity settled share-based payments. The liability is remeasured 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 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 conditions. 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

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 a financial liability is subsequently remeasured to 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-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts are reported. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period cannot exceed one year from the acquisition date.

2.10 Intangible 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.

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 with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment. Amortisation is recognised on a straight-line basis. Other intangibles with indefinite useful lives are stated at cost less accumulated impairment losses. The following are indications of the estimated useful life:

Brand/know-how	2–20 years
Operating licenses	3–10 years
Customer relations	10 years
Regulatory licenses	indefinite

2.11 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment. Depreciation is recognised on a straight-line basis over the 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 the 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 the deemed cost, which is the fair value at the date of reclassification. These 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.

The Group holds call options to increase the investment in a subsidiary. These options are carried at fair value with subsequent fair value re-measurement recognised in profit or loss.

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

(c) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Gains and losses from derecognition are 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 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, 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 (note 2.18);
- put option liabilities over non-controlling interests being reported at fair value with the changes in fair value being reported to equity as a transaction between shareholders (note 2.17); and
- contingent consideration payable in relation to acquisitions.

(c) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. Gains and losses from derecognition are recognised in profit or loss.

2.17 Put options over non-controlling interests

The Group has granted put options to minority shareholders 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 excercise 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 recognised in profit or loss.

2.19 Leases

The Group as a lessee

A lease is identified as a contract, or part of a contract, that gives the right of control and use of an identified asset for a period of time in exchange for consideration. The Group's leases are in respect of real estate, equipment and vehicles. The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost which comprises the lease liability at commencement plus any directly attributable costs, lease payments made prior to commencement and if applicable an estimation of any contractual restitution costs, reduced by any incentives received to enter into the lease. The right-of-use asset is subsequently depreciated using a straight-line basis over the period from commencement to the end of the lease or the useful life of the asset, whichever is shorter.

The lease liability is initially measured as the discounted value of the future identified contractual lease payments to be paid over the life of the lease. The lease liability is subsequently measured at amortised cost using the effective interest method. The discount rate used, if not implicit in the lease, is determined as the specific Group entity's incremental borrowing rate. The incremental borrowing rate is individual for each lease and takes into account:

- credit standing of the specific Group entity contractually bound under the lease;

- currency of the lease;
- average duration of the lease obligation; and
- security implied by the specific asset underlying the lease.

In general the Group does not grant restrictive covenants or credit enhancements to lessors.

The lease payments taken into account for the lease liability include:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that are based on an index or rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase option, if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease liability is remeasured (with a corresponding adjustment to the related right-of-use asset) whenever there are changes relating to:
- the lease term,
- the assessment of exercise of a purchase option,
- the expected payment under a guaranteed residual value,
- lease payments due to changes in an index or rate, and
- lease modifications not accounted for as a separate lease.

In certain cases, leases may be based on revenue sharing, in which case a right-of-use asset and lease liability are not recognised unless there is a minimum lease payment or another in substance fixed payment. The revenue share lease cost is directly expensed to the income statement at the same time as revenue is earned and recognised.

Leases with a lease term of 12 months or less and leases of assets with a low value when new (€5,000 or less) are expensed directly to the income statement on a straight-line basis as part of the operating costs.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in 2.12.

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.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority.

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 owners of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS takes into account the potentially dilutive impact of long-term performance-based share programmes. 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.

3 Revenue

	2019	2018
Healthcare Services		
Public pay	40.0	9.5
Private pay		
Funded payments (note 4)	228.8	204.7
Fee-For-Service	156.5	119.4
Other services	23.3	11.9
Total	**448.6**	**345.5**

	2019	2018
Diagnostic Services		
Public pay	137.6	119.6
Private pay		
Fee-For-Service	250.4	201.1
Other services	7.5	5.1
Total	**395.5**	**325.8**
Central/Other	**0.3**	**0.3**
Total	**844.4**	**671.6**

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*.

2019	Regulated	Non regulated	Total
Revenue earned in the period	62.4	166.4	228.8
Claims	-49.2	-124.7	-173.9
Expenses	-6.9	-8.6	-15.5
Assets	70.0	80.6	
Liabilities	11.6	55.1	

2018	Regulated	Non regulated	Total
Revenue earned in the period	57.2	147.5	204.7
Claims	-45.2	-108.2	-153.4
Expenses	-6.0	-7.6	-13.6
Assets	40.5	77.2	
Liabilities	10.2	56.3	

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 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.

5 Nature of expenses

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

2019	Medical provision costs	Distribution, selling & marketing costs	Administrative costs	Total
Staff costs	-286.8	-25.7	-62.7	-375.2
Property lease costs, heat and other establishment costs	-24.7	-0.9	-5.3	-30.9
Depreciation and amortisation	-54.5	-1.8	-17.1	-73.4
Impairment	-0.5	–	-0.3	-0.8
Medical services and other non-salary medical related costs	-249.1	–	–	-249.1
Expected credit losses	–	–	-4.2	-4.2
Other	-22.0	-16.6	-25.7	-64.3
Total	**-637.6**	**-45.0**	**-115.3**	**-797.9**

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	-20.5	-0.2	-3.9	-24.6
Depreciation and amortisation	-43.2	-1.5	-12.3	-57.0
Medical services and other non-salary medical related costs	-201.9	–	–	-201.9
Expected credit losses	–	–	-1.5	-1.5
Other	-18.9	-12.9	-23.5	-55.3
Total	**-507.3**	**-35.2**	**-95.4**	**-637.9**

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. EBITDAaL is used to assess the performance of the operating segments, refer to note 37 for further information about EBITDAaL.

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 3 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 comparable ratios for major medical cost components such as medical cost ratios at similar scale levels, and a convergence of EBITDAaL margins as the businesses become established and individual facilities become utilised at an optimal level. At 31 December 2019, MHI has been included in the segment for Healthcare Services (one month in 2019).

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 four 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 comparable ratios for major medical cost components such as medical cost ratios at similar scale levels, and a convergence of EBITDAaL margins as the businesses become established and laboratories become utilised at an optimal level.

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. Central costs that are specific to a segment have been allocated to that segment and the remaining balance of central costs is presented separately. Unallocated items represent non-specific items whose allocation to a segment would be arbitrary and mainly comprise corporate expenses.

2019	Healthcare Services	Diagnostic Services	Central/ other	Group Total
Revenue	449.3	408.7	0.4	
Inter-segment revenue	-0.7	-13.2	-0.1	
Revenue from external customers	**448.6**	**395.5**	**0.3**	**844.4**
By payer:				
Private	408.6	257.9	0.3	666.8
Public	40.0	137.6	–	177.6
By country:				
Poland	345.1	36.4	0.0	381.5
Germany	–	196.6	–	196.6
Romania	59.6	59.5	0.0	119.1
Ukraine	8.2	64.8	–	73.0
India	9.9	–	–	9.9
Other countries[1)]	25.8	38.2	0.3	64.3
Operating profit	**20.1**	**43.3**	**-16.9**	**46.5**
Margin	4.5%	10.6%		5.5%
Depreciation, amortisation and impairment	40.9	32.4	0.9	74.2
EBITDA	**61.0**	**75.7**	**-16.0**	**120.7**
Margin	13.6%	18.5%		14.3%
Right-of-use depreciation	-15.8	-16.7	-0.4	-32.9
Interest on lease obligations	-4.2	-3.0	0.0	-7.2
Segment result: EBITDAaL	**41.0**	**56.0**	**-16.4**	**80.6**
Margin	9.1%	13.7%		9.5%
Other income/(costs)				1.0
Net interest expense				-11.9
Other financial income/ (expense)				-0.4
Share of loss of associates				-1.9
Tax				-8.6
Group profit after tax				**24.7**
Additions to non-current assets:				
Goodwill	119.4	23.1	–	142.5
Intangible assets	19.9	14.2	1.6	35.7
Land and buildings	26.3	4.4	–	30.7
Tangible fixed assets, other than land and buildings	64.0	20.9	0.1	85.0
Right-of-use assets	51.8	30.6	1.0	83.4
Investment in associates	0.0	0.0	–	0.0
Total	**281.4**	**93.2**	**2.7**	**377.3**

1) External revenue originating from Sweden is nil.

2018	Healthcare Services	Diagnostic Services	Central/ other	Group Total
Revenue	346.1	336.7	0.3	
Inter-segment revenue	-0.6	-10.9	0.0	
Revenue from external customers	**345.5**	**325.8**	**0.3**	**671.6**
By payer:				
Private	336.0	206.2	0.3	542.5
Public	9.5	119.6	–	129.1
By country:				
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
India	3.4	–	–	3.4
Other countries[1)]	24.1	31.4	0.3	55.8
Operating profit	**15.6**	**32.5**	**-14.4**	**33.7**
Margin	4.5%	9.7%		5.0%
Depreciation and amortisation	30.2	26.3	0.5	57.0
EBITDA	**45.8**	**58.8**	**-13.9**	**90.7**
Margin	13.3%	17.5%		13.5%
Right-of-use depreciation	-13.2	-13.2	-0.2	-26.6
Interest on lease obligations	-3.3	-2.3	0.0	-5.6
Segment result: EBITDAaL	29.3	43.3	-14.1	58.5
Margin	8.5%	12.9%		8.7%
Other income/(costs)				8.6
Net interest expense				-8.2
Other financial income/ (expense)				-0.6
Share of loss of associates				-1.8
Tax				-7.5
Group profit after tax				**24.2**
Additions to non-current assets:				
Goodwill	26.2	-0.5	–	25.7
Intangible assets	15.1	8.3	1.0	24.4
Land and buildings	6.1	0.1	0.0	6.2
Tangible fixed assets, other than land and buildings	18.5	16.2	–	34.7
Right-of-use assets	22.5	16.4	0.0	38.9
Investment in associates	–	–	–	24.2
Total	**88.4**	**40.5**	**1.0**	**154.1**

	2019	2018
Non-current assets by location of assets		
Poland	304.0	199.2
Germany	209.8	165.8
Romania	99.0	80.6
India	126.0	54.4
Ukraine	27.6	14.9
Other	28.2	20.5
Total	**794.6**	**535.4**

Non-current assets by geography include land and buildings, equipment, intangible assets including goodwill, other financial assets, right-of-use assets and investments in associates. Deferred tax assets of €9.1 million (€4.2 million) are excluded.

7 Other income/costs

	2019	2018
Revaluation of equity interest in MHI at acquisition date (note 13 c)	-5.8	–
Release of currency translation adjustment related to the acquisition of MHI (note 13 c)	-2.1	–
Release of deferred profit relating to call options MHI	-0.8	6.6
Change in fair value/release of deferred loss/ derecognition relating to put options MHI	0.6	0.9
Change in fair value of other financial liabilities MHI (note 22 d)	9.0	1.1
Change in fair value of other non-current liabilities	–	0.2
Loss on disposal of interest in subsidiaries	–	-1.6
Profit on real estate development project	–	1.5
Other	0.1	-0.1
Total	**1.0**	**8.6**

8 Interest expense

	2019	2018
Interest on lease liabilities	-7.2	-5.6
Interest on loans payable	-6.5	-4.0
Total	**-13.7**	**-9.6**

9 Income tax

	2019	2018
Current tax	-11.4	-7.2
Withholding tax	-0.4	-0.2
Deferred tax	3.2	-0.1
Total	**-8.6**	**-7.5**

The corporate tax rate in the main geographical operations is as follows: Poland 19%, Germany 30.18%, Romania 16%, and Ukraine 18%. Brought forward losses of €3.2 million were used against foreign tax income in the year (€6.4 million).

As at 31 December 2019 uncertainty over income tax treatments for which the Group has recognised a provision amounted to €1.9 million, mainly related to a dispute with the Ukrainian tax authorities which has been brought to court. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ. Whilst a range of outcomes is reasonably possible, the extent of the reasonably possible range is from additional liabilities of up to €0.2 million to a reduction in liabilities of up to €1.5 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 operation consists of the following items:

	2019	2018
Profit before tax	33.3	31.7
Weighted average applicable tax rate	21.8%	22.4%
Tax at applicable tax rate	7.3	7.1
Reconciliation of tax expense:		
Non-taxable income	-6.9	-6.6
Non-deductible expenses	6.5	6.5
Profit share non-controlling interests	-0.7	-0.7
Effect tax losses and tax credits not recognised	3.6	2.0
Adjustments to prior year estimates	0.8	-0.9
Withholding tax on intra Group payments	-0.1	0.2
Previously unrecognised tax losses and credits	-1.6	–
Other	-0.3	-0.1
Tax expense	**8.6**	**7.5**
Effective tax rate	**25.9%**	**23.7%**

Deferred tax assets and liabilities at 31 December were as follows:

	2019	2018
Deferred tax assets	9.1	4.2
Deferred tax liabilities	-27.5	-23.7
Deferred tax assets/liabilities, net	**-18.4**	**-19.5**

A reconciliation of movements in deferred tax assets/liabilities is presented as follows:

	Accruals/ provisions	Goodwill	Other intangible and tangible fixed assets	Tax losses	Other net temporary differences	Total
Assets/liabilities as at 1 January 2018	**4.0**	**-19.4**	**-5.6**	**1.9**	**0.9**	**-18.2**
Business combinations	–	0.1	-2.1	–	0.2	-1.8
Disposal of subsidiaries	–	–	0.4	–	–	0.4
Recognised in income statement	0.5	-0.4	0.2	-0.7	0.3	-0.1
Recognised in statement of comprehensive income	–	–	–	–	0.2	0.2
Reclassifications	0.0	–	–	0.1	-0.1	0.0
Translation differences	-0.1	–	0.1	0.0	0.0	0.0
Assets/liabilities as at 31 December 2018	**4.4**	**-19.7**	**-7.0**	**1.3**	**1.5**	**-19.5**
Business combinations	–	2.2	-4.7	–	0.4	-2.1
Recognised in income statement	0.3	-0.5	0.9	1.1	1.4	3.2
Recognised in statement of comprehensive income	–	–	–	–	0.1	0.1
Reclassifications	–	–	–	-0.2	–	-0.2
Translation differences	–	–	0.1	–	–	0.1
Assets/liabilities as at 31 December 2019	**4.7**	**-18.0**	**-10.7**	**2.2**	**3.4**	**-18.4**

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 goodwill a deferred tax liability is recognised.

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 2019 amounting to €130.6 million (€98.4 million) that are available to be offset against 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 2019 is the net effect of additional tax losses of €40.8 million (of which €18.3 million from business combinations), utilisation of €-2.6 million, expired losses of €-2.8 million, recognition of previously unrecognised tax losses of €-2.0 million and translation differences of €-1.2 million.

10 Intangible assets

	Goodwill	Software	Other intangibles	Total
Cost				
31 December 2017	**145.6**	**20.8**	**43.9**	**210.3**
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
Translation differences	-0.3	-0.5	-0.3	-1.1
31 December 2018	**168.9**	**24.2**	**62.4**	**255.5**
Business combinations	142.5	0.2	24.5	167.2
Additions	–	3.9	7.1	11.0
Disposal of subsidiaries	–	0.0	0.0	0.0
Reclassifications	–	0.9	-0.9	0.0
Translation differences	0.5	0.1	-0.1	0.5
31 December 2019	**311.9**	**29.3**	**93.0**	**434.2**

	Goodwill	Software	Other intangibles	Total
Amortisation				
31 December 2017	**-18.8**	**-13.2**	**-15.1**	**-47.1**
Amortisation	–	-3.1	-4.6	-7.7
Reclassifications	–	-0.7	0.5	-0.2
Translation differences	–	0.3	0.1	0.4
31 December 2018	**-18.8**	**-16.7**	**-19.1**	**-54.6**
Amortisation	–	-3.7	-8.2	-11.9
Reclassifications	–	0.0	0.0	0.0
Translation differences	–	-0.1	0.1	0.0
31 December 2019	**-18.8**	**-20.5**	**-27.2**	**-66.5**

	Goodwill	Software	Other intangibles	Total
Net carrying value				
31 December 2018	150.1	7.5	43.3	200.9
31 December 2019	**293.1**	**8.8**	**65.8**	**367.7**

Other intangible assets include internally generated development costs of €12.8 million (€9.3 million) related to development of software applications used within the business. The net carrying value of these items was €6.3 million (€4.2 million) as at 31 December 2019. In addition, it includes customer relations and regulatory licenses for a net carrying value of €10.9 million (€7.5 million) and €9.4 million (€8.1 million) respectively.

The carrying amount of goodwill and other intangible assets with indefinite useful lives has been allocated to the following cash generating units:

	Goodwill		Regulatory licenses	
	2019	**2018**	**2019**	**2018**
Germany Diagnostic Services [1), 2)]	117.9	81.1	9.4	–
Germany Clinical Services [2)]	–	15.6	–	8.1
Other	6.2	3.0	–	–
Total Diagnostic Services	**124.1**	**99.7**	9.4	**8.1**
Poland Healthcare Services [1)]	85.5	26.4	–	–
Romania Healthcare Services	17.0	17.4	–	–
Medicover Hospitals India (note 13)	60.0	–	–	–
Fertility Services	6.5	6.6	–	–
Total Healthcare Services	**169.0**	**50.4**	–	–
Total	**293.1**	**150.1**	**9.4**	**8.1**

1) €17.0 million of the increase in goodwill for Germany Diagnostic Services relates to the acquisition of Klein and €48.6 million of the increase in goodwill for Poland Healthcare Services relates to the acquisition of Neomedic. Refer to note 13.

2) During the year, goodwill and regulatory licenses have been reallocated from Germany Clinical Services to Germany Diagnostic Services.

The impairment testing for 2018 of Diagnostic Services was performed for the cash generating units: German Diagnostic Services, German Clinical Services and other. In 2019, the goodwill and regulatory license values were reallocated from German Clinical Services to German Diagnostic Services. The reason for the change is due to the evolution and integration of the business areas and related acquisitions. From a management perspective, the two previous cash generating units are no longer considered to have independent cash inflows.

MHI, which was acquired on 1 December 2019, has been considered as a separate cash generating unit.

Impairment test

The recoverable amounts for annual impairment testing are based on value in use calculations which uses cash flow projections based on past and actual operating results and 5-year projections of cash generating units. The factor used to calculate growth in the terminal period after 5 years was 5% with the exception of Germany where a rate of 3% was 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 peer's beta adjusted to reflect management's assessment of risks related to the significant cash generating units and vary between 7.2% and 12.2% including India in 2019 adjusted for IFRS 16 (8.2% and 9.5% pre-IFRS 16). These rates are applied in discounting the projected cash flows.

Judgement is used in identifying to which cash generating units 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 the carrying value, therefore the outcomes are not sensitive to management's significant assumptions.

11 Tangible fixed assets

	Land and buildings	Leasehold improvements	Equipment	Vehicles	Total
Cost					
31 December 2017	**86.3**	**59.4**	**116.6**	**2.9**	**265.2**
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	1.8	–	0.8
Translation differences	-1.7	-0.7	-1.8	–	-4.2
31 December 2018	**92.9**	**69.1**	**134.0**	**3.0**	**299.0**
Business combinations	20.0	6.0	31.3	0.3	57.6
Additions	10.7	18.5	28.5	0.4	58.1
Disposal by sale	–	-0.1	-0.5	-0.4	-1.0
Retirements	0.0	0.0	0.0	0.0	0.0
Reclassifications	2.8	-5.4	2.7	0.0	0.1
Translation differences	0.7	1.7	0.7	0.2	3.3
31 December 2019	**127.1**	**89.8**	**196.7**	**3.5**	**417.1**

	Land and buildings	Leasehold improvements	Equipment	Vehicles	Total
Depreciation					
31 December 2017	**-8.1**	**-26.0**	**-81.4**	**-1.9**	**-117.4**
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	–	–	–	–	–
Translation differences	0.1	0.4	1.5	–	2.0
31 December 2018	**-10.4**	**-31.5**	**-90.6**	**-2.1**	**-134.6**
Depreciation	-2.9	-7.7	-17.4	-0.4	-28.4
Impairment	–	-0.4	-0.4	–	-0.8
Disposal by sale	–	–	0.5	0.3	0.8
Retirements	0.0	-0.2	0.0	0.0	-0.2
Reclassifications	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	-0.7	-0.5	0.0	-1.2
31 December 2019	**-13.3**	**-40.5**	**-108.4**	**-2.2**	**-164.4**

	Land and buildings	Leasehold improvements	Equipment	Vehicles	Total
Net carrying value					
31 December 2018	82.5	37.6	43.4	0.9	164.4
31 December 2019	**113.8**	**49.3**	**88.3**	**1.3**	**252.7**

Included in leasehold improvements is €9.4 million (€9.9 million) of assets under construction.

12 Right-of-use assets

	Buildings	Equipment	Vehicles	Total
Cost				
1 January 2018	**142.6**	**6.6**	**7.2**	**156.4**
Business combinations	2.1	–	0.0	2.1
Additions	33.0	1.7	2.1	36.8
Terminations	-11.2	-0.4	-0.9	-12.5
Other	–	-0.6	–	-0.6
Translation differences	-2.2	0.0	-0.1	-2.3
31 December 2018	**164.3**	**7.3**	**8.3**	**179.9**
Business combinations	31.4	0.1	0.1	31.6
Additions	47.7	1.2	2.9	51.8
Terminations	-16.4	-0.9	-1.5	-18.8
Other	3.7	0.6	-0.2	4.1
Translation differences	2.0	0.0	0.0	2.0
31 December 2019	**232.7**	**8.3**	**9.6**	**250.6**

	Buildings	Equipment	Vehicles	Total
Depreciation				
1 January 2018	**-41.5**	**-1.9**	**-2.7**	**-46.1**
Depreciation	-23.3	-1.3	-2.1	-26.7
Terminations	7.9	0.4	0.9	9.2
Other	–	–	–	–
Translation differences	0.6	0.0	0.1	0.7
31 December 2018	**-56.3**	**-2.8**	**-3.8**	**-62.9**
Depreciation	-28.8	-1.7	-2.4	-32.9
Terminations	10.3	0.4	1.2	11.9
Other	–	–	0.2	0.2
Translation differences	-0.9	0.0	0.0	-0.9
31 December 2019	**-75.7**	**-4.1**	**-4.8**	**-84.6**

	Buildings	Equipment	Vehicles	Total
Net carrying value				
1 January 2018	101.1	4.7	4.5	110.3
31 December 2018	108.0	4.5	4.5	117.0
31 December 2019	**157.0**	**4.2**	**4.8**	**166.0**

	2019	2018
Amounts recognised in the income statement		
Right-of-use depreciation	-32.9	-26.6
Interest expense on lease liabilities	-7.2	-5.6
Expenses relating to short-term leases	-6.6	-6.0
Expenses relating to leases of low value assets	-1.3	-1.1
Variable lease payments not included in the measurement of the lease liability	-0.2	-0.2

	2019	2018
Average lease term, in years		
Buildings	6.3	5.6

The maturity analysis for lease liabilities is disclosed in note 24.

Variable lease payments

In some cases leases may be based on revenue sharing, in which case a right-of-use asset and lease liability are not recognised unless there is a minimum lease payment or another in substance fixed payment. The revenue share lease cost is directly expensed to the income statement at the same time as the revenue is earned and recognised.

Extension and termination options

Extension and termination options are only included in the lease term when the Group has the right to unilaterally extend/terminate and judges that this right is reasonably certain to be exercised. For most of the Group's lease agreements with extension options, these criteria are considered met and the extension option is therefore included in the lease term. Some of the real estate leases within the Group contain termination options with a purpose to achieve operational flexibility. For most of these agreements, the Group is reasonably certain that the termination option will be exercised. Consequently the lease liability does not include future rental payments in the period after the earliest termination date.

Interest rate when discounting future lease payments
When the Group can not readily determine the interest rate implicit in the lease, it uses the incremental borrowing rate (IBR) to discount future lease payments. The IBR is the interest rate that the Group would have to pay to borrow over similar terms which requires estimations when no observable rates are available. The Group estimates the IBR by using market interest rates and adjusting with entity specific estimates such as credit standing, currency risk and duration within the lease contracts.

Leases not yet commenced
At year-end 2019, the Group is committed to €14.5 million for leases not yet commenced/recognised as right-of-use assets and lease liabilities.

13 Significant business combinations

During 2019 the following cash flows (net of cash acquired) were paid in relation to business combinations:

	2019
Klein (a)	–
Neomedic (b)	59.4
Medicover Hospitals India (c)	4.4
Other (d)	18.9
Cash out flow on acquisitions net of cash acquired	**82.7**

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.

Acquisition-related costs (included in administrative expenses) amounted to €-2.4 million.

	Klein	Neomedic	Medicover Hospitals India	Other	Total
Cash	–	2.5	2.2	0.4	5.1
Accounts receivable and inventories	0.6	4.7	26.9	1.1	33.3
Tax receivable	–	–	4.0	–	4.0
Tangible fixed assets	2.0	18.7	34.1	2.8	57.6
Right-of-use assets	5.8	3.6	19.3	2.9	31.6
Goodwill	17.0	48.6	60.0	16.9	142.5
Other intangible assets:	5.8	4.0	10.5	4.4	24.7
Brand	2.5	3.7	–	2.2	8.4
Customer relations	3.3	–	–	1.6	4.9
Operating and regulatory licenses	–	–	10.3	0.6	10.9
Other	0.0	0.3	0.2	0.0	0.5
Deferred tax asset	–	0.2	–	0.7	0.9
Lease liabilities	-5.8	-3.6	-19.3	-2.9	-31.6
Deferred tax liability	–	-2.2	–	-0.8	-3.0
Corporate tax payable	–	-0.1	-1.2	0.0	-1.3
Accounts payable	-0.1	-4.6	-17.7	-2.3	-24.7
Loans payable	–	-9.9	-31.4	-1.2	-42.5
Other long-term liabilities	–	–	-1.6	–	-1.6
Non-controlling interests	–	–	-38.4	–	-38.4
Total purchase price	**25.3**	**61.9**	**47.4**	**22.0**	**156.6**
Less: cash acquired	–	-2.5	-2.2	-0.4	-5.1
Previously settled in cash	–	–	-29.0	–	-29.0
Non-cash movements	–	–	-11.8	–	-11.8
Deferred and contingent consideration payable (discounted)	-3.9	–	–	-0.9	-4.8
Release from escrow account	-21.4	–	–	-1.8	-23.2
Total cash flow for acquisitions net of cash acquired	**–**	**59.4**	**4.4**	**18.9**	**82.7**

a) In January 2019, the Group acquired the business of Dr. Klein, Dr. Rost and colleagues ('Klein'), a center for genetic diagnostics in Germany, for a total consideration of €25.3 million, including contingent and deferred liabilities of €3.9 million. €21.4 million was released from money deposited in an escrow account in 2018. €3.3 million has been allocated to customer relations and €2.5 million to brand. €17.0 million goodwill was recognised, representing expected synergies with existing operations. Goodwill is deductible for tax purposes. Included in the consolidated income statement for the year ended 31 December 2019 is revenue of €16.1 million and net profit of €0.1 million.

b) In May 2019, 100% of the voting rights in Neomedic S.A., a leading neonatology and obstetrics hospital group based in Poland, was acquired for a total consideration of €69.0 million including debt assumed. €4.0 million has been allocated to other intangible assets. €48.6 million goodwill was recognised, representing the knowledge of transferred professionals and expected synergies with existing operations. Goodwill is not deductible for tax purposes. Included in the consolidated income statement for the year ended 31 December 2019 is revenue of €20.4 million and net profit of €2.8 million. If this acquisition had occurred on 1 January 2019 revenue would have been €9.7 million higher and net profit would have been €0.6 million higher.

c) In December 2019, the Group obtained control of Sahrudaya Health Care Private Limited (Medicover Hospitals India or 'MHI', former MaxCure). This company, currently operating 11 hospitals, was until 30 November 2019 accounted for as an associated company (refer to note 14). The Group and other shareholders of Medicover Hospitals India have entered into an agreement such that management control was vested with the founders when they owned more than 50% of the voting shares, until such time the Group only had protective rights under the agreement. On 1 December 2019, the Group exercised additional share options and purchased more shares (primary and secondary) which increased the voting shares from 49.2% to 54.4%. The purchase price of that tranche amounted to €4.0 million. By doing so, the Group assumed control of the investment and consolidated MHI. The previously held interest of 49.2%, with a carrying amount of €47.2 million, was remeasured to its acquisition date fair value of €41.4 million resulting in a loss of €-5.8 million recognised in other income/costs. The revaluation of the prior held equity in MHI was measured using a fair value model based upon discounted cash flows. The projections of future revenue growth were made at the lower range of the likely outcome and discounted using a rate of 12.2%. A terminal value was computed using a growth rate of 4.0%. Certain early stage assets were valued at cost. In addition, €-2.1 million related to foreign exchange differences, initially recognised as currency translation adjustment, was reclassified to other income/costs from other comprehensive income.
€10.3 million of the total consideration has been allocated to operating licenses and €2.8 million to other tangible assets, resulting in a recognition of a deferred tax liability of €3.8 million which has been offset by a deferred tax asset due to available tax losses carried forward. €60.0 million goodwill was recognised, attributable to the entry into a large new market where the Group has a well-functioning organisation with an established workforce. Goodwill is not deductible for tax purposes. Non-controlling interests of €38.4 million have been measured at fair value. Fair value was estimated by applying a discounted cash flow model. The key model inputs used are the projections for revenue development and the discount rate of 12.2%. Included in the consolidated income statement is revenue of €5.9 million and a net loss of €-0.5 million. If this acquisition had occurred on 1 January 2019 revenue would have been €63.8 million higher and net profit would have been €-5.6 million lower.
The Group's recognised share of MHI's loss for the period 1 January–30 November 2019, when accounted for as an associate, amounted to €-2.0 million. The accounting year of MHI runs from 1 April to 31 March.

d) Other acquisitions during the year included five dental businesses in Poland, four medical clinics in Germany and a laboratory in Germany. Total payments net of cash acquired for these acquisitions amounted to €18.9 million. Deferred and contingent payments amounted to €0.9 million. Contingent payments have been recognised and capped as part of the purchase price based on future performance targets. €4.4 million has been allocated to other intangibles. €16.9 million goodwill was recognised, representing expected synergies with existing operations. Included in the consolidated income statement for the year ended 31 December 2019 is revenue of €8.5 million and a net loss of €-0.1 million. If these acquisitions had occurred on 1 January 2019, revenue would have been €8.6 million higher and net profit would have been €-0.1 million lower.

An overview of other intangible assets identified during the purchase price allocation performed relating to business combinations for 2019 is disclosed in the following table:

			2019				
	Method used	**Estimated useful life**	**Klein**	**Neomedic**	**Medicover Hospitals India**	**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	2.5	3.7	–	2.2	8.4
Customer relations	Valuation model based on multi-period-excess-earnings-method	10 years	3.3	–	–	1.6	4.9
Operating licenses	Greenfield costs for obtaining the compulsory licenses to be able to run the business	3–10 years	–	–	10.3	0.3	10.6
Regulatory licenses	Fair value approximates to cost	indefinite	–	–	–	0.3	0.3
Other	Fair value approximates to cost	5 years	0.0	0.3	0.2	0.0	0.5
Total			**5.8**	**4.0**	**10.5**	**4.4**	**24.7**

14 Investment in associates

	2019	2018
Medicover Hospitals India ('MHI', former MaxCure)	–	43.1
Other investment in associates	0.7	0.7
Total	**0.7**	**43.8**

MHI was until 30 November accounted for as an associated company in accordance with the equity method. As at 1 December 2019, the Group obtained a controlling stake and MHI is consolidated into the Group (refer to note 13). The accounting year of MHI runs from 1 April to 31 March.

The movement in the investment of MHI as from year-end 2018 until 30 November 2019 before the Group took control is disclosed in the table below. All amounts include translation effects.

	31 Dec 2018	Movements 2019	30 Nov 2019
Investment in MHI			
Cash paid for issued new shares (a)	19.6	0.1	19.7
Cash paid for existing shares (a)	7.3	2.6	9.9
Recognition of liability (economic interest) (b)	12.2	1.2	13.4
Options exercised (c)	6.0	2.2	8.2
Share of loss of associate (d)	-2.0	-2.0	-4.0
Carrying value	**43.1**		**47.2**
Effective ownership	**45.1%**		**49.2%**

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 (Medicover Hospitals India) for a cash payment of €13.8 million. During 2018 and 2019 additional shares were purchased, increasing the effective ownership to 49.2% at 30 November 2019. Total cash paid, net of translation effects, before taking control of MHI amounted to €31.7 million. Cash paid in 2019 amounted to €2.6 million, this has been presented in payment for acquisitions of subsidiaries in the consolidated cash flow statement.
b) The financial liability is a virtual participation interest in the Group's MHI 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 has been further accrued in line with the increase in the Group's effective interest in MHI to an amount of up to 5.1% of the value of equity of MHI. 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 the Group makes each investment.
c) This represents the fair value of call options recognised on the date of exercise.
d) The Group's share of the loss for the period 1 January–30 November 2019 amounted to €-2.0 million (€-2.0 million for twelve months 2018).

For transactions taking place after the date of control, refer to notes 7 and 13 c.

The following table provides summarised financial information for the MHI group for the calendar year ending 31 December 2018:

	2018
Current assets	22.9
Non-current assets	48.8
Current liabilities	-25.1
Non-current liabilities	-21.6
Net assets	**25.0**
Non-controlling interests within MHI	-2.2
MHI shareholders' share in net assets	22.8

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

Other investment in associates amounts to €0.7 million (€0.7 million) and includes the investment in Diagenom GmbH in Germany, the Group's ownership is 33% (33%).

15 Inventories

Inventories amount to €37.1 million (€30.3 million) and include consumables for diagnostic tests, consumables for medical services and retail stock 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. Within inventories is included €6.7 million (€6.8 million) relating to real estate developments.

16 Trade and other receivables

	2019	2018
Trade receivables	106.9	68.7
Other receivables	15.9	8.6
Amounts due from related parties	0.1	0.0
Third party loan receivables	0.1	0.2
Prepayments	9.4	5.8
Accrued income	9.9	9.0
Total	**142.3**	**92.3**

Financial assets carried at amortised cost are presented net of expected credit losses (ECL), refer to note 24 for further information.

17 Trade and other payables

	2019	2018
Trade payables	44.8	24.6
Other payables	18.8	11.3
Accruals	51.0	42.0
Total	**114.6**	**77.9**

Other payables include mainly payroll related amounts and accruals include amounts payable relating to general operating costs.

18 Provision for unearned insurance premiums/ deferred revenue

	2019	2018
Provision for unearned insurance premiums	6.1	6.8
Deferred revenue	5.3	3.5
Total	**11.4**	**10.3**

A provision for unearned insurance premiums is established to defer these to future periods for release to the income statement as earned premiums.

19 Other non-current liabilities

	2019	2018
Cash settled share-based payments (note 31)	3.6	5.4
Other liabilities	0.1	0.2
Total	**3.7**	**5.6**

20 Net financial debt

	2019		2018	
Non-current loans payable	163.8		126.4	
Current loans payable	111.5		4.9	
Total loans payable	**275.3**		**131.3**	
Less: cash and cash equivalents		-34.8		-38.4
Loans payable less cash and cash equivalents		**240.5**		**92.9**
Non-current lease liabilities	142.0		96.4	
Current lease liabilities	34.2		29.0	
Total lease liabilities	**176.2**		**125.4**	
Financial debt	**451.5**		**256.7**	
Less: cash and cash equivalents		-34.8		-38.4
Net financial debt		**416.7**		**218.3**

The Group has a €220 million facility with a maturity of 2.5 years and has financial covenants in relation to net debt/EBITDA and interest cover (€200 million). At year-end €12.2 million (€115.4 million) of this facility was utilised. €80.4 million of the Group's debt is funded under a commercial paper programme launched in the year. In addition, the Group has issued schuldschein loans in Germany for €140 million with maturities of five, seven and ten years at fixed and floating rate tranches.

The weighted average interest rate of total debt outstanding held at Group level at 31 December 2019 was 1.3% (1.8%).

The increase in net financial debt is principally due to funding acquisitions and a €42.8 million impact of consolidating MHI's debt and lease liabilities at acquisition date.

Issued guarantees for commercial tenders amounted to €4.7 million (€5.0 million) at 31 December 2019.

At year-end €31.5 million (€3.2 million) of tangible fixed assets, €3.1 million (€0.0 million) of inventories and €17.6 million (€0.0 million) of trade receivables were pledged as security for liabilities, the majority of this being in MHI for third party secured debt assumed. Substantially all MHI third party debt has been refinanced under group facilities and the security was released subsequent to the year-end.

21 Liabilities arising from financing activities

A reconciliation of cash and non-cash movements of loans payable, lease liabilities and other financial liabilities is presented in the following table:

	Loans payable		Lease liabilities		Other financial liabilities	
	2019	2018	2019	2018	2019	2018
Opening balance	**131.3**	**56.2**	**125.4**	**115.9**	**32.2**	**28.5**
Cash movements						
Loans repaid	-479.9	-35.6	–	–	–	-0.4
Loans received	577.3	106.1	–	–	–	–
Leases repaid [1]	–	–	-30.0	-24.8	–	–
Interest paid on leases	–	–	-7.2	-5.6	–	–
Distribution to non-controlling interests	–	–	–	–	-2.0	-2.0
Non-cash movements						
Net foreign exchange movements	-0.2	-1.5	0.8	-0.7	0.1	0.0
Debt assumed upon business combinations	47.3	5.4	–	–	–	–
Leases assumed upon business combinations	–	–	31.6	2.2	–	–
Interest imputed on lease liabilities	–	–	7.2	5.6	–	–
Recognition of liquidity obligation to non-controlling interests	–	–	–	–	2.4	2.2
Recognition of lease liabilities	–	–	51.8	36.8	–	–
Termination of leases	–	–	-7.7	-3.5	–	–
Economic interest liability for associate/ subsidiary recognised	–	–	–	–	1.2	4.8
Other non-cash transactions	-0.5	0.7	4.3	-0.5	-	–
Reclassification to other non-current liabilities	–	–	–	–	-3.4	–
Fair value changes recognised through equity	–	–	–	–	23.2	1.1
Fair value through profit and loss:						
Change in economic interest liability	–	–	–	–	-9.0	-1.1
Change in put option	–	–	–	–	-0.6	-0.9
Closing balance	**275.3**	**131.3**	**176.2**	**125.4**	**44.1**	**32.2**

[1] The amount excludes movements in accruals and prepayments.

22 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;
- put option liabilities over non-controlling interests in two 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; and
- investments in equity instruments accounted for at fair value through profit or loss.

Financial assets and liabilities carried 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.

The following table presents the Group's significant financial assets and liabilities:

	Note	2019			2018		
		Non-current	Current	Total	Non-current	Current	Total
Financial assets at fair value through profit or loss							
Call options on associate's shares	22 a)	–	–	–	1.6	3.1	4.7
Other financial assets	22 b)	2.8	–	2.8	2.8	–	2.8
Total		**2.8**	**–**	**2.8**	**4.4**	**3.1**	**7.5**
Financial assets at amortised cost							
Other financial assets		4.7	1.6	6.3	4.9	24.7[1]	29.6
Trade and other receivables		–	142.3	142.3	–	92.3	92.3
Total		**4.7**	**143.9**	**148.6**	**4.9**	**117.0**	**121.9**
Cash and cash equivalents		–	34.8	34.8	–	38.4	38.4
Total financial assets		**7.5**	**178.7**	**186.2**	**9.3**	**158.5**	**167.8**
Financial liabilities at fair value through profit or loss							
Put options on associate's shares	22 c)	–	–	–	1.7	-1.1	0.6
Other financial liabilities	22 d)	–	–	–	11.2	–	11.2
Contingent acquisition consideration payable	22 e)	10.4	4.1	14.5	5.6	0.6	6.2
Total		**10.4**	**4.1**	**14.5**	**18.5**	**-0.5**	**18.0**
Put option liquidity obligations with non-controlling shareholders (with movement through equity)	22 f)	38.9	–	38.9	15.7	–	15.7
Total financial liabilities at fair value		**49.3**	**4.1**	**53.4**	**34.2**	**-0.5**	**33.7**
Financial liabilities at amortised cost							
Borrowings		152.4	105.1	257.5	117.3	1.8	119.1
Lease liabilities		142.0	34.2	176.2	96.4	29.0	125.4
Other financial liabilities		–	5.2	5.2	–	4.7	4.7
Trade and other payables		–	114.6	114.6	–	77.9	77.9
Deferred consideration payable		1.0	2.3	3.3	3.5	2.5	6.0
Total		**295.4**	**261.4**	**556.8**	**217.2**	**115.9**	**333.1**
Total financial liabilities		**344.7**	**265.5**	**610.2**	**251.4**	**115.4**	**366.8**

[1] Amount deposited into an escrow account related to 2019 acquisitions.

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: Medicover 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.

a) Upon consolidation of MHI on 1 December 2019, €-2.1 million relating to release of the deferred profit from the initial call option recognition was included in other income/costs.

b) Other financial assets at fair value through profit and loss include a 11.2% share ownership in an innovative biotechnology company that is specialised in non-invasive diagnostics for a total of €2.8 million.

c) Upon consolidation of MHI on 1 December 2019, €1.6 million relating to release of the remaining deferred losses from the initial put option recognition and derecognition of the put option liability were recognised in other income/costs.

d) The Group has a contractual obligation to an unrelated third party in relation to the investment in a subsidiary for services rendered in sourcing and negotiating the transaction and ongoing assistance in mergers and acquisitions as well as corporate governance of the subsidiary. This is remunerated through a contract that grants the advisor a simulated participation in the Group's investment. It was a level 3 fair value technique with subsequent changes in fair value of the future obligation recognised through profit or loss. In November 2019, the contract was renegotiated resulting in a reduction in the liability of €9.5 million, recognised in other income/costs. In determining the fair value estimations of key variables were made, of which the most significant are the projected growth of underlying profit and the discount rate applied to the nominal value (12.2% at year-end 2019 and 12.9% at year-end 2018). Upon consolidation of MHI on 1 December 2019, this economic interest liability has been considered as a liability for cash settled share-based payments and reclassified to other non-current liabilities, refer to notes 19 and 31.

e) 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. During the year, an additional €8.3 million has been recognised as contingent consideration relating to acquisitions based on future performance targets.

f) 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. Fair value amounted to €17.2 million (€15.7 million) at year-end 2019. 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% at year-end 2019 and 5.5% at year-end 2018) and the discount rate applied to the nominal value (0.8% at year-end 2019 and 1.7% at year-end 2018). This is a level 3 fair value technique with subsequent changes in fair value of the future obligation recognised as a movement within equity.

A put option liquidity obligation over non-controlling interests in MHI was recognised and amounted to €21.7 million at year-end 2019. This obligation has been offset to shareholders' equity (other reserves) to reflect that this transaction is from an economic point of view a transaction between shareholders. It is a level 3 fair value technique with subsequent changes in fair value of the future liquidity obligation recognised as a movement within equity. The put options can be exercised for half from March 2024 and the remaining half from March 2027. In determining the fair value of the put option liquidity obligation at 31 December 2019 estimations of key variables were made, of which the most significant are the growth rate of the business to determine its profitability at the future date of exercise and the discount rate applied to the nominal value of 12.2% at year-end 2019.

No additional significant changes have been made to valuation techniques, inputs or assumptions.

No financial assets or liabilities have been reclassified between the different levels in the fair value hierarchy.

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 2019	Fair value at 2018	Unobservable inputs	Range of inputs 2019	Range of inputs 2018	Relationship of unobservable inputs to fair value (FV)
Put option (liquidity obligation with non-controlling interests in a German subsidiary)	17.2	15.7	Earnings growth factor	5.5%	5.5%	Increase of 1% point in profit growth = increase in FV liability of €0.5 million
			Risk adjusted discount rate	0.8%	1.7%	Decrease of 1% point in discount rate = increase in FV liability of €0.7 million
Put option (liability obligation with non-controlling interests in MHI)	21.7	–	4 year projected CAGR EBITDA	20.6%	–	Increase of 10% in CAGR EBITDA = increase in FV liability of €2.5 million
			Risk adjusted discount rate	12.2%	–	Decrease of 1% point in discount rate = increase in FV liability of €0.7 million
Economic interest liability	–	11.2	4 year projected CAGR EBITDA	–	33.6%	Increase of 10% in CAGR EBITDA = increase in FV liability of €0.3 million
			Risk adjusted discount rate	–	12.9%	Decrease of 1% point in discount rate = increase in FV liability of €0.1 million
Contingent acquisition consideration payable	14.5	6.2	Risk adjusted discount rate	5.5%–8.7%	5.5%–8.5%	Decrease of 1% point in discount rate = increase in FV liability of €0.1 million

23 Capital management

The Group has grown principally through organic growth in the last 10 years with the addition of 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 analyses the ratio of loans payable less cash and cash equivalents to total shareholders' equity (including non-controlling interests), as presented in the following table:

	2019	2018
Loans payable less cash and cash equivalents (note 20)	240.5	92.9
Ratio to total shareholders' equity	**0.7**	**0.3**

The medium-term aim of the Group is to keep this ratio at current levels by continuing to invest in new business development and acquisitions to maintain a balanced capital structure between debt and equity.

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 effectiveness and 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 trade receivables 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 Kassenärztliche Vereinigungen, the German system for compensation of healthcare services and the state reimbursement schemes for Telangana and Andhra Pradesh in India, 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 for 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 recognised 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 resulting in an ECL reflecting the predictive risk by type of customer. Changes in economic conditions and credit management practices were not considered in the ECL calculation for the Group as it is not considered sensitive to such changes.

The loss allowance on trade receivables based on the Group's provision matrix arising from the ECL was determined as follows:

2019	Current	<30 days	<180 days	<365 days	>365 days
Expected credit loss rate	0.9%	1.5%	5.8%	18.7%	40.5%
Gross trade receivables	55.2	18.1	18.4	11.1	13.5
Loss allowance	0.5	0.3	1.1	2.1	5.4

2018	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
Loss allowance	0.2	0.2	0.6	1.3	3.8

A reconciliation of the loss allowance provision is presented as follows:

	2019	2018
As at 1 January	6.1	4.8
Business combinations	3.1	0.3
Recognised in income statement	4.2	1.5
Amounts written off	-4.0	-0.5
As at 31 December	**9.4**	**6.1**

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 3M and 6M would need to rise by 39 and 34 basis points respectively 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 on debt held at Group level would have a negative impact on the consolidated income statement of €-1.6 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.

The Group has in its recent schuldschein debt issue fixed a proportion of its long-term debt interest rates with €54.7 million of the total €139.4 million of debt issued at fixed rates for five to seven years. This resulted in attractive fixed rates and thereby matching the interest rate outlook to the long-term use of funds for organic and acquisition growth.

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 2019 of €401.7 million (€216.1 million) of which €174.4 million (€118.2 million) was drawn for loans or third-party guarantees. Although part of the debt maturities is presented as short-term (commercial paper programme), the Group has committed credit facilities available backing the programme which mitigate the short-term liquidity risks.

Medicover AB (publ) issued its first commercial paper programme in June 2019. The programme has a total size of SEK 2 billion with possibilities to issue in both Swedish Krona and Euro. At year-end 2019, €80.4 million has been issued with tenors with maturities of up to six months.

During the financial year, schuldschein loans have been issued in the German market for €140 million with five, seven and ten year tranches at fixed and floating rate tranches. This issue opened a new funding source for the Group providing diversification of its funding counterparties and longer maturity profiles.

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. A maturity analysis for financial liabilities is presented as follows:

2019	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	Between 4 and 6 years	Over 6 years	Total contractual cash flows	Carrying amount liabilities
Borrowings	109.9	1.5	16.8	51.9	99.7	279.8	257.5
Lease liabilities	43.2	37.3	56.9	42.2	45.6	225.2	176.2
Trade and other payables	114.6	–	–	–	–	114.6	114.6
Put option liquidity obligations with non-controlling shareholders	–	–	–	35.8	14.5	50.3	38.9
Deferred/contingent consideration payable	6.6	8.7	3.8	–	–	19.1	17.8
Other financial liabilities	5.2	–	–	–	–	5.2	5.2
Total	**279.5**	**47.5**	**77.5**	**129.9**	**159.8**	**694.2**	**610.2**

2018	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	Between 4 and 6 years	Over 6 years	Total contractual cash flows	Carrying amount liabilities
Borrowings	3.9	3.4	116.4	0.2	0.0	123.9	119.1
Lease liabilities	36.2	25.4	42.5	25.3	52.0	181.4	125.4
Trade and other payables	77.9	–	–	–	–	77.9	77.9
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	3.1	4.7	4.3	0.6	–	12.7	12.2
Other financial liabilities	5.3	–	–	–	–	5.3	5.3
Total	**126.4**	**33.5**	**191.2**	**32.9**	**52.0**	**436.0**	**366.8**

In the tables, the liquidity obligations from put options are allocated to the earliest period in which the Group can be contractually required to pay.

Foreign currency risk

The Group operates across several countries, with its major operations in Poland, Germany, Romania and Ukraine. At the end of 2019, the Group expanded its activity in India. It operates in each country predominantly in the local currencies, respectively Polish Zloty (PLN), Euro, Romanian Lei (RON), Ukrainian Hryvnia (UAH) and Indian Rupee (INR). The Group matches local operating revenue to costs in local currencies in these markets where possible. In the Polish and Romanian Healthcare Services businesses 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 businesses 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 five 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 nominal amounts:

2019 €m equivalents	EUR	PLN	RON	UAH	INR	Other	Total
Receivables	46.5	44.5	12.4	2.8	27.3	8.8	142.3
Loans payable	242.5	7.7	0.2	–	24.9	0.0	275.3
Lease liabilities	111.5	30.9	0.5	8.2	22.8	2.3	176.2
Payables	22.6	49.7	18.7	4.3	16.2	3.1	114.6

2018 €m equivalents	EUR	PLN	RON	UAH	Other	Total
Receivables	35.5	35.2	10.6	1.4	9.6	92.3
Loans payable	98.4	30.3	2.6	–	0.0	131.3
Lease liabilities	92.5	22.3	0.5	3.6	6.5	125.4
Payables	18.8	38.3	14.1	2.1	4.6	77.9

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.

	2019		2018	
	Equity	Profit and loss	Equity	Profit and loss
PLN	19.9	1.4	12.4	0.4
RON	7.3	0.6	6.2	0.2
UAH	1.7	0.4	1.2	0.4
INR	4.0	-0.6	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	
	2019	2018	2019	2018
United States Dollar	1.12	1.15	1.12	1.18
Polish Zloty	4.26	4.30	4.30	4.26
Romanian Lei	4.78	4.66	4.75	4.65
Ukrainian Hryvnia	26.42	31.71	28.95	32.13
Indian Rupee	80.19	79.73	78.85	80.73

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.

26 Share capital

Under the Company's articles of association, the authorised number of shares shall be not less than 85 million and not more than 340 million. 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 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 programmes. Refer to note 31 for more information.

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

	2019 Shares	2018 Shares	2019 €m	2018 €m
Capital	135,735,195	135,735,195	27.1	27.1
Additional paid in capital			319.7	319.7
Total			**346.8**	**346.8**

	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
1 January 2018	**81,348,161**	**51,987,034**	**–**	**26.7**	**319.7**	**346.4**
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	–	–	–	–
31 December 2018	**79,204,796**	**54,130,399**	**2,400,000**	**27.1**	**319.7**	**346.8**
Conversion between class A and class B shares	-433,365	433,365	–	–	–	–
31 December 2019	**78,771,431**	**54,563,764**	**2,400,000[1)]**	**27.1**	**319.7**	**346.8**

[1)] Shares held by the Company as treasury shares.

27 Non-controlling interests

The Group has from 1 December 2019 one subsidiary with a material non-controlling interest, Sahrudaya Health Care Private Limited (MHI, former MaxCure). Refer to note 13 and 14 for more information. The ownership interest held by non-controlling interests is 45.6% at 31 December 2019, corresponding to an accumulated non-controlling interest of €37.8 million. Included in the consolidated financial statements is revenue of €5.9 million and a net loss of €-0.5 million. A summarised balance sheet for MHI before intra-group eliminations, is presented in the following table.

	31 Dec 2019
Non-current assets	56.7
Current assets	31.0
Non-current liabilities	26.7
Current liabilities	42.5

28 Earnings per share

Earnings per share (EPS) is 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. Treasury shares are not reflected in the calculation.

	2019	2018
Profit for the year, €m	22.5	22.3
Basic/diluted EPS, €	0.168	0.167

Weighted average number of shares for EPS (thousands)	2019	2018
Weighted average number of shares for basic EPS	133,335	133,335
Effect of dilution from employee share-based payments	0	0
Weighted average number of shares for diluted EPS	133,335	133,335

29 Co-workers

	Average FTE					
	2019			2018		
	Women	Men	Total	Women	Men	Total
By country						
Poland	5,199	1,427	6,626	4,394	1,259	5,653
Romania	2,310	536	2,846	2,458	674	3,132
Ukraine	2,227	226	2,453	1,962	220	2,182
Germany	1,158	361	1,519	921	279	1,200
India [1)]	248	290	538	65	77	142
Belarus	409	63	472	350	53	403
Serbia	163	50	213	128	40	168
Moldova	127	24	151	115	21	136
Turkey	92	34	126	87	32	119
Bulgaria	69	10	79	63	13	76
Georgia	59	12	71	56	11	67
Hungary	12	4	16	13	4	17
Benelux	9	7	16	9	7	16
Russia	7	3	10	6	3	9
Sweden	5	5	10	4	4	8
Other	26	21	47	41	24	65
Co-workers – total average FTE	**12,120**	**3,073**	**15,193**	**10,672**	**2,721**	**13,393**
Employees	9,931	2,125	12,056	8,542	1,735	10,277
Contractors	2,189	948	3,137	2,130	986	3,116

1) Medicover Hospitals India was acquired on 1 December. At year-end 2019 the company had 4,036 co-workers.

Co-workers presented above include every person who works for or provides services to any Medicover company during the period, under an employment contract or as contracted by Medicover on a self-employed basis or similar. Contractors included in 2019 total figures amounted to 3,137 (Poland: 2,722 Romania: 301, Ukraine: 71 and other: 43). Contractors included in 2018 total figures amounted to 3,116 (Poland: 2,302, Romania: 722, Ukraine: 72 and other: 20).

Gender distribution in board/Medicover management at year-end

	2019			2018		
	Total	Women	Men	Total	Women	Men
Parent company						
Board of directors incl. CEO	8	25%	75%	9	22%	88%
Executive management incl. CEO	8	25%	75%	9	33%	67%
Subsidiaries						
Board of directors	297	18%	82%	238	17%	83%
Other senior management	101	31%	69%	92	34%	66%

30 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 3 May 2019, 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 €70,000 to the chairman of the board and €50,000 to each of the board members, except for the CEO. In addition, €20,000 shall be paid to the chairman of the audit committee, €10,000 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 €485,000 for the period from 1 April 2019 to 31 March 2020 (€392,500 from 1 April 2018 to 31 March 2019).

CEO and executive management

At the AGM held on 3 May 2019, it was resolved to adopt guidelines for remuneration and other terms of employment for CEO and other members of executive management. These guidelines adopted in May 2019 were in line with those adopted in April 2018. The principles are applied for employment agreements entered into after the 2019 AGM 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 member of executive management.

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 each 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 and maximum eligible levels. 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 programmes, 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 programme.

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 programme, refer to note 31.

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 period. 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

	2019			2018		
	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 executive management	5.1	0.3	0.1	5.1	0.3	0.1
Other employees	260.9	33.0	1.5	210.7	27.2	1.2
Contractors	75.9	–	–	54.3	–	–
Total	**341.9**	**33.3**	**1.6**	**270.1**	**27.5**	**1.3**

Preparation and decision process

The board of directors has appointed a remuneration committee comprising two members: Fredrik Stenmo (chairman) and Arno Bohn. The remuneration committee shall prepare the board of directors' resolutions concerning remuneration principles and remuneration and other employment terms for the CEO and executive management.

Remuneration and benefits to board members and executive management
The following table presents the remuneration to board members:

	2019			2018		
€ 000's	Board fees	Committee fees	Total	Board fees	Committee fees	Total
Fredrik Stenmo (chairman)	68	17	85	57	14	71
Jonas af Jochnick (vice chairman), until May 2019	21	–	21	37	7	44
Board Members:						
Peder af Jochnick	48	–	48	37	–	37
Robert af Jochnick	48	–	48	37	–	37
Arno Bohn	46	5	51	37	–	37
Sonali Chandmal	48	10	58	34	6	40
Michael Flemming	48	19	67	59	22	81
Margareta Nordenvall	48	10	58	40	8	48
Fredrik Rågmark (CEO)	–	–	–	–	–	–
Total	**375**	**61**	**436**	**338**	**57**	**395**

The CEO is a board member of the Company but was not remunerated for such office separately.

The following table presents the remuneration and benefits to executive management:

€ 000's	Salary/fees	Variable pay	Other benefits	Share-based payments	Pension contributions	Total
Fredrik Rågmark (CEO)	900	–	7	389	9	1,305
Other executive management (7)	2,003	598	212	744	87	3,644
Total 2019	**2,903**	**598**	**219**	**1,133**	**96**	**4,949**
Fredrik Rågmark (CEO)	807	–	7	296	7	1,117
Other executive management (8)	1,980	681	206	657	85	3,609
Total 2018	**2,787**	**681**	**213**	**953**	**92**	**4,726**

During 2019, two executives left and one was recruited. Pension contributions include statutory employer contributions to state pensions and payments to defined contribution pension schemes.

31 Share-based payments

Equity settled share-based programmes
At the annual general meetings in 2017–2019 respectively, it was decided to adopt long-term performance-based share programmes. The purpose of the programmes 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 Medicover and to increase the motivation of meeting and exceeding the Group's financial targets.

Participation in the programmes requires a private investment in shares in Medicover, 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. Participants who have kept their saving shares and have maintained their employment within Medicover will at the expiration of the period obtain, without consideration, up to eight class B shares in Medicover, so-called performance shares, for each saving share, provided that certain, predetermined, performance requirements based on the Group's EBITDA (pre IFRS 16 for year 2017 and 2018) or EBITDAaL (for year 2019) growth over a five year period. Medicover will compensate the participants for any dividends paid during the duration of the programmes by increasing the number of performance shares that each participant may receive.

Programmes	Number of participants at grant date	Share rights allocated at grant date	Fair value at grant date, €m	Vesting period
Plan 2017	32	836,664	2.8	1 May 2017 until release of interim report January–March 2022
Plan 2018	43	926,016	3.9	1 May 2018 until release of interim report January–March 2023
Plan 2019	46	917,704	4.0	31 May 2019 until release of interim report January–March 2024

Change in share rights	**Plan 2019**	**Plan 2018**	**Plan 2017**
Outstanding as at 1 January 2018	**–**	**–**	**828,664**
Granted	–	926,016	–
Cancelled/forfeited	–	-64,000	–86,664
Outstanding rights as at 31 December 2018	**–**	**862,016**	**742,000**
Granted	917,704	–	–
Cancelled/forfeited	-4,000	-56,000	-57,336
Outstanding rights as at 31 December 2019	**913,704**	**806,016**	**684,664**

The share rights are based upon maximum outstanding rights if all conditions are achieved in full. No share rights were exercisable at the end of the year. The Group recognised total expenses of €-1.9 million (€-1.6 million) as administrative costs related to equity settled share-based payment transactions.

The following variables were used to estimate the fair value at grant date:

	Plan 2019	**Plan 2018**	**Plan 2017**
Expected annual turnover of personnel	10%	10%	10%
Quoted share price, SEK	78.60	72.50	56.00
Service vesting conditions	60%	60%	59%
Performance conditions, fullfillment	100%	100%	100%

Performance conditions	**Plan 2019**
Each share right entitles to 1 performance share with an annual EBITDAaL growth rate (CAGR)	>15%
Each share right entitles to 8 performance shares with an annual EBITDAaL growth rate (CAGR)	>23%
Entitlement to performance shares will occur linearly with an annual EBITDAaL growth rate (CAGR)	15–23%
The annual EBITDAaL growth rate is calculated on the basis of Medicover's financial statements for	2018 (restated) and 2023

Performance conditions	**Plan 2018**	**Plan 2017**
Each share right entitles to 1 performance share with an annual EBITDA (pre IFRS 16) growth rate (CAGR)	>10%	>14%
Each share right entitles to 8 performance shares with an annual EBITDA (pre IFRS 16) growth rate (CAGR)	>20%	>28%
Entitlement to performance shares will occur linearly with an annual EBITDA (pre IFRS 16) growth rate (CAGR)	10–20%	14–28%
The annual EBITDA (pre IFRS 16) growth rate is calculated on the basis of Medicover's financial statements for	2017 and 2022	2016 and 2021

The maximum value per each participant's share rights under the programme 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.

Cash settled share-based payments

The Group and an unrelated third party have entered into arrangements whereby for services rendered the latter benefits from the investments made by the Group in two subsidiaries 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 these subsidiaries. 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 non-current liabilities at 31 December 2019 amounted to €3.6 million (€5.4 million) and are estimated to become due at the earliest from mid 2023.

32 Related parties and related party transactions

The ultimate parent company 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. The parent company of the largest and smallest group of which Medicover AB (publ) is a subsidiary and in which consolidated accounts are prepared is Celox Group Ltd, registration number HE 368166, domiciled in Cyprus.

Ownership	2019	2018
Celox Holding AB share capital	34.7%	34.7%
Celox Holding AB votes	55.8%	55.6%

The board of directors of the Company, 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.

Transactions with related parties were as follows:

	2019	2018
Celox Group companies		
Expenses and employment costs recharged	0.2	0.0
Receivables at 31 December	0.0	0.0
Acquisition of land	0.1	–
Parties related to non-controlling shareholders in MHI		
Purchase of materials and services	-1.5	–
Trade payables at 31 December	6.4	–

33 Subsidiaries

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

Company	Activity	Country of incorporation
ABC Medicover 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
'Intersono Medical Center' Private Enterprise	Medical	Ukraine
Iowemed SA[1)]	Medical	Romania
Medi Partner Sp. z o.o.[1)]	Medical	Poland
Medicover Försäkrings AB (publ)	Insurance	Sweden
Medicover Healthcare Private Limited	Medical	India
Medicover Holding S.A.	Holding/Financing/Management	Luxembourg
Medicover Hospitals SRL	Medical	Romania
Medicover Investment B.V.	Holding/Financing/Management	The Netherlands
Medicover Sp. z o.o.	Medical	Poland
Medicover SRL	Medical	Romania
Neomedic S.A.[1)]	Medical	Poland
OK System Polska S.A.[1), 2)]	Medical	Poland
Pelican Impex SRL (80.0%)[2)]	Medical	Romania
Rehasport Clinic Sp. z o.o. (70.4%)	Medical	Poland
Reminos Investments SRL	Real Estate	Romania
Sahrudaya Health Care Private Limited (54.4%)[1), 2)] ("Medicover Hospitals India" or "MHI")	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

1) New entities and change in ownership in 2019 versus 2018.
2) New entities and change in ownership in 2018 versus 2017.

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[3]	Real Estate	Germany
Baltic Sea View Real Estate GmbH[3]	Real Estate	Germany
Diagnos MVZ GmbH[3]	Medical	Germany
Genetik Berlin-Lichtenberg GmbH[2]	Medical	Germany
Hogyn MVZ GmbH	Medical	Germany
IHP Institut für Hämostaseologie und Pharmakologie MVZ GmbH	Medical	Germany
IMD Institut für Medizinische Diagnostik GmbH[3]	Medical	Germany
IMD Labor Oderland GmbH[3]	Medical	Germany
IMD MVZ Beteiligungs GmbH (92.5%)[3]	Medical	Germany
IMGM Laboratories GmbH[1]	Medical	Germany
Infektiologie Ärzteforum Seestraße MVZ GmbH	Medical	Germany
IVD Institut für Veterinärmedizinische Diagnostik GmbH	Medical	Germany
Laborbetreuung IMD GmbH	Trading/Administration	Germany
Labormedicus GmbH	Medical	Germany
Medicover GmbH[3]	Medical	Germany
Medicover Genetics GmbH	Medical	Germany
Medicover Gerlingen MVZ GmbH	Medical	Germany
Medicover Medizin gGmbH	Medical	Germany
Medicover Stuttgart MVZ GmbH	Medical	Germany
Medicover Ulm MVZ GmbH	Medical	Germany
MVZ Frankfurt-Westend GmbH[1]	Medical	Germany
MVZ Labor Greifswald GmbH[3]	Medical	Germany
MVZ Martinsried GmbH[2, 3] ("Klein")	Medical	Germany
MVZ Nazarethkirchstraße GmbH[1]	Medical	Germany
Nordmed Healthcare GmbH[3]	Medical	Germany
Nordmed Klinik GmbH[3]	Holding/Management	Germany
Synevo GmbH[3]	Holding/Management	Germany
Synevo Studien Service Labor GmbH	Medical	Germany

[1] New entities and change in ownership in 2019 versus 2018.
[2] New entity and change in ownership in 2018 versus 2017.
[3] Entity is a significant subsidiary.

34 Fees to auditors

	2019	2018
Audit assignments	0.7	0.8
Auditing activities other than audit assignments	0.2	0.1
Tax consultancy services	0.0	0.0
Other assignments	0.0	0.0
Total fees	**0.9**	**0.9**

€0.7 million (€0.8 million) has been paid to BDO Sweden AB and its network.

35 Events after balance sheet date

The Covid-19 viral pandemic and actions by governments and authorities to control the spread of the virus are as of the date of the financial statements expected to have significant financial impacts on the operations of the Group, and likely to lead to a period of reduced revenue and profit. The high degree of uncertainty around the size of the slow down and duration does not allow a reliable estimate of the financial impacts to be made currently. Nevertheless the Group has sufficient committed credit lines available to ensure liquidity and continuation of business.

36 Transition to IFRS 16 Leases

The Group has applied IFRS 16 *Leases* as from 1 January 2019 by using the full retrospective approach with restatement of the comparatives for 2018.

Previously the Group identified at inception whether a contract contained a lease using the guidance under IFRIC 4 which as applied to the Group's operations was essentially whether the contract fulfilment was dependent solely on an identified asset and whether the contractual charges were based on units of output from the asset. The new standard provides for a practical expedient not to reassess previous contracts under the new standard's definition of a lease, which the Group has elected to apply in its transition. This practical expedient has reduced some of the costs and efforts in initial application of the new standard.

Previously the Group classified leases as operating or finance leases, depending on whether it was judged that substantially all the risks and rewards of ownership were transferred to the Group. Only finance leases were recognised in the statement of financial position with operating lease costs expensed to the income statement on a straight-line basis.

The new standard has a unified model for lease accounting with all leases being recognised in a way similar to an asset ownership model, with recognition of discounted future lease liabilities and a corresponding right-of-use asset in the statement of financial position. For previously identified leases upon application of the new standard the Group has recognised right-of-use assets and lease liabilities as measured under IFRS 16. The recognition exemptions provided for under the standard in respect of short-term leases and leases of low value assets were applied retrospectively.

The following tables disclose the amount adjusted for each financial statement line item affected by the application of IFRS 16 for the current and prior year.

Consolidated income statement

	2019 as if IAS 17 still applied	IFRS 16 impact	2019 as reported	2018 as reported	IFRS 16 impact	2018 restated
Revenue	**844.4**	**–**	**844.4**	**671.6**	**–**	**671.6**
Operating expenses						
Medical provision costs	-642.3	4.7	-637.6	-510.9	3.6	-507.3
Gross profit	**202.1**	**4.7**	**206.8**	**160.7**	**3.6**	**164.3**
Distribution, selling and marketing costs	-45.7	0.7	-45.0	-35.3	0.1	-35.2
Administrative costs	-116.1	0.8	-115.3	-96.0	0.6	-95.4
Operating profit (EBIT)	**40.3**	**6.2**	**46.5**	**29.4**	**4.3**	**33.7**
Other income/(costs)	**1.0**	**–**	**1.0**	**8.6**	**–**	**8.6**
Interest income	1.8	–	1.8	1.4	–	1.4
Interest expense	-6.5	-7.2	-13.7	-4.0	-5.6	-9.6
Other financial income/(expense)	-0.5	0.1	-0.4	0.8	-1.4	-0.6
Total financial result	**-5.2**	**-7.1**	**-12.3**	**-1.8**	**-7.0**	**-8.8**
Share of loss of associates	-1.9	–	-1.9	-1.8	–	-1.8
Profit before income tax	**34.2**	**-0.9**	**33.3**	**34.4**	**-2.7**	**31.7**
Income tax	-8.9	0.3	-8.6	-7.9	0.4	-7.5
Profit for the year	**25.3**	**-0.6**	**24.7**	**26.5**	**-2.3**	**24.2**
Profit attributable to:						
Owners of the parent	23.0	-0.5	22.5	24.6	-2.3	22.3
Non-controlling interests	2.3	-0.1	2.2	1.9	–	1.9
Profit for the year	**25.3**	**-0.6**	**24.7**	**26.5**	**-2.3**	**24.2**
Earnings per share attributable to parent:						
Basic/diluted, €	0.172	-0.004	0.168	0.185	-0.018	0.167

Consolidated statement of comprehensive income

	2019 as if IAS 17 still applied	IFRS 16 impact	2019 as reported	2018 as reported	IFRS 16 impact	2018 restated
Profit for the year	**25.3**	**-0.6**	**24.7**	**26.5**	**-2.3**	**24.2**
Other comprehensive income/(loss):						
Items that may be reclassified subsequently to income statement:						
Exchange differences on translating foreign operations	7.8	0.0	7.8	-6.2	0.1	-6.1
Income tax relating to these items	-0.6	–	-0.6	0.5	–	0.5
Other comprehensive income/(loss) for the year, net of tax	**7.2**	**0.0**	**7.2**	**-5.7**	**0.1**	**-5.6**
Total comprehensive income for the year	**32.5**	**-0.6**	**31.9**	**20.8**	**-2.2**	**18.6**
Total comprehensive income attributable to:						
Owners of the parent	30.5	-0.5	30.0	18.9	-2.2	16.7
Non-controlling interests	2.0	–0.1	1.9	1.9	–	1.9
Total comprehensive income for the year	**32.5**	**-0.6**	**31.9**	**20.8**	**-2.2**	**18.6**

Consolidated statement of financial position

	31 Dec 2019 as if IAS 17 still applied	IFRS 16 impact	31 Dec 2019 as reported	31 Dec 2018 as reported	IFRS 16 impact	31 Dec 2018 restated	1 Jan 2018 as reported	IFRS 16 impact	1 Jan 2018 restated
ASSETS									
Non-current assets									
Goodwill	293.1	–	293.1	150.1	–	150.1	126.8	–	126.8
Other intangible assets	74.6	–	74.6	50.8	–	50.8	36.4	–	36.4
Tangible fixed assets	253.0	-0.3	252.7	165.0	-0.6	164.4	148.9	-1.1	147.8
Right-of-use assets	–	166.0	166.0	–	117.0	117.0	–	110.3	110.3
Total fixed assets	**620.7**	**165.7**	**786.4**	**365.9**	**116.4**	**482.3**	**312.1**	**109.2**	**421.3**
Deferred tax assets	7.5	1.6	9.1	2.9	1.3	4.2	3.7	0.9	4.6
Investment in associates	0.7	–	0.7	43.8	–	43.8	22.1	–	22.1
Other financial assets	7.5	–	7.5	9.3	–	9.3	5.2	–	5.2
Total non-current assets	**636.4**	**167.3**	**803.7**	**421.9**	**117.7**	**539.6**	**343.1**	**110.1**	**453.2**
Current assets									
Inventories	37.1	–	37.1	30.3	–	30.3	30.7	–	30.7
Other financial assets	1.6	–	1.6	27.8	–	27.8	2.1	–	2.1
Trade and other receivables	142.8	-0.5	142.3	92.8	-0.5	92.3	82.5	-0.2	82.3
Cash and cash equivalents	34.8	–	34.8	38.4	–	38.4	45.4	–	45.4
Total current assets	**216.3**	**-0.5**	**215.8**	**189.3**	**-0.5**	**188.8**	**160.7**	**-0.2**	**160.5**
Total assets	**852.7**	**166.8**	**1,019.5**	**611.2**	**117.2**	**728.4**	**503.8**	**109.9**	**613.7**
SHAREHOLDERS' EQUITY									
Issued capital and reserves attributable to owners of the parent	324.2	-6.8	317.4	319.4	-6.3	313.1	300.3	-4.1	296.2
Non-controlling interests	42.5	-0.2	42.3	4.5	-0.1	4.4	3.7	-0.1	3.6
Total shareholders' equity	**366.7**	**-7.0**	**359.7**	**323.9**	**-6.4**	**317.5**	**304.0**	**-4.2**	**299.8**

	31 Dec 2019 as if IAS 17 still applied	IFRS 16 impact	31 Dec 2019 as reported	31 Dec 2018 as reported	IFRS 16 impact	31 Dec 2018 restated	1 Jan 2018 as reported	IFRS 16 impact	1 Jan 2018 restated
LIABILITIES									
Non–current liabilities									
Loans payable	164.0	-0.2	163.8	126.6	-0.2	126.4	52.9	-0.4	52.5
Lease liabilities	–	142.0	142.0	–	96.4	96.4	–	85.6	85.6
Deferred tax liabilities	27.5	–	27.5	23.7	–	23.7	22.8	–	22.8
Provisions	2.2	–	2.2	0.3	–	0.3	0.4	–	0.4
Other financial liabilities	38.9	–	38.9	28.6	–	28.6	23.6	–	23.6
Other liabilities	3.7	–	3.7	5.6	–	5.6	4.7	–	4.7
Total non-current liabilities	**236.3**	**141.8**	**378.1**	**184.8**	**96.2**	**281.0**	**104.4**	**85.2**	**189.6**
Current liabilities									
Loans payable	111.7	-0.2	111.5	5.2	–0.3	4.9	4.3	–0.6	3.7
Lease liabilities	–	34.2	34.2	–	29.0	29.0	–	30.3	30.3
Provision for unearned premiums/deferred revenue	11.4	–	11.4	10.3	–	10.3	12.3	–	12.3
Corporate tax payable	4.8	–	4.8	4.2	–	4.2	6.8	–	6.8
Other financial liabilities	5.2	–	5.2	3.6	–	3.6	4.9	–	4.9
Trade and other payables	116.6	-2.0	114.6	79.2	–1.3	77.9	67.1	–0.8	66.3
Total current liabilities	**249.7**	**32.0**	**281.7**	**102.5**	**27.4**	**129.9**	**95.4**	**28.9**	**124.3**
Total liabilities	**486.0**	**173.8**	**659.8**	**287.3**	**123.6**	**410.9**	**199.8**	**114.1**	**313.9**
Total shareholders' equity and liabilities	**852.7**	**166.8**	**1,019.5**	**611.2**	**117.2**	**728.4**	**503.8**	**109.9**	**613.7**

Consolidated statement of changes in equity 2019

	Share capital	Treasury shares	Additional paid in capital	Retained earnings	Non-controlling interests put-option reserve	Other reserves	Translation reserve	Total attributable to owners of the parent	Non-con-trolling inter-ests	Total equity
As if IAS 17 still applied										
Opening balance as at 1 January 2019[1)]	**27.1**	**-0.4**	**319.7**	**11.4**	**-14.9**	**2.6**	**-28.0**	**317.5**	**4.5**	**322.0**
Profit for the year	–	–	–	23.0	–	–	–	23.0	2.3	25.3
Other comprehensive income	–	–	–	–	–	–	7.5	7.5	-0.3	7.2
Total comprehensive income for the year	–	–	–	**23.0**	–	–	**7.5**	**30.5**	**2.0**	**32.5**
Total transactions with owners in their capacity as owners	–	–	–	**-2.3**	**-23.2**	**1.7**	–	**-23.8**	**36.0**	**12.2**
Closing balance as at 31 December 2019	**27.1**	**-0.4**	**319.7**	**32.1**	**-38.1**	**4.3**	**-20.5**	**324.2**	**42.5**	**366.7**
As reported										
Opening balance as at 1 January 2019[1)]	**27.1**	**-0.4**	**319.7**	**4.8**	**-14.9**	**2.6**	**-27.7**	**311.2**	**4.4**	**315.6**
Profit for the year	–	–	–	22.5	–	–	–	22.5	2.2	24.7
Other comprehensive income	–	–	–	–	–	–	7.5	7.5	-0.3	7.2
Total comprehensive income for the year	–	–	–	**22.5**	–	–	**7.5**	**30.0**	**1.9**	**31.9**
Total transactions with owners in their capacity as owners	–	–	–	**-2.3**	**-23.2**	**1.7**	–	**-23.8**	**36.0**	**12.2**
Closing balance as at 31 December 2019	**27.1**	**-0.4**	**319.7**	**25.0**	**-38.1**	**4.3**	**-20.2**	**317.4**	**42.3**	**359.7**

[1)] Opening balance includes a restatement of €-1.9 million, recognised in retained earnings, due to the first application of IFRIC 23 *Uncertainty over income tax positions*.

Consolidated statement of changes in equity 2018

	Share capital	Treasury shares	Additional paid in capital	Retained earnings	Non-controlling interests put-option reserve	Other reserves	Translation reserve	Total attributable to owners of the parent	Non-con-trolling inter-ests	Total equity
As reported										
Opening balance as at 1 January 2018	**26.7**	**–**	**319.7**	**-11.3**	**-13.8**	**1.3**	**-22.3**	**300.3**	**3.7**	**304.0**
Profit for the year	–	–	–	24.6	–	–	–	24.6	1.9	26.5
Other comprehensive income	–	–	–	–	–	–	-5.7	-5.7	–	-5.7
Total comprehensive income for the year	**–**	**–**	**–**	**24.6**	**–**	**–**	**-5.7**	**18.9**	**1.9**	**20.8**
Total transactions with owners in their capacity as owners	**0.4**	**-0.4**	**–**	**–**	**-1.1**	**1.3**	**–**	**0.2**	**-1.1**	**-0.9**
Closing balance as at 31 December 2018	**27.1**	**-0.4**	**319.7**	**13.3**	**-14.9**	**2.6**	**-28.0**	**319.4**	**4.5**	**323.9**
Restated										
Opening balance as at 1 January 2018	**26.7**	**–**	**319.7**	**-11.3**	**-13.8**	**1.3**	**-22.3**	**300.3**	**3.7**	**304.0**
IFRS 16 impact – first application	–	–	–	-4.3	–	–	0.2	-4.1	-0.1	-4.2
Opening balance as at 1 January 2018, restated	**26.7**	**–**	**319.7**	**-15.6**	**-13.8**	**1.3**	**-22.1**	**296.2**	**3.6**	**299.8**
Profit for the year	–	–	–	22.3	–	–	–	22.3	1.9	24.2
Other comprehensive income	–	–	–	–	–	–	-5.6	-5.6	–	-5.6
Total comprehensive income for the year	**–**	**–**	**–**	**22.3**	**–**	**–**	**-5.6**	**16.7**	**1.9**	**18.6**
Total transactions with owners in their capacity as owners	**0.4**	**-0.4**	**–**	**–**	**-1.1**	**1.3**	**–**	**0.2**	**-1.1**	**-0.9**
Closing balance as at 31 December 2018, restated	**27.1**	**-0.4**	**319.7**	**6.7**	**-14.9**	**2.6**	**-27.7**	**313.1**	**4.4**	**317.5**

Consolidated cash flow statement

	2019 as if IAS 17 still applied	IFRS 16 impact	2019 as reported	2018 as reported	IFRS 16 impact	2018 restated
Profit before income tax	34.2	-0.9	33.3	34.4	-2.7	31.7
Adjustments for:						
Depreciation, amortisation and impairment	41.3	32.9	74.2	30.4	26.6	57.0
Gain on disposal of fixed assets	-0.2	–	-0.2	-0.1	–	-0.1
Gain on termination of leases	–	-0.8	-0.8	–	-0.1	-0.1
Other (income)/costs	-1.0	–	-1.0	-7.2	-	-7.2
Net interest expense	4.7	7.2	11.9	2.6	5.6	8.2
Employee share-based compensation costs	1.7	–	1.7	1.6	–	1.6
Other non-cash transactions	6.2	–	6.2	3.3	–	3.3
Unrealised foreign exchange gain/(loss)	-0.7	-0.4	-1.1	-1.1	1.1	0.0
Cash generated from operations before working capital changes and tax payments	**86.2**	**38.0**	**124.2**	**63.9**	**30.5**	**94.4**
Changes in operating assets and liabilities:						
Increase in receivables and inventories	-25.1	0.1	-25.0	-13.3	–	-13.3
Increase in payables	2.6	-1.0	1.6	5.7	-0.5	5.2
Cash generated from operations before tax payments	**63.7**	**37.1**	**100.8**	**56.3**	**30.0**	**86.3**
Income tax paid	-13.5	–	-13.5	-11.9	–	-11.9
Net cash from operating activities	**50.2**	**37.1**	**87.3**	**44.4**	**30.0**	**74.4**
Investing activities:						
Payment for acquisition of fixed assets	-63.2	–	-63.2	-41.0	–	-41.0
Proceeds from disposal of fixed assets	0.3	–	0.3	0.1	–	0.1
Payment for acquiring interest in associates	–	–	–	-15.3	–	-15.3
Dividends received from associates	–	–	–	0.1	–	0.1
Payment for acquisition of subsidiaries, net of cash acquired	-82.7	–	-82.7	-34.5	–	-34.5
Proceeds from disposal of subsidiaries, net of cash sold	0.1	–	0.1	0.5	–	0.5
Payment into escrow for acquisitions	–	–	–	-24.7	–	-24.7
Loans repaid	2.0	–	2.0	–	–	–
Loans granted	–	–	–	-2.7	–	-2.7
Interest received	1.7	–	1.7	1.4	–	1.4
Net cash used in investing activities	**-141.8**	**–**	**-141.8**	**-116.1**	**–**	**-116.1**
Financing activities:						
Proceeds from issue of shares	–	–	–	0.4	–	0.4
Acquisition of treasury shares	–	–	–	-0.4	–	-0.4
Acquisition of non-controlling interests	-2.7	–	-2.7	–	–	–
Loans repaid	-479.9	–	-479.9	-35.6	–	-35.6
Loans received	577.3	–	577.3	106.1	–	106.1
Leases repaid	–	-29.9	-29.9	–	-24.5	-24.5
Interest paid	-6.8	-7.2	-14.0	-3.9	-5.5	-9.4
Distribution to non-controlling interests	-2.0	–	-2.0	-2.0	–	-2.0
Net cash from financing activities	**85.9**	**-37.1**	**48.8**	**64.6**	**-30.0**	**34.6**
Total cash flow	**-5.7**	**–**	**-5.7**	**-7.1**	**–**	**-7.1**
Cash and cash equivalents						
Cash balance as at 1 January	38.4	–	38.4	45.4	–	45.4
Net effects of exchange gain on cash balances	2.1	–	2.1	0.1	–	0.1
Cash balance as at 31 December	34.8	–	34.8	38.4	–	38.4
Increase/(decrease) in cash and cash equivalents	**-5.7**	**–**	**-5.7**	**-7.1**	**–**	**-7.1**

37 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. As from 2019, margins (including margins of comparative figures) and growth rates have been calculated based on EUR whole figures instead of figures rounded in millions.

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 as well as 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 revenue growth
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 (acquisitions) 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.

EBITAaL
EBITA, as defined above, reduced by depreciation and interest charges associated with leases.

EBITAaL margin
EBITAaL as a percentage of revenue.

EBITDAaL
EBITDA, as defined above, reduced by depreciation and interest charges associated with leases. This APM gives a measure of performance that equates more closely to the cash flow of the business and is used by management in making decisions and accountability.

EBITDAaL margin
EBITDAaL as a percentage of revenue.

Adjusted EBITA
EBITA, as defined above, adjusted for non-cash equity settled share-based payments as well as merger and acquisition related expenses.

Adjusted EBITA margin
Adjusted EBITA as a percentage of revenue.

Adjusted EBITDA
EBITDA, as defined above, adjusted for non-cash equity settled share-based payments as well as merger and acquisition related expenses.

Adjusted EBITDA margin
Adjusted EBITDA as a percentage of revenue.

Adjusted EBITAaL
Adjusted EBITA, as defined above, reduced by depreciation and interest charges associated with leases.

Adjusted EBITAaL margin
Adjusted EBITAaL as a percentage of revenue.

Adjusted EBITDAaL
Adjusted EBITDA, as defined above, reduced by depreciation and interest charges associated with leases.

Adjusted EBITDAaL margin
Adjusted EBITDAaL 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 financial debt contracted by the Group with external parties (banks, bonds) upon which interest is charged and lease liabilities net of cash and cash equivalents. Refer to note 20.

Reconciliation to EBITDAaL and EBITAaL	2019	2018
Operating profit (EBIT)	46.5	33.7
Amortisation (acquisitions)	6.4	3.3
Impairment	0.8	–
EBITA	**53.7**	**37.0**
Depreciation and amortisation	67.0	53.7
EBITDA	**120.7**	**90.7**
Right-of-use depreciation	-32.9	-26.6
Interest on lease obligations	-7.2	-5.6
EBITDAaL	**80.6**	**58.5**
Less: depreciation (excl. right-of-use depreciation) and amortisation	-34.1	-27.1
EBITAaL	**46.5**	**31.4**
Revenue	844.4	671.6
Operating profit margin	5.5%	5.0%
EBITA margin	6.4%	5.5%
EBITDA margin	14.3%	13.5%
EBITDAaL margin	9.5%	8.7%
EBITAaL margin	5.5%	4.7%
Net profit margin	2.9%	3.6%

Reconciliation to adjusted EBITDAaL and adjusted EBITAaL	2019	2018
Operating profit (EBIT)	46.5	33.7
Amortisation (acquisitions)	6.4	3.3
Impairment	0.8	–
Non-cash equity settled share-based payments	1.9	1.6
Merger and acquisition related expenses	2.4	1.8
Adjusted EBITA	**58.0**	**40.4**
Depreciation and amortisation	67.0	53.7
Adjusted EBITDA	**125.0**	**94.1**
Right-of-use depreciation	-32.9	-26.6
Interest on lease liabilities	-7.2	-5.6
Adjusted EBITDAaL	**84.9**	**61.9**
Less: depreciation (excl. right-of-use depreciation) and amortisation	-34.1	-27.1
Adjusted EBITAaL	**50.8**	**34.8**
Revenue	844.4	671.6
Adjusted EBITA margin	6.9%	6.0%
Adjusted EBITDA margin	14.8%	14.0%
Adjusted EBITDAaL margin	10.1%	9.2%
Adjusted EBITAaL margin	6.0%	5.2%

Reconciliation to organic revenue	2019	2018
Revenue	844.4	671.6
Less: acquired revenue	-72.2	
Revenue excluding acquisitions	**772.2**	
Currency effect	-1.4	
Organic revenue	**770.8**	
Organic revenue growth	**14.8%**	

Parent company income statement

€m, for the years ended 31 December	Note	2019	2018
Revenue		**1.0**	**0.6**
Gross profit		**1.0**	**0.6**
Distribution, selling and marketing costs		-0.2	0.0
Administrative costs	P3, P12, P13	-8.0	-6.3
Operating loss		**-7.2**	**-5.7**
Income from participation in Group companies	P4	12.0	30.5
Interest income from Group companies		0.1	0.1
Interest expense		-0.5	–
Total financial result		**-0.4**	**0.1**
Profit before income tax		**4.4**	**24.9**
Income tax	P5	–	–
Profit for the year		**4.4**	**24.9**

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

€m	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Fixed assets			
Tangible assets			
Equipment, vehicles	P6	0.0	0.0
Financial assets			
Participation in Group companies	P14	434.8	434.8
Loans to Group companies	P7	–	28.0
Total fixed assets		**434.8**	**462.8**
Current assets			
Receivables from Group companies	P8	109.5	0.7
Other receivables		0.2	0.2
Cash and cash equivalents		–	–
Total current assets		**109.7**	**0.9**
Total assets		**544.5**	**463.7**
EQUITY			
Restricted equity			
Share capital		27.1	27.1
Total restricted equity		**27.1**	**27.1**
Non restricted equity			
Share premium		407.0	407.0
Retained earnings		25.2	20.8
Other reserves		3.8	2.1
Total non-restricted equity		**436.0**	**429.9**
Total equity		**463.1**	**457.0**
LIABILITIES			
Non–current liabilities			
Loans from Group companies	P10	0.0	3.3
Total non-current liabilities		**0.0**	**3.3**
Current liabilities			
Loans payable	P11	80.4	–
Trade payables		0.1	0.0
Liabilities to Group companies		0.1	2.7
Accruals	P9	0.6	0.6
Other liabilities		0.2	0.1
Total current liabilities		**81.4**	**3.4**
Total liabilities		**81.4**	**6.7**
Total equity and liabilities		**544.5**	**463.7**

Parent company statement of changes in equity

€m	Restricted equity	Non–restricted equity			
	Share capital	Share premium	Retained earnings and result of the year	Other reserves	Total equity
Closing balance as at 31 December 2017	**26.7**	**407.0**	**-3.7**	**0.5**	**430.5**
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
Closing balance as at 31 December 2018	**27.1**	**407.0**	**20.8**	**2.1**	**457.0**
Profit for the year	–	–	4.4	–	4.4
Employee share-based compensation costs	–	–	–	1.7	1.7
Closing balance as at 31 December 2019	**27.1**	**407.0**	**25.2**	**3.8**	**463.1**

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 programmes.

The share capital consisted of 78,771,431 class A shares, 54,563,764 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 refer to note 26.

Parent company cash flow statement

€m, for the years to 31 December	Note	2019	2018
Profit/(loss) before income tax		**4.4**	**24.9**
Adjustments for:			
Depreciation	P6	0.0	0.0
Income from participation in Group companies	P4	-12.0	-30.5
Net interest income/expense		0.4	-0.1
Employee share-based compensation costs	P12	1.7	1.6
(Increase)/decrease in receivables		-0.1	0.3
Increase in payables		-1.6	0.1
Income tax paid		–	–
Other non-cash transactions		0.0	–
Unrealised foreign exchange (gain)/loss		0.2	–
Net cash from operating activities		**-7.0**	**-3.7**
Investing activities:			
Proceeds from disposal of fixed assets		0.0	–
Loans repaid		211.1	–
Loans granted		-294.4	–
Interest received		–	0.4
Dividend received		10.5	2.0
Net cash used in investing activities		**-72.8**	**2.4**
Financing activities:			
Proceeds from issue of shares		–	0.4
Acquisition of treasury shares		–	-0.4
Interest paid		-0.3	–
Loans repaid		-267.8	–
Loans received		347.9	0.8
Net cash from financing activities		**79.8**	**0.8**
Total cash flow		**0.0**	**-0.5**
Cash and cash equivalents			
Cash balance as at 1 January		–	0.5
Cash balance as at 31 December		–	–
Increase/(decrease) in cash and cash equivalents		**0.0**	**-0.5**

Notes to the parent company financial statements

P1 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*. The parent company's stand-alone accounting principles are aligned to the consolidated financial statements, except for the following:

a) The income statement and balance sheet are presented in accordance with the format described in the Swedish Annual Accounts Act.
b) Investments in subsidiaries are accounted for 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.
c) The parent company does not apply IFRS 9 to financial instruments, instead measures non-current assets at cost less any impairment and current assets at the lower of cost or net realisable value. The accounting principle for derecognition of financial instruments corresponds to the Group's accounting principle, refer to notes 2.15 c and 2.16 c.
d) Group contributions received from subsidiaries are recognised as financial income in accordance with the principal rule in RFR2.
e) The parent company does not apply IFRS 16 to leases, instead lease fees are recognised in the income statement on a straight-line basis over the term of the lease.

P2 Intra-group transactions and guarantees

During the year, the parent company had intra-group transactions with its subsidiaries amounting to income of €1.0 million (€0.6 million) and costs of €1.7 million (€1.9 million) for Group wide services. Interest relates to loans advanced to the parent company's direct subsidiary Medicover Holding S.A.

Medicover AB (publ) has entered into an agreement to cover during the year ending 31 December 2019 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 instead of individual accounts of the entities. For a listing of all German entities that this relates to refer to note 33.

Medicover AB (publ) has guaranteed the obligations of its direct subsidiary, Medicover Holding S.A., under a revolving credit facility of up to €220 million (€200 million).

P3 Nature of expenses

Within the functional headings, the following cost categories are included:

	2019	2018
Staff costs	-3.7	-2.8
Property lease costs, heat and other establishment costs	-0.4	-0.1
Other	-3.9	-3.4
Total	**-8.0**	**-6.3**

The company has entered into a lease for property to operate an office, the total cost in 2019 amounted to €-0.2 million (€0.0 million). At year-end 2019 future minimum non-cancellable operating lease payments within one year amounted to €-0.2 million (€-0.2 million) and to €–0.2 million (€-0.4 million) for the period between two to five years.

Included in the category 'other' are expenses relating to audit fees, other consultancy and legal fees.

P4 Income from participation in group companies

Income from participation in group companies represents dividend income of €10.0 million (€30.0 million) received from the Company's direct subsidiary and €2.0 million (€0.5 million) of Group contribution.

P5 Income tax

	2019	2018
Profit before tax	4.4	24.9
Applicable tax rate	21.4%	22.0%
Tax at applicable tax rate	0.9	5.5
Reconciliation of tax expense:		
Current year effect of permanent differences	-1.3	-6.2
Tax loss carry forwards not recognised for deferred taxes	0.4	0.7
Tax expense	**–**	**–**
Effective tax rate	**0.0%**	**0.0%**

The company has unrecognised tax losses at 31 December 2019 amounting to €11.8 million (€6.7 million) that are available to be offset against future profits for an unlimited period of time.

P6 Tangible fixed assets

	2019	2018
Opening balance, cost	0.1	0.1
Additions	0.0	0.0
Closing balance, cost	**0.1**	**0.1**
Opening balance, depreciation	-0.1	0.0
Depreciation	0.0	-0.1
Closing balance, depreciation	**-0.1**	**-0.1**
Net carrying value at 31 December	**0.0**	**0.0**

P7 Loans to group companies

	2019	2018
Loans to Medicover Holding S.A.	–	28.0
Total	**–**	**28.0**

P8 Receivables from group companies

	2019	2018
Loans to Medicover Holding S.A.	80.6	–
Other current receivables from Medicover Holding S.A.	26.7	–
Other	2.2	0.7
Total	**109.5**	**0.7**

The proceeds of the commercial paper programmes have been lent to Medicover Holding S.A. on the same maturity as the programmes drawings, refer to notes P11, 20 and 24 for further information.

P9 Accruals

	2019	2018
Interest	0.1	0.0
Other	0.5	0.6
Total	**0.6**	**0.6**

P10 Loans from group companies

	2019	2018
Loan from Medicover Holding S.A.	–	3.3
Total	**–**	**3.3**

P11 Loans payable

	2019	2018
Commercial paper programme	80.4	–
Total	**80.4**	**–**

Refer to notes P8, 20 and 24 for further information on the commercial paper programme.

P12 Salaries and other remuneration

	2019			2018		
	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 executive management	1.4	0.1	0.0	1.2	0.1	0.1
Other Group share-based payments	1.4	0.1	–	1.3	–	–
Other employees	0.5	0.2	0.1	0.2	0.0	0.0
Total	**3.3**	**0.4**	**0.1**	**2.7**	**0.1**	**0.1**

For further details on remuneration of the board, CEO and other executive management and related remuneration policies and guidelines adopted, refer to notes 30 and 31. The average number of employees was seven for 2019 with four women and three men (five with three women and two men).

P13 Fees to auditors

	2019	2018
Audit assignments	-0.2	-0.3
Auditing activities other than audit assignments	-0.1	-0.1
Tax consultancy services	–	–
Other assignments	–	–
Total	**-0.3**	**-0.4**

P14 Participation in group companies

Subsidiaries	**Corporate ID number**	**Registered office**	**Share of equity, %**
Medicover Holding S.A.	B59021	Luxembourg	100

	Carrying value
In kind contribution 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
As at 31 December 2018	**434.8**
Movements in 2019	–
As at 31 December 2019	**434.8**

P15 Proposed appropriation of the Company's profit

Non-restricted equity in the parent company amounts to:

As at 31 December, €	**2019**
Share premium reserve	406,994,195
Retained earnings	25,045,958
Reserves	3,958,781
Total	**435,998,934**

The board of directors proposes to the annual general meeting that unappropriated earnings will be carried forward.

Board of directors assurance

The board of directors and the CEO certify that the consolidated financial statements and annual report have been prepared in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the Application of International Accounting Standards and that disclosures herein give a true and fair view of the financial position and results of operations. The management report for the Group and the parent company gives a true and fair view of the Group's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and the companies included in the Group.

The annual report and consolidated financial statements have been approved for publication by the board of directors on 25 March 2020. 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 30 April 2020.

Stockholm on 25 March 2020

Fredrik Stenmo
Chairman of the board

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 25 March 2020
BDO Sweden AB

Jörgen Lövgren
Autorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Medicover 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 Medicover AB (publ) for the financial year 2019, except for the corporate governance report on pages 49–61. The annual accounts and consolidated accounts of the Company are included on pages 39–108 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 2019 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 2019 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 49–61. 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.

Accounting for Business combination MHI

Key Audit Matter

We refer to note 13 Significant business combinations and 14 Investment in associates of the accompanying financial statements. Following the exercise of additional share options and the purchase of additional shares of Medicover Hospitals India 'MHI' on 1 December 2019, the Group increased its voting shares to 54.4%. By doing so the Group obtained control over this investment that was previously accounted for following the equity method. The previously held interest of 49.2%, with a carrying amount of €47.2 million, was remeasured to its acquisition date fair value of €41.4 million. The revaluation of the prior held equity in MHI was measured using a fair value model based upon discounted cash flows including assumptions about MHI's future performance, which are inherently judgmental.

Following the purchase price allocation, €60.0 million resulted as goodwill recognized. Non-controlling interests of €38.4 million have been measured at fair value. Fair value was estimated by applying a discounted cash flow model. The fair value of most of the identifiable assets acquired and liabilities assumed in a business combination is different from their carrying amounts in the acquired statement of financial position which gave rise to fair value adjustments as part of the purchase price allocation of this business combination. €10.3 million of the total consideration has been allocated to operating licenses and €2.8 million to other tangible assets, resulting in a recognition of a deferred tax liability of €3.8 million which has been offset by a deferred tax asset due to available tax losses carried forward. Accordingly, the acquisition is material and significant judgement is required in relation to the purchase price allocation including the resulting goodwill.

Our response

We audited the accounting for the acquisition of MHI.
This included amongst other

- The audit of the fair value of the prior held equity in MHI immediately before obtaining control and an analysis of the fair value of the identifiable assets acquired and liabilities assumed supporting the purchase price allocation and the resulting goodwill at acquisition date.
- We challenged the assumptions and methodologies used by management to derive the fair value of MHI and the assets identified.
- We used our valuation specialists to assist us in considering the approach taken by management and in assessing key assumptions (e.g. discount rate, growth rate, gross margins).

- We obtained corroborative evidence for the explanations provided by management (e.g. comparing key assumptions to market data, underlying accounting records, past performance of the acquired business, and the Group's forecast supporting the acquisition).

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 22 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 22 to the consolidated financial statement to reflect the Group's exposure to valuation risk.

Transition to IFRS 16, Leases

Key audit matter

IFRS 16 Leases has been 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 financial obligation to make lease payments to the lessor for its right to use the underlying asset during the lease term. The Group chose to apply the standard retrospectively to each prior reporting period presented. The initial recognition lead to an increase in fixed assets of €116.4 million, and to an increase in lease liabilities of €125.4 million as of 1 January 2019. We refer to notes 36 Transition to IFRS 16 and to the accounting policy in note 2.19.

We considered this to be a key audit matter due to the Group being heavily dependent on leases of real estate used in providing medical services and administrative support including clinics, hospital sites, laboratories and offices and the significant associated impact 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 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 impact of the initial application of IFRS 16.
- We have reviewed the accounting policy and challenged management on their judgments made in the process of applying the 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;

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 1–38 and 114–117. The board of directors and the managing director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors and the managing director

The board of directors and the managing director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of directors and the managing director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the board of directors and the managing director are responsible for the assessment of the Company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the board of directors and the managing director 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 Medicover AB (publ) for the year 2019 and the proposed appropriations of the Company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the board of directors and the managing director

The board of directors is responsible for the proposal for appropriations of the Company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the Company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The board of directors is responsible for the Company's organization and administration of the Company's affairs. This includes among other things continuous assessment of the Company's and the Group's financial situation and ensuring that the Company's organization is designed so that the accounting, management of assets and Company's financial affairs otherwise are controlled in a reassuring manner. The managing director shall manage the ongoing administration according to the board of director's guidelines and instructions and among other matters take measures that are necessary to fulfill the Company's accounting in accordance with law 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 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 49–61 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 Medicover AB by the general meeting of the shareholders on 3 May 2019 and has been the Company's auditor since 12 October 2016.

Stockholm, 25 March 2020

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 2019 as on the pages 6–7, 29–34 and 45–48 and that it has been prepared in accordance with the Swedish Annual Accounts Act.

The scope of the audit
Our examination of the statutory sustainability report has been conducted in accordance with FAR’s auditing standard RevR 12 The Auditor’s report on the statutory sustainability report. This means that our examination of the statutory Sustainability Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. We believe that the examination provides us with a sufficient basis for our opinion.

Opinion
A statutory Sustainability Report has been prepared.

Stockholm, 25 March 2020
BDO Sweden AB

Jörgen Lövgren
Authorized Public Accountant

5-year financial summary

€m	2019	2018	2017	2016	2015
SUMMARY OF CONSOLIDATED INCOME STATEMENT					
Revenue	844.4	671.6	580.2	497.3	415.6
Medical provision costs	-637.6	-507.3	-435.7	-367.2	-312.5
Distribution, selling and marketing costs	-45.0	-35.2	-28.4	-24.9	-21.2
Administrative costs	-115.3	-95.4	-84.4	-77.2	-57.3
Operating profit (EBIT)	**46.5**	**33.7**	**31.7**	**28.0**	**24.6**
Other income/(costs)	1.0	8.6	2.9	0.2	-0.2
Total financial result	-12.3	-8.8	-7.6	-12.9	-9.4
Share of profit/(loss) of associates	-1.9	-1.8	0.2	0.1	0.0
Profit before income tax	**33.3**	**31.7**	**27.2**	**15.4**	**15.0**
Income tax	-8.6	-7.5	-7.6	-5.4	-7.5
Net profit	**24.7**	**24.2**	**19.6**	**10.0**	**7.5**
SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
ASSETS					
Non-current assets					
Goodwill	293.1	150.1	126.8	118.6	106.6
Other intangible assets	74.6	50.8	36.4	31.6	19.1
Tangible fixed assets	252.7	164.4	147.8	140.2	78.7
Right-of-use assets	166.0	117.0	110.3	96.0	114.3
Investment in associates	0.7	43.8	22.1	1.0	1.1
Other financial assets	16.6	13.5	9.8	5.6	9.4
Total non-current assets	**803.7**	**539.6**	**453.2**	**393.0**	**329.2**
Current assets					
Inventories	37.1	30.3	30.7	25.8	24.2
Other financial assets	1.6	27.8	2.1	–	–
Trade and other receivables	142.3	92.3	82.3	76.7	55.0
Cash and cash equivalents	34.8	38.4	45.4	18.4	17.2
Total current assets	**215.8**	**188.8**	**160.5**	**120.9**	**96.4**
Total assets	**1,019.5**	**728.4**	**613.7**	**513.9**	**425.6**
SHAREHOLDERS' EQUITY					
Issued capital and reserves attributable to owners of the parent	317.4	313.1	296.2	89.4	82.3
Non-controlling interests	42.3	4.4	3.6	5.9	3.9
Total shareholders' equity	**359.7**	**317.5**	**299.8**	**95.3**	**86.2**
LIABILITIES					
Non-current liabilities					
Loans payable	163.8	126.4	52.5	194.5	125.8
Lease liabilities	142.0	96.4	85.6	74.2	97.5
Other liabilities	72.3	58.2	51.5	40.4	34.8
Total non-current liabilities	**378.1**	**281.0**	**189.6**	**309.1**	**258.1**
Current liabilities					
Loans payable	111.5	4.9	3.7	14.6	2.8
Lease liabilities	34.2	29.0	30.3	26.1	24.0
Trade and other payables	114.6	77.9	66.3	56.4	44.4
Other liabilities	21.4	18.1	24.0	12.4	10.1
Total current liabilities	**281.7**	**129.9**	**124.3**	**109.5**	**81.3**
Total liabilities	**659.8**	**410.9**	**313.9**	**418.6**	**339.4**
Total shareholders' equity and liabilities	**1,019.5**	**728.4**	**613.7**	**513.9**	**425.6**
SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT					
Cash generated from operations before working capital changes and tax payments	124.2	94.4	83.3	72.4	64.1
Changes in operating assets and liabilities & income tax paid	-36.9	-20.0	-6.6	-21.1	-12.5
Net cash from operating activities	87.3	74.4	76.7	51.3	51.6
Net cash used in investing activities	-141.8	-116.1	-53.5	-66.1	-45.6
Net cash from financing activites	48.8	34.6	4.9	16.1	-0.3
Total cash flow	**-5.7**	**-7.1**	**28.1**	**1.3**	**5.7**

€m	2019	2018	2017	2016	2015
KEY FINANCIAL DATA					
Group					
Revenue	844.4	671.6	580.2	497.3	415.6
Organic revenue	770.8	657.9	569.4	476.7	408.1
Organic growth	14.8%	13.4%	14.5%	19.5%	17.6%
Operating profit (EBIT)	46.5	33.7	31.7	28.0	24.6
Operating profit (EBIT) margin	5.5%	5.0%	5.5%	5.6%	5.9%
Net profit	24.7	24.2	19.6	10.0	7.5
Net profit margin	2.9%	3.6%	3.4%	2.0%	1.8%
EPS, EUR	0.168	0.167	0.152	0.084	0.064
Diluted EPS, EUR	0.168	0.167	0.152	0.082	0.063
EBITDA	120.7	90.7	81.5	77.2	63.0
EBITDA margin	14.3%	13.5%	14.0%	15.5%	15.2%
Adjusted EBITDA	125.0	94.1	84.2	79.4	63.2
Adjusted EBITDA margin	14.8%	14.0%	14.5%	16.0%	15.2%
EBITDAaL	80.6	58.5	52.9	50.0	38.3
EBITDAaL margin	9.5%	8.7%	9.1%	10.1%	9.2%
Adjusted EBITDAaL	84.9	61.9	55.6	52.2	38.5
Adjusted EBITDAaL margin	10.1%	9.2%	9.6%	10.5%	9.3%
EBITA	53.7	37.0	34.3	34.0	26.1
EBITA margin	6.4%	5.5%	5.9%	6.8%	6.3%
Adjusted EBITA	58.0	40.4	37.0	36.2	26.3
Adjusted EBITA margin	6.9%	6.0%	6.4%	7.3%	6.3%
Healthcare Services					
Revenue	449.3	346.1	285.8	244.7	212.2
Organic revenue	401.7	328.6	275.8	234.9	205.8
Organic growth	16.1%	14.9%	12.7%	15.2%	16.8%
EBITDA	61.0	45.8	40.1	42.2	31.6
EBITDA margin	13.6%	13.3%	14.0%	17.2%	14.9%
Adjusted EBITDA	61.6	46.6	40.5	43.3	31.6
Adjusted EBITDA margin	13.7%	13.5%	14.2%	17.7%	14.9%
EBITDAaL	41.0	29.3	25.3	26.5	15.6
EBITDAaL margin	9.1%	8.5%	8.9%	10.8%	7.4%
Adjusted EBITDAaL	41.6	30.1	25.7	27.6	15.6
Adjusted EBITDAaL margin	9.2%	8.7%	9.0%	11.3%	7.4%
EBITA	25.5	17.8	15.4	19.0	9.4
EBITA margin	5.7%	5.2%	5.4%	7.8%	4.4%
Members (period end), 000's	1,300	1,209	1,024	889	750
Diagnostic Services					
Revenue	408.7	336.7	304.4	260.5	212.9
Organic revenue	382.7	340.6	303.5	249.7	211.8
Organic growth	13.6%	11.9%	16.5%	22.2%	18.5%
EBITDA	75.7	58.8	54.4	43.7	38.5
EBITDA margin	18.5%	17.5%	17.9%	16.8%	18.1%
Adjusted EBITDA	76.2	59.4	54.7	43.9	38.5
Adjusted EBITDA margin	18.7%	17.6%	18.0%	16.9%	18.1%
EBITDAaL	56.0	43.3	40.8	32.4	30.1
EBITDAal margin	13.7%	12.9%	13.4%	12.4%	14.1%
Adjusted EBITDAaL	56.5	43.9	41.1	32.6	30.1
Adjusted EBITDAaL margin	13.9%	13.0%	13.5%	12.5%	14.1%
EBITA	45.1	33.6	32.3	24.1	17.6
EBITA margin	11.0%	10.0%	10.6%	9.3%	8.3%
Lab tests (period end volume), million	106.7	98.1	91.4	85.2	75.3

As from 2019 margins (including margins of comparative figures 2018) and growth rates have been calculated based on EUR whole figures instead of figures rounded in millions.

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 revenue growth
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 (acquisitions) 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.

EBITAaL
EBITA, as defined above, reduced by depreciation and interest charges associated with leases.

EBITAaL margin
EBITAaL as a percentage of revenue.

EBITDAaL
EBITDA, as defined above, reduced by depreciation and interest charges associated with leases. This APM gives a measure of performance that equates more closely to the cash flow of the business and is used by management in making decisions and accountability.

EBITDAaL margin
EBITDAaL as a percentage of revenue.

Adjusted EBITA
EBITA, as defined above, adjusted for non-cash equity settled share-based payments as well as merger and acquisition related expenses.

Adjusted EBITA margin
Adjusted EBITA as a percentage of revenue.

Adjusted EBITDA
EBITDA, as defined above, adjusted for non-cash equity settled share-based payments as well as merger and acquisition related expenses.

Adjusted EBITDA margin
Adjusted EBITDA as a percentage of revenue.

Adjusted EBITAaL
Adjusted EBITA, as defined above, reduced by depreciation and interest charges associated with leases.

Adjusted EBITAaL margin
Adjusted EBITAaL as a percentage of revenue.

Adjusted EBITDAaL
Adjusted EBITDA, as defined above, reduced by depreciation and interest charges associated with leases.

Adjusted EBITDAaL margin
Adjusted EBITDAaL 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 financial debt contracted by the Group with external parties (banks, bonds) upon which interest is charged and lease liabilities, net of cash and cash equivalents.

Members
Number of individuals covered under a pre-paid subscription or insurance healthcare 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 Medicover company, under an employment contract or as contracted by Medicover on a self-employed basis or similar.

Headcount
The number of people being co-workers at Medicover including employees and/or contractors with an active contract determined at the end of each month. Excludes seasonal workers.

FTE (Full time Equivalent)
FTE is a metric used to translate co-workers into full time employment equivalent as per local legislation (excluding seasonal and including leased labour). 1.0 FTE corresponds to one full time employment.

Average FTE for the year
The sum of FTE at the end of each reported month during the financial year / 12 months.

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 including other services, 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.

LTIP Long-term Incentive Programme

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	30 April 2020
Annual general meeting	30 April 2020
Interim report April–June	24 July 2020
Interim report July–September	6 November 2020

Information about the 2020 Annual general meeting (AGM)

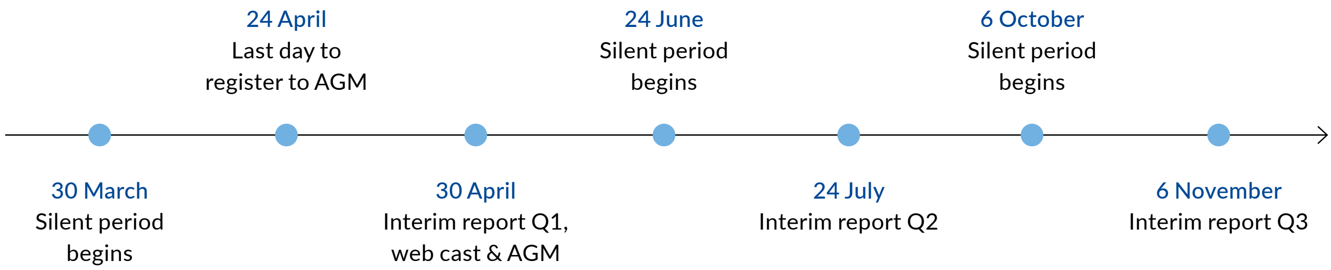
The annual general meeting of Medicover AB (publ) will be held on Thursday 30 April at 1:00 pm at IVA, Wallenbergsalen, Grev Turegatan 16, Stockholm.

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 24 April 2020. Notification could be sent by post, Medicover AB, Att. AGM 2020, c/o Euroclear Sweden, Box 191, 101 23 Stockholm, Sweden, by phone: +46 8 40 292 74 or via medicover.com. Shareholders may attend the AGM in person or by proxy and may be accompanied by a maximum of two assistants.

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.



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CARING
FOR YOUR HEALTH
IS ALL WE DO

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