Capio CFR A/S

Hans Bekkevolds Allé 2 B 2900 Hellerup

CVR no. 27 50 69 09

Annual report 2017

Approved at the Company's annual general meeting on June 5, 2018

Chairman:

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Anette Lystrup Birch

Building a better

Contents

Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Capio CFR A/S for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Hellerup, June 5, 2018

Executive Board:

Thomas Kiær

Board of Directors:

Thomas Frederik Berglund
Chairman

François Demesmay

Nils Henrik Wilhelm Brehmer

Emil Fannikke Kiær

Per Gullestrup

Statement by Management on the annual report

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Hellerup, June 5, 2018

Executive Board

Thomas Kiær

Board of Directors

[illegible]
Chairman

François [illegible]

[illegible]

[illegible]

Per [illegible]

Independent auditor's report

To the shareholders of Capio CFR A/S

Opinion

We have audited the financial statements of Capio CFR A/S for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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.

Independent auditor's report

Obtain an understanding of internal control relevant to the 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 Management.

Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. 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 the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Report on other legal and regulatory requirements

Non-compliance with anti-money laundering act

During the financial year, the company received cash payments in connection with the sale of operating services that exceed the limits of the Anti-Money Laundering Act, whereby the management may incur liability in this respect.

Copenhagen, June 5, 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Ole Hedemann
State Authorised
Public Accountant
MNEnr: mne14949

Kim Thomsen
State Authorised
Public Accountant
MNEnr: mne26736

Management's review

Financial highlights for the Company

The development in the Company during the last 5 years can be described as follows:

DKKm	2017	2016	2015	2014	2013
Key figures					
Gross margin	162,105	137,731	116,153	52,321	50,221
Ordinary operating profit	22,948	9,474	7,923	7,449	3,501
Net financials	601	375	96	335	282
Profit for the year	17,126	4,843	3,832	5,949	2,947
Total assets	126,514	98,602	111,195	111,081	46,626
Portion relating to investments in items of property, plant and equipment	48,353	45,568	54,879	18,034	19,018
Equity	51,959	31,717	34,302	32,623	27,674
Financial ratios					
Liquidity ratio	126,6	121,2	101,8	218,2	148,4
Equity ratio	41,1	32,2	30,8	29,4	59,4
Return on equity	48,4	14,7	11,4	19,7	10,8
Average number of full-time employees	199	177	159	68	72

Comparative figures have not been adjusted for mergers this year and previous years between Capio CFR A/S and the following subsidiaries

GHP OPA A/S

Smertecenter Skørping A/S

Københavns Privathospital A/S

Københavns Privathospital Facility ApS

Københavns Privathospital Facility 2 ApS

Center for Billeddiagnostik ApS

Astra Billeddiagnostik A/S

Privathospital Hunnerup ApS

as it has not been possible in practice to quantify the adjustments. Reference is made to Business review for further information. Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society. For terms and definitions, please see the accounting policies.

Management's review

Management commentary

Business review

As per January 18, 2017 the Company became a part of Capio AB Group. Therefore the Company changed its name from CFR Hospitaler A/S to Capio CFR A/S as per June 12, 2017.

In 2017, the Company was involved in consolidation activities. Capio CFR has acquired the company GHP –OPA, located in Aarhus.

In 2017, the subsidiary was fully consolidated and a legal merger was carried out for accounting purposes.

Furthermore, the Company acquired the activity of Viborg Privathospital and MR Scanner Aarhus.

This has resulted in a strengthening of the position of the Company's imaging division as it is now possible to perform MR diagnostics at all facilities, and mammography and ultrasound have become new areas of specialised fields in Jutland.

The acquisition of the new hospitals in Jutland has had very little effect on the result for 2017.

The Company's level of activity changed in 2017 due to the acquisition of and subsequent legal merger with GHP OPA A/S and acquisition of the activity in Viborg Privathospital and MR Scanner Aarhus.

Consequently, the financial statements for 2017 are, to an extent, incomparable with prior year's financial statements, in which the Company did not include the activities and operations from acquired companies and merged subsidiary. The Company's revenue is now based on a wide range of areas of specialised fields improving the possibility of servicing the large group of patients covered by public insurance and by private insurance companies as well as private patients.

During the year, the activity has been distributed evenly between the different areas of specialised fields.

The departments in Jutland, has participated in tenders for the performance of orthopaedic surgery, ENT, Mammography and plastic surgery and has entered into agreements in all areas.

The profit/loss for the year in the departments

The department in Hellerup had the most activity in covering spine surgery, orthopaedic surgery, hand surgery, urology and rheumatology/neurology. The activity stems from all the different categories – private, insurances and public. The activity was good during most of the year with expectations of lower activity levels during the summer and holiday periods.

The department in Lyngby also showed high performance, especially within the areas of gynaecology, abdominal surgery and ear, nose and throat surgery. This department has experienced an increase in the use of the different medical areas of specialised fields.

The department in Odense experienced a low rate of referral of public patients from the Region of Southern Denmark. However, the hospital has experienced continuous growth within other patient categories and the hospital has become a market leader within the field of private treatment and care in the Region of Southern Denmark.

The department in Skørping increased the activity in the year. The collaboration with the insurance companies has improved and the tender won within the area of orthopaedic surgery resulted in an increased level of activity during the year.

The department in Aarhus (former GHP-OPA) participated in a tender regarding Mammography and started up this activity in December. The activity in the Aarhus department needs to be improved and new specialities are going to be introduced.

The department in Viborg entered into the Company as per 1th November, 2017. The activity in Viborg is mainly orthopaedic surgery, but also urology and abdominal surgery and rheumatology is a part of the specialities in Viborg. The activity in Viborg has been very good in November and December

Management's review

Management commentary

General business

During the year, Capio CFR has experienced positive progress in the collaboration with the suppliers of patients. Current agreements were renegotiated and they were all extended except the agreement with Codan which is stopped as pr. 31.12.2017.

The relationship between the Company and the insurance companies has been very good and an effort was put in to providing the best experience for the patients during their treatment. This year, internal and external country-wide surveys were conducted in order to evaluate the level of patient satisfaction.

The feedback from these surveys showed a high level of patient satisfaction. The Company increased the level of activity and made more than 10,000 operations.

In 2017, the Company was accredited again. This year, the Danish Institute for Quality and Accreditation in Healthcare developed a new model for private hospitals. The Company has coordinated the work of improving the quality and implementing the same goals in all departments. The Company, for the first time, accredited jointly with a very good result. The Danish Institute Surveyors were very satisfied and the Company achieved accreditation with highest possible score.

Financial review

The Company's income statement for the year ended 31 December 2017 showed a net profit of DKK 20,2423 thousand, and at 31 December 2017, the balance sheet showed equity of DKK 126,514 thousand. Management considers the level of activity and the profit for the year as satisfactory.

Unusual circumstances that have affected recognition and measurement

Acquisition of GHP-OPA followed by tax-free legal merger

On 1, July 2017, the Company acquired the share capital of GHP-OPA A/S. The acquisition was accounted for by applying the acquisition method. Subsequent to the acquisition, the Board of Directors decided to carry out a legal merger between Capio CFR A/S and GPH-OPA A/S with Capio CFR A/S as the continuing company. The legal merger was carried out as a tax-free merger.

For financial statement purposes, the legal merger took effect at 1 January 2017. This approach is based on requirements as to tax-free mergers as set forth in Danish tax law. Consequently, the profit and loss of GHP-OPA A/S for the twelve month period ended on 31 December 2017 is incorporated in the Company's financial statements for 2017. The difference between the result from 1. January 2017 and the acquisition date at 1 July 2017 is recognised in equity. Negative differences (negative goodwill) are recognised in the income statement at the date of acquisition.

Outlook

The Company is now part of a strategy of a major group and it is the goal to take an increasing responsibility and role in the healthcare system in Denmark. The ambition of the Company is to take part in improvements in treatment and care, and as a part of a bigger group, it is the expectation that the Company will take part in the expected growth which will be seen in the treatment and care for a population with increasing demands for hospital treatment.

The increase in the level of activity in 2017 fulfilled the expectation from 2016. In 2017, gross margin increased by 15% and the operating profit increased by 105%. The Company expects continued positive development in both gross profit and operating profit in 2018. In 2018, gross profit is expected to increase by 2-5% and operating profit to increase by 3-5%.

Events after balance sheet date

No events that could significantly affect the financial statements have occurred after the balance sheet date.

Financial statements 1 January – 31 December

Income statement

Note	DKK'000	2017	2016
	Gross margin	162,105	137,731
3	Staff costs	-114,889	-104,505
4	Amortisation and depreciation of intangible assets and property, plant and equipment	-24,268	-23,752
	Operating profit	22,948	9,474
	Financial income	25	839
	Financial expenses	-626	-464
	Profit before tax	22,347	9,849
5	Tax for the year	-5,221	-5,006
	Profit for the year	17,126	4,843

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Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Non-current assets		
6	**Intangible assets**		
	Goodwill	31,240	29,973
		31,240	29,973
7	**Property, plant and equipment**		
	Leasehold improvements	3,487	4,601
	Fixtures and fittings, tools and equipment	8,053	6,692
		11,540	11,293
8	**Financial assets**		
	Other receivables	5,573	4,302
		5,573	4,302
	Total non-current assets	48,353	45,568
	Current assets		
	Receivables		
	Trade receivables	66,618	47,524
	Other receivables	1,456	89
9	Deferred tax assets	1,894	1,113
10	Prepayments	7,570	3,358
		77,538	52,084
	Marketable securities	0	482
	Cash	623	468
	Total current assets	78,161	53,034
	TOTAL ASSETS	126,514	98,602

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	1,053	1,053
	Retained earnings	50,906	30,664
	Dividend proposed for the year	0	0
	Total equity	51,959	31,717
	Long-term liabilities		
12	Other provisions	7,900	10,467
	Debt to credit intuitions	2,917	0
	Total long-term liabilities	10,817	10,467
	Short-term liabilities		
12	Other provisions	2,000	12,675
	Debt to credit institutions	1,670	8,123
	Trade payables	21,984	13,059
	Amounts owed to group entities	15,850	0
	Income taxes	741	4,237
	Other payables	21,493	18,324
	Total short-term liabilities	63,738	56,418
	TOTAL EQUITY AND LIABILITIES	126,514	98,602

1 Accounting policies
2 Special items
13 Contractual obligations and contingencies, etc.
14 Securities for loans
15 Related parties

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Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2017	1,053	30,664	0	31,717
	Profit for the period 1 January – 30 June 2017 for GHP-OPA A/S		3,116		3,116
	Adjusted equity at 1 January 2017	1,053	33,780	0	34,833
16	Appropriation of profit	0	17,126	0	17,126
	Equity at 31 December 2017	1,053	50,906	0	51,959

Financial statements 1 January – 31 December

Notes

1 **Accounting policies**

The annual report of Capio CFR A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-size reporting class C entities.

The accounting policies are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Capio AB.

Business combinations

Acquired entities are recognised in the financial statements from the date of acquisition or formation.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity's identifiable assets and liabilities are measured at fair value at the date of acquisition.

Restructuring costs, recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition, are included in the acquisition balance sheet and, hence, the calculation of goodwill. Costs relating to restructuring, determined by the acquiring entity, must be recognised in the income statement. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset.

Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met.

Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the year of acquisition.

Intra-group business combinations

The 'book value method' is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc., in which entities controlled by the Company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised in equity.

Tax-fee legal mergers with subsidiaries acquired in the financial year are recognised at the beginning of the financial year although the acquisition actually took place at a later date. As such, the profit or loss for the twelve months period ended 31 December of acquired entities is recognised in the Company's financial statements. The difference between the opening balance sheet of the acquired entity at the beginning of the year and the acquisition balance sheet is recognised directly in equity.

For accounting purposes, legal mergers with subsidiaries, which are legally considered, completed at the first day of the financial year, regardless of whether the transaction will actually take place at a later date, are accounted for at the first day of the financial year.

Reporting currency

The financial statements have been presented in DKK.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of surgeries is recognised in revenue when the surgery is completed.

Income from the sale of services is recognised in revenue on a straight-line basis as the services are rendered, as the services are provided in the form of an indefinite number of actions over a specified period of time.

Revenue is measured at fair value of the agreed consideration less VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items revenue, cost of sales, other external expenses and other operating income and expenses have been aggregated into one item called "Gross margin".

Other external expenses

Other external expenses comprise costs incurred in the year relating to the Company's main activity, including costs of distribution, sales, advertising, administration, premises, bad debts, payments relating to operating leases, etc.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

Goodwill	4 years

The residual value of intangible assets is determined at the time of acquisition and is reassessed every year.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

The basis of depreciation, which is calculated as cost less any residual value and is reduced by impairment losses, if any, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

Leasehold improvements	10 years
Other fixtures and fittings, tools and equipment	3-5 years

The residual value of property, plant and equipment is determined at the time of acquisition and is reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Staff costs

Staff costs comprise wages and salaries, incl. holiday pay and pensions, as well as other social security costs, etc., to the Company's employees.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual acquired business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is assessed as 4 years. The amortisation period is fixed on the basis of the expected repayment horizon.

Property, plant and equipment

Leasehold improvements and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

and the net present value of future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as discount factor. Assets held under finance leases are subsequently accounted for as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under "Contractual obligations and contingencies, etc.".

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Cost includes the consideration measured at fair value plus direct purchase costs. In case of evidence of impairment, an impairment test must be conducted. Investments are written down to the lower of the carrying amount and the recoverable amount.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is tested annually for evidence of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received.

Prepayments

Prepayments recognised under current assets comprise expenses incurred concerning subsequent financial years.

Marketable securities

Marketable securities, consisting of listed shares and bonds, are measured at fair value (market price) at the balance sheet date.

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Notes

1 Accounting policies (continued)

Equity

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in retained earnings.

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Income tax receivable" or "Income tax payable".

Deferred tax is measured by using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition, without an affecting neither the profit/loss for the year nor for the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rate applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions

Provisions are recognised when the Company has a present obligation (legal or a constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future and the effect of the time value of money is material, the obligation is measured at fair value.

Provisions relating to expected costs to mitigate risk associated with remedial action in respects of surgeries are measured at net realisable value and recognised based on past experience.

Provisions relating to earn-out arrangements are measured at net realisable value and recognised based on the expected outcome of the respective earn-out arrangements.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows::

Liquidity ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

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Notes

2 Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue-generating operating activities, e.g. expenses incurred to extensive structuring of processes and basic structural adjustments, as well as any relating disposal gains and losses, and which over time have a material impact. Special items also comprise significant one-off items, which in the opinion of Management do not form part of the Group's operating activities.

As disclosed in the Management's review, the profit for the year is affected by several matters that in the opinion of the Board of Directors do not form part of the operating activities.

Special items for the year are specified below just as are the items under which they are recognised in the income statement.

DKK'000	2017	2016
Income		
Negative goodwill in connection with purchase of GHP-OPA A/S	3,678	0
Special items are recognised in the below financial statement items		
Other operating income	3,678	0
Net profit/loss from special items	3,678	0

3 Staff costs

Wages and salaries	99,396	89,648
Pensions	13,189	12,419
Other social security costs	1,265	1,449
Other payroll-related expenses	1,039	989
	114,889	104,505
Average number of full-time employees	199	177

Staff costs include remuneration to the Executive Board, totalling DKK 4,338 thousand (2016: DKK 5,398 thousand), pensions, totalling DKK 232 thousand (2016: DKK 644 thousand), and directors' fees to the members of the Board of Directors, totalling DKK 0 thousand (2016: DKK 120 thousand).

4 Amortisation and depreciation of intangible assets and property, plant and equipment

Amortisation of intangible assets	18,884	15,467
Depreciation of property, plant and equipment	5,951	8,285
Write-down of earn-out	-567	0
	24,268	23,752

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5	**Tax for the year**		
	Current tax for the year	6,002	5,213
	Adjustment of the deferred tax charge for the year	-781	-207
	Prior-year adjustments	0	54
		5,221	5,060

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6 Intangible assets

DKK'000	Goodwill
Cost at 1 January 2017	69,664
Additions	20,150
Disposals	0
Cost at 31 December 2017	89,814
Amortisation at 1 January 2017	39,691
Amortisation in the year	18,883
Amortisation at 31 December 2017	58,574
Carrying amount at 31 December 2017	31,240
Amortised over	4 years

Management has not identified any evidence of impairment relating to the carrying amount of goodwill.

7 Property, plant and equipment

DKK'000	Leasehold improve-ments	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	46,023	75,054	121,077
Additions through mergers with subsidiaries	0	2,100	2,100
Additions	992	2,117	3,109
Cost at 31 December 2017	47,015	79,271	126,286
Depreciation and impairment losses at 1 January 2017	41,422	68,362	109,784
Depreciation	2,106	2,856	4,962
Depreciation and impairment losses at 31 December 2017	43,528	71,218	114,746
Carrying amount at 31 December 2017	3,487	8,053	11,540
Items of property, plant and equipment include assets held under finance leases with a carrying amount totalling	0	4,584	4,584
Depreciated over	10 years	3-5 years	

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8 **Financial assets**

DKK'000	DKK'000 Lease deposits
Other receivables	
Cost at 1 January 2017	4,302
Additions	1,271
Carrying amount at 31 December 2016	5,573

	DKK'000	2017	2016
9	**Deferred tax assets**		
	Deferred tax assets at 1 January	1,113	843
	Current year adjustment of deferred tax	781	207
	Deferred tax regarding acquisitions	0	63
		1,894	1,113
10	**Prepayments**		
	Prepaid insurance premiums	2,231	1,730
	Other prepaid expenses	5,339	1,628
		7,570	3,358

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11 Share capital

The share capital comprises 1,053 shares of DKK 1,000 nominal value each. All shares rank equally.

Analysis of changes in the share capital over the past five years:

DKK	2017	2016	2015	2014	2013
Balance at 1 January	1,053	1,092	978	978	978
Cash capital increase	0	0	114	0	0
Capital reduction to cover loss	0	39	0	0	0
Balance at 31 December	1,053	1,053	1,092	978	978

Treasury shares

In 2015, the Company acquired 98 treasury shares, equivalent to 10% of the share capital at the transaction date, and sold 58 treasury shares, equivalent to 6% of the share capital at the transaction date. At 31 December 2015, the Company held 39 treasury shares of DKK 1,000 nominal value each, accounting for 4% of the share capital at 31 December 2015.

In 2016, the 39 treasury shares were cancelled through a capital decrease carried out in the financial year.

The Company holds no treasury shares at 31 December 2017.

DKK'000	2017	2016
12 Other provisions		
Other provisions at 1 January	23,142	21,567
Used during the year	-12,675	-2,325
Reversal	567	0
Provision for the year	0	3,900
Other provisions at 31 December	9,900	23,142

Other provisions are expected to mature within:

< 1 year	2,000	14,675
1-5 years	3,900	6,467
> 5 years	4,000	2,000
Total	**9,900**	**23,142**

Other provisions comprise provisions relating to expected costs to mitigate risk associated with remedial action in respects of surgeries and earn-out provisions

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13 Contractual obligations and contingencies, etc.

Contingent liabilities

Capio CFR A/S is party to a few pending legal disputes. In Management's opinion, the outcome of these legal disputes will not affect the Company's financial position apart from the receivables and payables recognised in the balance sheet at 31 December 2017.

The Company is jointly taxed with other Danish entities in the Capio group and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2017 onwards as well as withholding taxes on interest, royalties and dividends.

Operating lease liabilities

Lease liabilities (operating leases), which fall due within 4 years, total DKK 30,549 thousand (2016: DKK 29,802 thousand).

14 Securities for loans

The Company has provided a payment guarantee of DKK 919 thousand to Nordea Properties.

15 Related parties

Related party transactions

Capio CFR A/S' related parties comprise the following:

Parties exercising control

Capio Danmark Holding A/S, Søndre Strandvej 40, 1., 3000 Helsingør.
Capio Danmark Holding A/S holds the majority of the share capital in the entity.

Besides being a part of the Group Company's cash-pool the Company only has one transaction regarding scared services within IT of DKK 1 thousand.

Remuneration/fees to members of the Executive Board and the Board of Directors are reflected in note 3.

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DKK'000	2017	2016
16 Appropriation of profit		
Recommended appropriation of profit		
Dividend proposed for the year	0	0
Transferred to reserves under equity	17,126	4,843
	17,126	4,843