M1 Kliniken AG

ANNUAL REPORT

2016

Key figures M1 Kliniken AG

Consolidated profit and loss statement according to IFRS (in EUR)

	Fiscal year 2016	Fiscal year 2015
Sales	35,955,128.64	34,926,334.71
EBIT	4,364,100.79	7,015,602.91
Net profit	5,007,460.28	6,630,755.14

Consolidated balance sheet according to IFRS (in EUR)

	Fiscal year 2016	Fiscal year 2015
Assets		
Short-term assets	16,994,567.89	19,604,915.81
Long-term assets	15,191,765.58	13,582,397.18
Total assets	32,186,333.47	33,187,312.99
Liabilities		
Short-term liabilities	1,924,752.13	3,424,830.70
Long-term liabilities	4,210.19	12,571.42
Equity	30,257,371.15	29,749,910.87
Total liabilities and equity	32,186,333.47	33,187,312.99

The share

Classes of shares	Bearer shares
Number of shares	15,000,000
WKN / ISIN	A0STSQ / DE000A0STSQ8
Ticker symbol	M12
Trading shares	Frankfurt, Xetra, Düsseldorf, Stuttgart
Market segment	Open Market
Designated Sponsor, Listing Partner	Dero Bank AG, Oddo Seydler Bank AG
Coverage	GBC AG, First Berlin Equity Research GmbH

Content


M1
Med Beauty

Dear shareholders,
dear Ladies and gentlemen,

the M1-Group further expanded its market position as one of Germany's leading healthcare providers for private pay services in the financial year 2016.

The growth in the trade of pharmaceuticals and medical products as well as services in the field of plastic and aesthetic beauty treatments benefited from the opening of further branches, offering outpatient procedures at 13 locations throughout Germany.

The clinic for plastic and aesthetic beauty treatments in Berlin is often visited by patients from Berlin, foreign patients from all over Germany and foreign guests, to be treated by our team consisting of the medical director, the surgeons and nurses.

The business development of the M1-Group and the perspectives of the market for products and services from the beauty sector will continue to be positively influenced.

At this point I would like to thank our employees for their high commitment in 2016 and the supervisory board for our good cooperation.

Yours,

Patrick Brenske
Management Board

Report of the supervisory board

Supervision and cooperation with the management board

In the financial year 2016, the supervisory board of M1 Kliniken AG fulfilled its duties according to the law and the statutes with great care. The management board was consulted in its activity by the supervisory board. The supervisory board has been involved in all decisions with fundamental importance for the company by the management board immediately and at an early stage. The management board regularly informed the supervisory board orally, by telephone and in writing, on time and comprehensively about the business performance, the economic situation of the company and the Group, signifi cant events of business operations, the company's plans including issues of the business policy and risk management, the development of cost and earnings, liquidity as well as investment measures. The management board was able to convince itself of the proper governance of the company. Topic-related committees within the supervisory board were not formed.

Meetings, consultations and resolutions

In the financial year 2016, the supervisory board held five ordinary meetings, three of which in the first half-year and two in the second half-year. All sessions reached quorum.

In the sessions, a.o. the following issues were central:

- the situation of the company
- the strategic development and its operative realization
- the current competitive, organizational and staff situation
- the short and medium term investment planning

Further informal meetings and phone conferences took place between the supervisory board and the management board to discuss new important business developments.

Annual financial statements

The supervisory board convinced itself of the proper management of the company. The annual financial statements established by the management board, the consolidated financial statements and the consolidated management report of M1 Kliniken AG for the financial year ending on December 31, 2016, accounting included, have been audited by the auditor nominated by the general shareholders' meeting, Harry Haseloff, Berlin, and confirmed with an unqualified audit opinion.

The annual financial statements, the consolidated financial statements, the consolidated management report of M1 Kliniken AG and the proposal for the appropriation of the balance sheet profit have been handed out to each member of the supervisory board in good time for the balance sheet meeting on April 26, 2017. In the balance sheet meeting on April 26, 2017, the auditor reported on the essential results of his audit and was available for questions of the members of the supervisory board. We have ourselves reviewed the annual financial statements established by the management report as well as the consolidated financial statements. In the supervisory board meeting on April 26, 2017, we approved the annual financial statements prepared by the management board and the Group financial statements. The annual financial statements are thus adopted.

Dependency report

For its financial year ending on December 31, 2016, M1 Kliniken AG prepared a dependency report according to article 312 German Stock Corporation Act.

The dependency report has been audited by the auditor nominated by the general shareholders‘ meeting, auditor Harry Haseloff, Berlin, according to article 313 paragraph 1. The auditor, Harry Haseloff, has prepared a separate written report on the results of the audit. Since no objections were to be made against the report of the management board, the audit opinion has been issued as of April 15, 2017, according to article 313 paragraph 3 German Stock Corporation Act.

In the balance sheet meeting on April 26, 2017, the auditor reported on the results of his audit and confirmed that the actual information of the dependency report is correct, that the consideration granted by the company in the legal transactions listed in the report were not too high or compensation for disadvantages was given and that with respect to the measures mentioned in the report, no circumstances could support any judgement substantially different from that of the management board.

The dependency report has been submitted in time to the supervisory board before the balance sheet meeting on April 26, 2017, according to article 314 German Stock Corporation Act. In its session on April 26, 2017, the supervisory board has comprehensively checked the dependency report for completeness and correctness. As a result, the supervisory board has concluded that no objections are to be made against the statement of the management board at the end of the report about the relations with associated companies and has approved the dependency report.

Composition of the supervisory board

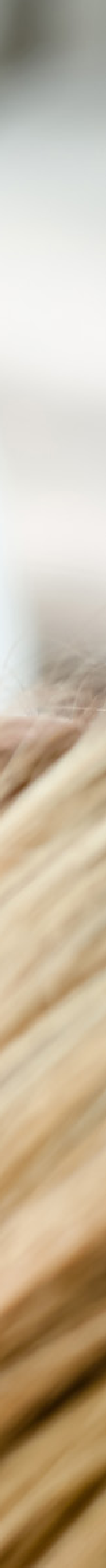
In the period from January 1, 2016 to December 31, 2016, the supervisory board was composed in collaboration of the supervisory board members Dr. Christian Pahl (chairman), Dr. Albert Wahl (vice chairman) and Prof. Dr. Dr. Sabine Meck (member).

Other

The supervisory board thanks Mr. Patrick Brenske for the outstanding achievements in the expansion of the group. The supervisory board is looking forward to continuing the successful cooperation.

Berlin, April 26, 2017

Dr. Christian Pahl
(Chairman of the supervisory board)



Group management report of the M1 Kliniken AG

1 Company profile

M1 Kliniken AG is a group of companies whose business activities are focused on the medical aesthetic market, and which offers affordable access to aesthetic medical treatment with its "Made in Germany" products and services.

Along with a comprehensive range of medical aesthetic treatments, the company group develops and markets pharmaceutical, medical and medical technology products for aesthetic surgery and cosmetic dermatology.

2 Organisation and business segments

M1 Med Beauty Berlin GmbH operates specialist medical centres for aesthetic and plastic surgery at locations throughout Germany. In these centers experienced medical doctors cover a wide range of aestetic treatments at reasonable prices. The number of customers who value this attractive range of services is constantly increasing.

With respect to the medical aestetic treatments we constantly gain comprehensive product experience. M1 Aesthetics GmbH uses this product experience in product selection and development. As an innovative healthcare company, it is specialised in developing and marketing pharmaceutical, medical and medical technology products for aesthetic surgery, plastic surgery and cosmetic dermatology. Central to the corporate strategy is the marketing of brand name products to doctors, pharmacies and wholesalers.

New openings in Hamburg, Bremen, Köln, Braunschweig, Hannover, Stuttgart, Frankfurt am Main und Nürnberg

1. BERLIN
Fasanenstraße 77
10623 Berlin

2. MÜNCHEN
Münchner Freiheit 4
80802 München

3. ESSEN
Kettwiger Straße 2-10
45127 Essen

4. DÜSSELDORF
Königsallee 33
40212 Düsseldorf

5. SCHLOSSKLINIK
Grünauer Straße 5
12557 Berlin

6. HAMBURG
Mönckebergstraße 13
20095 Hamburg
opened: April 2016

7. BREMEN
Teerhof 59
28199 Bremen
opened: April 2016

8. KÖLN
Neumarkt 1a
50667 Köln
opened: May 2016

9. BRAUNSCHWEIG
Damm 2
38100 Braunschweig
opened: June 2016

10. HANNOVER
Rathenaustraße 13/14
30159 Hannover
opened: July 2016

11. STUTTGART
Büchsenstraße 10
70173 Stuttgart
opened: August 2016

12. FRANKFURT AM MAIN
Schillerstraße 28
60313 Frankfurt am Main
opened: August 2016

13. NÜRNBERG
Königstraße 4
90402 Nürnberg
opened: December 2016

Locations


6
Hamburg
7
Bremen
10
Hannover
9
Braunschweig
1
Berlin
5
Berlin – Schlossklinik
3
Essen
4
Düsseldorf
8
Köln
12
Frankfurt am Main
13
Nürnberg
11
Stuttgart
2
München
existing clinics
New openings in 2016

35 patient beds

110000 Facebook-Likes

90% of customers for filler treatments are returning

6 surgery rooms

For comparison: Until mid-2016 it was one surgery room.

1000 customer enquiries per day

For comparison: At the beginning of 2016, there were an average of 100 requests per day.

24000
Instagram Follower

50000
ambulant treatments

100000 website visitors monthly

1,4 mt
Silicon were used
For comparison: In 2015 it was about 600 kg.

2200
stationary treatments

3 Economic report

3.1 Overall sector-related economic environment

3.1.1 Economic environment

The core market for business activities during the last financial year was Germany. Domestic economic growth was very robust in 2016. Even Brexit, in the meantime a factor of insecurity in the aftermath of which a break-up of the European Economic Community was predicted, did not hinder economic growth. After an increase in gross domestic product (GDP) of 1.7% in 2015, GDP actually increased after calendar adjustment by 1.9 percent points in 2016.[1]

The driving forces behind the economic upturn were the continuing property boom, state consumer spending (+ 4.2 percent compared with the previous year) and private consumer spending (+ 2.0 percent). Thus the German state was able to record increased revenue income for the third year running, and a surplus for the federation, states and local authorities of EUR 23.7 billion.[2]

Outlook:

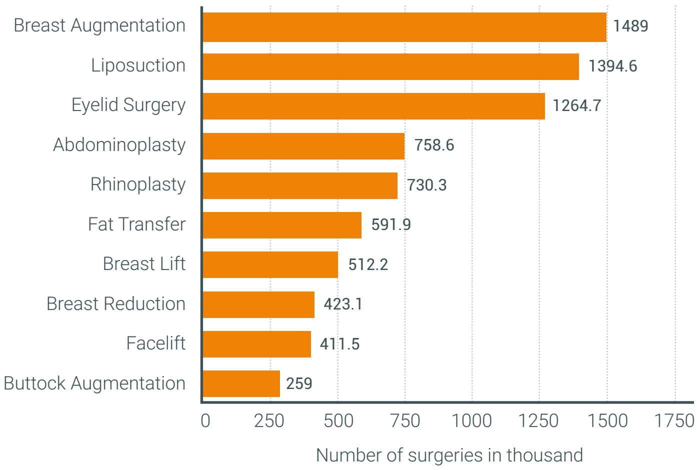
Various economic research institutes expect a continued – if slightly weaker – moderate rate of growth in the German economy of approx. 1.5%. The continued rate of growth could go on decreasing, as the effects of monetary policy and the positive real income effects of the drop in oil prices diminish. Parallel to slightly increasing oil prices, inflation is also set to increase again.

3.1.2 Sector-related environment

The aesthetic treatment market also continued to be a definite growth market in 2016. For widely-differing reasons more and more people opted to undergo an aesthetic operation. The market share for aesthetic-plastic surgery carried out by qualified specialists thus continued to increase and established the trend which has evolved over the past few years. According to a survey of members of the German Plastic, Reconstructive and Aesthetic Surgery Society (DGPRÄC) and the Society of German Aesthetic-Plastic Surgeons (VDÄPC), the demand for classic and aesthetic operations as well as minimally-invasive treatments remains high – and is increasing. This in turn means that operations of this kind are increasingly being seen as acceptable by society, and show marked growth in volume. Aesthetic operations lead to increased self-esteem, and thus to an increased "feelgood factor" in all areas of life. Self-confidence can be increased by the removal of subjective and objective cosmetic flaws under the highest medical standards in the space of just a few hours. The reasons for this are often varied, and range from psychological suffering or the quest for a better quality of life to actual everyday pain. This also concerns an increasing number of male patients, as revealed by Univ.-Prof. Dr. Dr. h. c. Raymund E. Horch as President of the DGPRÄC.[3]

The constant aim of aesthetic-plastic surgery is to harmonise outward appearance. In 2015, demand was highest for breast enlargements, liposuction and eyelid plastic surgery, with around 4.2 million operations.[4]

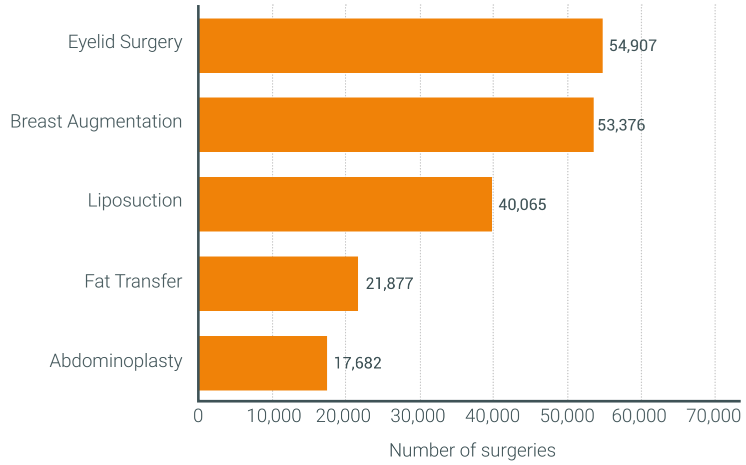
The most common plastic surgeries worldwide



Source: Statista

In 2015 53,376 breast enlargement operations were carried out in Germany, which represents a quota of almost 6.5 operations per 10,000 inhabitants. In comparison, around 310,000 operations were recorded in this segment in the USA, which represents a quota of just over 9.5 operations per 10,000 inhabitants. In Germany this denotes an increase of about 12 percent compared with 2014, and is also an indication of continued potential due to the establishment of international trends. Only eyelid operations came lower in the ranking by number of operations in Germany, with 54,907 surgical operations.[5]

The most common plastic surgeries in Germany



Source: Statista

Among the patients, a considerable increase in the number of operations undergone by men can be observed. One in five of all aesthetic-plastic operations are currently carried out on male patients. The background to this is that men are realising that positive self-esteem and a cultivated outward appearance radiates a positive effect on all other areas of life. The most popular operations are breast reductions (gynecomastia), liposuction and hair transplants.

Minimally invasive operations continue to be in demand especially from out-patient providers, and according to figures provided by the DGPRÄC and the VDÄPC, they are increasing in number by 8 percent per year. Figures also reveal that wrinkle treatments with botulinum toxin (Botox) are at the top of the services ranking with around 50 percent. A trend which can further emphasise and preserve natural beauty and youthfulness in the long term.[6]

The economic growth described in 3.1.1 has a direct effect on the willingness to pay of private patients, who generally have to meet the costs of aesthetic-medical treatments and aesthetic-plastic operations themselves. But these costs are linked with very modern treatment methods, an increasingly large proportion of which can be carried out on an out-patient basis.

M1 Kliniken AG recognised this trend early on, and successfully positioned itself in this fast-growing healthcare market segment with special clinics and specialist out-patient centres. By combining high quality with the keenest prices, further customer groups can be developed to generate growth in the current financial year.

3.2 Business development

The M1 Group operates in the growth market for aesthetic medical treatment and plastic surgery.

Turnover in 2016 increased to EUR 35.96 million (previous year: EUR 34.93 million). Turnover growth was 2.95%. Turnover was driven by growth in the products and services segments.

The M1 Group and all its employees focus in the first instance in their daily work on the needs of the customer. Service, Quality and Reliability are the foundations of our customer focus, and at the same time the driving forces behind our continued growth.

3.3 Assets, financial and earnings positions

3.3.1 M1 Group earnings position (IFRS)

The company position continues as before to be characterised by the growth of our operative business.

The turnover of the M1 Group is generated predominantly in the aesthetic medical treatment segment. Turnover increased from EUR 34.93 million in 2015 to EUR 35.96 million in 2016.

The annual net profit of EUR 6.63 million in 2015 decreased to EUR 5.01 million in 2016. The reason for this was the infrastructural development of new M1 business locations together with the development of existing M1 business locations in 2016. In addition to this, in 2016 the clinic location in Berlin was extended and the Berlin company group headquarters was expanded.

3.3.2 M1 Group financial position (IFRS)

Our financial position can be assessed as very stable. Our financial management is designed always to ensure the settlement of accounts payable within the payment deadlines, and to collect accounts receivable within payment targets.

Our capital structure is good. In 2016 equity capital increased from EUR 29,750,000 to EUR 30,257,000. The equity capital ratio increased from 89.6% in 2015 to 94.0% in 2016.

Equity capital provides 199% coverage for our non-current assets (previous year: 219%).

The liquidity position is to be evaluated as good, at EUR 5,812,000. Capital flow led to an increase in liquidity of EUR 5,399,000 (previous year: liquidity decrease EUR 1,985,000).

3.3.3 M1 Group asset position (IFRS)

The asset position of the M1 Group is good. Other current assets increased from EUR 107,000 in 2015 to EUR 2,704,000 in 2016. Liquid assets increased from EUR 412,000 in 2015 to EUR 5.812,000 in 2016. Inventories decreased from EUR 3,181,000 in 2015 to EUR 1,410,000 in 2016. Trade receivables decreased from EUR 15,655,000 in 2015 to EUR 6,841,000 in 2016.

Fixed assets amounted to EUR 15,072,000 (previous year: EUR 11,029,000). Our overall economic position can be described as good.

3.4 Financial performance indicators of the M1 Group (IFRS)

For our internal management control we use the key figure EBIT. EBIT amounted to EUR 4,364,000 (previous year EUR 7,016,000), and EBITDA amounted to EUR 4,652,000 (previous year EUR 7,235,000).

Overall the M1 Group operates profitably and the financial position can altogether be described as good.

4 Forecast report

We evaluate the future development of the M1 Group as positive.

We will also continue in the future to be able to meet our payment obligations on schedule.

5 Opportunities and risks report

5.1 Risk report

5.1.1 Sector-specific risks:

Constantly increasing regulatory legislation, severe pressure on margins in the pharmaceutical and medicinal products market and continual change in this market due to exchange rate risk and price differences in the procurement of medicines and medical technology can have a negative influence on our turnover and earnings position.

In the aesthetic treatment segment there is a risk that the sense and perception of beauty in society might change. Should a different ideal develop regarding beauty which contradicts that represented in previous aesthetic treatment, this could represent a considerable business risk.

Furthermore, new market participants whose concept aligns with ours could present us with competition.

5.1.2 Financial risks

Due to the stable liquidity and equity capital positions of our company, there are currently no liquidity risks.

There are no substantial currency risks which could affect the assets, financial or earnings positions of the company group.

The liquidity position is satisfactory; no difficulties are to be anticipated.

5.1.3 Risk management system

The M1 Group uses a risk management system for the systematic identification of significant risks which might pose a threat to the continued existence of the company, in order to evaluate their effects and to prepare appropriate counter-measures.

The fundamental aim of the risk management system is to avoid financial losses, defaults and disruptions or to implement appropriate counter-measures without delay. In the scope of this system, the executive board and supervisory board are informed of risks in good time. In this process, monitoring liquidity and earnings development are important mechanisms for early recognition. Monitoring operative development and identifying timely deviations from planned business development is the responsibility of the controlling departments. Should it be necessary, those responsible in the specialist departments decide in collaboration with the executive board upon the appropriate strategy and measures required for controlling the risks.

5.2 Opportunities report

The medical-aesthetic market is and will continue to be a growth market. Because we are specialised in aesthetic medical treatment and the development and marketing of pharmaceutical, medical and medical technology products for aesthetic surgery and cosmetic dermatology with the corresponding price leadership, we will participate to an above average extent in this growth.

We maintain and ensure our high quality standards by means of our internal quality management system.

We will continue to face up to the competition in the market, especially the increasing competition from providers in our segment, with experience, innovation, reliability and a high level of service and quality.

5.3 Summary statement

We envisage continuing risks to future development in a competitive environment characterised by increasing purchasing prices and stagnating sales prices. However, with our financially stable background, we consider ourselves to be well-equipped to face and overcome future risks. At this point in time there are no recognisable risks which might endanger the continued existence of the company group.

6 Risk report regarding the use of financial instruments

The main financial instruments which the company group has at its disposal include securities, receivables, liabilities and bank balances.

The companies belonging to the company group have a solvent customer base. Defaults on receivables are an absolute exception.

Accounts payable are settled within the agreed deadlines.

In the management of the financial position the company group adheres to a conservative risk policy. Insofar as financial asset value default and credit risks can be identified, the appropriate adjustments are made. In order to minimise default risks, the company group has an adequate credit management system. In addition to this, we always determine the credit rating of our customers before we embark on a new business relationship.

7 Report on branches

The company does not have any branches.

8 Closing statement pursuant to article 312 number 3 paragraph 3 German Stock Corporation Act

Pursuant to Article 312 of the German Stock Corporation Act, the board of directors compiled a report about the relationships with affiliated companies, which contained the following closing statement: “Our company and its subsidiaries received reasonable consideration in all transactions in the light of the circumstances known to it at the time the transactions with the controlling company and with other associated companies were undertaken.”

Berlin, 31 March 2017
M1 Kliniken AG

Patrick Brenske
(Management Board)


19
14%
15%

Group financial statements

Group profit and loss summary account

for the period from 1 January to 31 December 2016*

	2016 EUR	2015 kEUR
Sales	35,955,128.64	34,926
Change in inventories	0.00	13
Other operating income	5,428,158.69	446
Cost of materials		
Cost of purchased goods and services	-27,939,416.71	-24,602
Labour costs		
Wages and salaries	-3,131,510.26	-1,336
Social insurance contribution	-670,748.20	-234
	-3,802,258.46	-1,570
Depreciation / Amortisation	-288,025.24	-219
Other operational expenses	-4,989,486.13	-1,978
EBIT (earnings before interest and tax)	4,364,100.79	7,016
Interest income	139,948.37	24
Income from investments	999,000.00	0
Interest and other expenses	-14,473.20	-270
Financial result	1,124,475.17	-245
EBT (earnings before tax)	5,488,575.96	6,770
Income tax	-476,243.61	-138
Other tax	-4,872.07	-2
Net profit	5,007,460.28	6,631
Undiluted earnings per share (in EUR)	0.33	0.44

* Accounting under IFRS

Group balance sheet – Assets

as of 31 December 2016*

	2016 EUR	2015 kEUR
Liquid funds	5,811,866.65	412
Trade receivables	6,841,356.86	15,655
Inventories	1,410,304.23	3,181
Other short-term financial assets	2,704,268.84	107
Other short-term assets	226,771.31	225
Income tax receivables	0.00	25
Short-term assets	16,994,567.89	19,605
Intangible assets	126,591.00	13
Company value	8,028,736.90	8,029
Tangible assets	1,033,916.00	447
Financial assets	5,882,352.94	1,310
Shares of associated companies	0.00	1,230
Other long-term financial assets	0.00	2,524
Other long-term assets	120,168.74	29
Long-term assets	15,191,765.58	13,582
TOTAL ASSETS	32,186,333.47	33,187

* Accounting under IFRS

Group balance sheet – Liabilities

as of 31 December 2016*

	2016 EUR	2015 kEUR
Accruals	669,393.38	138
Trade payables	601,258.13	2,764
Bank loans	13,914.25	16
Other short-term financial liabilities	16,735.93	161
Other short-term liabilities	623,450.44	346
Short-term liabilites	1,924,752.13	3,425
Accruals	4,210.19	10
Deferred tax	0.00	3
Long-term liabilities	4,210.19	13
Subscribed capital	15,000,000.00	15,000
Legal reserve	679,206.70	635
Revenue reserve	13,755.41	14
Balance sheet profit	14,564,409.04	14,101
Equity	30,257,371.15	29,750
TOTAL LIABILITIES	32,186,333.47	33,187

* Accounting under IFRS

Consolidated cash flow statement

as of 31 December 2016*

	2016 EUR	2015 kEUR
Operating activities		
1. Net profit/ Period income	5,007,460.28	6,631
2. Depreciation on fixed assets	288,025.24	219
3. Change in long-term accruals	-5,763.20	4
4. Change in short-term accruals	110,080.28	-874
5. Change in short-term accruals	0.00	-352
6. Change in financial asset valuation	-4,591,221.79	227
7. Change in inventory	1,770,260.86	-2,206
8. Change in trade receivables and other assets	5,523,540.74	3,066
9. Change in trade payables and other liabilities	494,395.89	-4,308
10. Profit / loss from the disposal of fixed assets	22,167.77	-2,574
11. Interest expense / income	-127,258.50	245
12. Other investment income	-999,000.00	0
13. Tax expense / income	476,243.61	138
14. Income tax payments	-32,226.53	-141
Cash flow from operating activities	7,936,704.65	73
Investment activities		
1. Payments for investments in intangible assets	-146,771.55	0
2. Payments received from the disposal of tangible assets/ investment properties	734.72	0
3. Payments for the acquisition of fixed assets	-841,920.41	-678
4. Payments received from the disposal of financial assets	1,826,743.14	2,324
5. Investment in financial assets	0.00	-1,040
6. Interest income	139,948.37	24
7. Investment income	999,000.00	0
Cash flow from investment activities	1,977,734.27	630
Financing activities		
1. Change of bank liabilities	-2,336.49	-2,005
2. Interest expenses	-12,689.87	-270
3. Dividends paid	-4,500,000.00	0
Cash flow from financing activities	-4,515,026.36	-2,275
Changes of the financing fund due to change in the basis of consolidation	0.00	-415
Cash flow	5,399,412.56	-1,985
1. Liquid funds on 01 January 2016 / previous year	412,454.09	2,398
2. Liquid funds on 31 December 2016 / previous year	5,811,866.65	412
Change in liquid funds	5,399,412.56	-1,985

* Accounting under IFRS

Consolidated equity change account

as of 31 December 2016*

	Share capital EUR	Legal reserve EUR	Revenue reserve EUR	Balance sheet profit EUR	Total equity EUR
As of 1 January 2015	15,000,000.00	284,553.62	27,575.37	10,081,462.99	25,393,591.98
Period result	0.00	0.00	0.00	9,530,712.41	9,530,712.41
Allocation / dissolution reserves	0.00	350,556.45	-13,819.96	-336,736.49	0.00
Dividends	0.00	0.00	0.00	-4,500,000.00	-4,500,000.00
Change basis of consolidation	0.00	0.00	0.00	-2,274,436.25	-2,274,436.25
As of 1 January 2016	15,000,000.00	635,110.07	13,755.41	14,101,045.39	29,749,910.87
Period result	0.00	0.00	0.00	4,963,363.65	4,963,363.65
Allocation / dissolution reserves	0.00	44,096.63	0.00	0.00	44,096.63
Dividends	0.00	0,00	0.00	-4,500,000.00	-4,500,000.00
As of 31 December 2016	15,000,000.00	679,206.70	13,755.41	14,564,409.04	30,257,371.15

* Accounting under IFRS

Consolidated assets development

as of 31 December 2016*

	Acquisition and manufacturing costs					Cumulated depreciation					Book values	
	01.01.2016	Addition EUR	Disposal EUR	Reclassification	As of 31.12.2016 EUR	As of 01.01.2016 EUR	Amortisation EUR	Attributions EUR	Disposals EUR	As of 31.12.2016 EUR	As of 31.12.2016 EUR	As of 01.01.2016 EUR
Intangible assets	40,559.92	146,771.55	0.00	0.00	187,331.47	-27,380.92	-33,359.55	0.00	0.00	-60,740.47	126,591.00	13,179.00
Company value	8,028,736.90	0.00	0.00	0.00	8,028,736.90	0.00	0.00	0.00	0.00	0.00	8,028,736.90	8,028,736.90
	8,069,296.82	146,771.55	0.00	0.00	8,216,068.37	-27,380.92	-33,359.55	0.00	0.00	-60,740.47	8,155,327.90	8,041,915.90
Tangible assets	494,126.33	841,920.41	-734.72	0.00	1,335,312.02	-46,730.33	-254,665.69	0.00	0.00	-301,396.02	1,033,916.00	447,396.00
Advance payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00
Financial assets	1,094,207.20	380,911.67	-1,475,118.87	1,230,000.00	1,230,000.00	215,834.86	0.00	4,652,352.94	-215,834.86	4,652,352.94	5,882,352.94	1,310,042.06
Shares in associa-ted companies	1,230,000.00	0.00	0.00	-1,230,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,230,000.00
TOTAL	10,887,630.35	1,369,603.63	-1,475,853.59	0.00	10,781,380.39	141,723.61	-288,025.24	4,652,352.94	-215,834.86	4,290,216.45	15,071,596.84	11,029,353.96

* Accounting under IFRS

Notes to the group financial statements

1 General information

The parent company is M1 Kliniken AG, which was founded in the financial year 2007. The company is registered in the commercial register of Amtsgericht Berlin-Charlottenburg under HRB 107637 B and has it's domicile in Grünauer Straße 5, 12557 Berlin. With the decision of the Annual General Meeting on June 15, 2016 and the registration in the Commercial Register of Amtsgericht Berlin-Charlottenburg on July 7, 2016, M1 Beauty AG was renamed to M1 Kliniken AG. The M1 Kliniken-Group operates in the aesthetic medicine. The business of the group focusses essentially on the provision of services for in plastic surgery and aesthetic treatment employed doctors, medical practices and medical associations, the trade and acquisition of pharmaceutical and medical products, such as development and operation or sale of properties, especially from the healthcare sector.

The consolidated financial statements for the time period from January 1 to December 31, 2016, of M1 Kliniken AG, Berlin, were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as they are to be applied in the European Union. The values for the financial year are stated in EUR / kEUR and for the previous year in kEUR, unless otherwise indicated. The new standards adopted by the IASB have been observed since the time they came into force.

The following standards and interpretations as well as modifications of exisiting standards must initially be applied for the first time in the financial year 2016, whereby this did not result in any significant impacts for M1 Kliniken AG:

- Annual improvements (cycle 2012 – 2014) – diverse (applicable for financial years commencing on or after January 1, 2016)
- IFRS 14 – Regulatory delimitation point (applicable for financial years commencing on January 1, 2016)
- IFRS 11 – Accounting for the acquisition of shares in joint activities (applicable for financial years commencing on January 1, 2016)
- Changes on IAS 16 and IAS 38 – Clarification on permitted depreciation methods (applicable for financial years commencing on January 1, 2016)
- Changes on IAS 27 – Application of the Equity Method in individual financial statements (applicable for financial years commencing on January 1, 2016)
- Changes on IFRS 10, IFRS 12 and IAS 28 – Application of consolidation exemption on investment companies (applicable for financial years commencing on January 1, 2016)

The company has considered and will consider the application of new standards and interpretations, at the respective time, when this is obligatory in the EU. Significant impacts on the balance sheet and profit and loss account have not been and will not be expected.

The accounting and valuation was undertaken under the assumption of continuation of the company.

The balance sheet of M1 Kliniken-Group has been prepared according to maturity aspects whereby assets and debts, with realisation or redemption anticipated within twelve months after the balance sheet date, were classified as short-term in accordance with IAS 1. Deferred tax claims and deferred tax liabilities are each fully recognised in the long-term assets or long-term debts in accordance with IAS 1.56.

The profits and losses are listed in the consolidated income statement, which was compiled in accordance with the total cost method.

The applied accounting and valuation methods fundamentally correspond to the applied methods in the previous year.

For reasons of clarity of the presentation, individual positions in the balance sheet and consolidated profit and loss summary account have been grouped. The classification of these positions is shown in the notes. In the presentation rounding differences to the mathematically exact resulting values may occur.

2 Basis of consolidation

In the consolidated financial statements as of December 31, 2016, the following dominated subsidiaries next to M1 Kliniken AG have been included.

The domination results from the fact, that M1 Kliniken AG holds directly or indirectly more than 50 percent of the voting rights of the share capital of a company and/or is able to steer the financial- and business policy of a company in such a way, that it profits from those activities.

Name of the company	Domicile of the company	Date of initial consolidation
M1 Med Beauty Berlin GmbH	Berlin	01. August 2013
Beauty Now GmbH	Berlin	16. December 2015
Saname GmbH	Schönefeld	22. May 2013
M1 Aesthetics GmbH	Schönefeld	06. July 2013

M1 Med Beauty Berlin GmbH has been consolidated since August 01, 2013. The business purpose of M1 Med Beauty Berlin GmbH is the provision of services in the aesthetic medicine. The equity capital amounts to EUR 25,000.00. M1 Med Beauty Berlin GmbH has its own business operations as defined by IFRS 3. After the deduction of identifiable net assets (assets less liabilities), a business or company value in the amount of TEUR 116 resulted. The transferring consideration contains inter alia benefits from sales growth and future market developments. These benefits, which are not accounted separately from the business or company value, result in their sum to the above-named business or company value.

Beauty Now GmbH was founded on December 16, 2015, by M1 Kliniken AG. Within the scope of initial consolidation there were no differences. The business purpose is the possession, operation and management of beauty institutes, procurement and the provision of services within the range of beauty and healthcare as well as preventive beauty and health medical care, the permission-free advice of alternative practitioners, medical staff and cosmetics staff in the range of cosmetics and aesthetic medicine, the acquisition, the management and the sale of properties, especially of properties in healthcare and the acquisition, management and sale of investments. The share capital amounts to EUR 100,000.00.

Saname GmbH was founded on May 22, 2013, by M1 Kliniken AG. Within the scope of initial consolidation there were no differences. The business purpose is the acquisition, management and sale of own and third-party properties, especially of properties in healthcare as well as the management and sale of investments. The share capital amounts to EUR 25,000.00.

The M1 Aesthetics GmbH, which has been consolidated since July 6, 2013, is operating in the range of medical products and medical technology. The share capital amounts to EUR 25,000.00. The M1 Aesthetics GmbH has an own business operation according to IFRS 3. After deduction of the identifiable net assets (assets less liabilities), a business or company value in the amount of kEUR 7,913 resulted. The transferred return contains inter alia benefits from expected synergies, sales growth and future market developments. These benefits, which cannot be accounted separately from the business or company value, result in their sum in the business or company value.

Regarding the openly stated financial assets, these are inter alia equity instruments of listed companies.

The participation rates of consolidated subsidiaries are as follows until the record date:

Name of the company	Domicile of the company	Quota in %
M1 Med Beauty Berlin GmbH	Berlin	100,00
Beauty Now GmbH	Berlin	100,00
M1 Aesthetics GmbH	Schönefeld	100,00
Saname GmbH	Schönefeld	100,00

3 Consolidation principles

The annual financial statements of all group companies were prepared on basis of uniform accounting and valuation methods according to IFRS 10.B92 on the **record date** of M1 Kliniken AG (parent company). The financial year of M1 Kliniken AG and its in the consolidated financial statements included subsidiaries corresspond to the calendar year.

Mergers were accounted under application of the purchase method. The acquisition costs of a company acquisition are measured as a sum of the transferred return, measured at fair value at the acquisition date. Subsequent changes of the fair value of contingent considerations, which present a financial asset or a finan- cial debt, will be booked in accordance with IAS 39 within the profit and loss account. A contingent consideration, which is classified as equity, will not be revalued and its later compensation will be accounted in equity.

At each merger the shares without dominating influence in acquired companies are valued either at fair value or at the corresponding quota of the identifiable net assets of the acquired company.

Within the scope of the merger, incurred costs are recognised as expense in large part. If the group acqui- res a company, it assesses the appropriate classification and designation of the financial assets and the assumed debt in accordance with the terms, economic circumstances and the conditions predominant at the acquisition date.

The **business or company value** is valued at the initial recognition at acquisition cost, which are measured as surplus of the transferred return of the acquired identifiable net assets and assumed debts of the group. If the return is below the fair value of the net assets of the acquired subsidiary, the difference will be accounted in the income statement.

After the initial recognition the business or company value is valued at acquisition costs less cumulated impairment expenses. For the purpose of impairment test, the within the scope of a merger acquired business or company value is assigned from the acquisition date to the cash-generating units of the group, which are to be expected to benefit from the merger. That applies regardless of whether other assets or debts of an acquired company are assigned to these cash-generating units.

If a business or company value is assigned to a cash-generating unit and a business area within that unit is sold, the attributable business or company value of the sold business area will be considered as part of the book value of the operation when determining the result of the sale of this business area. The value of the sold share of the business or company value is determined on the basis of relative values of the sold business area and the remaining part of the cash-generating unit.

Receivables and debts between the consolidated companies as well as Group internal sales revenues, other Group internal revenues as well as the corresponding expenses are consolidated. Intercompany results are eliminated.

Tax deferrals according to IAS 12 are made with respect to consolidation processes affecting the income statement to the extent to which the deviation in taxes will presumably be set off in subsequent years of business.

4 Estimates and assumptions

In preparing the consolidated financial statements, partly assumptions and estimates were used, which have impacted on the amount and reporting of the stated assets and liabilities as well as the income and expenses. The actual amounts could deviate in individual cases from these estimates and assumptions at a later point of time. Corresponding changes would be recognised as profit or loss at the time of the knowledge gained. All estimates and assumptions are made to the best of one's knowledge and belief, in order to give a picture of the group's asset, financial and profit position corresponding to the true circumstances.

When applying accounting and valuation methods the management board makes discretionary decisions.

Depreciation of the business values and long-term assets

M1 Kliniken AG is annually testing the impairment of business values and other long-term assets on basis of the regulation IAS 36. The base for this impairment test is the comparison between a book value of an asset („carrying amount") and the achievable amount, which can be generated from the asset respectively the group of assets or the cash-generating unit.

The achievable amount is the higher value of the fair value less sale costs and value in use.

The **determination of the fair values of assets and liabilities** bases on assessments of the management.

The criteria used by the management for the evaluation of the **appropriateness of the value adjustments** on receivables are the maturity strucutures of the receivable balances, the credit rating of customers as well as changes in the conditions and payment. In the event of deterioration in the financial situation of customers, the extent of the actual write-offs could exceed the extent of the expected write-offs.

The **actual anticipated income tax** must be calculated for every object of taxation and the temporary differences from the different treatment of certain balance sheet items between IFRS-consolidated financial statements and the statutory tax financial statements must be evaluated. As far as there are temporary differences, these differences lead fundamentally to the recording of active and passive deferred taxes in consolidated financial statements.
The management must make decisions in the calculation of actual and deferred taxes. Active deferred taxes are only applied to the extent that it is considered probably that they can be utilised. The utilisation of active deferred taxes is dependent on the possibility of achieving sufficient taxation income in the scope of the corresponding kind of tax. Different factors must be employed for the evaluation of the probability of the future utilisation of active deferred taxes, such as for example the profit position in the past, operative planning, and tax planning strategies. If the actual results deviate from these estimates or if these estimates must be adjusted in future periods, they could have negative impacts on the asset, financial and profit position. If there is any change in the recoverability assessment for active deferred taxes, the recognised deferred taxes must be devalued in terms of profit and loss.

5 Information on the consolidated balance sheet including accounting and valuation methods

In preparing the consolidated financial statements of the associated Group companies, business transac- tions processed in currencies other than the functional currency (Euro) are converted at the exchange ratevalid on the day of transaction. All monetary items in foreign currency are converted at the exchange rate valid on the balance sheet date. Non-monetary items in foreign currency which are evaluated according to the fair value must be converted at the exchange rates valid at the time of the assessment with the fair value.

Cash and cash equivalents and cash funds

The liquid assets comprise cash, time deposits with remaining maturities up to three months and demand deposits, which are recorded at nominal value. The cash fund, which is stated in the cash flow statement, is defined according to the cash disposition of the company and identical to the liquid assets. Restricted cash with remaining maturities over three months is recognised under other assets.

Financial assets

Financial assets are generally divided into the following categories:

- loans given by the company and receivables,
- derivatives, which meet the requirements of Hedge Accounting,
- securities held as fixed assets.

At the initial recognition of a financial asset it is valued at the acquisition cost, which correspond to the fair value of the consideration given; transaction costs are included. The accounting of financial assets from usual purchases and sales is recognised as of the day of trading.

Loans and receivables are non derivative financial assets with fixed or definable payments, which are not listed in an active market. After the initial recognition loans and receivables are valued at continued acquisition costs under application of the effective interest method less the value adjustment for depreciation. Continued acquisition costs are calculated under consideration of all discounts and premium at the time of acquisition and contain all fees, which are an integral part of the effective interest rate and transaction costs.

Profit and loss are recognised in the period result, when loans and receivables are written off or depreciated as well as within the scope of amortisations.

Financial assets are reviewed on depreciation at the balance sheet date.

If it is probable, that at continued acquisition costs accounted financial assets the company is not able to collect all due amounts of loans and receivables according to the terms, a depreciation or valuation allowance of receivables will be recognised through profits and losses. A depreciation recognised earlier is corrected in profits and losses, when the subsequent partly recovery (respectively the reduction of the depreciation) is measured objectively. An increase in value is however only recognised, if the amount does not exceed the continued acquisition costs.

Write-offs / Impairment of value

Financial assets or a part of the financial assets are written off, if M1 Kliniken AG loses the authority to dispose over the contractual rights, arising from the asset. On the balance sheet date M1 determines, if an impairment of value of an asset exists. If there is an objective indication, that a decrease in value at acquisition costs accounted loans and receivables took place, the amount of the loss is the difference between the book value of the asset and the cash value of the expected future cash flow (excluding future credit losses that have not been incurred), discounted at the initial effective interest rate of the financial asset (i.e. the interest rate determined upon initial recognition).

The book value of the asset is to be reduced either directly or under application of an adjustment account. The amount of loss shall be recognised in profit or loss. First, the M1 Kliniken AG takes note, if an objective indication for decrease in value, which are considered not to be significant individually, exists individually or collectively. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Balancing of offsetable receivables and liabilities

Financial assets and liabilities are offset, so that only the net amount is reported in the balance sheet. This happens only then when at the present time a legal claim exists, to set off the reported amounts against each other and when it is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair value

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

The fair value of financial instruments, which are not traded in an active market, is determined under application of appropriate valuation methods.

Included in the evaluation methods is the application of the most recent transactions, the comparison with the current fair value of another, essentially identical financial instrument, the application of discounted cash flows as well as the application of other models of evaluation.

The company assumes that, the fair values of the financial assets and financial liabilities correspond essentially to their carrying amounts.

Inventories

Raw materials, consumables and supplies required for the purpose of manufacturing inventories are valued at acquisition and production costs and not depreciated to a value below their acquisition or production costs if the finished products in which they are integrated are expected to be sold at a price equivalent to the production costs or higher. Thereby, costs of sale which still incur are to be considered. However, when a decline in the salesprice indicates that the cost of the finished products exceeds the net realisable value, the materials are written down to net realisable value.

Unfinished goods and finished goods are valued at acquistion costs or to the lower market value. The pro- duction costs comprise the direct personnel costs, material costs and the attributable share of the production overheads. They are determined on basis of a cost centre and product cost accounting. Interests on borrowings are not capitalised. Obsolete items and those with low turnover are adjusted in value appropriately.

Current and deferred taxes

The tax expense for the period comprises current and deferred tax. Taxes are recorded in the statement of income unless they refer to items directly recorded under shareholders' equity or in other comprehensive income. In this case the deferred taxes are also recorded in equity or in other comprehensive income.

Deferred taxes are accounted, using the liability method, on all temporary differences arising between the tax book values of the assets and liabilities and the respective IFRS group book values. However, if in the context of a transaction which does not constitute a merger, deferred tax arise from the initial statement of an asset or a liability which does not have any impact on the profit or loss stated in the balance sheet or that stated for tax purposes at the time of such transaction, then no tax accrual shall be taken. Deferred taxes are measured in accordance with the tax rates (and tax regulations) that apply on the balance sheet date or have been legislated to a substantial measure and are anticipated to be applicable at the time of the realisation of the deferred tax assets or the redemption of the deferred tax liabilities. A corporate income tax rate of 15% (plus a solidarity surcharge of 5.5% assessed on the corporate income tax) was used to determine deferred taxes.

Deferred tax receivables are recognised to the extent, in which a tax advantage from the offseting with tax gains is probable.

Deferred tax liabilities in conjuntion with temporary differences relating to investments in subsidiaries are fundamentally recognised, unless the point in time of the inversion of the temporary differences is not probable in the foreseeable future.

Tangible assets

Tangible assets are stated in the balance sheet at the acquisition or manufacturing cost, less accumulated depreciation. Interests on borrowings that are attributable to the acquisition, construction or production of a qualifying asset are capitalised. No borrowing costs were capitalised in the previous financial year. When tangible assets are disposed of, their residual value after deducting accumulated depreciation from historical cost is logged out and gains or losses on the disposal are recognized in the income statement.

If required, impairments reduce the continued acquisition costs. No revaluation of the tangible assets based on the right of option according to IAS 16 has been performed.

The planned depreciation is undertaken on a straight-line basis. The depreciation is performed in line with the anticipated consumption of the future economic benefit. Tangible assets and intangible assets are written off on a straight-line basis over different useful lives (three to 15 years).

In case, that the book value exceeds the presumably achievable amount, a depreciation on this value is performed according to IAS 36. As required by IAS 36, the recoverable amount is determined from the net selling price or - when higher - the cash value of the estimated future cash flow of the use of the asset.

The useful lives and depreciation methods are reviewed regularly, in order to ensure a conformity of the economic benefit with the depreciation period.

Intangible assets

The M1 Kliniken AG activates intangible assets, if the asset is due to events in the past in the economic property of the company, if it is assumed, that a future economic benefit from this asset will flow to the company, if the costs of the asset can be measured reliably.

This procedure is applied when an intangible asset is acquired externally.

(a) Software

Software is capitalized with its acquisition costs and shown as an intangible asset insofar as these costs are not an integral component of associated hardware. Software is amortised on a straight-line basis over a period of three or four years.

(b) Company value

Goodwill and company value is initially measured on acquisition costs, which result from the amount by which the total consideration paid exceeds the amount of the shares without dominating influence on the acquired identifiable assets and assumed liabilities of the group.

Regardless, whether there is an indication for a depreciation, the achievable amount for the cash-generating unit, to which the company value belongs, is determined annually. If the book value of an asset lies above the achievable sum, then a value adjustment is to be made. If the achievable amount is only higher by 10% above the carrying amount, a theoretical potential for value adjustments determined through a sensitivity calculation. For this purpose, the earnings before interests and taxes (EBIT) are reduced by 10%, as well as the risk-free basis interest rate is raised by 1 percentage point and the effects on the capitalised company value are determined.

(c) Depreciation of long-term assets

Tangible assets and intangible assets must always be tested for impairment if events or changes in circumstances indicate that the fair value of the relevant asset on the balance sheet date is permanently lower than its book value or if an annual review on impairment is required (goodwill and intangible assets, which have not been used yet). If the book value of an asset exceeds the lower fair value, assets and intangible assets which were recognised at purchase or production costs, are impaired. The achievable value is the higher amount from fair value less sale costs and value in use. The fair value less sale costs corresponds to the achievable amount which can be re-covered from the sale of the asset under normal market conditions between knowledgeable parties.

The value in use corresponds to the cash flow of estimated future cash flows, which can be expected from a permanent use of an asset and its sale at the end of the useful life. The achievable amount is to be estimated for each individual asset or, if that is not possible, for the smallest identifiable cash-generating unit.

Investments in associated companies

The investments in associated companies are carried in the balance sheet according to IAS 28 („Shares in affiliated companies") in line with the Equity Method. Taking the historical cost of the shares as of the date of their acquisition, the investment book value is annually increased respectively reduced by the share in profit or loss, dividend distributed, and other changes in shareholder's equity of the associated companies, as far as they relate to the shares of M1 Kliniken AG respectively to their included subsidiaries. According to the Equity Method accounted companies are depreciated off-schedule, if the achievable amount falls below the book value.

Accruals

Accruals are stated in accordance with IAS 37 for obligations which are uncertain in terms of their due date or their amount. An accrual is to be recognised only if

- the company experiences a current obligation (legal or factual) from a past event,
- it is probable (that is more likely than not), that a drain of resources with economic benefit will occur for the fulfilment of the obligation,
- a reliable estimate of the amount of the obligation is possible.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is the amount, which the company would have to pay at reliable consideration to fulfill the obligation on the balance sheet day or for its transferral on a third party on that date.

Long-term accruals are discounted at an interest rate before taxes, provided the effect of this is essential. Where discounting is used, the increase in the provision due to the lapse of time is recognised as a finance cost.

Contingent liabilities are shown in the notes, if an obligation from a past event can potentially arise, based on the occurrence or non-occurrence of one or more uncertain future events, which are not completely under the company's control. A contingent liability may also stem from a present obligation based on past events, which was not recorded because:

- the drain of resources with economic benefit is not probable with the fulfilment of this obligation; or
- the amount of the obligation cannot be estimated reliably enough.

If the likelihood of an outflow of resources embodying economic benefits is low for the company, no contingent liability will be disclosed.

Financial liabilities

Financial liabilities are divided into the following categories:

- financial liabilities held for trading purposes,
- other financial liabilities.

The financial liabilities recognised in the financial statements were classified as other financial liabilities.

A financial liability is initially recognised at the cost of purchase, which corresponds to the current value of given consideration; transaction costs are included. After being recorded for the first time, the interest-bearing loans are valued at amortised cost applying the effective interest method. Profits and losses are recognised within the scope of amortisation using the effective interest method as well as recognised in profits and losses in case of a write-off.

Financial liabilities are no longer recognised when the obligations specified in the contract have been sett- led, set aside, or have expired.

Revenue recognition

Revenues are recognised in accordance with IAS 18, when the following conditions have been cumulatively fulfilled:

- M1 has transferred the significant risks and rewards of ownership associated with ownership of the goods and products sold to the buyer.
- It remains neither a continuing managerial involvement to the degree usually associated with ownership nor an effective control over the goods and rights sold.
- The amount of revenue can be measured reliably.
- It is sufficiently likely, that the economic benefit from the sale will flow to the company.
- The costs of the transaction or the future costs can be measured reliably.

In accordance with the matching principle described in IAS 18 earnings and expenses, which refer to the same transaction or the same other events, will be recognised simultaneously.

Other operating income

Other operating income is recognised, when the economic benefit is reliably determinable and was received by the company within the period.

Interest income

Interest is recognised in proportion to time based on the effective interest rate for the asset.

6 Notes to the consolidated balance sheet

Cash and cash equivalents comprise cash, term deposits with remaining maturities of up to three months and sight deposits, which are all recognised at their nominal values.

The **receivables**, which amount to a total of kEUR 6,841 (previous year: kEUR 15,655), are valued under application of the effective interest method at continued acquisition costs less any depreciations. In the financial year 2016 the value adjuestments amount to kEUR 2 (Previous year: kEUR 0). In the receivables are included receivables from affiliated companies in the amount of kEUR 1,590. The receivables are due within one year.

Due to the short maturities of the receivables, it is assumed, that the fair values correspond to the book values.

Regarding the inventories these are exclusively finished goods and goods, which are held for sale in the ordinary course of business. A depreciation respectively addition requirement in the sense of IAS 2.28 – 2.33 did not exist in the financial year 2016.

The development of **assets** as well as the **intangible assets** are shown on site 3, „Consolidated assets development as of December 31, 2016“.

Business and company value, acquired in a business combination, may not be amortized. Instead, the acquirer has to allocate it to cash-generating units of the Group and to assess impairment in accordance with IAS 36, once a year or more frequently, if events or changed circumstances indicate that an impairment could have occurred.

If the recoverable amount of a payment generating unit is less than its book value, the impairment loss is initially allocated to the book value of the goodwill allocated to the unit and then to the other assets. Any impairment loss on goodwill or company value is recognized directly in the profit and loss account. An impairment loss recognized for goodwill or company value should not be recovered in future periods. The in the consolidated balance sheet identified goodwill or company value of kEUR 8.029 was allocated to kEUR 116 of M1 Med Beauty Berlin GmbH and to kEUR 7.913 of M1 Aesthetics GmbH as a payment generating unit.

Under **financial assets** inter alia equity instruments of listed companies are accounted. The shares were allocated to the category of „profit and losses at fair value“. The subsequent measurement of the equity instruments is effected at the market values of the respective record date. The results from this category were recorded in profit and loss from other operating income. Participations held in financial investments are effectively evaluated at fair value.

The **other short-term provisions** are related to tax deferrals, year-end-closing and auditing costs of the included companies, resets for personnel costs as well as other provisions, which essentially affect obligations in connection with the investment property.

	01.01.2016	Used	Released	Added	31.12.2016
Accruals	kEUR	kEUR	kEUR	kEUR	kEUR
Taxes	74	0	0	422	496
Auditing and financial accounting costs	21	-21	0	26	26
Personnel / vacation entitlements	28	-3	-25	99	99
Other	15	-6	-1	40	48
TOTAL	138	-30	-26	587	669

The **short-term liabilities to financial institutions as well as the liabilities, other financial liabilities and the other short-term liabilities** are accounted at continued acquisition costs under application of the effective interest method. Due to the short maturities of these financial instruments, it is assumed, that the fair values correspond to the book values.

The other financial liabilities amount to kEUR 17 EUR (previous year: kEUR 161).

Deferred tax liabilities: For all temporary taxable differences a deferred tax liability is disclosed, unless, the deferred tax liability arises from a goodwill or company value, for which a depreciation is not tax deductible or the initial recognition of an asset or a liability in a transaction, which is not a merger and at the time of the transaction neither influences the accounting profit nor the future taxable result.

Deferred taxes are recognised to the extent, to which it is probable, that a taxable result will be available, against which the temporary differences and the unused tax losses can be utilised. Business units are assessed individually to determine, if it is probable, that a positive tax result arises in future years. Any existing history of losses is incorporated in this assessment. For those tax assets to which these assumptions do not apply, the value of the deferred tax assets is reduced. The deferred taxes relate fully to the disclosure of hidden reserves in the fair value of the investment property, which were not tax capitalised.

The **share capital** of the company amounts to EUR 15,000,000.00 and is divided into 15,000,000 no-parvalue shares with an aggregate nominal value of EUR 1.00 each.

For the development and composition of the equity it is referred to the consolidated equity change account.

7 Analysis of fixed assets

The composition and development of the assets is shown in the table „Consolidated assets development as of December 31, 2016“; site 3.

8 Contingent liabilities and other financial obligations

There are no contingent liabilities. Other financial obligations are within the scope of ordinary business.

9 Information on the consolidated profit and loss summary account

Regarding the **revenues** in the amount of total kEUR 35,955 (previous year: kEUR 34,926) this is essentially income from the sale of pharmaceuticals and medical products as well as services in the range of aesthetic medicine and the sale of investments.

The **other operating income** amounts to kEUR 5,428 (previous year: kEUR 446) and essentially result from the attribution for the Fair Value measurement of financial investments, the profit from the disposal of financial assets and insurance indemnities.

The **cost of materials/cost of received services**, which amounts to a total of kEUR 27,939 (previous year: kEUR 24,602), contains inter alia all expenses, which incurred in connection with the purchase of pharmaceuticals. In addition, expenses for received services in the range of aesthetic medicine are contained as well as the book value of the sold investment.

The **personnel cost** increased due to the expansion to a total of kEUR 3,802 (previous year: kEUR 1,570).

The **depreciation** contained scheduled depreciation on assets and intangible assets in the amount of kEUR 288 (previous year: kEUR 219). Assets as well as intangible assets are depreciated on a straight-line basis over different expected useful lives (three to 15 years).

The **other operational expenses**, which amounts to a total of kEUR 4,989 (previous year: kEUR 1,978), relate to a multiplicity of individual items such as e.g. rent, advertising and travel costs, packaging material, freight costs, insurance cost, outside services, legal and consulting fees as well as the costs for annual financial statements and auditing.

The **other interest and similar income** contain interest income in the amount to a total of kEUR 140 (previous year: kEUR 24). The interest result from the granting of loans respectively from depositing liquid funds with German financial institutions.

Regarding **interests and other expenses**, which amount to a total of kEUR 14 (previous year: kEUR 270), these are essentially interests, which were invoiced for granted loans.

Taxes on income and earnings amount to kEUR 476 (previous year: kEUR 138).

The computation of deferred taxes is carried out as in the previous year under application of different tax rates. With reference to IAS 12.81 c the following tax rates result:

Legal effective tax rate for companies with domicile in	in %
Berlin	30.175
Schönefeld	24.225

The legal effective tax rate implies corporation tax and the solidarity tax contribution (effective rate: 15.825 %) as well as the trade tax (effective rate: Berlin with 14.350 % / Schönefeld with 8.400 %).

The **other taxes** are inter alia vehicle tax.

10 Ergebnis je Aktie

The earnings per share are calculated from the division of the annual profit by the number of shares issued. In accordance with IAS 33.19 in the determination of the undiluted results for each share, the number of ordinary shares of the weighted average number of ordinary shares in circulation during the period should be applied. Dilution effects should not be taken into account.

	2016	2015
Profit for the financial year attributable to the equity holders of the parent company	5,007,460.28	6,630,755.14
Number of shares (weighted average)	15,000,000	15,000,000
Earnings per share	0.33	0.44

11. Information on members of the corporate bodies

Management board

Surname	First name	Profession	Authority to act	
Mattner	Stefan	Accountant	Authorised to act solely until 26.06.2015 jointly from 26.06.2015	from 20.03.2015 until 17.02.2016
Brenske	Patrick	Businessmen	Authorised to act solely	

Supervisory board

Surname	First name	Position	Profession
Dr. Pahl	Christian	Chairman	Master of Business Administration
Dr. Wahl	Albert	Deputy chairman	Industrial engineer
Prof. Dr. Dr. Meck	Sabine	Member	University Professor

The total remuneration of the supervisory board in the financial year 2016 was kEUR 25 (previous year: kEUR 20,5). There are no receivables from members of the supervisory board.

12 Number of employees

An average staff of 74 were employed by the M1 Kliniken AG Group in the reporting period (previous year: 27).

13 Information on financial instruments according to IFRS 7

An analysis of the expenses from financial investments in financial liabilities and financial assets according to the evaluation categories is represented below:

	2016	2015
Expenditures Category	kEUR	kEUR
Liabilites, recognised at amortised acquisition cost	-14	-270

The expenses resulting from other financial liabilities evaluated at continued acquisition costs concern inte- rest expenditure.

Risk management policy and securing measures

The risk management of the M1 Kliniken-Group has the objective of early detection and recording of all significant risks and their causes in order to prevent financial losses, outage or disturbance.

The procedure ensures that appropriate countermeasures for risk avoidance can be implemented in good time. Significantly, this is an early detection system which serves the monitoring of the liquidity and the development of the earnings.

The risk management policy is significantly covered by the management board of M1 Kliniken AG. The controlling departments of M1 Med Beauty Berlin GmbH and M1 Aesthetics GmbH, which are providing support, monitor for this purpose the operating success and are thereby able to recognise deviations from the plan in a timely manner. The respective responsible persons from the departments decide jointly, if required, with the management board about the appropriate strategy regarding the risk management.

The M1 Kliniken-Group is exposed to general risks that could emerge due to changes in framework conditions as a result of legislation or from other directives. Should such changes occur however, they do not occur suddenly or surprisingly in most cases, as a rule, so that there is sufficient reaction time to react to changes.

Capital risk management, borrowed capital- and interest change risk

The group manages its capital with the objective, to maximise the earnings of the company's stakeholders by optimisation of the relation of equity and borrowed capital. Thereby it is ensured, that all group companies are able to operate on the going-concern basis.

The equity as of the respective balance-sheet date:

	31.12.2016	31.12.2015
Equity	30,257 EUR	29,750 EUR
Balance sheet total	32,186 EUR	33,187 EUR
Equity ratio	94.00 %	89.64 %

The group has borrowed capital for the operative implementation of its business model.

In the reporting period, the bank liabilities decreased from kEUR 16 to a total of kEUR 14. Due to the low bank liabilities and the low interest level we currently see interest change risks only to a limited extent.

The other financial liabilities are not subject to an interest change risk since there are no interests to pay. These are short-term liabilities.

Fair value of financial instruments

at continued acquisition costs valued financial assets	short-term				
in kEUR	accounts receivable trade	other current financial assets	Liquid funds	Total book values	Fair values
31.12.2016	6,841	2,704	5,812	15,357	15,357
31.12.2015	15,655	107	412	16,174	16,174

The sum of the book values respectively the fair values of the assets measured through profit and loss amount to a total of kEUR 5,882 (previous year: kEUR 1,310) until the record date.

In the instruments demonstrated in the tables above and below, the management board regards the book values in the consolidated balance sheet as a good approximation of their fair values.

at continued acquisition costs valued financial assets	short-term			long-term	
in kEUR	Liabilities to financial institutions	accounts payable trade	Other financial liabilities	Liabilities to financial institutions	Total book values
31.12.2016	14	601	17	0	632
31.12.2015	16	2,764	161	0	2,941

Other price risks

Other price risks could result from increasing purchase prices. Long-term delivery agreements and similar measures, that could limit these risks, do not exist at the moment. The conclusion of such agreements would have a negative impact on the necessary flexibility of the management in the compilation of the pharmaceuti- cals to be sold, which are ordered according to demand.

Risk from payment defaults

The risk of the non-payment of claims is taken into account by means of corresponding individual and collective value adjustment. The maximum default risk of the financial assets is limited by the amount of the book values.

Liquidity risk

The group controls liquidity risks by continuous monitoring of the forecast and actual cash flow and coordination of the payability profiles of financial assets and liabilities.

The expected cash flows of the financial liabilities (undiscounted redemption and interest payments) until December 31, 2016, and until December, 31 2015, are demonstrated in the following tables.

Financial liabilities, which are valued at continued acquisition costs	Book values 31.12.2016 kEUR	Cashflow up to 1 year kEUR	Cashflow > 1 year to 5 years kEUR	Cashflow > 5 years kEUR
Accruals	674	669	4	0
Interest-bearing financial liabilities	14	14	0	0
Non-interest bearing financial liabilities	618	618	0	0
Other financial liabilities	623	623	0	0

Financial liabilities, which are valued at continued acquisition costs	Book values 31.12.2015 kEUR	Cashflow up to 1 year kEUR	Cashflow > 1 year to 5 years kEUR	Cashflow > 5 years kEUR
Accruals	148	138	10	0
Interest-bearing financial liabilities	16	13	3	0
Non-interest bearing financial liabilities	2,925	2,925	0	0
Other financial liabilities	346	346	0	0

The financial liabilities bearing no interest relate at kEUR 601 (previous year: kEUR 2,764) to the liabilities resulting from deliveries and services as well as at at kEUR 17 (previous year: kEUR 161) to the other short-term financial liabilities.

13.7 Consolidated cash flow statement

The consolidated cash flow statement shows how the funds of the M1 Kliniken-Group have changed in the course of the reporting year due to cash inflow and outflow. In this consolidated cash flow statement, see site 5, the cash flows are structured according to operating, investment and financing activities. The financing funds include short-term available liquid assets amounting to kEUR 5,182 (previous year: kEUR 412).

14 Information on relationships with related companies and persons

As closely associated companies and persons according to IAS 24 „Related Party Disclosures“ are consi- dered basically members of the management board and supervisory board, their close relatives, not fully consolidated subsidiaries as well as companies, which belong to the consolidated companies of MPH Mittelständische Pharma Holding AG. Regarding management board and supervisory board we refer to section (10). These closely associated companies and persons were not involved in any unusual transactions, of their kind and quality, with companies of the M1-Group. All transactions between the closely associated companies were concluded under normal market conditions, as between unrelated third parties.

If financial assets or liability terms result from the transactions with these companies, they will be recognised under other financial assets or other liabilities.
The following business transactions were performed with closely associated companies and individuals:

Receivables / Liabilities / to closely associated companies and individuals	31.12.2016 kEUR	31.12.2015 kEUR
Receivables to closely associated legal persons	**2,794**	**1,673**
to companies, which are dominated by majority shareholders	1,590	1,673
to majority shareholders	0	0
to members of the supervisory board	1,204	0
Liabilities to closely accociated legal persons	**44**	**2,339**
to companies, which are dominated by majority shareholders	1	2,339
to majority shareholders	0	0
to members of the supervisory board	43	0

Transactions to closely associated companies and persons	31.12.2016 kEUR	31.12.2015 kEUR
Provision of goods and services	**25,816**	**19,361**
to companies, which are dominated by majority shareholders	19,844	14,648
to majority shareholders	8	2,258
to members of the supervisory board	5,964	2,455
Received goods and services	**777**	**2,011**
from companies, which are dominated by majority shareholders	777	1,949
from members of the supervisory board	0	62
Other operational expenses	**54**	**16**
from companies, which are dominated by majority shareholders	4	16
from members of the supervisory board	50	0

Further business relationship to closely associated companies and persons did not exist in the financial year 2016.

15 Events after the financial statement date

No essential events have occurred after the financial statement date until April 10, 2017.

16 Release of the consolidated financial statements 2016 by the management board for publication according to IAS 10.17

The present consolidated financial statements consider all events until April 10, 2017 known to the management board.

Berlin, April 10, 2017

Patrick Brenske
(Management Board)

17 Audit's opinion

To the M1 Kliniken AG, Berlin

I have audited the consolidated financial statements established by M1 Kliniken AG - consisting of consolidated balance sheet, consolidated income statement, consolidated cash flow statement and statement of changes in consolidated equity as well as the notes to the consolidated financial statements - and the group management report for the financial year from January 1, 2016 to December 31, 2016. The establishment of the consolidated financial statements and the group management report according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and the applicable supplementary commercial legislation according to § 315a par. 3 in conjunction with par. 1 HGB, lies within the responsibility of the legal representatives of the company. My task is to provide a judgement on the consolidated financial statements on the basis of the examination which was conducted by myself.

I have conducted a group audit according to § 317 HGB in consideration of the German Generally Accepted Standards for the audit of fi nancial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). According to them, the audit must be planned and conducted in such a way that mistakes and violations that have a signifi cant impact on the reflection of the assets, financial situation and profi tability, by the consolidated financial statements respecting the applicable accounting rules and by the Group management report, can be detected with sufficient certainty. When the audit measures are determined, knowledge about the business activity and about the economic and legal context of the Group as well as the expectations about possible mistakes are taken into consideration. Within the auditing, the effectiveness of the accounting-related internal control system and evidence for the information in the consolidated financial statements and the group management report are evaluated mainly on the basis of samples. The audit comprises the judgement on the annual financial statements of the companies included in the consolidated financial statements, the selection of the basis of consolidation, the accounting and consolidation principles applied and the essential opinions of the legal representatives and the assessment of the overall presentation of the group financial statements and the group management report.

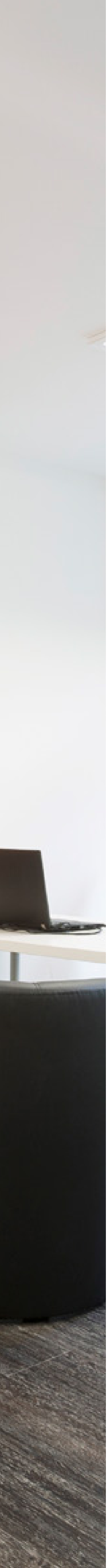
My audit has led to no objections.

In my opinion, on the basis of knowledge gained during the audit, the consolidated financial statements comply with the IFRS, as they are applicable in the EU, and the applicable supplementary commercial legislation according to § 315a Abs. 3 i.V.m. 1 HGB and correctly reflect, in application of these regulations, the situation of the Group's assets, financial position and profitability. The group management report is in line with the consolidated financial statements, globally reflects a correct representation of the Group's situation and correctly presents the chances and risks of future development.

Berlin, April 18, 2017

Dipl. -Kfm. Harry Haseloff
Auditor

Further information



Sources

1 cf. Statistisches Bundesamt: www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/VGR/Inlandsprodukt/Tabellen/VJ_BIP.html

2 cf. Statistisches Bundesamt: Pressemitteilung Nr. 063 vom 23.02.2017

3 cf. www.dgpraec.de/pressemitteilungen - Pressemitteilung, vom 02. Juni 2016

4 cf. https://de.statista.com/statistik/daten/studie/244676/umfrage/haeufigste-schoenheits-operationen-weltweit-nach-art-des-eingriffs.

5 cf. https://de.statista.com/statistik/daten/studie/244914/umfrage/haeufigste-schoenheits-operationen-in-deutschland-nach-art-des-eingriffs

6 cf. http://meyer-gattermann.de/trends-behandlungen

Graphic p. 16: https://de.statista.com/statistik/daten/studie/244676/umfrage/ haeufigste-schoenheits-operationen-weltweit-nach-art-des-eingriffs/

Graphic p. 17: https://de.statista.com/statistik/daten/studie/244914/umfrage/ haeufigste-schoenheits-operationen-in-deutschland-nach-art-des-eingriffs/

Glossary

AMNOG
German law for the restructuring of the pharmaceutical market, which came into force on 1 January 2011.

Approval
An official authorisation which is required to be able to offer, distribute or provide an industrially produced, ready-to-use drug.

Balance sheet profit
Balance of net profit of the financial year, profit or loss carried forward and appropriation of profits.

Botulinum toxin
also called botulinum neurotoxin or botulin. The name is derived from the Latin (botulus = sausage and toxin = poison) and is referred to as one of the most poisonous, but also most effective substances. It is used for spasticity, tension headache and migraine, excessive perspiration, in the cosmetic medicine for the treatment of mimic wrinkles and much more.

Cash Flow
An economic indicator informing on the liquidity of a company. It represents the change of liquid funds during a period.

EBIT
It means earnings before interest and taxes and is an indicator of the operating profit of a company in a given period.

EBITDA
It means earnings before interest, taxes, depreciation and amortisation and corresponds to the EBIT plus depreciation and amortisation of tangible and intangible assets.

Hyaluronic acid
counts to the absorbable fillers. Hyaluronic acid is a hydrophilic, natural sugar compound, which is present in large quantities in the young skin and is degraded increasingly in the course of a life. In the aesthetic medicine it is used to build up volume and for deep wrinkles.

Dermal fillers
are referred to special fillers to build up volume of e.g. sunken cheeks or for lips augmentation, which degrade biologically after some time completely again.

Imprint

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Deputy chairman of the supervisory board:
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