M1 Kliniken AG

ANNUAL REPORT 2018

M1 Kliniken AG key figures

Statement of comprehensive income according to IFRS (in EUR)

	Fiscal year 2018	Fiscal year2017
Sales	65,208,587.83	47,194,525.55
EBT	8,094,793.03	7,353,553.82
Net profit	6,612,567.14	5,777,971.23

Balance sheet according to IFRS (in EUR)

	Fiscal year 2018	Fiscal year 2017
Short-term assets	44,627,180.70	29,515,842.14
Long-term assets	24,926,795.33	21,052,831.50
Total assets	69,553,976.03	50,568,673.64
Short-term liabilities	5,658,654.93	3,072,251.17
Long-term liabilities	152,680.57	216,141.46
Equity	63,742,640.53	47,280,281.01
Total liabilities and equity	69,553,976.03	50,568,673.64

Shares

Share class	Bearer shares
Number of shares	17,500,000
WKN / ISIN	A0STSQ / DE000A0STSQ8
Ticker symbol	M12
Trading places	Frankfurt, Xetra, Dusseldorf, Stuttgart
Market segment	Open Market
Designated Sponsor, Listing Partner	Kepler Cheuvreux, Oddo Seydler Bank AG
Coverage	Bankhaus Metzler, Commerzbank AG, First Berlin Equity Research GmbH, GBC AG, Hauck & Aufhäuser, Kepler Cheuvreux

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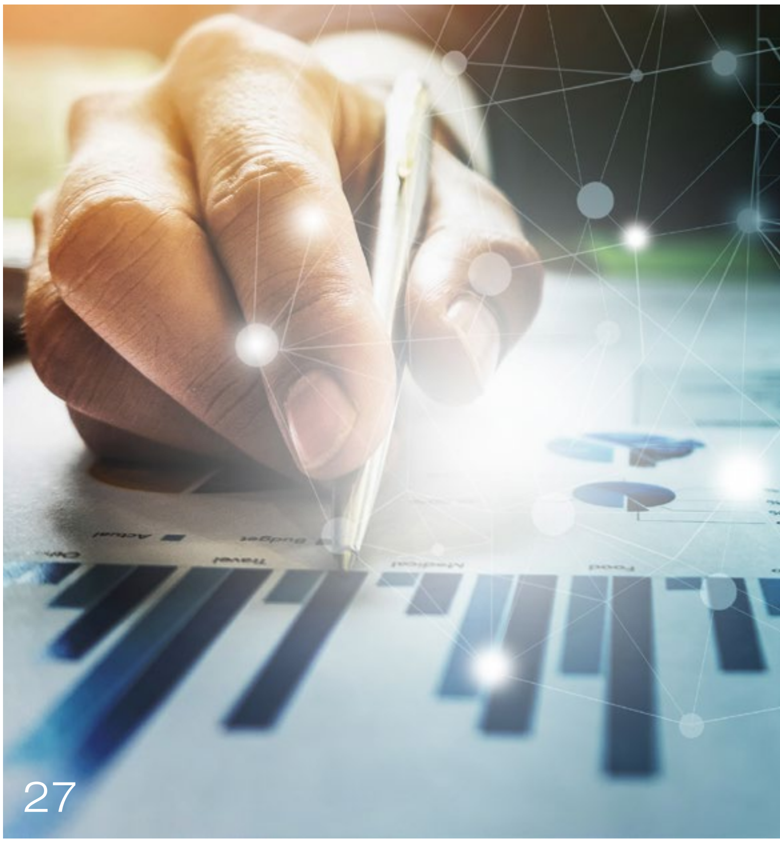


Dear Shareholders,

With the guiding principle of "highest quality at the best price", M1 has become the leading brand for beauty medicine in Germany. In 2018, we implemented important operational and strategic measures in order to expand our market leadership in Germany and to also achieve this position in the international beauty market.

In the 2018 financial year, the M1 Group increased sales by 38% from the previous year to EUR 65.2 million. We attribute this strong growth to existing and new locations. Despite the start-up costs of the large number of new locations, the training and further training of our now more than 60 physicians at the 'M1 Akademie' and investments in new fields of treatment and markets, the M1 Group continued to grow profitably in 2018. Earnings before taxes (EBT) increased by 10% to EUR 8.1 million. This development confirms the sustainability of our business model.

In 2018, we opened seven new specialist centres in Germany and were thus represented by 24 locations at the end of the year. At the same time, we also began our international expansion. The first international M1 store has opened in Vienna, and we have prepared the rollout for 2019 in other countries. We see great potential in virtually every country in Western Europe. In our opinion, industry prices are predominantly too high and we can quickly achieve a high market share with our successful business model. At the same time, we are expanding the respective market by offering high-quality beauty treatments at an attractive price and thus making them accessible to more people.

M1 also has considerable growth opportunities in Germany. In addition to new locations for the core brand 'M1 Med Beauty', we have added 'M1 Laser' and 'M1 Dental' to our brand family. With them, M1 expands its range of services to include laser and dental treatments and addresses two exciting new markets. In Germany alone, around 12 million cosmetic laser treatments are performed each year and the market volume for dental aesthetics is estimated at around EUR 3.0 billion.

'M1 Laser' we can be integrated into our existing beauty locations and thus grow quickly and cost-efficiently. We have started with effective and skin-friendly hair removal. The range will be gradually expanded to include the treatment and removal of tattoos, scars and other superficial skin discolorations such as age spots. At the end of the first quarter of 2019, laser treatments were already available at ten beauty locations and will be offered successively at all of them.

We opened the first treatment centre for aesthetic dentistry in the first quarter of 2018 at our M1 Schlossklinik in Berlin. There we were able to establish and optimise the medical aspect of practice as well as organisational processes. 'M1 Dental' has been well received by customers and we have now opened locations in Munich, Frankfurt and Hamburg. There we offer bleaching treatments, ceramic veneers for permanently straight and white teeth and transparent braces - so-called aligners - for inconspicuous tooth correction. Our range of services will also be gradually expanded.

The necessary growth financing has been secured. Including the capital increase carried out in autumn 2018, M1's equity rose to over EUR 63 million last year. The equity ratio on 31.12.2018 was over 90%. Based on this foundation that we can consistently utilize our opportunities. By the end of 2020, we intend to double the number of specialist centres to around 50, of which around 20 will be located outside Germany.

This development would not have been possible without the commitment of our employees. Our very personal thanks go to them.

Yours faithfully,

Patrick Brenske
(Management Board)

Dr. Walter von Horstig
(Management Board)

Supervisory Board Report

Monitoring and cooperation with the Executive Board

In the 2018 financial year, the Supervisory Board of M1 Kliniken AG performed its duties in accordance with the law and the articles of association with due diligence. The Management Board was advised on its activities by the Supervisory Board. The Management Board involved the Supervisory Board directly and at an early stage in all decisions of fundamental importance to the company. The Management Board regularly informed the Supervisory Board verbally, by telephone and in writing, promptly and comprehensively, about the course of business, the economic situation of the Company and the Group, significant business transactions, corporate planning including questions of business policy and risk management, the development of costs and earnings, liquidity and investment measures. The Supervisory Board was able to satisfy itself of the proper conduct of business. No topic-related committees were formed within the Supervisory Board.

Meetings, consulations and resolutions

The Supervisory Board held seven formal meetings in the 2018 financial year, three in the first half (13 March/ 24 April/ 7 May) and four in the second half (9 July/ 10 September/ 12 September/ 11 December). All meetings were quorate.

The following topics were at the centre of the meetings:

- Situation of the company
- Strategic development and its operational implementation
- Current competitive, organisational and personnel situation
- Short and medium-term investment planning
- Annual Report and Interim Report of the Company prior to the respective publication
- Exercise of conditional capital

Further informal meetings and telephone conferences were held between the Supervisory Board and the Management Board, which were used as an opportunity to discuss new developments in business policy.

Annual financial statements

The Supervisory Board is convinced that the corporate management was being conducted in accordance with the law. The annual financial statements, the consolidated financial statements and the group management report of M1 Kliniken AG prepared by the Management Board for the financial year ended December 31, 2018, including the accounting, were audited by Rödl & Partner GmbH, Nuremberg, who were appointed by the Annual General Meeting, and given an unconditional audit approval.

The annual financial statements, the consolidated financial statements and the group management report of M1 Kliniken AG were submitted to each member of the Supervisory Board in good time before the balance sheet meeting. At the balance sheet meeting on June 25, 2019, the auditor reported on the main results of his audit and was available to answer questions from the members of the Supervisory Board. We have audited the annual financial statements prepared by the Management Board and the consolidated financial statements on our part. At the Supervisory Board meeting on June 25, 2019, we approved the annual financial statements and the consolidated financial statements prepared by the Executive Board on the basis of our own examination. The annual financial statements are thus adopted.

Dependency report

M1 Kliniken AG prepared a dependent company report in accordance with § 312 AktG for its fiscal year ending December 31, 2018.

The dependency report was audited by the auditing company Rödl & Partner GmbH, Nuremberg, which was appointed as auditor by the Annual General Meeting in accordance with § 313 (1) AktG. The auditor issued a separate written report on the results of the audit. Since there were no objections to the report of the Management Board, the auditor's report was issued on June 25, 2019 in accordance with § 313 (3) AktG. At the balance sheet meeting on June 25, 2019, the auditor reported on the results of his audit and confirmed that the factual information in the dependent company report was correct, that the consideration paid by the company for legal transactions listed in the report was not unreasonably high or that disadvantages had been compensated for and that there were no circumstances indicating that the measures listed in the report were of a different nature than those assessed by the Management Board.

The dependent company report was submitted to the Supervisory Board for review in good time prior to the balance sheet meeting in accordance with § 314 AktG. At its meeting on June 25, 2019, the Supervisory Board comprehensively reviewed the dependent company report for completeness and correctness. The Supervisory Board concluded that there were no objections to the declaration of the Management Board at the end of the report on relations with affiliated companies and approved the dependent company report.

Members of the Supervisory Board

In the period from January 1, 2018 to December 31, 2018, the Supervisory Board consisted of the Supervisory Board members Dr. Albert Wahl (Chairman), Mr. Uwe Zimdars (Deputy Chairman) and Prof. Dr. Dr. Sabine Meck (Member).

Other

The Supervisory Board would like to thank the Management Board and all employees for the outstanding performance in the further expansion of the Group. The Supervisory Board looks forward to the continuation of this successful cooperation.

Berlin, June 25, 2019

Dr. Albert Wahl
(Chairman of the Supervisory Board)

Group Management Report of M1 Kliniken AG

1 Company Profile / Our Principles

Top medicine through specialisation: this is our guiding principle. In just a few years we have grown into the leading provider of health services in the field of beauty medicine.

The business model of M1 Kliniken AG is based on two fields of activity ("segments"):

1. **'Beauty segment':** M1 concentrates its activities on medical aesthetic beauty treatments as well as the operation and provision of medical infrastructures. In this field, we offer aesthetic and surgical treatments and products of the highest quality at a fair price. Under the brands 'M1 Med Beauty', 'M1 Dental' and 'M1 Laser' we operate a German-wide network of specialist centres for beauty medicine treatments and, in Berlin, a specialist surgical clinic (private clinic according to § 30 GewO) - one of the largest and most modern facilities of its kind in Europe.

2. **'Trading segment':** The Group markets high-quality products to doctors, pharmacists and whole-salers. This segment supports the 'Beauty' segment in achieving the best price-performance ratio by building up significant purchasing volumes and achieving corresponding prices.

In 2018, the M1 brand family was further expanded, fostering M1's clear focus on establishing strong brands, which ultimately generate customer loyalty. The expansion and protection of M1's core brands has top priority for the company's actions.

Under the brands 'M1 Laser' and 'M1 Dental', the range of services in the specialist centres operated by M1 was expanded to include dermatological laser and aesthetic dental treatments. In Germany and practically every other country in Western Europe we have considerable growth opportunities. We intend to make consistent use of these opportunities in the coming years and are thus on the way to further establishing M1 as the number 1 in beauty medicine in Europe.

We do not conduct own research activities in this area. On the other hand, the Group is active in the development of treatment products in order to be able to comprehensively serve the full value chain in the implementation of medical aesthetic treatments with products and services in the long term.

M1 Med Beauty new openings 2018: Munich, Dresden, Hamburg, Vienna and Constance,
Extension of treatment range with M1 Dental: Berlin, Munich, Frankfurt and M1 Laser: Berlin

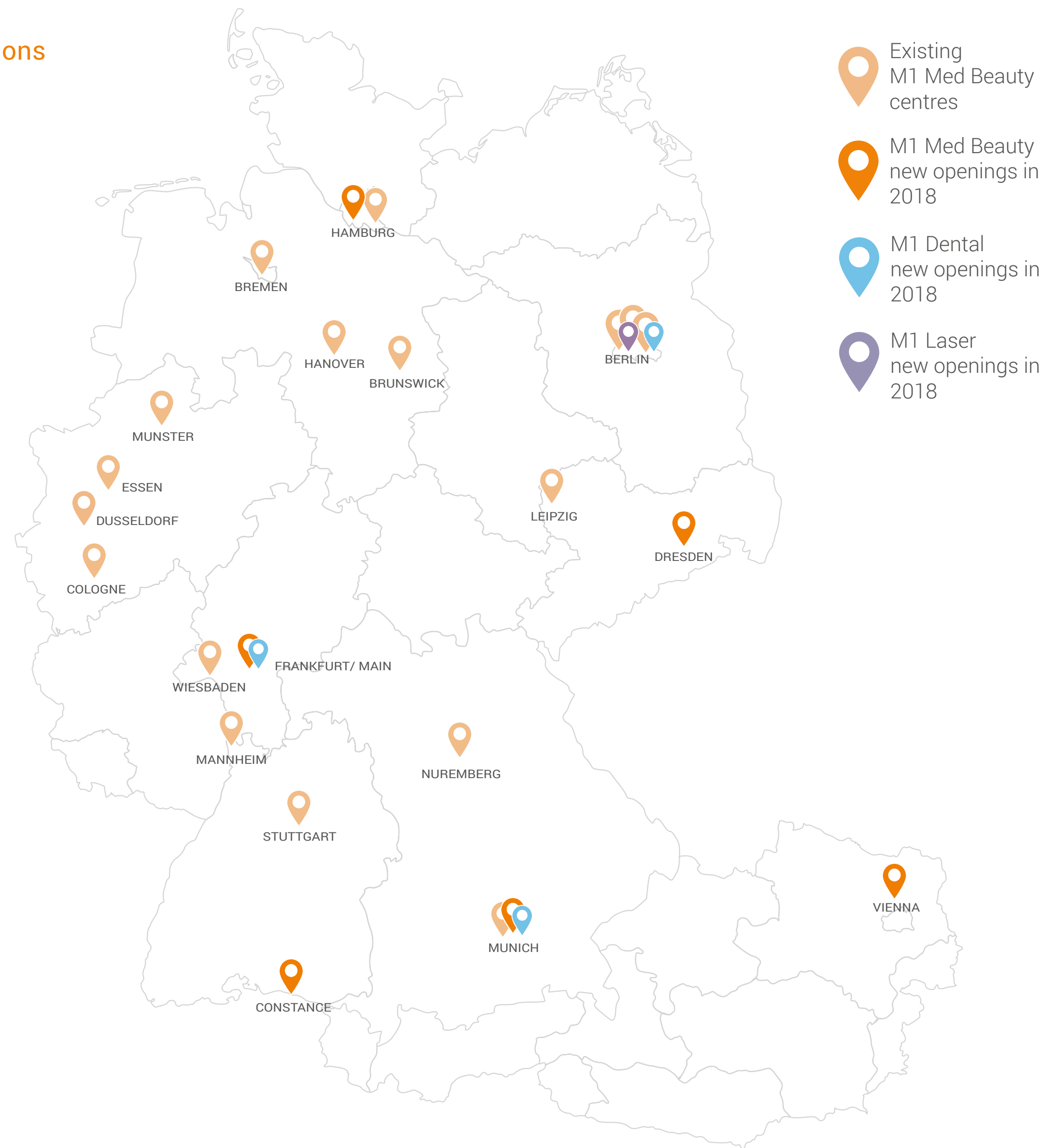
1 BERLIN I Fasanenstraße 77 10623 Berlin	6 HAMBURG Mönckebergstraße 13 20095 Hamburg	11 STUTTGART Büchsenstraße 10 70173 Stuttgart	16 MUNSTER Klarissengasse 9 48143 Munster	20 MUNICH II Sonnenstraße 11 80331 Munich **opened: 02/ 2018**	24 CONSTANCE Reichenaustraße 11 78467 Constance **opened: 12/ 2018**
2 MUNICH I Münchner Freiheit 4 80802 Munich	7 BREMEN Teerhof 59 28199 Bremen	12 FRANKFURT/ M. Schillerstraße 28 60313 Frankfurt/ M.	17 BERLIN II Grünauer Straße 5 12557 Berlin	01 BERLIN I Grünauer Straße 5 12557 Berlin **opened: 03/ 2018**	02 MUNICH II Sonnenstraße 11 80331 Munich **opened: 12/ 2018**
3 ESSEN Kettwiger Str. 2-10 45127 Essen	8 COLOGNE Neumarkt 1a 50667 Cologne	13 NUREMBERG Königstraße 4 90402 Nuremberg	18 MANNHEIM O6 7 68161 Mannheim	21 DRESDEN Jüdenhof 9 01067 Dresden **opened: 09/ 2018**	03 FRANKFURT/M. Schillerstraße 15-17 60313 Frankfurt **opened: 12/ 2018**
4 DUSSELDORF Königsallee 33 40212 Dusseldorf	9 BRUNSWICK Damm 2 38100 Brunswick	14 LEIPZIG Hainstraße 20-24 04109 Leipzig	19 BERLIN III Hackescher Markt 3 10178 Berlin	22 HAMBURG II Jungfernstieg 14 20354 Hamburg **opened: 10/ 2018**	01 BERLIN III Hackescher Markt 3 10178 Berlin **opened: 12/ 2018**
5 SCHLOSSKLINIK Grünauer Straße 5 12557 Berlin	10 HANOVER Rathenaustr. 13/14 30159 Hanover	15 WIESBADEN Langgasse 37 65183 Wiesbaden	12 FRANKFURT/M. (relocation larger premises) Schillerstraße 15-17 **opened: 02/ 2018**	23 VIENNA, Austria Rahlgasse 3 1060 Vienna **opened: 12/ 2018**	

2 Organisation and Business Segments

In the 'Beauty segment', M1 operates a private clinic for plastic and aesthetic surgery (Schlossklinik in Berlin - Köpenick) as well as medical specialist centres for aesthetic and plastic medicine at locations throughout Germany and, since December 2018, also in Austria. It also supplies these specialist centres with products. By the end of 2018, the network had grown from 17 (end of 2017) to 24 specialist centres. In these specialist centres, the doctors cover a focussed spectrum of aesthetic medical treatments of the highest quality and at fair prices. The number of customers treated is rising steadily. In 2018 alone, almost 190,000 medical treatments were carried out in the M1 specialist centres - an increase of almost 25% over the previous year.

We are constantly gaining extensive product experience in connection with aesthetic-medical treatments. In the 'Trading segment', we use this product experience for product selection and product development. As an innovative health care company, we specialize in the marketing of pharmaceutical, medical and medical technology products for aesthetic medicine, plastic surgery and cosmetic dermatology. At the heart of our corporate strategy is the marketing of branded products to doctors, pharmacies and wholesalers. On this basis, a series of cosmetic products under the brand name 'M1 Select' were launched on the market in 2018. The product range will be expanded in the coming years.

Locations




M1
Med Beauty

3 Economic Report

3.1 Economic and industry-specific conditions

3.1.1 General economic conditions

The core market for our business activities in the past financial year was Germany. Domestic economic growth continued to be robust in 2018, although momentum slowed towards the end of the year due to further increases in risks and protectionist trade barriers. After an increase in gross domestic product (GDP) of 2.5% in 2017, GDP even rose by almost 2.6% in 2017 after adjustment for calendar effects.

The economic upturn was driven not only by the ongoing real estate boom and government consumer spending, but also by private consumer spending (+ 2.6%; nominal year-on-year). For the fourth year in a row, the German state was able to collect more public revenues and achieve a surplus of EUR 61.9 billion at the federal, state and municipal levels, of which EUR 24.1 billion was booked as a one-off sum by the major energy providers.

Outlook:

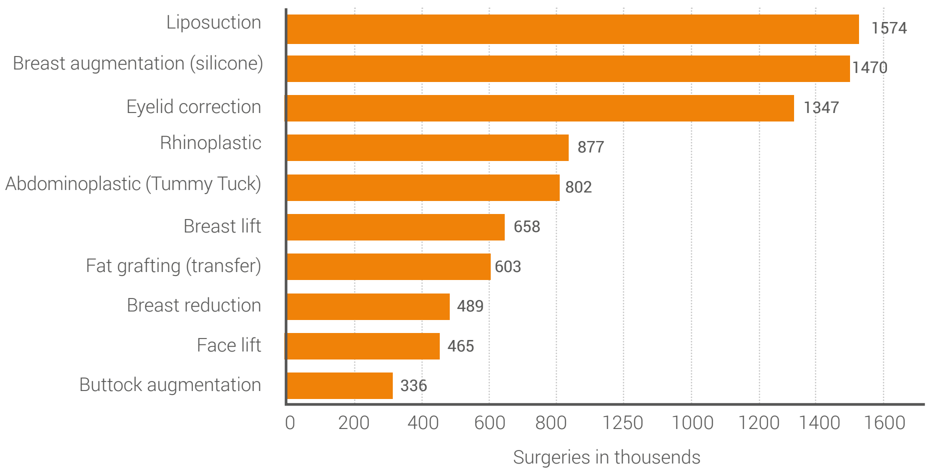
Various economic research institutes expect the German economy as a whole to continue to grow in 2019, albeit at a reduced level. For example, the German government is currently assuming a real growth rate of only around 1.0%. The continued pace of growth will depend on the extent to which emerging protectionist tendencies (tariffs) and the expiring effects of monetary policy influence economic activity. Inflation will also increase again in line with the continued slight increase in oil prices and rising capacity utilization in industry.

3.1.2 Industry-specific conditions

The beauty market remained a clear growth market in 2018. More and more people have opted for cosmetic surgery for a variety of reasons. The proportion of aesthetic plastic surgeries performed by qualified specialists continued to rise and established the trend that has existed for several years. Based on the member survey of the German Society of Plastic, Reconstructive and Aesthetic Surgery (DGPRÄC) and the Association of German Aesthetic Plastic Surgeons (VDÄPC), interest in traditional and cosmetic surgery as well as minimally invasive treatments continues to be high - and increases.

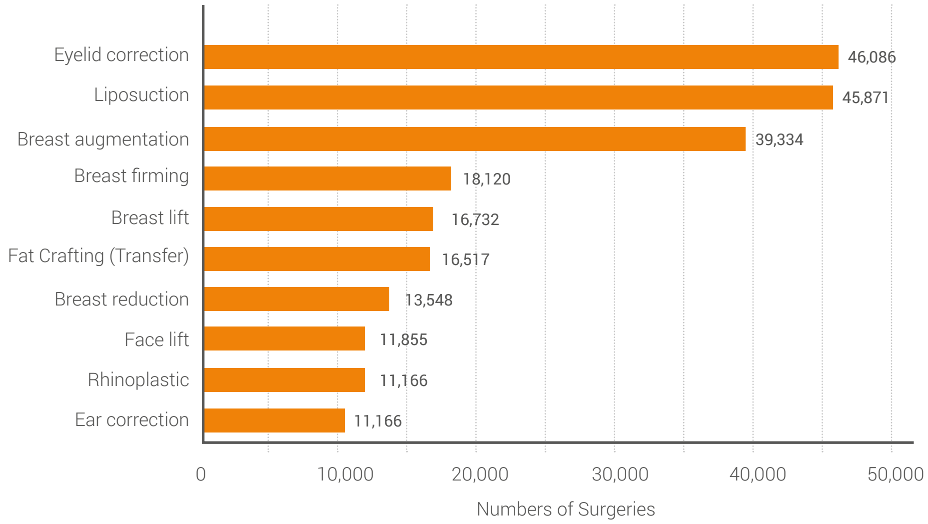
These treatments are therefore increasingly taken for granted in society and are experiencing significant growth. Cosmetic operations lead to an improved self-esteem and thus to a "feeling of well-being" in all areas of life. More self-confidence can be achieved within a few hours by eliminating subjective and objective beauty defects very quickly and with high medical standards. The reasons for this are manifold and range from psychological and physical suffering to the desire of a higher quality of life. This also increasingly influences male patients, as stated by Prof. Dr. Dr. h. c. Raymund E. Horch, president of the DGPRÄC.

The most frequent cosmetic surgeries* worldwide



*Source: ISAPS 2019

The most frequent cosmetic surgeries* in Germany



*Source: ISAPS 2018

In 2017, according to the International Society of Aesthetic Plastic Surgery, 57,000 breast enlargements and lifts were performed in Germany, which represents a rate of 7.1 procedures per 10,000 inhabitants. In comparison, in the USA about 270,000 surgeries were performed in this segment, which corresponds to a rate of 16.2 operations per 10,000 inhabitants. In addition, eyelid surgery (46,000) and liposuction (46,000) were particularly popular in Germany in 2017.

Cosmetic surgery in men is increasing significantly. Currently, every fifth aesthetic plastic surgery is performed on a male patient. We attribute this to the realization in men that a positive self-esteem and a well-groomed appearance also radiate to other areas of life. The main treatments are breast reduction (gynaecomastia), liposuction and hair transplants.

3.2 Business performance

The M1 Group is active in the growing market of aesthetic medicine and plastic surgery. Both business segments (Beauty and Trade) benefit from this development in an integrated way, as the market growth for medical aesthetic treatments automatically leads to at least the same growth of the product market, which in turn increases the demand in the area of trading activities.

Sales in 2018 rose to EUR 65.2 million (previous year: EUR 47.2 million). Sales growth amounted to 38%. Sales were driven by growth in products and services.

Net income in 2018 amounted to EUR 6.6 million (previous year: EUR 5.8 million), which corresponds to an increase of 14%. The disproportionately low increase is mainly due to the considerable "investments" (e.g. expenses for establishing the brand image and market awareness) in securing our market position in Germany as well as the simultaneous expansion investments in several European countries. In addition, the margin profiles of the two corporate segments are very different. For example, the Trading Division achieves a gross margin of less than 5%, which is quite typical for this field of activity, whereas the Beauty segment achieved significantly higher gross margins - with higher overheads at the same time.

The M1 Group and all its employees focus their daily work primarily on the needs of their customers. Service, quality and reliability are essential elements of our customer orientation and drivers of further growth. This strategy has accompanied the group of companies from the very beginning and will continue to be the guiding principle of our development in the years to come. We intend to continue growing and increase our sales by a double-digit percentage each year. Earnings should also continue to grow in the coming years, although this growth might be lower than sales in the coming years due to the foreseeable investments in growth and quality.

3.3 Net assets, financial position and results of operations

3.3.1 Earnings position of the M1 Group (IFRS)

The situation of the company continues to be characterized by the growth of our business activities. The sales of the M1 Group were mainly generated in the field of aesthetic medicine. In the Beauty segment, sales rose by 39% from EUR 21.4 million (2017) to EUR 29.8 million in 2018. Sales in the Trading segment grew somewhat more slowly, but at the same rate, from EUR 25.8 million (2017) to EUR 35.4 million in 2018. This development was in line with M1's expectations. The relative share of the segments in total sales remained more or less constant.

The cost of materials as a percentage of sales rose to 64.8% in 2018 (previous year: 60.8%). This is due to extensive market development campaigns (price campaigns) in the course of the year (which temporarily lead to a lower gross margin) and a weaker margin development in the Trading segment.

Personnel expenses rose by almost 32% from EUR 7.2 million (2017) to EUR 9.4 million, and thus at a lower rate than sales. The personnel cost ratio fell slightly in the course of the year to 14.5% (previous year: 15.2%).

Other operating expenses rose by 20% from EUR 5.4 million (2017) to EUR 6.5 million, so that the expense ratio fell from 11.5% to 10.0%. The main cost items are rental expenses, which rose from EUR 1.9 million (2017) to EUR 2.5 million, and advertising and travel expenses, which rose from EUR 1.5 million (2017) to EUR 1.7 million. This development shows the first synergy effects from the growth of the Group and increased capacity utilisation.

Despite significant expenses for the internationalisation of the business, the infrastructural development of new M1 locations and the expansion of existing M1 locations in 2018, we succeeded in increasing net income from EUR 5.8 million (2017) to EUR 6.6 million (2018).

3.3.2 Financial position of the M1 Group (IFRS)

With liquid funds of EUR 25.4 million (previous year: EUR 14.7 million) at the end of the year, the group's financial position can be described as very stable. Financial management is geared to always settling debts and collecting receivables within the payment period.

Our capital structure is solid. Equity rose from EUR 47.3 million to EUR 63.7 million in 2018. The equity ratio fell slightly to 91.6% (previous year: 93.5%). In September 2018, the share capital was increased by 1,000,000 no-par value shares of EUR 1.00 to EUR 17,500,000 in the course of a capital increase. The proceeds from the sale of the shares that exeed the nominal value of the shares issued were transferred to the capital reserve.

Bank liabilities play a minor role for M1. These amounted to only EUR 0.15 million at the end of 2018, compared with EUR 0.2 million at the end of 2017.

Long-term assets are 255% covered by equity (previous year: 225%).

At EUR 25.4 million (previous year: EUR 14.7 million), our liquidity situation is very good. Our cash flow led to a liquidity increase of EUR 10.7 million (previous year: + EUR 8.9 million).

The M1 Group is planning investments in the context of the expansion of the operating business, infrastructure of clinics and specialist centres and the purchase of treatment equipment. These investments will be in the low single-digit millions in 2019. These investments are to be financed selectively through third party financing (primarily leasing). To this extent, M1 expects an increase in cash and cash equivalents from regular business activities.

3.3.3 Net asset position of the M1 Group (IFRS)

The asset situation of the M1 Group is good. Current assets rose from EUR 29.5 million in 2017 to EUR 44.6 million in 2018. These mainly include cash and bank balances (EUR 25.4 million; previous year: EUR 14.7 million) and trade account receivables (EUR 16.7 million; previous year: EUR 9.2 million). Except for minor residual items, the receivables existing at the balance sheet date had been fully settled by the time the report was prepared.

Inventories were almost unchanged from the previous year at EUR 1.4 million.

Non-current assets amounted to EUR 24.9 million (previous year: EUR 21.1 million).

Non-current financial assets increased from EUR 8.8 million (previous year) to EUR 11.1 million.

The overall economic situation can be described as good.

3.4 Financial performance indicators of the M1 Group (IFRS)

We use sales and EBT (earnings before taxes) as indicators for our internal corporate management. Sales in the reporting year rose to EUR 65.2 million (previous year: EUR 47.2 million) and thus by 38%. EBT amounted to EUR 8.1 million (previous year: EUR 7.4 million), EBITDA (earnings before interest, taxes, depreciation and amortization) to EUR 7.2 million (previous year: EUR 6.2 million).

The M1 Group operates profitably overall and the economic situation can be described as good.

3.5 Non-financial performance indicators of the M1 Group (IFRS)

In the area of non-financial performance indicators, the M1 Group monitors customer evaluations in the clinic and in the network of specialist centres. The aim is to determine the extent of the positive Google ratings and encourage them to constantly increase, which ultimately strengthens the market presence of the underlying brands (e.g. M1 Med Beauty). Image development of the brands is constantly monitored and negative evaluations in customer service are immediately addressed.

4 Forecast Report

We assess the expected development of the M1 Group as positive and expect a sustained continuation of growth.

At the turn of the year 2018/2019, various outpatient centres were opened, including Constance and Vienna, as well as new dental locations in Munich, Frankfurt and Hamburg. Further new outpatient centres will be opened in Germany and in some European target markets (including Austria, the Netherlands, Switzerland and the UK) in 2019. As far as possible, the existing locations will gradually be expanded in their range of services to include laser treatments.

In the area of surgical interventions, we are accelerating the acquisition of occupancy possibilities in order to make it possible to offer more surgical interventions close to the patients' homes.

On the basis of this growth strategy, we plan to continue our double-digit growth in turnover in the coming years. EBT should continue to rise in absolute terms in the coming years, with relative growth tending to lag behind the growth in turnover of the M1 Group.

5 Opportunity and Risk Report

5.1 Risk management system

The M1 Group uses a risk management system for the systematic identification of significant and existentially threatening risks in order to assess their effects and to develop appropriate measures.

The main objectives of the risk management system is to avoid financial losses, defaults or disruptions and to implement suitable countermeasures without delay. As part of this system, the Executive Board and Supervisory Board are informed of risks at an early stage. Important mechanisms for early detection are the monitoring of liquidity and earnings development. Controlling and quality management are responsible for monitoring business performance and determining deviations from budget. If necessary, the respective persons responsible in the specialist departments together with the respective management decide on the appropriate strategy and measures for controlling risks.

5.2 Risk report

The M1 Group operates its own facilities for medical services and provides infrastructure services for third parties. The health and well-being of the patients we care for sets high standards for the handling of risk factors and the established measures to control risk factors.

Thanks to the M1 Group's many years of experience in its relevant markets and its established leading market position, M1 is in a position to control the risks that arise to the least possible impact.

The health care industry, and in particular the market segments in which M1 is primarily active, offers a wide range of entrepreneurial opportunities that M1 can benefit from thanks to its integrated business model.

M1's business approach is based on balancing entrepreneurial opportunities and their associated risks. M1 essentially focuses on five risk areas from which situations can arise for the Group.

5.2.1 Industry-specific risks

The health care system in Germany - but also in most other European markets - is heavily regulated. Changes in the law relating to the provision of services in the market segments relevant to M1 can have an impact on M1's corporate strategy and operational performance. The organisational structures and individual (medical) qualifications required in order to offer the medical services offered by M1 are of particular relevance. To this end, M1 closely monitors legislative developments (together with relevant specialist lawyers), analyzes it within the framework of risk and opportunity management which developments (could) arise and assesses their effects on the Group's sales and earnings position.

For some years now, there has been a shortage of specialists in the health care market, both in terms of nursing and medical functions. In recent years, the German government has developed various personnel recruitment strategies for this purpose, but these have not yet been able to sustainably compensate for the shortage of specialists. The shortage of personnel is also noticeable for M1 and is perceived as a limiting factor in achieving our growth targets.

In addition, it must be ensured at all times that newly hired personnel meet the professional requirements of M1. Finally, we perceive pressure on personnel cost development at M1, as the labour market in the health care sector has already developed into a 'demand market' for job seekers. In this respect, M1 is working on the high reputation of the company in the personnel market in order to be able to realize the highest possible, constant supply of manpower.

In the field of beauty treatments, there is a risk that the perception of beauty in society will change. Should another ideal of beauty develop that contradicts the services provided by M1, this could represent a considerable entrepreneurial risk. Due to its market-leading position and the high number of customer contacts, M1 is in a position at a very early stage to identify developments in the 'beauty awareness' of the target customers of medical-aesthetic treatments and to derive conclusions from this with regard to the range of treatments required for optimum market coverage.

In addition, new market participants whose concepts are aligned with ours could enter into competition with us. Should these new market participants develop their own unique selling points, this could also represent an entrepreneurial risk. M1 closely monitors the competitive environment in its own market segments and closely monitors individual emerging competitors. In sum, we recognize that the field of suppliers is increasing and that there are also isolated attempts to establish "centre chains" on the market according to the M1 model. M1 sees this differentiating competition as a positive signal for its own strategy and the high potential of the selected market segments. The competitive advantage, which will last for several years, puts M1 in a position to adequately meet new competitors and treatment forms, as well as to maintain and even expand its own relative market position.

5.2.2 Reputational/quality risks

Risks that could damage the reputation of M1 arise primarily from patient and customer satisfaction. Quality defects in the performance of treatments, in hygiene standards and in the products used can be of relevance here.

In order to avoid risks to the quality of treatment, M1 employs a comprehensive medical quality management. This begins with the fact that only physicians carry out medical treatments in the field of injection therapies. This is a basic condition both in the self-managed specialist centres and in the practices for which M1 provides the practice infrastructure, since the quality of the treatments is ultimately inseparable from the brand image of M1. In the surgical field, only specialists are entrusted with treatment. Since 2017, M1 has established its own academy (M1 Akademie) in which new doctors are trained by highly qualified supervisors as part of a structured programme lasting several weeks and are familiarised with the treatment spectrum. Internal audits by the supervisors are also carried out on a regular basis during the further course of activities. In addition, further training events are held several times a month to refine treatment methods and introduce new products. The clinic management and the medical director also hold regular conferences in the surgical field to improve treatment procedures.

In the market segments served by M1, the company pursues a clear strategy of offering only a limited number of treatments. These are the most popular treatments in the market. This gives physicians a high degree of specialization, which ultimately leads to high-quality treatment.

A comprehensive hygiene plan, developed by one of the leading hospital hygienists in Germany, has been established in all M1-operated clinics as well as in the operated/supervised practices. For this purpose, an audit checklist was developed, which is regularly processed by the practices and also checked in the case of unannounced additional audits.

M1 also pursues a comprehensive quality strategy with regard to the materials used (treatment products, instruments, etc.). In the area of treatment products, M1 works exclusively with the market leaders in their relevant market segments. For this purpose, products are sourced worldwide. Publications and the opinions of global supervisory bodies in the assessment of product safety are evaluated. In the case of treatment instruments, attention is paid to longevity, treatment safety and risk-free use.

5.2.3 Earnings-oriented risks

The main cost items in the treatment-related business segment of M1 (Beauty segment) consist of material costs (treatment materials), personnel costs and infrastructure costs.

In the procurement of pharmaceuticals, medical products and medical technology, general price increases can have a negative impact on our earning potential. The treatment materials used are sourced from a limited number of internationally operating suppliers. A change in the pricing policy of these suppliers would have a direct impact on our earning potential if the suppliers could not be replaced. M1 counteracts this risk by diversifying the range of treatment products offered. This reduces the actual dependence on individual suppliers. In addition, M1 is active on international procurement markets and actively uses arbitrage potentials from this approach.

General price increases and wage trends also have a negative impact on earnings. If it is not possible in the medium term to offset these burdens in terms of price or efficiency improvements, this will have a negative impact on earnings. In this context, M1's focus is primarily on optimal utilization of existing capacities, which means that rising costs can be spread over a higher number of treatments. In the area of infrastructure services, there is an option to pass on rising costs to customers. In addition, infrastructure services are preferably concluded on the basis of long-term contracts (e.g. rental agreements), so that the general price increase trends can be controlled. Finally, there is the risk that users (self-employed doctors or medical service providers) of the practice infrastructures made available by M1 will get into economic difficulties due to their own wrong decisions and as a result receivables for infrastructure services rendered cannot be collected. M1 manages this risk by closely monitoring the quality of medical services (customer evaluations) and by continuously analysing the economic performance of its practices in order to be able to recognize risks and take precautionary measures at an early stage.

In the trading sector, M1 has relatively low margins typical of the market. M1's strategy is not necessarily to keep merchandise in stock itself, but to procure some of it for the execution of trading transactions. This 'back-to-back' settlement can prevent uncontrollable margin risks.

In addition to the costs of providing services, the sales prices that can be realised in the market are a key lever for the group's sales and earnings. Here, the M1 Group is positioning itself as a leading price competitor for beauty medicine services and products. Should other financially strong companies attempt to enter the market as competitors, this could lead to price competition which would burden margins. The strong financial resources of the M1 Group enable this strategy to be implemented on a sustainable basis.

5.2.4 Financial risks

Financial risks may arise in relation to the default of receivables, changes in interest rates and the assurance of the Group's solvency at all times.

The risks from possible bad debt losses are countered by active receivables management. In the area of medical treatments, this ensures that, as a rule, customer payments are already made before the treatments are carried out or immediately after the treatments are completed. As a result, virtually no end customer receivables are threatened by default. In the case of customers for infrastructure services, M1 continuously analyzes the economic and quality development of its customers in order to be able to take security measures at an early stage if necessary. M1 regularly checks the creditworthiness of its trading partners and major customers and checks compliance with the payment terms granted. In individual cases, the provision of securities is required for larger receivables. To date, M1 has not had to incur any payment defaults from trade and major customers.

There are no significant currency risks that could influence the Company's net assets, financial position and results of operations, as M1 was only active to an insignificant extent in procurement markets outside the Euro Zone in the past financial year. Medical services are not to be offered in non-Euro countries until 2019.

In the financial area, there is generally a risk that the control and profit and loss transfer agreement (PTA) relating to a minority interest will be terminated after expiry of the minimum term at the end of 2021. This would result in a loss of part of the income from investments. M1 currently has no information regarding a termination of the PTA. In addition, there are risks associated with the share price performance of the listed companies held, which could lead to a reduction in the balance sheet value of the investments.

The financial stability of the M1 Group is ensured by the high equity ratio. In 2017 and 2018, the company carried out two capital increases, which generated a total liquidity inflow of approximately EUR 30 million. This guarantees the solvency of the Group at all times. The available liquidity is managed conservatively with the aim of avoiding capital losses (e.g. due to 'custody fees').

To further ensure liquidity, leasing instruments and financing instruments are implemented selectively. For example, the Schlossklinik in Berlin-Köpenick was converted into a sale-and-lease-back model in 2015 and the funds invested in the development of the property were released again. The space in the practice network is leased exclusively under long-term leases, so that no acquisition costs are incurred for the properties. In addition, individual high-quality treatment instruments (e.g. surgical equipment, IT equipment, laser instruments) are financed via leasing models.

5.2.5 Infrastructural risks

M1 defines infrastructure risks as risks from IT and personnel management.

The IT risks relate to the reliability of the IT systems operated and the security against hacker attacks on the company. The internal IT department has been significantly strengthened in recent years and the hardware systems operated have been expanded to meet future requirements. Structures are operated redundantly, so that in the event of a failure of the main system, a replacement system is available.

The digital landscape is characterized by a network of linked individual software components. Individual systems can be removed from the network in problem situations without impairing the availability of the whole network.

The IT infrastructure and extensive firewall systems provide the greatest possible protection against hacker attacks. Regular backups of the data are carried out.

The Group devotes a great deal of attention to data protection. The requirements of the new EU GDPR directive have been implemented throughout the Group. The corresponding data protection guidelines have been revised for this purpose.

Dependence on key personnel is seen as an infrastructural risk. M1 counters this risk with the partial distribution of tasks within the Group. In addition, it is monitored that individual persons do not combine too many critical bottleneck functions. In addition, the simultaneous provision of services for medical treatments means that the loss of individual practitioners can be quickly compensated for by the reallocation of personnel.

In the area of structural infrastructure, the hospital licensing of the Schlossklinik in Berlin-Köpenick according to § 30 GewO is a significant risk. Regular inspections by the authorities have confirmed that M1 meets the highest quality requirements. The approval to operate the Schlossklinik has been granted without restriction. The loss of individual locations of the practice network is of less extensive significance for the provision of the medical treatments. The network, which is now closely connected, makes it possible to carry out treatments at other locations as well. In addition, the requirements for the operation of an outpatient centre can be met relatively quickly, so that the loss of a site can be made up for within a few months.

5.2.6 Economic risks

The overall economic environment in Germany is currently very positive, so no acute risks arise from this environment. Private consumption in particular is supporting overall economic growth. This also includes the services of the market segments of M1. Demand for M1 services will continue to grow. According to management estimates, it is also independent of macroeconomic developments (e.g. the market for aesthetic treatments in Brazil has been growing for many years despite the economic difficulties).

5.3 Opportunities report

In addition to the risk areas considered, M1 has also defined areas of opportunity in the development of which the Group would like to actively participate in the coming years.

The medical beauty market is and will remain a growth market with an estimated growth rate of approx. 10% p.a. Through our specialisation in aesthetic medicine and the development and marketing of pharmaceutical, medical and medical-technical products for aesthetic medicine and cosmetic dermatology and the associated price leadership, the M1 Group will participate to an above-average extent in this growth.

Efficiency in the treatment of patients will be promoted by a consistent focus on a limited range of indications. The high quality of the treating physicians also contributes to this, which in turn is supported by the high number of individually performed treatments.

We will continue to face the competition in the market, above all through increasing competition from suppliers in our segment, with our experience, innovation, reliability and a high level of service and quality.

Due to the stock exchange listing of M1 Kliniken AG, we see the possibility of acquiring further funds to implement the growth course we have embarked upon, although there are currently no considerations in this regard.

As part of further growth, it will be possible to gradually reallocate tasks to more specialised staff and to introduce additional expertise to the Group through new employees.

M1's personnel policy is based on flat hierarchies, a participative management style and the possibility for employees to occupy additional areas of responsibility as the company grows. A high level of employee retention will be able to decouple us in part from the bottlenecks on the labour market.

5.4 General statement

The risk portfolio of M1 consists of a number of risk positions (e.g. business cycle, legislation) that cannot be controlled by M1. M1 regularly monitors these risks and considers the resulting changes for the Group.

Influenceable risks are monitored by control systems so that negative developments can be absorbed and minimized. We continue to see risks of future development in a competitive environment that may be characterized by new competitors, rising procurement prices, a stagnating sales price level and the limitation of "means of production" (e.g. materials, personnel). Against the background of our financial stability, however, we believe that we are well equipped to cope with future risks.

There are currently no identifiable risks that could jeopardize the continued existence of the company.

For the financial year 2019, we do not see any major changes in the opportunities and risk landscape for the M1 Group as a whole. Overall, we consider ourselves to be well protected against external and internal risks.

6 Risk Reporting on the Use of Financial Instruments

The financial instruments held by the company mainly comprise securities, receivables, liabilities and bank balances.

The companies in the Group have a solvent customer base. Bad debt losses are the absolute exception.

Liabilities are paid within the agreed payment periods.

The company pursues a conservative risk policy in managing its financial positions. Where default and credit risks are identifiable in the case of financial assets, corresponding value adjustments are made. In order to minimize default risks, the company has an adequate debtor management in place. In addition, we always inform ourselves about the credit worthiness of our customers before entering into a new business relationship.

7 Report on Branches

The company operates a branch in Austria since 2018. The branch is to be merged into the newly established Austrian regional company in 2019.

8 Final Declaration According to § 312 (3) sec (3) AktG

In accordance with § 312 AktG, the Management Board has prepared a report on relations with affiliated companies which contains the following concluding statement: "According to the circumstances known to us at the time when legal transactions were entered into with the controlling and other affiliated companies, our company and the subsidiaries received appropriate consideration for each legal transaction".

Berlin, June 25, 2019
M1 Kliniken AG

Patrick Brenske
(Management Board)

Dr. Walter von Horstig
(Management Board)


Actual
Budget
Travel
Medical
Food
Auto
10.00%
8.08%
6.92%

Group Financial Statement

Group - Profit and loss statement

as of December 31, 2018*

		2018 in EUR	2017 in EUR
Sales	5.1.1	65,208,587.83	47,194,525.55
Other operating income	5.1.2	177,540.27	261,259.84
Cost of purchased goods and services	5.1.3	-42,260,599.58	-28,698,464.47
Personnel expenses	5.1.4		
Wages and salaries		-7,915,037.26	-6,034,729.31
Social security, pensions and other employee benefits		-1,524,798.41	-1,133,492.27
		-9,439,835.67	-7,168,221.58
Other operating expenses	5.1.6	-6,517,858.10	-5,413,302.79
Other taxes		3,357.44	-10,993.47
Operating result before depreciation | EBITDA		7,171,192.19	6,164,803.08
Depreciation	5.1.5	-710,775.45	-461,145.51
Operating result | EBIT		6,460,416.74	5,703,657.57
Other interest and similar income		158,035.53	174,605.66
Income from investments		1,484,584.80	1,483,048.80
Interest and similar expenses		-8,244.04	-7,758.21
Financial result	5.2	1,634,376.29	1,649,896.25
Earnings before taxes | EBT		8,094,793.03	7,353,553.82
Taxes on income and earnings	5.3	-1,482,225.89	-1,575,582.59
Net result for the year / Total income for the reporting period		6,612,567.14	5,777,971.23
Undiluted earnings per share (in EUR)	5.4	0.39	0.38

* accounting according to IFRS
** There were no events at M1 Kliniken AG Group in the reporting period or in the previous year that would have had to be taken into account in other comprehensive income. A separate consolidated income statement is therefore not presented.

Group - Balance sheet - Assets

as of December 31, 2018*

		2018 in EUR	2017 in EUR
Cash and cash equivalents	6.1.1	25,383,992.68	14,687,401.83
Trade account receivables	6.1.2	16,738,922.91	9,187,532.65
Inventories	6.1.3	1,404,126.31	1,410,139.70
Other short-term financial assets		726,043.78	3,774,713.32
Other short-term non-financial assets		361,192.62	443,152.24
Income tax assets		12,902.40	12,902.40
Short-term assets		44,627,180.70	29,515,842.14
Intangible assets excluding goodwill	6.1.5	258,291.60	167,965.00
Goodwill	6.1.4	8,028,736.90	8,028,736.90
Fixed assets	6.1.6	5,488,775.27	3,961,529.37
Other long-term financial assets	6.1.7	11,056,024.43	8,762,821.04
Other long-term non-financial assets	6.1.8	94,967.13	131,779.19
Long-term assets		24,926,795.33	21,052,831.50
TOTAL ASSETS		69,553,976.03	50,568,673.64

* accounting according to IFRS

Group - Balance sheet - Liabilities/Equity

as of December 31, 2018*

		2018 in EUR	2017 in EUR
Short-term provisions	6.2.1	654,000.78	276,940.37
Liabilities from income taxes		1,698,571.30	716,539.66
Trade account payables		907,663.64	840,543.95
Other short-term financial liabilities		81,968.25	32,185.75
Other short-term non-financial liabilities		1,800,774.66	755,053.03
Advance payments received		515,676.30	450,988.41
Short-term liabilities	6.2	5,658,654.93	3,072,251.17
Other long-term financial liabilities		149,546.44	214,797.76
Deferred tax liabilities	6.2.3	3,134.13	1,343.70
Long-term liabilities	6.2	152,680.57	216,141.46
Subscribed capital		17,500,000.00	16,500,000.00
Capital reserve		28,044,731.01	14,244,938.63
Retained earnings		18,197,909.52	16,535,342.38
Equity	6.2.4	63,742,640.53	47,280,281.01
TOTAL LIABILITIES		69,553,976.03	50,568,673.64

* accounting according to IFRS

Group - Cash flow statement (7)

as of December 31, 2018*

	2018 in EUR	2017 in EUR
Net result for the period	6,612,567.14	5,777,971.23
Depreciation of assets	710,775.45	461,145.51
Increase / decrease in long-term provisions	0.00	-4,210.19
Increase / decrease in short-term provisions	377,060.41	103,322.54
Increase / decrease due to fair value measurement	-5,933.50	-4,453.01
Increase / decrease in inventories	6,013.39	164.53
Increase / decrease in trade account receivables and other assets	-5,409,248.68	-3,644,611.65
Increase / decrease in trade account payables and other liabilities	1,227,311.71	837,326.64
Profit / loss from the disposal of assets	-7,073.61	0.00
Interest expenses / income	-149,791.49	-166,847.45
Other investment income	-1,484,584.80	-1,483,048.80
Income tax expense / income	1,482,225.89	1,575,582.59
Income tax payments	-498,403.82	-1,366,377.18
Cash flow from operating activities	2,860,918.09	2,085,964.76
Payments for investments in intangible assets	-231,938.96	-140,794.89
Proceeds from disposal of property, plant and equipment	7,074.61	360.50
Payments for investments in property, plant and equipment	-2,096,409.99	-3,289,698.49
Payments for investments in financial assets	-1,261,970.25	-2,876,015.09
Interest payments received	158,035.53	174,605.66
Dividends received	1,484,584.80	1,483,048.80
Cash flow from investing activities	-1,940,624.26	-4,648,493.51
Proceeds from additions to shareholders' equity	14,799,792.38	15,744,938.63
Proceeds from taking bank liabilities	0.00	236,548.20
Payments from repayment of bank liabilities	-65,251.32	-35,664.69
Interest paid	-8,244.04	-7,758.21
Dividends paid	-4,950,000.00	-4,500,000.00
Cash flow from financing activities	9,776,297.02	11,438,063.93
Cash Flow	10,696,590.85	8,875,535.18
Cash and cash equivalents on 01.01.2018 / previous year	14,687,401.83	5,811,866.65
Cash and cash equivalents at 31.12.2018 / previous year	25,383,992.68	14,687,401.83
Change in cash and cash equivalents	10,696,590.85	8,875,535.18

* accounting according to IFRS

Group - Statement of changes in equity

as of December 31, 2018*

	Subscribed capital in EUR	Capital reserve in EUR	Retained earnings in EUR	Subtotal in EUR	Equity attributable to shareholders of the parent company in EUR	Total equity in EUR
As of 01.01.2017	15,000,000.00	0.00	15,257,371.15	30,257,371.15	30,257,371.15	30,257,371.15
Net result / total income for the period*	0.00	0.00	5,777,971.23	5,777,971.23	5,777,971.23	5,777,971.23
Capital increase / reduction	1,500,000.00	15,000,000.00	0.00	16,500,000.00	16,500,000.00	16,500,000.00
Transaction costs Equity instruments	0.00	-755,061.37	0.00	-755,061.37	-755,061.37	-755,061.37
Dividends	0.00	0.00	-4,500,000.00	-4,500,000.00	-4,500,000.00	-4,500,000.00
Subtotal	1,500,000.00	14,244,938.63	1,277,971.23	17,022,909.86	17,022,909.86	17,022,909.86
As of 01.01.2018	16,500,000.00	14,244,938.63	16,535,342.38	47,280,281.01	47,280,281.01	47,280,281.01
Net result / total income for the period*	0.00	0.00	6,612,567.14	6,612,567.14	6,612,567.14	6,612,567.14
Capital increase / reduction	1,000,000.00	14,300,000.00	0.00	15,300,000.00	15,300,000.00	15,300,000.00
Transaction costs Equity instruments	0.00	-500,207.62	0.00	-500,207.62	-500,207.62	-500,207.62
Dividends	0.00	0.00	-4,950,000.00	-4,950,000.00	-4,950,000.00	-4,950,000.00
Subtotal	1,000,000.00	13,799,792.38	1,662,567.14	16,462,359.52	16,462,359.52	16,462,359.52
As of 31.12.2018	17,500,000.00	28,044,731.01	18,197,909.52	63,742,640.53	63,742,640.53	63,742,640.53

* accounting according to IFRS

Group - Fixed assets

as of December 31, 2018*

	Acquisition and production costs				Accumulated depreciation					Book value	
	01.01.2018	Accurals in EUR	Disposals in EUR	As of 31.12.2018 in EUR	As of 01.01.2018 in EUR	Depreciations in EUR	Write-ups in EUR	Disposals in EUR	As of 31.12.2018 in EUR	As of 31.12.2018 in EUR	As of 01.01.2018 in EUR
Concessions, industrial property rights and similar rights and assets as well as licenses in such rights and assets	328,126.36	231,938.96	0.00	560,065.32	-160,161.36	-141,612.36	0.00	0.00	-301,773.72	258,291.60	167,965.00
Goodwill	8,028,736.90	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
Intangible assets	8,356,863.26	231,938.96	0.00	8,588,802.22	-160,161.36	-141,612.36	0.00	0.00	-301,773.72	8,287,028.50	8,196,701.90
Land, leasehold rights and buildings, including buildings and buildings on third-party land	737,782.27	1,418.57	0.00	739,200.84	133,194.86	0.00	0.00	0.00	133,194.86	872,395.70	870,977.13
Technical equipment and machinery	138,999.50	0.00	0.00	138,999.50	-55,589.50	-21,533.00	0.00	0.00	-77,122.50	61,877.00	83,410.00
Other equipment, factory and office equipment	2,079,666.88	2,094,142.09	-19,747.90	4,154,061.07	-740,719.88	-547,630.09	0.00	19,746.90	-1,268,603.07	2,885,458.00	1,338,947.00
Payments on account and assets under construction	1,668,195.24	849.33	0.00	1,669,044.57	0.00	0.00	0.00	0.00	0.00	1,669,044.57	1,668,195.24
Fixed assets	4,624,643.89	2,096,409.99	-19,747.90	6,701,305.98	-663,114.52	-569,163.09	0.00	19,746.90	-1,212,530.71	5,488,775.27	3,961,529.37
Financial assets	3,877,932.14	2,287,269.89	0.00	6,165,202.03	4,884,888.90	0.00	5,933.50	0.00	4,890,822.40	11,056,024.43	8,762,821.04
TOTAL	16,859,439.29	4,615,618.84	-19,747.90	21,455,310.23	4,061,613.02	-710,775.45	5,933.50	19,746.90	3,376,517.97	24,831,828.20	20,921,052.31

* accounting according to IFRS

Group Annex/Notes

1 General information

1.1 Reporting company

The parent company is M1 Kliniken AG, which was founded in 2007. The company is entered in the Commercial Register of the Berlin-Charlottenburg Local Court under HRB 107637 B and has its registered office at Grünauer Strasse 5, 12557 Berlin, Germany. The M1 Kliniken Group is active in aesthetic medicine. The Group's business is mainly focused on the provision of medical services in the field of aesthetic medicine, services for physicians, medical practices and medical companies active in plastic and aesthetic medicine as well as trading in drugs and medical products. In addition, properties in the area of health care are acquired and developed for later operation as a clinic location. No properties were acquired or sold in the past fiscal year. Independent research and development activities within the jurisdiction of IAS 38 are not carried out.

1.2 Basis of preparation of the financial statements

M1 Kliniken AG, headquartered in Berlin, Germany, is listed on the Basic Board (Freiverkehr) of the Frankfurt Stock Exchange. In the fiscal year of 2017, voluntary consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union. Since the 2018 financial year, M1 Kliniken AG has exceeded two size criteria of § 293 HGB (German Commercial Code) on two consecutive reporting dates and is therefore obliged to prepare consolidated financial statements in accordance with the requirements of German commercial law. The consolidated financial statements of M1 Kliniken AG for the period from January 1 to December 31, 2018 were prepared in accordance with § 315e (1) HGB in conjunction with § 315e (1) HGB. The consolidated financial statements of M1 Kliniken AG have been 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 adopted by the European Union. In addition, the notes to the consolidated financial statements pursuant to § 315e (1) HGB and contain certain details on provisions of the HGB.

Unless otherwise indicated, the figures for the financial year and the previous year are shown in EUR. Apart from the companies founded in 2018 in Great Britain and Australia - which have not yet been fully consolidated for reasons of materiality - the EUR also corresponds to the functional currency of the other companies included in the consolidated financial statements.

The new standards adopted by the IASB were observed from the date on which they came into effect.

Accounting and valuation were based on the going concern principle.

The balance sheet of the M1 Kliniken Group has been prepared on the basis of maturities, with assets and liabilities expected to be realized or settled within twelve months of the balance sheet date being classified as current in accordance with IAS 1. In accordance with IAS 1.56, deferred tax assets and deferred taxes are reported in full under long-term assets and liabilities respectively.

The consolidated income statement was prepared in accordance with the 'nature of expense' method. A consolidated statement of comprehensive income has not been prepared as there were no effects at M1 Kliniken Group in the year under review or in the previous year that should have been shown in other comprehensive income.

With the exception of the new standards applied for the first time (in particular IFRS 9 and IFRS 15), the accounting and valuation methods applied are basically the same as those applied in the previous year.

To improve the clarity of presentation, individual items have been combined in the balance sheet and income statement. The breakdown of these items is shown in the Notes. Rounding differences to the mathematically exact values may occur in the presentation.

1.3 New standards and interpretations

1.3.1 New standards and interpretations to be applied for the first time

M1 Kliniken AG applied the following new and amended standards and interpretations for the first time in the current financial year:

First-time adoption in the current financial year

Standard/ interpretation	Title
Annual Improvements to IFRS	Cycle 2014-2016
Amendments to IFRS 4	Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts
IFRS 9	Financial instruments
IFRS 15	Revenues from contracts with customers
Clarifications to IFRS 15	Revenues from contracts with customers
Amendments to IAS 40	Transfers of investment property
Amendments to IFRS 2	Classification and valuation of share-based payment transactions

The effects of the first-time application of IFRS 15 and IFRS 9 are described in detail below. The other standards and interpretations to be applied for the first time in the year under review and their amendments have no material impact on the consolidated financial statements.

IFRS 15 Revenue from contracts with customers

M1 Kliniken AG has adopted IFRS 15, Revenue from contracts with customers, since January 1, 2018. This standard replaces IAS 11, construction contracts, and IAS 18, revenue, as well as its related interpretations. IFRS 15 regulates when and to what extent a company preparing its financial statements in accordance with IFRS must record revenue. The transition to IFRS 15 was completed using the modified retrospective method, i.e. the standard is only applied to contracts not yet fulfilled as of January 1, 2018.

In summary, the application of IFRS 15 does not result in any material changes. The revenue recognition principles are as follows:

Revenue recognition in the **Beauty** segment

- Revenues from medical services in aesthetic surgery include inpatient cosmetic surgery services (primarily breast augmentation, eyelid lifting and liposuction - surgical activities) performed in affiliated clinics and at the Schlossklinik in Berlin-Köpenick operated by M1 Kliniken AG. The M1 Kliniken Group has two main obligations arising from aesthetic surgery services. Firstly, the performance of the operation, including prophylaxis that is closely related to the actual performance of the operation, accommodation and meals as well as immediate aftercare. Secondly, the provision of medical aftercare or follow-up appointments within a period of up to 6 months after the operation. Sales are recorded as of the date of the surgical intervention, as the share of aftercare activities is of minor importance in terms of expenses compared to the surgery. Advance payments by customers before the operating day are shown in the balance sheet as advance payments.

- Sales revenues from outpatient aesthetic-medical treatment services (mainly injections with hyaluronic acid and botolinum toxin, laser treatments, dental aesthetic treatments) are recorded at the time of treatment, as the medical intervention is completed at the end of the treatment appointment.

- Sales revenues from infrastructure services (e.g. practice personnel, IT, advertising, and other services) are recognized with the monthly billing.

- The first-time application of IFRS 15 did not result in any changes in the Beauty segment with regard to the recognition of revenues.

Revenue recognition in the **Trading** segment

- Revenue from product deliveries in the trading area is recognized as soon as the customer gains control of the product. To date, all products sold in the trade segment have also been recognized at the time in accordance with IAS 18. The application of IFRS 15 therefore does not lead to any significant changes in this area at M1 Kliniken AG.

The agreed payment terms usually provide for payment within 90 days of invoicing. The customer contracts do not contain any material financing components.

IFRS 9 Financial Instruments

IFRS 9, financial instruments, has been applied by M1 Kliniken AG since January 1, 2018. The regulations were adopted retrospectively in a modified form, i.e. the standard is only applied to contracts not yet fulfilled as of January 1, 2018. IFRS 9 regulates the classification and measurement of financial instruments, including hedge accounting, and supersedes IAS 39, financial instruments: recognition and measurement. As in the previous year, there were no hedging relationships at M1 Kliniken AG in the 2018 financial year. Also with regard to the other provisions of IFRS 9, there were no changes with a material impact on the net assets, financial position and results of operations. The changed categorization of financial instruments does not lead to a different valuation of financial assets and liabilities at M1 Kliniken AG.

Financial assets previously categorized as "loans and receivables" continue to be measured at amortized cost in accordance with IFRS 9. Financial assets previously measured at fair value through profit or loss continue to be measured in this way. The classification of financial liabilities remains unchanged. The newly introduced expected credit loss model for the impairment of financial assets also does not result in any material changes.

1.3.2 New standards and interpretations to be applied in the future

The following new or amended standards/interpretations have already been adopted by the IASB, but have not yet entered into force and are not being applied voluntarily by M1 Kliniken AG. The effects on the consolidated financial statements of M1 Kliniken AG are currently under review, but based on current knowledge, no material effects are expected in most cases. With regard to IFRS 16, leases, which is to be applied for the first time, we refer to the explanations below the following table.

New regulations and amendments not yet applied

Standard/ Interpretation	Title	Takeover EU Commission	To be applied from
IFRS 16	Leases	Yes	1.1.2019
Amendments to IFRS 9	Early repayment arrangements with negative compensatory payment	Yes	1.1.2019
Amendments to IAS 28	Long-term investments in associates and joint ventures	Yes	1.1.2019
IFRIC 23	Uncertainty regarding income tax treatment	Yes	1.1.2019
Annual Improvements to IFRS	Cycle 2015-2017	Yes	1.1.2019
Amendments to IAS 19	Plan amendments, curtailments or settlements	Yes	1.1.2019
Revision of the framework concept and amendment of cross-references to the framework concept in various IFRS		No	1.1.2020
Amendments to IFRS 3	Definition of a business operation	No	1.1.2020
Amendments to IAS 1 and IAS 8	Definition of Significance	No	1.1.2020
IFRS 17	Insurance contracts	No	1.1.2021

IFRS 16 Leases

In January 2016, the IASB adopted IFRS 16 "Leases", the new standard for the accounting of leases. In future, IFRS 16 will replace IAS 17 and the related interpretations.

In accordance with IFRS 16, the leasee generally accounts for all leases in such a way that the right of use associated with the lease is recognised as an asset on the assets side and the corresponding discounted lease liability on the liabilities side.

There are simplifications for leased assets with a low value and for leases with a short term. The lease payments for these leases can be expensed on a straight-line basis (or according to another systematic basis of allocation) over the term of the lease.

Under the previous IAS 17, a distinction was made between on-balance-sheet finance leases and off-balance-sheet operating leases. This distinction between two different types of lease will no longer apply when IFRS 16 becomes effective. If a contract is classified as a lease, it falls within the scope of this standard and must therefore be accounted for. Otherwise, it is a service agreement recognized as an expense.

For the lessor, however, the provisions of the new standard are similar to the previous provisions of IAS 17. Leasing contracts continue to be classified as either finance or operating leases. The criteria of IAS 17 were adopted for classification in accordance with IFRS 16.

In addition, IFRS 16 contains a number of other regulations on disclosure and notes as well as sale-and-lease-back transactions.

M1 Kliniken AG will apply IFRS 16 modified retrospectively as of January 1, 2019. The option of recognizing short-term leases and leases relating to a low-value asset as expenses will be exercised. The separation of non-leasing components contained in leases is to be waived.

On the basis of the analyses carried out to date, it is currently expected that the balance sheet will be extended by approx. EUR 15 million at the transition date. The increase in the balance sheet total results from the capitalization of rights of use in long-term assets on the one hand and the capitalization of leasing liabilities on the other, which will lead to an increase of the dept-equity ratio. There will probably be no significant impact on equity at the transition date, but the calculated equity ratio will decline.

2 Discretionary decisions, estimates and assumptions

In the preparation of the consolidated financial statements, some assumptions and estimates were made which affected the amount and disclosure of assets and liabilities, income and expenses reported in the balance sheet. The actual values may deviate from the assumptions and estimates made at a later date. Corresponding changes will be recognized in profit or loss at the time when better information becomes available. All assumptions and estimates are made to the best of our knowledge and belief in order to give a true and fair view of the net assets, financial position and results of operations of the Group.

In applying the accounting policies described below, the Management Board exercises significant judgment.

M1 Kliniken AG annually tests the recoverability of **goodwill** and other long-term assets with a definite economic lifetime on the basis of IAS 36 if there are indications of impairment. The basis for the impairment test is the comparison between the carrying amount of an asset and the recoverable amount that can be generated from the asset or group of assets or the cash-generating unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

The **fair values** of assets and liabilities are determined on the basis of management assessments. In particular, M1 Kliniken measures its investments in HC Grundbesitz GmbH and CR Capital Real Estate AG at fair value. At HC Grundbesitz GmbH, the fair value is determined on the basis of Level 3 of the fair value hierarchy using a net present value method. This is primarily based on the term of the profit and loss transfer agreement concluded and the resulting guaranteed profit distribution.

The principles used by management to assess the **appropriateness of the allowances** for doubtful accounts are, in particular, the maturity structure of the receivable balances, the creditworthiness of the customers and changes in payment terms. Due to the prompt settlement of receivables from medical treatments and the close monitoring of the solvency of other customers, value adjustments play a minor role.

In the area of **revenue recognition**, it is necessary to examine which separate service obligations are included in the contracts with customers. For each identified separate performance obligation, an assessment must be made as to whether the conditions for recognition of revenue over a specific period have been met.

The expected actual income tax must be calculated for each taxable entity, and temporary differences arising from the different treatment of certain balance sheet items between the IFRS consolidated financial statements and the tax accounts must be assessed. Where temporary differences exist, these differences generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management must make judgments when calculating actual and deferred taxes. Deferred tax assets are recognized to the extent that it is probable that they can be utilized. The utilization of deferred tax assets depends on the ability to generate sufficient taxable income for the respective type of tax.

Various factors are used to assess the probability of future utilization of deferred tax assets, such as past earnings, operational planning and tax planning strategies. If actual results differ from these estimates or if these estimates have to be adjusted in future periods, they could have an adverse effect on the net assets, financial position and results of operations. If there is a change in the assessment of the recoverability of deferred tax assets, the recognized deferred tax assets must be written down and recognized in the income statement.

3 Scope of consolidation and consolidation principles

3.1 Scope of consolidation

The consolidated financial statements of M1 Kliniken AG, Berlin, for the year ended December 31, 2018, include not only M1 Kliniken AG but fully consolidate the following subsidiaries.

Control results from the fact that M1 Kliniken AG directly or indirectly holds more than 50% of the voting rights of the subscribed capital of a company and/or can control the financial and business policy of a company in such a way that it benefits from its activities.

Name of company	Location of company	Date of initial consolidation	Founding year
M1 Med Beauty Berlin GmbH	Berlin	August 1, 2013	2012
BEAUTY Now GmbH	Berlin	December 16, 2015	2015
Saname GmbH	Schönefeld	May 22, 2013	2013
M1 Aesthetics GmbH	Schönefeld	July 6, 2013	2011
Sanabona GmbH	Berlin	July 18, 2017	2017
Sanaestate GmbH	Berlin	July 18, 2017	2017
Sanaselect GmbH	Berlin	July 18, 2017	2017
Sanawert GmbH	Berlin	July 18, 2017	2017

M1 Med Beauty Berlin GmbH has been consolidated since August 1, 2013. The object of M1 Med Beauty Berlin GmbH is the provision of services in aesthetic medicine. The share capital of M1 Med Beauty Berlin GmbH amounts to EUR 25,000. M1 Med Beauty Berlin GmbH has own business operations within the meaning of IFRS 3. After deducting identifiable net assets (assets less liabilities), goodwill amounts to EUR 115,723. The consideration given includes benefits from sales growth and future market developments. These benefits, which cannot be accounted for separately from goodwill, result in the above stated goodwill.

Beauty Now GmbH was founded on December 16, 2015 by M1 Kliniken AG. There were no differences in the initial consolidation. The object of the company is the ownership, operation and management of beauty salons, the brokerage and provision of services in the field of beauty and health care as well as beauty and health care, the provision of advice to non-medical practitioners, medical specialists and cosmetics specialists in the field of cosmetics and aesthetic medicine, the acquisition, management and sale of real estate, in particular real estate in the health sector and the acquisition, management and sale of investments. The share capital amounts to EUR 100,000.

Saname GmbH was founded on May 22, 2013 by M1 Kliniken AG. The initial consolidation did not result in any differences. The object of the company is the acquisition, management and sale of own and third-party real estate, in particular real estate in the health care sector, as well as the management and sale of equity interests. The share capital amounts to EUR 25,000.

M1 Aesthetics GmbH, which has been fully consolidated since July 6, 2013, is active in trading in medical products and medical technology. The share capital of M1 Aesthetics GmbH amounts to EUR 25,000. M1 Aesthetics GmbH has own business operations as defined by IFRS 3. After deduction of identifiable net assets (assets less liabilities), goodwill amounted to EUR 7,913,014. The consideration transferred includes benefits from expected synergies, sales growth and future market developments. These benefits, which cannot be accounted for separately from goodwill, result in the above stated goodwill.

Sanabona GmbH was founded on July 18, 2017 by M1 Med Beauty Berlin GmbH. There were no differences as part of the initial consolidation. The object of the company is the acquisition, management and sale of real estate, in particular real estate in the health care sector, as well as the acquisition, management and sale of participations. The share capital amounts to EUR 25,000.

Sanawert GmbH was founded on July 18, 2017 by M1 Med Beauty Berlin GmbH. There were no differences in the initial consolidation. The object of the company is the acquisition, management and sale of real estate, in particular real estate in the health care sector, as well as the acquisition, management and sale of participations. The share capital amounts to EUR 25,000.

Sanaselect GmbH was founded on July 18, 2017 by M1 Med Beauty Berlin GmbH. There were no differences as part of the initial consolidation. The object of the company is the acquisition, management and sale of real estate, in particular real estate in the health care sector, as well as the acquisition, management and sale of participations. The share capital amounts to EUR 25,000.

Sanaestate GmbH was founded on July 18, 2017 by M1 Med Beauty Berlin GmbH. There were no differences in the initial consolidation. The object of the company is the acquisition, management and sale of real estate, in particular real estate in the health care sector, as well as the acquisition, management and sale of participations. The share capital amounts to EUR 25,000.

M1 Med Beauty Australia Pty Ltd. was founded on August 2, 2018 as a subsidiary of M1 Kliniken AG. The subscribed capital of the company amounts to AUS$ 100. As the company has not yet developed any significant business activities in the 2018 financial year, no consolidation is performed in the context of the preparation of the financial statements.

M1 Med Beauty UK Ltd. was founded on October 22, 2018 as a subsidiary of M1 Kliniken AG. The company's subscribed capital amounts to GBP 10,000. As the company has not yet developed any significant business activities in the 2018 financial year, no consolidation is performed in the context of the preparation of the financial statements.

M1 Med Beauty Austria GmbH was founded on December 20, 2018 as a subsidiary of M1 Kliniken AG. The company's subscribed capital amounts to EUR 35,000. As the company has not yet developed any significant business activities in the 2018 financial year, no consolidation is performed in the context of the preparation of the financial statements.

M1 Med Beauty Netherlands B.V. was founded on December 21, 2018 as a subsidiary of M1 Kliniken AG. The company's subscribed capital amounts to EUR 10,000. As the company has not yet developed any significant business activities in the 2018 financial year, no consolidation is performed in the context of the preparation of the financial statements.

The shareholdings in the subsidiaries were as follows as of the balance sheet date:

Company name	Location of the company	Share in %
M1 Med Beauty Berlin GmbH	Berlin	100%
BEAUTY Now GmbH	Berlin	100%
Saname GmbH	Schönefeld	100%
M1 Aesthetics GmbH	Schönefeld	100%
Sanabona GmbH*	Berlin	100%
Sanawert GmbH*	Berlin	100%
Sanaselect GmbH*	Berlin	100%
Sanaestate GmbH*	Berlin	100%
M1 Med Beauty Australia Pty Ltd.	Melbourne	100%
M1 Med Beauty UK Ltd.	London	100%
M1 Med Beauty Austria GmbH	Vienna	100%
M1 Med Beauty Netherlands B.V.	Venlo	100%

* indirect holding

The percentage shareholdings have not changed compared with the previous year, unless the company was founded in the past financial year.

3.2 Principles of consolidation

The annual financial statements of all Group companies have been prepared on the basis of uniform accounting and valuation methods in accordance with IFRS 10.B92 as of the reporting date of M1 Kliniken AG (parent company). The financial year of M1 Kliniken AG and its subsidiaries included in the consolidated financial statements corresponds to the calendar year.

Business combinations are accounted for using the purchase method. The acquisition costs of a business combination are measured as the sum of the consideration transferred, measured at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration that represent a financial asset or financial liability are recognized in the income statement in accordance with IFRS 9. Contingent consideration classified as equity is not revalued and its subsequent settlement is recognised in equity.

In each business combination, non-controlling interests in the acquiree are measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. There are no minority interests in the currently consolidated subsidiaries.

Costs incurred in connection with the business combination are recognized as expenses. When the Group acquires an entity, it assesses the appropriate classification and designation of the financial assets and liabilities acquired in accordance with the terms of the contract, economic conditions and conditions prevailing at the acquisition date.

Goodwill is initially measured at cost, which is the excess of the consideration transferred over the fair value of the Group's identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised in the statement of comprehensive income.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to the cash-generating units of the Group that are expected to benefit from the business combination. This applies regardless of whether other assets or liabilities of the acquired company are allocated to these cash-generating units.

If goodwill has been allocated to a cash-generating unit and an operation of that unit is disposed of, the goodwill attributable to the operation disposed of is included as part of the carrying amount of the operation in determining the gain or loss on disposal of that operation. The value of the portion of goodwill disposed of is determined on the basis of the relative values of the operation disposed of and the remaining portion of the cash-generating unit.

Receivables and payables between consolidated companies and intragroup sales, other intragroup income and expenses are consolidated. Intercompany profits and losses are eliminated unless they are of minor significance.

Deferred taxes on consolidation transactions in accordance with IAS 12 were recognized in the income statement to the extent that the different tax expense will probably be offset in later fiscal years.

4 Disclosures on accounting and valuation methods

4.1 Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable. The first-time application of IFRS 15 did not result in any changes.

Provision of medical services

Revenue from the provision of medical services in the beauty segment is recognised when the following conditions are met:

- The service determining the character of the treatment is fully performed,
- The amount of sales can be reliably determined,
- It is probable that the economic benefits embodied in the transaction will accrue to the Group and
- The costs incurred or to be incurred in connection with the service can be reliably determined.

As of January 1, 2018, advance payments made by customers for medical services amounted to EUR 436,403, which had an effect on sales in the year under review. As of January 1, 2017, advance payments made by customers amounted to EUR 400,395 which had an effect on sales in the course of fiscal year 2017.

As of December 31, 2018, customer prepayments totaled EUR 486,343 which will be recognized in sales in the course of fiscal 2019.

Trade in goods

Revenue from the sale of trading goods is recognized when the following conditions are met:

- The customer has obtained control of the transferred goods (transfer of control),
- The Group retains neither a right of disposal, as is usually associated with ownership, nor effective control over the goods sold,
- The amount of sales can be reliably determined,
- It is probable that the economic benefits associated with the transaction will accrue to the Group, and
- The costs incurred or to be incurred in connection with the sale can be measured reliably.

Dividends and interest income

Dividend income from shares is recognized when the Group's legal claim to payment has arisen. A precondition is that it is probable that the economic benefit will accrue to the Group and that the amount of the income can be reliably determined.

Interest income is recognized when it is probable that the economic benefits associated with the transaction will accrue to the Group and the amount of the income can be measured reliably.

Interest income is accrued in accordance with the outstanding nominal amount using the applicable effective interest rate. The effective interest rate is the rate that exactly discounts expected future cash receipts over the life of the financial asset to the net carrying amount of the asset at initial recognition.

4.2 Income tax expense

Tax expense

The tax expense for the period consists of current and deferred taxes. Taxes are recognized in the income statement unless they relate to items recognized directly in equity or in other comprehensive income. In this case, taxes are also recognized in equity or in other comprehensive income.

Deferred taxes

Deferred taxes are recognized using the liability method for all temporary differences between the tax bases of assets and liabilities and the respective consolidated IFRS carrying amounts. However, if a deferred tax asset or liability arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, the deferred tax asset or liability is not recognized. Deferred taxes are measured using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled. The calculation of deferred taxes is based on a corporate income tax rate of 15.0% (plus solidarity surcharge of 5.5% on corporate income tax). Trade tax is assessed at a rate of 240% (M1 Aesthetics GmbH) and 410% (M1 Med Beauty Berlin GmbH, M1 Kliniken AG). This leads to a trade tax burden of 8.40% and 14.35% on taxable income. The Group's total tax burden for the German companies is ultimately composed of the respective trade tax and corporate income tax including the solidarity surcharge.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which they can be utilized.

Deferred tax liabilities in connection with temporary differences in investments in subsidiaries are generally recognized unless the timing of the reversal of the temporary differences is not probable in the foreseeable future.

4.3 Foreign currency conversion

In preparing the financial statements of the related Group companies, transactions denominated in currencies other than the functional currency (Euro) of the respective Group company are translated at the exchange rates prevailing on the date of the transaction. At the balance sheet date, all monetary items in foreign currencies are translated at the closing rate. In general, foreign currency conversions are of minor importance for the preparation of the consolidated financial statements, as the Group has so far been active almost exclusively in the Euro environment. There have been no significant changes from currency conversion compared with the previous year. A conversion of the individual financial statements of the foreign companies with functional currencies corresponding to the Euro is currently not yet necessary. The two companies concerned, which were founded in 2018, are currently not fully consolidated in the consolidated financial statements for reasons of materiality.

4.4 Earnings per share

Earnings per share are calculated by dividing net income for the year by the number of shares issued. According to IAS 33.19, the number of ordinary shares of the weighted average number of ordinary shares outstanding during the period must be used to calculate undiluted earnings per share. There are no facts that could dilute the earnings per share.

4.5 Financial instruments

For the first time, the Group's financial instruments are fully measured in accordance with IFRS 9. There were no material changes from this application compared with the previous year.

4.5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash, term deposits with a maturity of three months or less and demand deposits, all of which are carried at nominal value. The cash and cash equivalents reported in the cash flow statement are defined in accordance with the company's cash management and are identical to cash and cash equivalents.

4.5.2 Financial assets

In addition to cash and cash equivalents, financial assets include investments, loans and receivables originated by the company and other financial assets.

Financial assets are recognised when a group company becomes a party to the financial instrument. When a financial asset is recognized for the first time, it is measured at fair value, which generally corresponds to its acquisition cost. Transaction costs are included in initial measurement unless the financial asset is measured at fair value through profit or loss.

Subsequent measurement depends on the classification of the financial instruments using one of the following measurement categories:

- Financial assets measured at amortized cost
- Financial assets at fair value through profit or loss
- Assets at fair value through profit or loss.

Compared with the previous year, when formerly four measurement categories are required to be applied under IAS 39, the changed measurement categories did not, however, have any material effects.

A financial asset is measured at amortized cost if the contractual cash flows consist exclusively of interest and principal payments on the outstanding principal amount of the financial instrument (cash flow criterion) and the business model consists of holding the financial instrument. This includes the trade account receivables of the M1 Kliniken Group as well as other receivables and bank balances and cash. These financial assets are subsequently measured using the effective interest method. Transaction costs and other premiums and discounts are also taken into account when determining the effective interest rate.

Financial assets are measured at fair value through profit or loss if the financial asset is either held for trading or if an obligatory measurement at fair value is intended. This applies to all financial assets that do not meet the cash flow criterion or are subject to the "sell" business model. Financial assets held for trading purposes are not held. Similarly, no financial assets are measured at fair value through profit or loss.

Financial assets are measured at fair value through profit or loss if the financial instrument meets the cash flow criterion and the business model consists of a combination of holding and selling. In the M1 Kliniken Group, no financial asset falls into this category.

The M1 Kliniken Group does not hold any derivative financial instruments.

4.5.3 Financial liabilities

Financial liabilities are recognised when a group company becomes a party to the financial instrument. As the M1 Kliniken Group has no financial liabilities or derivatives held for trading, all financial liabilities are measured at amortized cost.

Upon initial recognition of a financial liability, it is measured at fair value, which is generally the amount paid out; transaction costs are included in initial measurement. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Transaction costs and other premiums and discounts are also taken into account when determining the effective interest rate.

4.5.4 Recognition / Impairment

Financial assets or part of a financial asset are recognised when M1 Klinken AG loses control of the contractual rights that comprise the asset. Financial liabilities are recognised when M1 Klinken AG no longer has any contractual obligations resulting from this financial instrument.

Financial assets are subject to the impairment provisions of IFRS 9. Financial assets at fair value through profit or loss are excluded from impairment.

The amount of the impairment is measured on the basis of the expected credit losses. Expected credit losses result from the difference between the contractually agreed cash flows and the expected cash flows, measured at present value using the original effective interest rate.

Expected credit losses are generally recognized in three stages. In the M1 Kliniken Group, however, the impairment provisions mainly relate to trade account receivables. In accordance with IFRS 9.5.5.15, a simplified approach is provided for these, where level 1 of the recognition of expected credit losses no longer applies. Instead, trade acount receivables are written down in accordance with either Level 2 or Level 3. At Level 2, all trade account receivables are recognised without any indication of impaired creditworthiness. To determine the expected credit losses, updated observed historical default rates are used at each reporting date, adjusted for any necessary future-related components. Where possible, external sources are also used to determine the probabilities of default. The expected credit losses are calculated as the product of the calculated default probabilities with the loss in the event of default, which is recognised at 100% of the amount of the receivable.

If there are indications of impaired creditworthiness, a transition to level 3 is made with the result that, in addition to the continued recognition of a provision for possible loan losses, the effective interest rate is calculated on the basis of the net carrying amount. There are indications of impaired creditworthiness in particular if the debtor becomes aware of financial difficulties in connection with an increased probability of insolvency. For trade account receivables with impaired creditworthiness, the expected credit loss is estimated on an individual basis.

The M1 Kliniken Group generally assumes default if the contractual payments are overdue by more than 90 days. In addition, in individual cases internal or external information is also used which indicates that the contractual payments cannot be made in full. Financial assets are derecognized if there is no reasonable expectation of future payment.

4.5.5 Offsetting of receivables and payables

Financial assets and liabilities are netted in such a way that only the net amount is shown in the balance sheet. This occurs only when there is a present legal right to set off the recognised amounts against each other and it is intended to settle on a net basis or to settle the related liability simultaneously with the realisation of the asset.

4.5.6 Fair value

The fair value of financial instruments traded on active markets (level 1) is determined by the market price quoted or publicly quoted on the reporting date (bid price offered by the buyer for a long position and ask price offered for a short position) without deducting transaction costs. A comparable approach is used for financial instruments that are not traded on a market themselves but can be derived from such a market (level 2).

The fair value of financial instruments that are not traded on an active market (Level 3; this includes above all the shares in HC Grundbesitz GmbH) is determined using the discounted cash flow method and the requirements of IFRS 13.

The valuation methods include the use of the most recent business transactions between knowledgeable, willing and independent business partners, the comparison with the current fair value of another, essentially identical financial instrument and the use of discounted cash flow methods and other valuation models.

For further details on the determination of the fair values of significant investments, see section 6.1.7.

The Company assumes that the fair values of financial assets and financial liabilities not measured at fair value essentially correspond to their carrying amounts.

4.6 Inventories

Inventories in the beauty and trading sectors are valued at acquisition cost plus any incidental acquisition costs (e.g. transport, customs duties) or at any lower net realisable value. Unfinished and finished goods do not exist.

4.7 Fixed assets

Fixed assets are carried at cost less accumulated depreciation. When fixed assets are disposed of, the historical cost and accumulated depreciation are derecognised and any gain or loss on disposal is recognised in the income statement under "other operating income" or "other operating expenses".

Buildings	33 years
Machinery and equipment	5-8 years
Operating and office equipment	3-15 years

If necessary, impairments reduce the amortized cost. Fixed assets were not revalued in accordance with the option provided by IAS 16.

Scheduled depreciation is calculated using the straight-line method. Depreciation corresponds to the course of consumption of future economic benefits. Property, plant and equipment are depreciated using the straight-line method over different useful lives (three to 15 years). Buildings or parts of buildings were not depreciated in fiscal year 2018, as they were "assets under construction".

If the carrying amount exceeds the estimated recoverable amount of an item of property, plant and equipment, an impairment loss is recognized in accordance with IAS 36. The recoverable amount is determined on the basis of the net sales proceeds or - if higher - the present value of the estimated future cash flow from the use of the asset.

The economic lifetime and depreciation methods are reviewed regularly to ensure that the economic benefits are consistent with the depreciation period.

4.8 Leases

The Group's strategy is to rent or lease some of the important assets required to operate the business. In addition to some company cars, this includes the clinic in Berlin-Köpenick and the rental space of the practice network. The space is rented at suitable locations and tied to long-term rental agreements. An initial rental period of five years is regularly agreed, which can be extended once or several times. Rental and lease payments were not recognized in the balance sheet in 2018 (and the previous year) and were fully expensed. In the year under review, all rental and lease agreements were treated as operating leases.

4.9 Intangible Assets

M1 Kliniken AG capitalizes intangible assets if the asset is the economic property of the company due to past events, if it can be assumed that a future economic benefit will flow to the company from this asset and if the costs of the asset can be reliably determined. There are no internally generated intangible assets.

Software

Software is capitalized at cost and reported as an intangible asset separately from goodwill, provided that these software costs are not an integral part of the related hardware. Software is amortized on a straight-line basis over a period of three or four years.

Goodwill

The goodwill is initially measured at cost, which is the excess of the total consideration transferred and the amount of the non-controlling interest in the identifiable assets acquired and liabilities assumed by the Group.

Irrespective of whether there is any indication of impairment, the carrying amount is reviewed annually for impairment.

The recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. If the recoverable amount is only 10% below the carrying amount, a theoretical impairment potential is determined using a sensitivity calculation. For this purpose, the underlying earnings before interest and taxes (EBIT) are reduced by 10%, the risk-free base interest rate is increased by 1% and the effects on capitalized goodwill are determined.

4.10 Impairment of long-term assets

Fixed assets and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable at the reporting date or that an annual impairment test may be required. Intangible assets with an indefinite economic lifetime must also be tested for impairment at least annually.

The recoverable amount is calculated to determine whether an impairment loss is required. If this cannot be determined directly for the asset, it is calculated via a cash-generating unit (CGU) to which the asset belongs. For this purpose, the future cash flows expected by the cash-generating unit are determined and measured using the discounted cash flow approach. The discount factor includes the risk-free interest rate and a risk premium, whereby the cost of capital is weighted according to the capitalization structure (equity/debt) of the cash-generating unit. If an asset belongs to several cash-generating units, the jointly used assets are allocated to the individual cash-generating units.

If the carrying amount of an asset exceeds the lower recoverable amount, an impairment loss is recognized for property, plant and equipment and intangible assets carried at cost. The recoverable amount is the higher of fair value less costs to sell and value in use.

The fair value less costs to sell corresponds to the amount recoverable from the sale of the asset in a transaction between knowledgeable parties.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life. The recoverable amount is estimated for each individual asset or, if this is not possible, for the smallest identifiable cash-generating unit.

4.11 Equity

The company is listed on the Basic Board of the Frankfurt Stock Exchange. At the end of the year, the Company's share capital amounted to EUR 17,500,000 (previous year: EUR 16,500,000), divided into 17,500,000 shares (previous year: 16,500,000 shares) with a nominal value of EUR 1.00 each. In September 2018, there was a capital increase of 1,000,000 shares, which were issued at a gross price of EUR 15.30 per share.

The issue amount exceeding the nominal value (premium) of the shares was booked to the capital reserve. This includes the premiums from the capital increase in October 2017 and September 2018.

4.12 Provisions and Contingent Liabilities

In accordance with IAS 37, provisions are recognized for obligations that are uncertain as to their timing or amount, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the provision can be reliably estimated. A provision should be recognised only when:

- The Company has a present obligation (legal or constructive) as a result of a past event,
- It is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- A reliable estimate of the amount of the obligation is possible.

The amount recognised as a provision is the best estimate of the obligation existing to settle the obligation at the balance sheet date, i.e. the amount that the company would be required to pay to settle the obligation reliably at the balance sheet date or to transfer it to a third party on that date.

Long-term provisions are discounted at a pre-tax rate if the effect is material. In the case of discounting, the increase in provisions due to the passage of time is recognized as a financial expense.

Contingent liabilities are liabilities arising from a possible obligation arising from a past event that arise from the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities may also arise from a present obligation that arises from past events but has not been recognised because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or
- The amount of the obligation cannot be estimated with sufficient reliability.

If the probability of an outflow of resources embodying economic benefits for the company is remote, no contingent liability is disclosed.

5 Notes to the consolidated income statement

5.1 Operating result

5.1.1 Sales

Sales totalling EUR 65,208,588 (previous year: EUR 47,194,526) mainly relate to revenues from the sale of pharmaceuticals and medical products as well as medical services in the field of aesthetic medicine and the provision of infrastructure services. In the year under review, 27.4% of sales revenues were generated with customers outside Germany, mainly from the Netherlands, (previous year: 34.6%). The regional allocation is based on the customer's place of residence or place of business.

In accordance with IFRS 15.121, the disclosure of outstanding benefit obligations is waived.

5.1.2 Other operating income

Other operating income amounted to EUR 177,540 (previous year: EUR 261,260).

The following table shows a breakdown of other operating income into its individual components.

	2018 in EUR	2017 in EUR
Other operating income	**177,540**	**261,260**
Other benefits in kind without value added tax	5	68
Income from the reduction of write-downs on receivables	-	7,484
Income from the liquidation of provisions	66,518	77,883
Other income within the scope of ordinary business activities	98,010	171,372
Other operating income	751	-
Other benefits in kind from motor vehicle provision 19% value-added tax	31,457	18,607
Income relating to other periods	3,108	103,417
Insurance compensation and indemnities	62,694	49,347
Gain on disposal of fixed assets	7,074	-
Write-ups fair value measurement of financial assets	5,933	4,453

5.1.3 Cost of purchased goods and services

The **cost of purchased goods and services**, which totalled EUR 42,260,600 (previous year: EUR 28,698,464), mainly includes expenses incurred in connection with the purchase of pharmaceuticals and medical products. Also included are expenses for purchased services (primarily professional fees) in the area of aesthetic medicine.

5.1.4 Personnel expenses

Personnel expenses rose to a total of EUR 9,439,836 (previous year: EUR 7,168,222) as a result of the expansion. Of this amount, EUR 7,915,037 relates to wages and salaries (previous year: EUR 6,034,729) and EUR 1,524,798 to social security and pension costs (previous year: EUR 1,133,492). This includes state defined contribution plans in the form of employer contributions to statutory old-age security amounting to EUR 588,538 (previous year: EUR 481,354). Voluntary social security contributions for employees were paid in the amount of EUR 191 (previous year: EUR 0).

The M1 Kliniken Group had an average of 181 employees in the reporting period (previous year: 148 employees). Of these 137 were full-time employees (previous year: 113) and 43 part-time employees (previous year: 35). There are no industrial or managerial employees ('leitende Angestellte').

5.1.5 Depreciation

Depreciation includes scheduled depreciation on fixed assets and intangible assets of EUR 710,775 (previous year: EUR 461,146). Fixed assets and intangible assets are depreciated on a straight-line basis.

	2018 in EUR	2017 in EUR
Depreciation of intangible assets	141,612	99,421
Depreciation of fixed assets	569,163	361,725

5.1.6 Other operating expenses

Other operating expenses, which total EUR 6,517,858 (previous year: EUR 5,413,303), are spread over a large number of individual items, such as rent, advertising and travel expenses, packaging material, freight costs, insurance premiums, third-party work, legal and consulting costs as well as year-end and audit costs.

The following table shows a breakdown of other operating expenses into their individual components.

	2018 in EUR	2017 in EUR
Other operating expenses	**6,517,858**	**5,413,303**
Occupancy costs (e.g. rent)	2,465,004	1,898,886
Advertising and travel expenses	1,737,622	1,496,685
Third party services	568,945	451,478
Office supplies/Telephone/Internet/Postal charges	425,102	278,805
Legal and consulting costs	298,650	263,921
Insurance and contributions	239,089	391,487
Costs of delivery of goods	153,023	105,783
Repair and maintenance	152,765	176,669
Accounting / Audit fees	80,451	37,855
Bank charges	78,640	19,198
Other expenses in the ordinary course of business	318,568	292,537

5.2 Financial result

Interest and similar income includes interest income totalling EUR 158,036 (previous year: EUR 174,606). The interest results from the granting of loans and the investment of cash and cash equivalents with German banks.

Income from participating interests consists exclusively of the guaranteed dividend of HC Grundbesitz GmbH and dividends of CR Capital Real Estate AG amounting to EUR 1,484,585 (previous year: EUR 1,483,049).

Interest and similar expenses totalling EUR 8,244 (previous year: EUR 7,758) mainly relate to interest charged for loans granted.

5.3 Income taxes

Income taxes amount to EUR 1,482,226 (previous year: EUR 1,575,583).

	2018 in EUR	2017 in EUR
Taxes on income and earnings	**1,482,226**	**1,575,583**
Corporate tax	743,675	523,093
Solidarity surcharge on corporate tax	23,649	28,770
Trade tax	479,693	432,589
Capital gains tax	17,253	249,750
Solidarity surcharge on capital gains tax	0	13,736
Deferred taxes	217,956	327,645

As in the previous year, deferred taxes were calculated using different effective tax rates. With reference to IAS 12.81 c, the following tax rates apply:

Effective tax rate for companies located in	in %
Berlin	30,175
Schönefeld	24,225

The effective tax rate includes corporate income tax and the solidarity surcharge (effective rate: 15.825%) as well as trade tax (effective rates: Berlin 14.350% / Schönefeld 8.400%).

Tax reconciliation	2018 in kEUR	in %	2017 in kEUR	in %
EBT	**8,095**		**7,354**	
Tax rate	30,175 %		30,175 %	
Expected tax expense and tax rate	**2,443**	**30.2**	**2,219**	**30.2**
Tax reductions due to tax-free income	-448	-5.5	-447	-6.1
Use of loss carryforwards, previously without deferred taxes	-387	-4.8	-	-
Non-deductible allowances	68	0.8	32	0.4
Tax rate differences	-266	-3.3	-112	-1.5
Other tax effects	72	0.9	-116	-1.6
Reported tax expense and effective tax rate	**1,482**	**18.3**	**1,576**	**21.4**

5.4 Earnings per share

During the capital increase, 1,000,000 new shares with a nominal value of EUR 1.00 per share were issued.

The weighted average number of ordinary shares outstanding during the period is calculated as follows:

Period	Number of ordinary shares	Evaluation	Weighted ratio
January 1 - September 16, 2018	16,500,000	251/365	11,346,575
September 17 - December 31, 2018	17,500,000	114/365	5,465,753
			16,812,329

	2018 in EUR	2017 in EUR
Net income attributable to equity holders of the parent company	6,612,567	5,777,971
Number of shares (weighted average)	16,812,329	15,361,644
Earnings per share	0.39	0.38

6 Notes to the consolidated balance sheet

6.1 Assets

6.1.1 Cash and cash equivalents

Cash and cash equivalents comprise cash, term deposits with a maturity of three months or less and demand deposits, all of which are carried at nominal value.

6.1.2 Trade account receivables

	31.12.2018 in EUR	31.12.2017 in EUR
Cash registers	18,072	19,835
Bank deposits	25,365,920	14,667,566

Trade account receivables totaling EUR 16,738,923 (prior year: EUR 9,187,533) are measured at amortized cost less any impairment losses. Since fiscal year 2018, the so-called model of expected credit losses has been used for this purpose. However, this has not had any significant effects. Impairment losses are initially recognised in value adjustment accounts, unless it can immediately be assumed that the debt will be wholly or partly irrecoverable. In these cases, a direct impairment of the gross value of the receivable is recognised in profit or loss.

In the 2018 financial year, impairments amounted to EUR 840 (previous year: EUR 21,756). As in the previous year, there were no indications of impaired creditworthiness of the debtors at the reporting date.

Trade account receivables include trade account receivables from affiliated companies amounting to EUR 1,515,222 (previous year: EUR 2,252,575). Trade account receivables are due within one year. The trade account receivables, which were significantly higher than in the previous year, had been settled almost in full by the time the annual report was prepared.

Due to the short maturities of trade account receivables, it is assumed that the fair values correspond to the carrying amounts. As in the previous year, there are no overdue receivables from customers.

		remaining period	
Maturity	**31.12.2018 in EUR**	**up to 1 year in EUR**	**more than 1 year**
Trade account receivables from deliveries and services	16,738,923	16,738,923	-
Trade account receivables from affiliated companies	1,515,222	1,515,222	-

		remaining period	
Maturity	**31.12.2017 in EUR**	**up to 1 year in EUR**	**more than 1 year**
Trade account payables from deliveries and services	9,187,533	9,187,533	-
Trade account payables from affiliated companies	2,252,575	2,252,575	-

6.1.3 Inventories

Inventories primarily consist of goods held for sale in the ordinary course of business in the Trading segment.

There is also a small amount of inventories of treatment materials used in the course of medical treatment. IAS 2.28 - 2.33 did not require write-downs or write-ups in fiscal year 2018 (as in the previous year).

Inventories	**31.12.2018 in EUR** **1,404,126**	**31.12.2017 in EUR** **1,410,139**
Commodities	1,358,735	1,397,935
Advance payments on inventories	45,391	12,204

6.1.4 Goodwill

Goodwill acquired in a business combination shall not be amortised. Instead, the acquirer shall allocate it to group's cash-generating units (CGU) and test it for impairment in accordance with IAS 36, annually or more frequently if events or changes in circumstances indicate that it may be impaired.

If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is first allocated to the unit's carrying amount of goodwill and then proportionately to the other assets. Any impairment loss on goodwill is recognised directly in the income statement. An impairment loss recognised for goodwill shall not be reversed in future periods. The goodwill of EUR 8,028,737 reported in the consolidated balance sheet was allocated at EUR 115,723 to M1 Med Beauty Berlin GmbH and at EUR 7,913,014 to M1 Aesthetics GmbH as a cash-generating unit. As in the 2017 financial year, there were no changes compared with the previous year.

in EUR	Acquisition and production costs			Value adjustments			Book value
	01.01.2018	**Accurals / disposals**	**31.12.2018**	**01.01. 2018**	**Depreciation/ attribution**	**31.12. 2018**	**31.12.2018**
Goodwill	**8,028,737**	**-**	**8,028,737**	**-**	**-**	**-**	**8,028,737**
M1 Aesthetics GmbH	7,913,014		7,913,014				7,913,014
M1 Med Beauty Berlin GmbH	115,723		115,723				115,723
	01.01.2017	**Accurals / disposals**	**31.12.2017**	**01.01. 2017**	**Depreciation/ attribution**	**31.12. 2017**	**31.12.2017**
Goodwill	**8,028,737**	**-**	**8,028,737**	**-**	**-**	**-**	**8,028,737**
M1 Aesthetics GmbH	7,913,014		7,913,014				7,913,014
M1 Med Beauty Berlin GmbH	115,723		115,723				115,723

The impairment test was carried out on the basis of the recoverable amounts of the CGUs M1 Aesthetics and M1 Med Beauty Berlin as value in use on the basis of a three-year plan with corresponding assumptions on sales and cost developments. The three-year plan was prepared on the basis of the companies' business expectations and business experience (in terms of sales and costs). No further growth factors are taken into account for the terminal value after the detailed planning period.

The cash flows to be expected in the future were derived from this. The average of the three planning years was used to determine the cash flow for the terminal value. An interest rate of 6.15% was used as the discount rate and for extrapolation. Management assumed a constant growth rate of 15% for the three-year plan based on past performance and expected future market development. This calculation approach was used as in the previous year.

The cost of capital was calculated on the basis of estimated cost of equity (incl. surcharge for market risk premium) and borrowing costs (less taxes). This reflects the specific risks of the respective segments in which the CGUs operate. For the calculation of the weighted average cost of capital, an assumption for 'typical' capital shares was chosen.

As a result of the impairment tests carried out, there was no need for impairment of the goodwill reported in the balance sheet.

A sensitivity analysis of the impairment test to changes in the most important assumptions for determining the recoverable amount was carried out for the goodwill of the CGUs M1 Med Beauty Berlin GmbH and M1 Aesthetics GmbH. Any reasonably possible change in the key assumptions does not result in the total carrying amount exceeding the recoverable amount of the CGUs.

6.1.5 Intangible assets excluding goodwill

Intangible assets excluding goodwill primarily relate to investments in software.

in EUR	Acquisition and production costs			Value adjustments			Book value
	01.01. 2018	Accurals (+) / disposals (-)	31.12. 2018	01.01. 2018	Depreciation reporting year	31.12. 2018	31.12. 2018
Concessions, industrial property rights and similar rights and assets as well as licenses in such rights and assets	328,126	231,939	560,065	-160,161	-141,612	-301,773	258,292
Concessions	4,720	12,820	17,540	-1,299	-2,353	-3,652	13,888
Industrial property rights	5,760	-	5,760	-5,759		-5,759	1
Computer software	317,646	216,128	533,774	-153,103	-139,260	-292,363	241,411
Similar right and values	-	2,991	2,991	-	-	-	2,991
	01.01. 2017	Accurals (+) / disposals (-)	31.12. 2017	01.01. 2017	Depreciation reporting year	31.12. 2017	31.12. 2017
Concessions, industrial property rights and similar rights and assets as well as licenses in such rights and assets	187,331	140,795	328,126	-60,740	-99,421	-160,161	167,965
Concessions	-	4,720	4,720	-	-1,299	-1,299	3,421
Industrial property rights	5,760		5,760	-5,759	-	-5,759	1
Computer software	181,571	136,075	317,646	-54,981	-98,122	-153,103	164,543

6.1.6 Fixed assets

	Acquisition and production costs in EUR				Value adjustments in EUR				Book value in EUR
	01.01.2018	Accurals	Disposals	31.12.2018	01.01.2018	Depreciation	Disposals	31.12.2018	31.12.2018
Fixed assets	4,624,644	2,096,410	-19,748	6,701,306	-663,115	-569,163	19,747	-1,212,531	5,488,775
Properties	737,782	1,419	-	739,201	133,195	-	-	133,195	872,396
Technical equipment and machinery	138,999	-	-	138,999	-55,589	-21,533	-	-77,122	61,877
Technical equipment	134,476	-	-	134,476	-51,067	-21,533	-	-72,600	61,876
Operating facilities	4,523	-	-	4,523	-4,522	-	-	-4,522	1
Operating and office equipment	2,079,667	2,094,142	-19,748	4,154,061	-740,720	-547,630	19,747	-1,268,603	2,885,458
Facility equipment	1,299,170	1,629,879	-	2,929,049	-306,424	-302,447	-	-608,871	2,320,178
Business equipment	357,133	300,911	-	658,044	-112,746	-91,860	-	-204,606	453,438
Office furnishings	144,464	-	-	144,464	-81,187	-16,138	-	-97,325	47,139
Low-value assets	179,847	124,469	-	304,316	-179,847	-124,468	-	-304,316	-
Other operating and office equipment	99,053	38,883	-19,748	118,188	-60,516	-12,716	19,747	-53,485	64,703
Advance payments on business premises	1,668,195	849	-	1,669,044	-	-	-		1,669,044
	01.01.2017	Accurals	Disposals	31.12.2017	01.01.2017	Depreciation	Disposals	31.12.2017	31.12.2017
Fixed assets	1,335,312	3,289,698	-367	4,624,644	-301,396	-361,725	6	-663,115	3,961,529
Properties	-	870,977	-	870,977	-	-	-	-	870,977
Technical equipment and machinery	137,748	1,251	-	138,999	-34,068	-21,521	-	-55,590	83,410
Technical equipment	133,225	1,251	-	134,476	-29,546	-21,521	-	-51,067	83,409
Operating facilities	4,523	-	-	4,523	-4,522	-	-	-4,522	1
Operating and office equipment	1,330,759	749,275	-367	2,079,667	-400,523	-340,203	6	-740,720	1,338,947
Facility equipment	831,412	468,125	-367	1,299,170	-128,230	-178,200	6	-306,424	992,746
Business equipment	159,047	198,086	-	357,133	-63,455	-49,291	-	-112,746	244,387
Office furnishings	144,463	-	-	144,463	-56,198	-24,989	-	-81,187	63,277
Low-value assets	102,336	77,512	-	179,848	-102,335	-77,512	-	-179,848	-
Other operating and office equipment	93,501	5,552	-	99,052	-50,305	-10,211	-	-60,516	38,537
Advance payments on business premises	-	1,668,195	-	1,668,195	-	-	-	-	1,668,195

6.1.7 Long-term financial assets

Long-term financial assets include the shares in HC Grundbesitz GmbH, the foreign (non-consolidated) subsidiaries founded in 2018 and equity instruments of listed companies.

Name of company	Location	Amount of participation in share capital	Total amount of share capital in EUR	Annual profit in EUR
HC Grundbesitz GmbH	Berlin	22,3 %	1,000,000	n.a.
CR Capital Real Estate AG	Berlin	3,7 %	1,878,377	7,799,951
M1 Med Beauty Australia Pty Ltd.	Melbourne/ Australia	100 %	62	n.a.
M1 Med Beauty Austria GmbH	Vienna/ Austria	100 %	35,000	n.a.
M1 Med Beauty Netherlands BV	Venlo/ Netherlands	100 %	10,000	n.a.

The investments held as long-term financial assets are measured at fair value through profit or loss. The results from this category are recognized in other operating income.

The shares held in the listed CR Capital Real Estate AG were valued in accordance with Level 1 of the fair value hierarchy. HC Grundbesitz GmbH is measured in accordance with Level 3 of the fair value hierarchy. As in the previous year, all other investments are marginally.

The valuation of HC Grundbesitz GmbH was mainly based on the profit and loss transfer agreement (PTA) concluded with regard to the company, which was initially concluded over a five-year term since the end of 2016. The PTA is then extended by one year in each case.

The valuation model distinguishes between phase A (2018 - 2020) and phase B (from 2021 - without end date). In phase A, the guaranteed dividend of EUR 1,483,049 can be reliably planned, as there is a payment guarantee from the company controlling HC Grundbesitz to pay the dividend. In phase B, it must generally be assumed that the PTA can be terminated annually, whereby it is assumed that the guaranteed dividend mentioned above will be paid in each year of the PTA's term. Based on the qualitative estimates of the company, the probability of termination is assumed to be less than 20% and included in the valuation.

In phase A, a capitalisation interest rate (sum of the basic interest rate and credit spread of the controlling company) is applied. This is - 0.1% for 2019 and + 0.06% for 2020. In phase B, a WACC of 7% is applied.

	Acquisition and production costs in EUR			Value adjustments in EUR				Book value in EUR
	01.01.2018	**Accurals**	**31.12.2018**	**01.01.2018**	**Write-offs**	**Write-ups**	**31.12.2018**	**31.12.2018**
Shares in affiliated companies	**4,106,015**	**2,287,270**	**6,393,285**	**4,656,806**	**0**	**5,934**	**4,662,740**	**11,056,024**
HC Grundbesitz GmbH	4,080,000	0	4,080,000	4,652,353	0	0	4,652,353	8,732,353
CR Capital Real Estate AG, M1 Med Beauty Austria GmbH, Australia Pty Ltd., Netherlands B.V.	26,015	2,287,270	2,313,285	4,453	0	5,934	10,387	2,323,672
	01.01.2017	**Accurals**	**31.12.2017**	**01.01.2017**	**Write-offs**	**Write-ups**	**31.12.2017**	**31.12.2017**
Shares in affiliated companies	**1,230,000**	**2,876,015**	**4,106,015**	**4,652,353**	**0**	**4,453**	**4,656,806**	**8,762,821**
HC Grundbesitz GmbH	1,230,000	2,850,000	4,080,000	4,652,353	0	0	4,652,353	8,732,353
CR Capital Real Estate AG	0	26,015	26,015	0	0	4,453	4,453	30,468

The main change in "Others" is due to an increase in the stake in CR Capital Real Estate AG in the past fiscal year and payments into the share capital of the foreign companies founded in 2018.

The write-ups in the area of value adjustments result exclusively from the fair value measurement of the shares in CR Capital Real Estate AG carried out in accordance with Level 1 as of the balance sheet date.

6.1.8 Other financial and non-financial assets

Other financial and non-financial assets in the 2018 financial year consisted mainly of a loan granted to a customer of the M1 Kliniken Group. The loan was repaid by the customer at the time the annual report was finalized.

	31.12.2018 in EUR	31.12.2017 in EUR
Other short-term financial assets	**726,044**	**3,774,713**
Debit-side creditors	10,347	244,004
Loans with a remaining term of up to 1 year	715,697	716,122
Receivables from affiliated companies	0	2,814,587
Other short-term non-financial assets	**361,193**	**443,152**
Receivables from sales tax credits	221,634	220,367
Receivables from personnel	11,634	2,222
Accruals and deferrals	74,073	218,466
Other assets	53,852	2,097
Other long-term non-financial assets	**94,967**	**131,779**
Deposits	94,967	131,779

6.2 Liabilities and equity

6.2.1 Short-term provisions

Short-term provisions include the financial statement and audit costs of the consolidated companies, provisions for personnel costs, legal and consulting costs and other provisions. The values for this purpose can be determined using clearly defined calculation algorithms.

	01.01.2018 in EUR	Consumption in EUR	Liquidation in EUR	Increase in EUR	31.12.2018 in EUR
Audit and year-end closing costs	16,082	16,052	0	40,000	40,030
Personnel / Holiday entitlements	100,374	29,977	69,852	353,795	354,340
Retention of records	18,279	0	0	3,221	21,500
Other	142,206	122,602	370	218,897	238,131
Total	**276,941**	**168,631**	**70,222**	**615,913**	**654,001**

6.2.2 Liabilities

Short-term liabilities comprise short-term liabilities to banks and trade account payables, other financial liabilities and other short-term liabilities. These are carried at amortized cost using the effective interest method. Due to the short maturities of these financial instruments, it is assumed that the fair values correspond to the carrying amounts.

Long-term liabilities comprise long-term liabilities to banks consisting of three residual loans from the financing of fixed assets of the Schlossklinik in Berlin. As in the previous year, the loan conditions are just under 2% in each case. The financed fixed assets are used as security. The fair value corresponds to the book value.

	31.12.2018 in EUR	31.12.2017 in EUR
Liabilities from deliveries and services	**907,664**	**840,544**
Liabilities from deliveries and services	907,664	839,410
Liabilities from deliveries and services to affiliated companies	0	1,134
Advance payments received	**515,676**	**450,988**
Liabilities from income taxes	**1,698,571**	**716,540**
Other current financial liabilities	**81,968**	**32,186**
Credit card statement	70,215	27,166
Other liabilities with a remaining term of less than one year up to 1 year	11,753	5,020
Other current non-financial liabilities	**1,800,775**	**755,053**
Tax liabilities	1,621,006	732,074
Liabilities from wage and church tax	155,621	114,198
Liabilities from sales tax	1,465,385	617,876
Social security liabilities	20,170	2,379
Miscellaneous other liabilities	159,599	20,600
Other non-current financial liabilities	**149,546**	**214,798**
Liabilities to banks	149,546	214,798

6.2.3 Deferred tax liabilities

A deferred tax liability is recognised for all taxable temporary differences, except where the deferred tax liability arises from goodwill for which amortisation is not deductible or from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

Deferred tax assets and liabilities are offset only if there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

No deferred tax assets were reported as of the balance sheet date.

In connection with the fair value measurement of existing financial instruments, it was necessary to recognize deferred taxes as liabilities. The amount by which the IFRS carrying amounts measured at fair value exceed the tax base amounts to EUR 10,387 (previous year: EUR 4,453). Using the effective tax rate of 30.175% and other components, the deferred tax liability amounts to EUR 3,134 (previous year: EUR 1,344). This deferred tax relates in full to the balance sheet item "Other non-current financial assets".

In connection with the capital increase, directly attributable expenses were offset against the capital reserve. This results in a deviation of EUR 716,373 (previous year: EUR 1,081,363) between the tax valuations and the IFRS valuations. The tax liability attributable to this amounts to EUR 216,166 (previous year: EUR 326,301) and was also transferred to the capital reserve.

6.2.4 Equity

The Company's share capital of EUR 17,500,000 (previous year: EUR 16,500,000) is divided into 17,500,000 no-par value shares (previous year: 16,500,000 shares) with a nominal value of EUR 1.00 each.

In September 2018, a capital increase of 1,000,000 shares was carried out from the authorised capital of 2018 and the share capital was increased from EUR 16,500,000 to EUR 17,500,000. The new shares were issued at a subscription price of EUR 15.30. The difference between the proceeds and the nominal value was transferred in full to the capital reserve. Expenses in connection with the capital increase were deducted from the capital reserve in accordance with IAS 32. In accordance with the resolution passed by the Annual General Meeting on July 10, 2018, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital on one or more occasions until July 9, 2023 by issuing new shares against contributions in cash or in kind up to a maximum total of EUR 8,250,000 (Authorised Capital 2018).

In October 2017, a capital increase of 1,500,000 shares from the previously authorised capital of 2015 was carried out and the share capital increased from EUR 15,000,000 to EUR 16,500,000. The new shares were issued at a subscription price of EUR 11.00. The difference between the proceeds and the nominal value was transferred in full to the capital reserve. Expenses in connection with the capital increase were deducted from the capital reserve in accordance with IAS 32. In accordance with the resolution passed by the Annual General Meeting on July 13, 2015, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital on one or more occasions until July 1, 2020 by issuing new shares against contributions in cash or in kind up to a maximum total of EUR 7,500,000 (Authorised Capital 2015).

Please refer to the statement of changes in equity for the development and composition of equity.

In fiscal year 2018, a dividend of EUR 0.30 per share (previous year: EUR 0.30 per share) was paid in accordance with the resolution of the Annual General Meeting of M1 Kliniken AG on July 10, 2018. The new shares issued in October 2017 from the capital increase were fully entitled to dividends.

At the time the financial statements for the 2018 financial year were prepared, there was no proposal for the distribution of the net profit for the 2018 financial year.

7 Notes to the consolidated cash flow statement

The cash flow statement shows how the cash and cash equivalents of the M1 Kliniken Group have changed in the course of the reporting years due to cash inflows and outflows. In this cash flow statement, cash flows are broken down into operating, investing and financing activities. Cash flows from investing and financing activities are presented using the direct method. Cash flows from operating activities, on the other hand, are presented using the indirect method. Cash and cash equivalents include immediately available cash and cash equivalents of EUR 25,383,993 (previous year: EUR 14,687,402).

Significant items in the cash flow from 'operating activities' include the net result for the period in the amount of EUR 6,612,567 (previous year: EUR 5,777,971) and the increase in trade account receivables in the amount of EUR 5,409,249 (previous year: EUR 5,777,971), (previous year: EUR 3,644,612), investments in property, plant and equipment of EUR 2,096,410 (previous year: EUR 3,289,698), which are included in cash flow from 'investing activities', and finally cash inflows from equity contributions of EUR 14,799,792 (previous year: EUR 15,744,939) and dividend payments of EUR 4,950,000 (previous year: EUR 4,500,000), both of which are included in cash flow from 'financing activities'.

As in the previous year, the changes in liabilities from financing activities are essentially all cash-effective.

8 Segment reporting

The reportable segments in the M1 Kliniken Group are the segments:

- Beauty and
- Trade.

The division into operating segments is based on the determinations of the Group's internal management and controlling on the basis of business activities. There is no segmentation according to regional aspects, as this is not (yet) a relevant control parameter for internal management.

In the Beauty segment, the Schlossklinik in Berlin-Köpenick, the surgical treatment activities in various affiliated clinics in Germany and the organisational network of outpatient specialist centres are managed. Aesthetic surgery treatments (especially breast augmentation, eyelid lifting and liposuction) are performed in the clinics, and further aesthetic and medical treatment services (especially injections of hyaluronic acid and botolinum toxin, laser treatment, dental aesthetics) are performed in the network of specialist centres. Customers of this segment are natural persons for whom treatments are performed as well as operators of aesthetic medicine practices.

The Trade segment comprises all activities relating to the trading of pharmaceuticals and medical products. This is purely a trading activity. The products are not processed or refined in this context. Instead, the M1 Kliniken Group uses trading activities to increase its purchasing volume from relevant suppliers as a basis for price negotiations. Target customers in this segment are re-users who use the products within the framework of their own business activities or who resell them. Due to the market structure, a relatively small group of customers is responsible for the majority of sales. The M1 Kliniken AG Group is not economically dependent on these customers.

For the M1 Kliniken Group, the Trading segment is a complementary segment which takes on a serving character for the corporate strategy in the Beauty segment (volume increase for price negotiations). All activities are based on the objective of the M1 Kliniken Group to be the leading provider of services in the market for cosmetic medical and aesthetic treatments in the respective regional markets and thus to achieve an advantageous position in procurement costs.The segments have no internal sales in the Group.

There were no changes in the segmentation or allocation of individual activities to the segments in the 2018 financial year.

	2018 in EUR		2017 in EUR	
Group sales	**65,208,588**		**47,194,526**	
Trade	35,431,651	54.3%	25,825,813	54.7%
Beauty	29,776,937	45.7%	21,368,712	45.3%
Group gross margin	**23,125,529**		**18,757,321**	
Trade	1,732,788		2,250,668	
Beauty	21,392,740		16,506,653	

As a result of the business model and the specific accounting modalities in the business segments, the Group generates a relatively high proportion of its sales with only a few customers (customers who each account for more than 10% of Group sales). In 2018, 60.6% (EUR 39,525,650) of sales were generated with three customers, of which two were from the Trading segment and one from the Beauty segment. In 2017, 61.1% of sales (EUR 28,851,336) were generated with three customers, who each accounted for more than 10% of total sales. Two customers come from the Trading segment and one from the Beauty segment.

Customer	Segment	Sales 2018 in EUR	Sales 2017 in EUR
Customer A	Trading	17,529,826	16,324,960
Customer B	Trading	14,679,979	6,657,953
Customer C	Beauty	7,315,846	5,868,423

9 Further disclosures on financial instruments

9.1 Capital risk management

To date, the Group has managed its capital with the aim of achieving a very high equity ratio so as not to become dependent on lenders and to keep its entrepreneurial freedom of decision open as far as possible. This ensures that all Group companies can operate under the going concern assumption and that decisions are not influenced by any covenants from lenders.

After the capital increases carried out in 2017 and 2018 respectively, equity resources are secured to such an extent that in future more debt financing options will also be exercised.

The equity capital amounts to the respective balance sheet date:

	31.12.2018	31.12.2017
Equity	63,742,641 EUR	47,280,281 EUR
Balance sheet total	69,553,976 EUR	50,568,673 EUR
Equity ratio	91,64%	93,50%

The Group borrowed a small amount of capital to implement its business model.

In the reporting period, liabilities to banks decreased from EUR 214,798 to a total of EUR 149,546. Due to the small amount of liabilities to banks and the low level of interest rates, we currently see only limited interest rate risks.

9.2 Categories of financial instruments

For the financial instruments measured at amortised cost in the two tables below, the carrying amounts in the consolidated balance sheet are a good approximation of fair values.

Book values	31.12.2018 in EUR	31.12.2017 in EUR
Financial assets measured at amortized cost	**42,848,960**	**27,649,647**
Trade account receivables	16,738,923	9,187,533
Other current financial assets	726,044	3,774,713
Cash and cash equivalents	25,383,993	14,687,401
Financial assets at fair value through profit or loss	**11,056,024**	**8,762,821**
Other non-current financial assets	11,056,024	8,762,821
Book value total	**53,904,984**	**36,412,468**

	31.12.2018 in EUR	31.12.2017 in EUR
Trade account payables and other liabilities	**1,139,178**	**1,087,527**
Trade account payables	907,664	840,544
Other current financial liabilities	81,968	32,186
Other non-current financial liabilities	149,546	214,798
Book value total	**1,139,178**	**1,087,527**

As in the previous year, the net gains on financial assets measured at amortized cost essentially correspond to the interest income described in Note 5.2. As in the previous year, the net losses from financial liabilities essentially correspond to the interest expenses described therein. The net gain on financial assets measured at fair value is composed of income from investments and changes in fair value and thus corresponds to EUR 1,490,518 (previous year: EUR 1,487,502).

9.3 Risk management policy and hedging measures

The risk management system of the M1 Kliniken Group aims to identify and record all significant risks and their causes at an early stage in order to avoid financial losses, defaults or disruptions. Hedge accounting within the meaning of IFRS 9 is not applied.

This procedure ensures that suitable countermeasures can be implemented to avoid risks. Essentially, this is an early warning system that serves to monitor liquidity and earnings development.

The risk management policy is essentially covered by the Management Board of M1 Kliniken AG. The controlling departments of M1 Med Beauty Berlin GmbH and M1 Aesthetics GmbH, which provide support in this respect, monitor the operating successes and are thus able to identify deviations from plans in good time. If necessary, the respective persons responsible in the specialist departments together with the Management Board decide on the appropriate strategy for managing risks.

In general, the M1 Kliniken Group is exposed to risks that may arise from changes in framework conditions as a result of legislation or other regulations. However, should such changes occur, they do not usually occur suddenly and unexpectedly, so that there is usually sufficient reaction time to deal with the changes.

9.3.1 Risk from the default of financial and non-financial assets

Default risk is the risk that business partners are unable to meet their contractual obligations and that the Group thus suffers a financial loss. Due to the good knowledge of the company's customers, the default risk of trade account receivables can be well managed. Open positions are only taken when the actual settlement has been secured. The significance of the default risk for the M1 Kliniken Group is therefore low. If such risks nevertheless become recognizable, they are measured using the expected credit loss model described in section 4.5.4 in accordance with IFRS 9.

The maximum default risk of the financial assets is limited by the carrying amounts.

9.3.2 Liquidity risk

The Group manages liquidity risks to ensure ongoing solvency by constantly monitoring forecasted and actual cash flows and reconciling the maturity profiles of financial assets and liabilities.

The following tables show the expected cash flows of financial liabilities as of December 31, 2018 and December 31, 2017. Interest payments were not taken into account. Liabilities with a term of more than one year were not discounted:

	Book value 31.12.2018 in EUR	Cashflow up to 1 year in EUR	Cashflow > 1 Jahr up to 5 years in EUR	Cashflow > 5 years in EUR
Other long-term financial liabilities	149,546	0	149,546	0
Trade account payables	907,664	907,664	0	0
Other short-term financial liabilities	81,968	81,968	0	0

	Book value 31.12.2017 in EUR	Cashflow up to 1 year in EUR	Cashflow > 1 Jahr up to 5 years in EUR	Cashflow > 5 years in EUR
Other long-term financial liabilities	214,798	0	214,798	0
Trade account payables	840,544	840,544	0	0
Other short-term financial liabilities	32,186	32,186	0	0

EUR 907,664 (previous year: EUR 840,544) of non-interest-bearing financial liabilities is attributable to trade account payables and EUR 81,968 (previous year: EUR 32,186) to other current financial liabilities.

9.3.3 Other price risks

Other price risks may result from rising purchase prices. There are currently no long-term supply contracts or similar measures that could limit these risks. The conclusion of such contracts would adversely affect management's required flexibility in compiling the product portfolio according to demand.

In recent years, the company has been able to significantly reduce the purchasing prices for the treatment materials used through an elaborate purchasing policy. Declining purchase prices are also expected for the future. The Trading sector will also benefit from falling purchase prices in the future.

10 Other disclosures

10.1 Guarantees, contingent liabilities and other financial commitments

There are no contingent liabilities. Other financial obligations are in line with normal business transactions. Obligations from rental and leasing agreements (all of which are accounted for under operating leases) amount to a good EUR 15 million in the coming years. This includes an amount of EUR 2.5 million for a period of up to one year, an amount of EUR 5.5 million for a period of between 1 and 5 years and an amount of EUR 7.0 million for a period of more than five years.

In the 2018 financial year, lease payments of EUR 2,101,641 were recognised as rental and leasing expenses (previous year: EUR 1,665,047).

10.2 Related companies and persons

Related companies and persons are eligible members of the Management Board and the Supervisory Board, their close family members and all companies belonging to the investment group of the parent company of M1 Kliniken AG, MPH Health Care AG (Schönefeld) and Magnum AG (Schönefeld), which controls MPH Health Care AG. Since MPH Health Care AG, as an investment entity under IFRS 10, does not prepare consolidated financial statements, M1 Kliniken AG is not included in any further consolidated financial statements of a parent company.

The business relationships with related parties are not of a formative nature for M1 Kliniken AG. They mainly relate to the purchase of products and services. The aim of these business relationships is regularly to bundle purchasing and sales benefits with related parties in order to optimize the market presence of all parties involved. The purchases and services could also have been obtained in this way from other third parties.

These related parties were not involved in any transactions with companies of the M1 Group that were unusual in nature or quality. All transactions between related parties were concluded at arm's length conditions, as between third parties.

If transactions with these companies result in assets or liabilities, these are reported under other assets and other liabilities.

The Management Board and the Supervisory Board of M1 Kliniken AG are regarded as 'key management'. There were no changes in the persons affected in the past financial year:

Board

Family name	First name	Function/ Profession	Power of representation
Brenske	Patrick	Merchant	Sole power of representation
Dr. von Horstig	Walter	Merchant	Collaborative

Board of supervisors

Family name	First name	Profession	Function
Dr. Wahl	Albert	Business engineer	Chairman
Zimdars	Uwe	Merchant	Deputy Chairman
Prof. Dr. Dr. Meck	Sabine	University lecturer	Member

The following transactions were conducted with related parties:

Transactions with related parties and persons	31.12.2018 in EUR	31.12.2017 in EUR
Deliveries and services rendered	**14,679,979**	**6,697,953**
Of undertakings controlled by majority shareholders	14,679,978	6,697,953
To majority shareholders	0	0
To supervisory board members	0	0
Deliveries and services received	**5,940,640**	**10,065,162**
Of undertakings controlled by majority shareholders	5,940,640	10,065,162
Of supervisory board members	0	0
Other operating expenses	**0**	**1,000**
Of undertakings controlled by majority shareholders	0	0
To majority shareholders	0	1,000
To supervisory board members	0	0

Both the deliveries and services rendered and those received are based on deliveries between M1 Aesthetics GmbH and Haemato Pharm GmbH or Haemato Med GmbH.

At year-end, M1 Aesthetics GmbH had a receivable from Haemato Med GmbH of EUR 32,174 (previous year: EUR 0). There are no liabilities to related parties.

The total remuneration of the Supervisory Board and the Management Board amounted to EUR 301,351 in fiscal year 2018 (previous year: EUR 27,500). The Supervisory Board accounted for a total of EUR 32,500 (previous year: EUR 27,500). The Management Board accounted for EUR 268,851 (previous year: EUR 0). This includes variable payments to the Management Board of M1 Kliniken AG (based on target criteria for the 2017 financial year) in the amount of EUR 74,000 (previous year: EUR 0). The Supervisory Board did not receive any variable remuneration components. The Management Board and Supervisory Board do not receive any pension entitlements.

There are no receivables from members of the Supervisory Board or the Management Board.

There were no other business relationships with related parties in the 2018 financial year.

The protective clause of § 286 IV HGB was applied with regard to the total remuneration of the members of the Management Board.

10.3 Auditors' fee

The fees charged by the auditor for the past financial year totalled EUR 178,250 (previous year: EUR 16,000).

10.4 Events after the balance sheet date

No further significant events occurred after the balance sheet date up to June 25, 2019.

11 Approval by the Management Board for the publication of the 2018 consolidated financial statements in accordance with IAS 10.17

These consolidated financial statements take into account all events known to the Management Board up to June 25, 2019.

Berlin, June 25, 2019

Patrick Brenske (Management Board)	Dr. Walter von Horstig (Management Board)

Independent Auditor's Report

To M1 Kliniken AG, Berlin

Audit opinions

We have audited the consolidated financial statements of M1 Kliniken AG, Berlin, and its subsidiaries (the Group), comprising the consolidated balance sheet as of December 31, 2018, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1, 2018 to December 31, 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of M1 Kliniken AG, Berlin, for the fiscal year from January 1, 2018 to December 31, 2018.

In our opinion, based on the findings of our audit:

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU, the additional requirements of German law pursuant to § 315e Abs. 1 HGB and give a true and fair view of the financial position of the group as of 31 December 2018 and of its financial performance for the business year from 1 January 2018 to 31 December 2018 and

- the group management report provides a suitable understanding of the Group's position as a whole. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements defined by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" of our audit opinion. We are independent of the Group companies in accordance with German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the group management report.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB, and for the presentation of the net assets, financial position and results of operations of the Group in accordance with these requirements. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they are responsible for disclosing matters relating to the continuing operation of the entity, if relevant. Furthermore, they are responsible for accounting for continuing operations on the basis of the same accounting principles, unless there is an intention to liquidate the Group or discontinue operations, or there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the precautions and measures (systems) they have deemed necessary to permit the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient and suitable evidence for the statements in the group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the group management report.

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the findings of our audit, complies with German legal requirements and fairly presents the opportunities and risks of future development, and to express an opinion that includes our audit opinion on the consolidated financial statements and the group management report.

Sufficient assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements defined by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements may result from violations or misstatements and are considered to be material if it could reasonably be expected that they will affect, individually or in aggregate, the accounting principles used and significant estimates made on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise our best judgment and maintain a critical attitude. In addition:

- we identify and evaluate the risks of material misstatement, whether intentional or not, of the consolidated financial statements and the group management report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater in the case of violations than in the case of inaccuracies, as violations may involve fraudulent interaction, falsification, intentional incompleteness, misrepresentation or the termination of internal control.

- we understand the internal control system relevant to the audit of the consolidated financial statements and the procedures and measures relevant to the audit of the group management report to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.

- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the reasonableness of accounting estimates made and related disclosures made.

- we draw conclusions about the appropriateness of the accounting principles used by the legal representatives to continue the company's operations and, on the basis of the audit evidence obtained, whether there is any material uncertainty in relation to events or circumstances that could raise significant doubts about the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the related consolidated financial statements and on the group management report or, if the information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances could cause the Group to cease operating.

- we asses the overall presentation, structure and content of the consolidated financial statements, including the disclosures, as well as whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.

- we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the group management report. We are responsible for the direction, monitoring and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- we express an opinion on the consistency of the group management report with the consolidated financial statements, its legal pronouncements and the group management report.

- we perform audit procedures on the forward-looking statements in the group management report as presented by the legal representatives. On the basis of sufficient and suitable audit evidence, we particularly verify the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.

Munich, June 25, 2019

Rödl & Partner GmbH
Audit company
Tax consultancy

Hager
Auditor

Decker
Auditor

Glossary

AMNOG
German law on the new regulation of the pharmaceutical market. Entry into force on January 1, 2011.

Botulinumtoxin
botulinum neurotoxin or botulinum. The name comes from the Latin (botulus = sausage and toxin = poison) and denotes one of the most poisonous, but also most effective therapeutic substances. It is used for spasticity, tension headache and migraine and excessive sweating. In cosmetic medicine it is used for the treatment of mimic wrinkles and much more.

Cash Flow
An economic measure that says something about a company's liquidity. Represents the inflow of liquid funds during a period.

EBT
Earnings before taxes. It is the total profit of a company in a certain period of time.

EBITDA
Earnings before interest, taxes, depreciation and amortization: Depreciation and amortization of valuables and intangible assets are added to earnings before interest and taxes.

Hyaluronic acid
Hyaluronic acid is one of the resorbable fillers. Hyaluronic acid is a water-binding, natural sugar compound that occurs in large quantities in young skin and is increasingly degraded over the course of life. In aesthetic medicine it is used to build up volume and for deep wrinkles.

Dermal filler
Dermal filler are special filling substances for the volume build-up of e.g. sunken cheeks or for the augmentation of lips. The substance will biodegrade after some time.

Licence
An official approval required to offer, distribute or supply an industrially manufactured, ready-to-use drug.

Imprint

M1 Kliniken AG

Grünauer Straße 5
D-12557 Berlin

T: + 49 (0) 30 34 74 74 - 414
F: + 49 (0) 30 34 74 74 - 417

M: ir@m1-kliniken.de
W: www.m1-kliniken.de

Management Board:
Patrick Brenske
Dr. Walter von Horstig

Supervisory Board:
Chairman of the Supervisory Board:
Dr. Albert Wahl
Deputy Chairman of the Supervisory Board:
Uwe Zimdars
Member of the Supervisory Board:
Prof. Dr. Dr. Sabine Meck

Registry court:
Amtsgericht Charlottenburg

Registry number:
HRB 107637 B

Concept, design and realisation:
M1 Kliniken AG
Investor Relations

Photos:
M1 Kliniken AG
iStock
Fotolia

M1 Kliniken AG

Grünauer Straße 5
D-12557 Berlin

T: + 49 (0) 30 34 74 74 - 414
F: + 49 (0) 30 34 74 74 - 417

M: ir@m1-kliniken.de
W: www.m1-kliniken.de