SHAPING EXCELLENCE

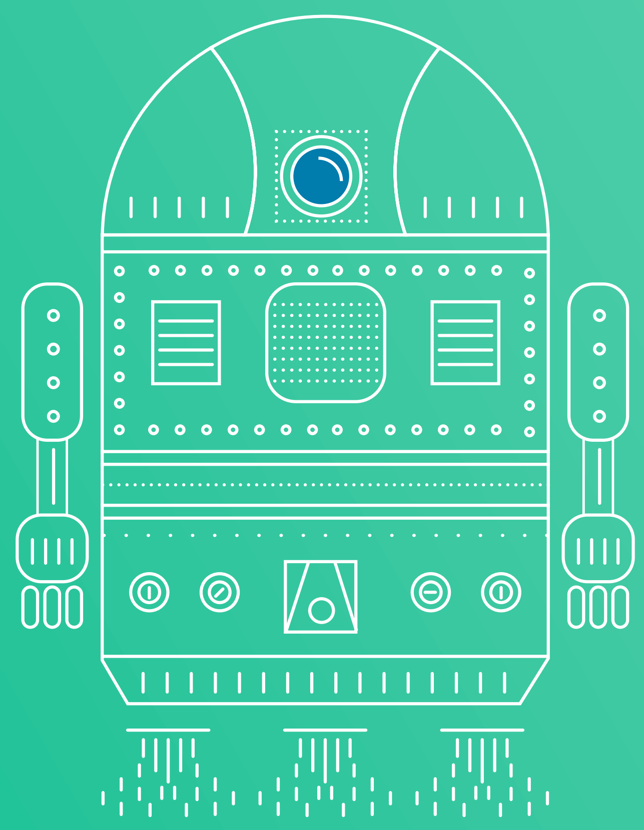
Annual Report 2017

ASKLEPIOS

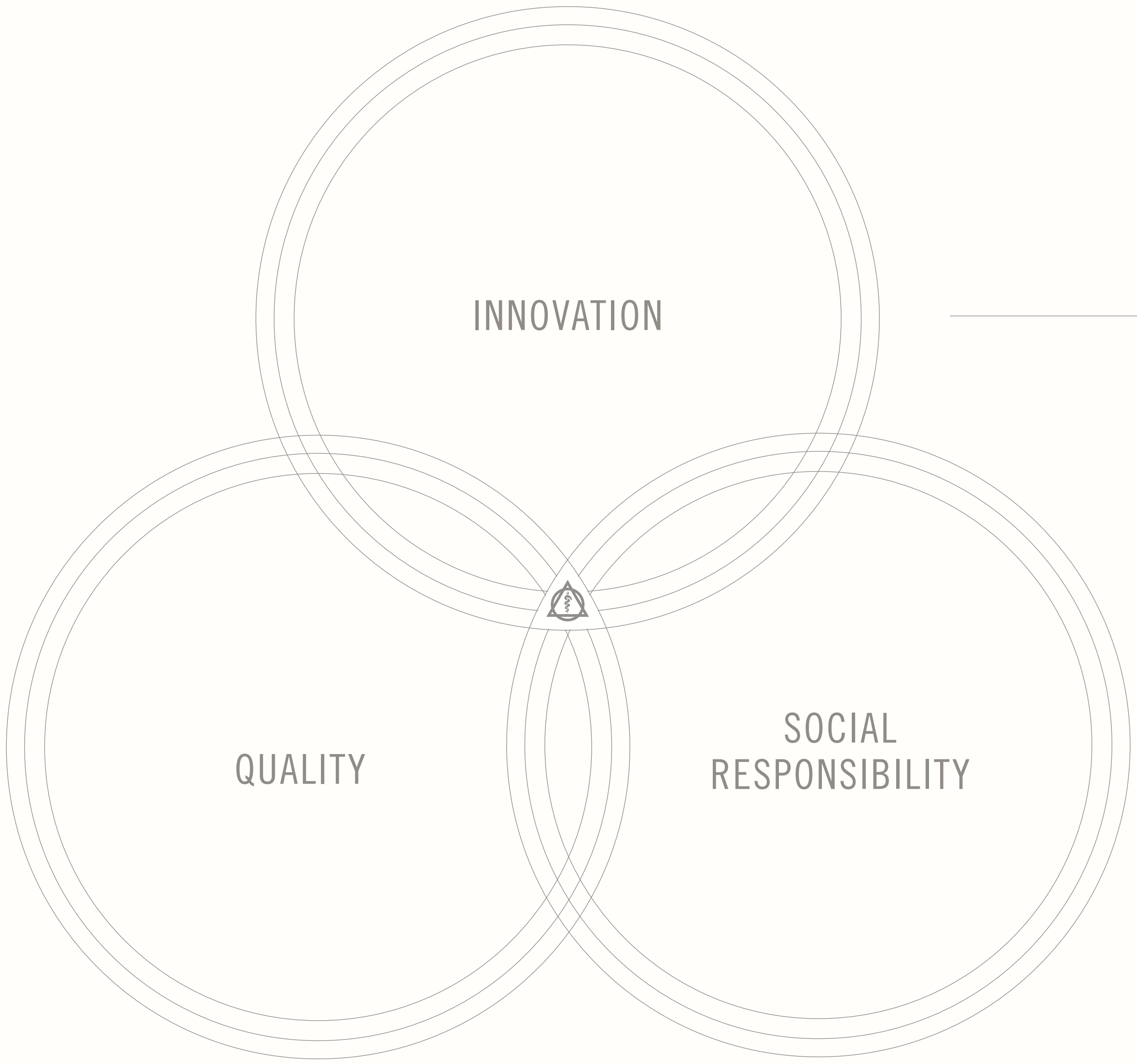
Gesund werden. Gesund leben.

Digitisation, care
and assumption
of social
responsibility
will have a major
impact on the
healthcare sector.

We are prepared
for this.



HELLO FUTURE!



SHAPING EXCELLENCE

At Asklepios, we embody excellence. Every single day. To us, excellence is not an achieved target, but a long-term process of constantly improving and shaping responses to challenges of the future.

Quality
Innovation
Social responsibility

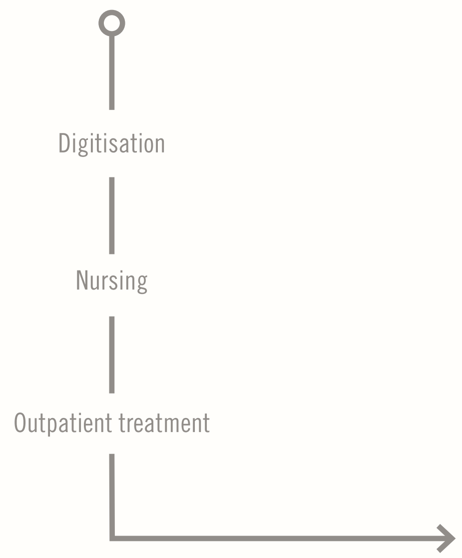
Asklepios is one of the largest private health-care groups in Germany. Since its foundation more than three decades ago, Asklepios has evolved from an association of individual clinics to an established group with around 160 healthcare facilities. The focal point is always the vision of holistic health-care management for the good of the patient.

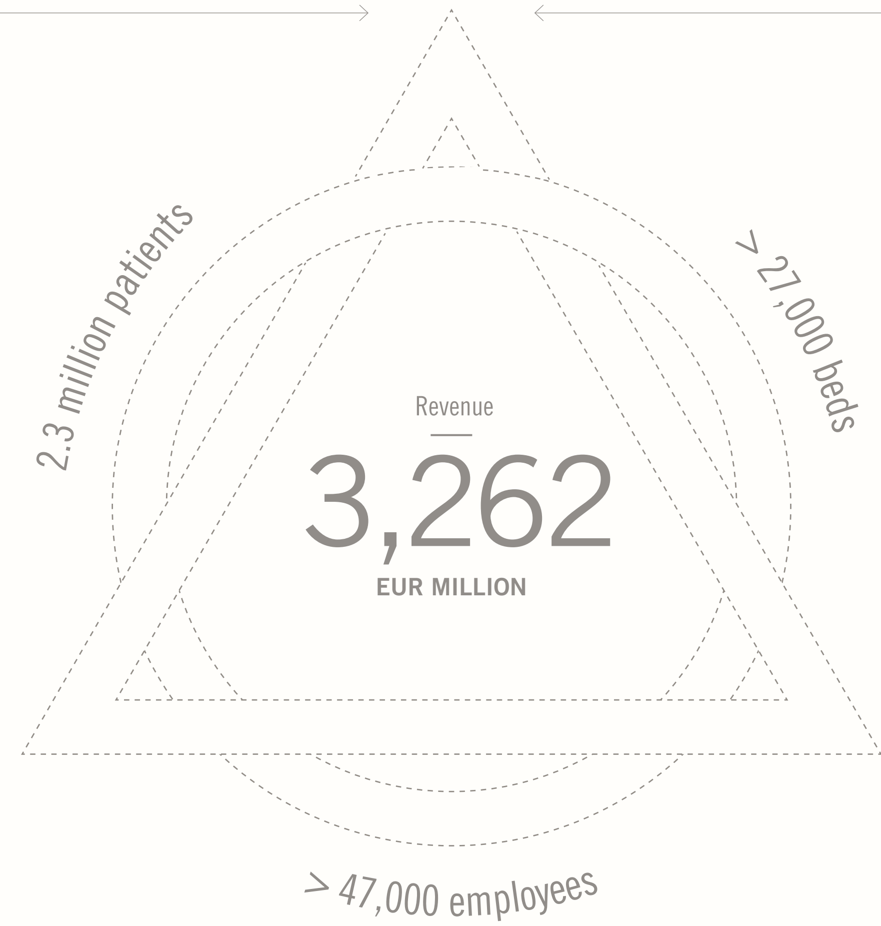
Since its foundation in 1985, Asklepios has deftly maintained a far-sighted growth policy – with the clear aim of assuming social responsibility through quality and innovation. New clinics have been renovated and modernised and integrated in a stable and forward-looking clinic network. One milestone in the company's history was the hospital privatisation of what is now Asklepios Kliniken Hamburg. The hospital cluster in Hamburg is the only one of its kind, and is becoming increasingly prominent in the region as a major employer and training centre. MediClin AG, which operates throughout Germany with a focus on neuroscience and psychological science as well as orthopaedics, has been majority-owned by the Asklepios Group since 2011. With the laboratory company Medilys, Asklepios also has one of the largest hospital laboratories in Europe.

Asklepios is now a healthcare group that offers more than maximum, basic, primary and specialised care services. Our specialist hospitals with established areas specialities far beyond their own regions – the centres of excellence – are pioneering. As an operator of rehabilitation clinics, Asklepios is able to guarantee full inpatient care from a single source. Our patients find outpatient support in our medical centres. With around 160 healthcare facilities, we provide our patients throughout Germany with a network for holistic healthcare.

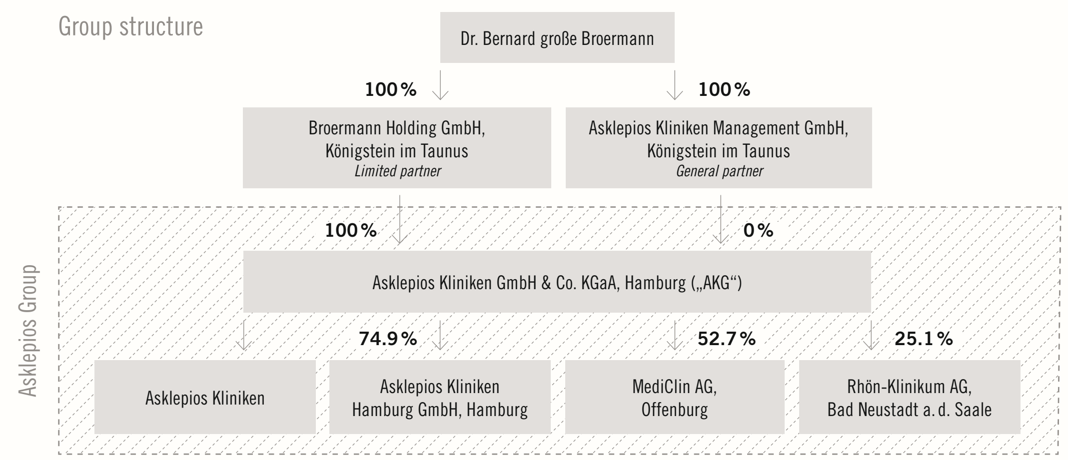
We have always responded flexibly, appropriately and with foresight to the constant change in the healthcare market – and will continue to do so in the future. Our compass here is our unwavering focus on medical excellence, which is an integral part of our corporate development and strategy. The development of Asklepios is based on the fundamental values of quality, innovation and social responsibility.

Sustainable growth based on sound finances, full utilisation of strategically opportune purchases in the healthcare sector along our value chain and long-term securing of substantial investment. Among these strategic "guideposts", we aim to concentrate in particular on the following future tasks in the 2018 financial year:





Group structure



Challenges

2018

FINANCING THE FUTURE

Financial year 2017 was defined by completion of the Group restructuring under corporate law, the issue of the Schuldschein loan agreement with a volume of EUR 780 million and optimisation of overall financing at Group level. The clear investment structure now in place and the transparent financing of the Asklepios Group are groundbreaking for us. Asklepios has the financial independence to use the challenges in the healthcare market as an opportunity. In addition, the Group can invest in integration of its healthcare facilities as well as expansion of the medical centres and medical quality. We are shaping the future of healthcare provision.

DIGITISATION

Digitisation has long been part of medicine – and we believe it will continue to significantly change the healthcare system. Health-relevant medical data is directly entered in computer systems. Smartphone apps, wearables and implanted biosensors are being used by rising numbers of patients and health-conscious people. Intelligent integration of the growing volume of medical data is both a challenge and an opportunity. More efficient care of our patients from admission through treatment to discharge and beyond, better diagnostic methods and individual therapy options, telemedicine or online therapies … the conceivable potential applications for Asklepios are unlimited. This applies to the medical sector as well as clinic management. We will use the cross-clinic opportunities of digitisation at Asklepios and continue to build on them.

NURSING

Intensive care, paediatric care, ward care, geriatric care and outpatient care – there are many specialisations. Activities range from personal care, feeding, wound care, administering medication, evaluating laboratory results to support work with the doctors. This is precisely why this career is such an important one in the healthcare market. Nurses are deployed in all kinds of areas – yet their day-to-day work is not appreciated enough. In many places, the nursing profession is no longer regarded as attractive. The shortage of specialist staff presents a major challenge to the healthcare market – and to Asklepios's healthcare facilities. We want to make the nursing profession attractive again.

OUTPATIENT TREATMENT

Medical and technical progress are increasingly allowing services that were formerly provided in hospital to be outsourced to outpatient care. A successful outpatient treatment strategy currently faces two major challenges: the availability of suitably trained medical staff and close cooperation with the referring doctors. Our strategy is geared towards a lasting improvement in healthcare provision: we are easing the workload of inpatient services through outpatient treatment, and at the same time, we are more able to offer our patients the best treatment for their individual situation. Our most important lever here is expansion of the range of treatment at our medical centres. We are using the opportunities of outpatient treatment in a targeted manner.

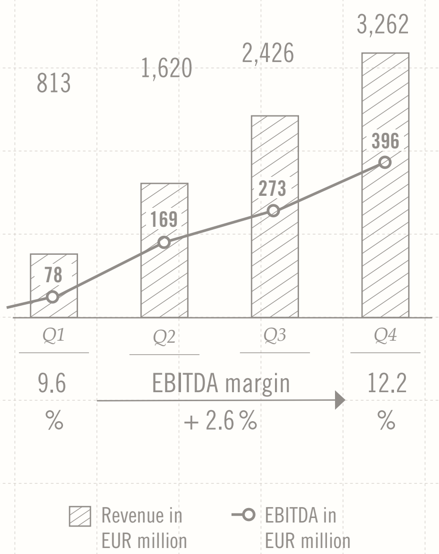
Return

2017

AN OVERVIEW OF THE FINANCIAL YEAR OF THE ASKLEPIOS GROUP

Quarterly development of selected financial key figures

REVENUE AND EBITDA



RENAMING

Asklepios Klinken GmbH

becomes

Broermann Holding GmbH

Completion of Group restructuring

CHANGE OF LEGAL FORM

Asklepios Kliniken Verwaltungsgesellschaft mbH

becomes

Asklepios Kliniken GmbH & Co. KGaA

ISSUE OF 2017 SCHULDSCHEIN

of EUR 780 million on 6 November 2017

Debt pushdown of key financing instruments

·

Simplification of contract and loan documentation

REPAYMENT

Scheduled repayment of the outstanding bond of EUR 150 million by 28 September 2017.

ACQUISITION

of Mathey & Schofer, outpatient medical centre for cardiac surgery

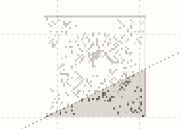
Expansion of the medical centres to accommodate outpatient treatment

INVESTMENT

in Sanomed Sanitätshaus für Orthopädie und Rehabilitationstechnik

SHARES

in RHÖN-KLINIKUM AG > 25 percent



Ideally prepared for the future

Ladies and gentlemen,

Become well. Live well. In the 2017 financial year, almost 2.3 million patients at our approximately 160 healthcare facilities followed this philosophy. In our basic, primary and maximum-care hospitals, our centres of excellence, the various post-acute and rehabilitation facilities and our medical centres, we therefore take a huge amount of responsibility for the health of thousands of people every day. Our aim is for every single Asklepios patient to benefit from top-quality medical treatment. This commitment is what makes us one of the leading healthcare providers in Germany.

We take our responsibility for our approximately 47,000 medical, nursing and administrative employees just as seriously: without their hard work day in, day out, our success would be inconceivable. Regardless of their age or role, we aim to be an attractive employer they willingly identify with.

To meet this ambition now and in the future, we implemented and initiated improvements at various levels of the company in the 2017 financial year. The most obvious of these is undoubtedly the switch to a new, clear Group structure that allows more efficient management and better financing terms for our healthcare and hospital activities.

One particularly pleasing factor is our sustainable, soundly financed growth, which continued apace in 2017. As in the previous years, this growth was largely on substantial investment of our own funds in our clinics in the past financial year. We are confident that we can continue our healthy progression in the year ahead.

However, an outstanding future is not based on economic success alone. To fulfil our mission on a lasting basis, we need to address the key future issues of our healthcare system. These include identifying and using the opportunities of digitisation, actively tackling the challenges such as the shortage of specialist nursing staff, and developing solutions. We aim to be proactive in addressing and shaping the changes in healthcare. These include the growing opportunities of outpatient treatment as well as telemedicine, which can be instrumental in enabling us to keep on offering top-quality medical care in sparsely populated areas in future. In the same way, as a company, we assume social responsibility above and beyond our operational success.

We are not alone in pursuing these objectives. We operate in a strategic environment of complex regulation and intense competition. Being successful in this challenging environment requires a special individual impetus. We all have our own personal motivation that spurs us on from within to take on responsibility in this exciting company.

Our personal thanks go to all employees who work so hard every day to ensure that our patients receive the best possible care. This dedication spurs us on.

The Group management

Kai Hankeln

Dr. Thomas Wolfram

Hafid Rifi

Marco Walker

Our motivation at Asklepios

Hafid Rifi CFO

Dr. Thomas Wolfram CEO

Kai Hankeln CEO

Marco Walker COO

Our motivation at Asklepios

Ever since it was founded, Asklepios has been managed in line with the principles of financial stability. As CFO, it is my job to ensure that our investors, patients and employees can continue to put their trust in an economically stable healthcare group. Specifically, this means stable financing, a strong balance sheet and the ability to finance our considerable investments from current income while generating value. That way, we ensure that Asklepios's financial strategy is geared towards the long term while maintaining the ability to respond flexibly and appropriately to changing situations.

HAFID RIFI

As a medical practitioner, patients' health has always been my main motivation. I want to guarantee excellent medical treatment for every single patient and ensure consistently treatment quality. This obviously also includes providing our medical staff with an optimum, modern working environment. Only with satisfied employees and patients with the best possible care can Asklepios make a valuable long-term contribution to German healthcare and build up its leading position in this field.

DR. THOMAS WOLFRAM

A sense of great responsibility for our patients and employees motivates me every single day. I want to make Asklepios an excellent healthcare provider and employer for their sake. In addition, one thing is particularly close to my heart: I want nursing professions to achieve greater social recognition and become more attractive to career entrants again. To this end, we intend to further improve our range of training opportunities. We are working to academise nursing professions in order to raise enthusiasm for this socially valuable activity among young people.

KAI HANKELN

Cross-departmental knowledge transfer is a crucial factor in high-quality treatment at Asklepios. Through integration of the entire Asklepios Group, we ensure that knowledge does not stay isolated in a clinic or specialist department. Instead, all our staff benefit from new findings. This helps us to constantly improve medical quality. Consistently expanding this integration and making full use of Group-wide knowledge transfer for our patients is one of my biggest motivations at Asklepios.

MARCO WALKER

Return

3

Our understanding of

DIGITAL EXCELLENCE

More humanity

Advancing digitisation and integration are radically changing our healthcare – for the better. One thing that will not change, even in the long term, is that human interaction between patient and medical staff is always at the heart of everything that Asklepios hospitals do. We aim to keep on improving and expanding this interaction through digital solutions.

Digital technologies with limitless potential

The opportunities of digitisation cover all kinds of application areas, but are always focused on the same objective:

increasing treatment quality for the benefit of patients.

Application examples are efficient management of patient data, more precise and system-based diagnostic and analysis methods and the use of robots that help doctors with complex tasks such as surgical procedures or determination of individual medication.

Everything is subject to our safety standards, which cover a wide range of organisational and technical elements geared towards users.

Medical excellence of the future

Digitisation is the topic of the decade – and great opportunities are also arising in medicine. Asklepios is actively shaping the digital transformation in order to take outpatient and inpatient care in new directions.

It may sound futuristic, but it is already an important tool for ensuring that our patients can benefit from improved processes and more sustainable treatment outcomes. Digitisation significantly increases service quality, and in particular enables more efficient internal processes, giving our employees more time to work directly with our patients.

In recent months, we have implemented a host of major digital innovations with which we have expanded digital expertise at Asklepios. One milestone is the introduction of electronic patient records at our clinic in Hamburg-Rissen. As a result, we are ideally placed to use the electronic health insurance card throughout our clinic network. Key advantages are safer treatment, faster availability of important data and optimised quality control. Further pioneering medical technologies that played a key role at Asklepios last year are set out below.

Robots help with surgery

There was much in-depth media coverage of the robot-aided surgery of the Da Vinci system at the Asklepios Stadtklinik Bad Tölz and the Asklepios Klinik Altona. Some may find this strange at first. Yet when robots assist surgeons, there are lots of benefits to safety and treatment quality. Of course, every action is ultimately performed by the actual doctor. However, during the procedure, the surgeon can view the operation area on a three-dimensional image with up to 10-fold magnification in order to gain a better overview. In addition, the robot has a fine-motor correction function. Even a minimal shake of the operator's hand is factored out via the tremor filter, meaning that the surgeon's hand always moves fluently and securely. It is particularly exciting that the robot has finer motor skills than the surgeon, through rescaling of the human hand movement. This makes us more able than before to ensure highly precise treatment of fine structures. The benefits of the operating robot for patients are also clear: it makes operations shorter and reduces blood loss, while the patient recovers from the procedure more quickly. At present, we are mainly using the Da Vinci system in urology, general surgery and ear, nose and throat surgery.

Increasingly individual treatment – for large and small complaints

Digital systems are also becoming ever more widely used in the orthopaedic departments of Asklepios. In endoprosthetics, the permanent replacement of joints with implants, the individual needs and anatomical properties of patients are increasingly taken into account through constantly improving analysis methods. Although it may sound relatively obvious, this was possible in medicine to a very limited extent only until recently. Computer-aided analysis and navigation methods enable us to offer customised therapies. To this end, individual treatment begins with a preoperative analysis. The specialists providing treatment take into account the unique situation of the patient: work-related aspects, exercise outside work, anatomy and bone quality. In the event of a hip prosthesis, for instance, the socket can be optimally adapted on the basis of the results.

Asklepios also believes that digital applications have great potential in conservative medicine, i.e. treatment with medication. Here, too, individualisation is the key factor. By comparing laboratory results and data on genetic material or lifestyle with global databases and analysing them, we can give patients customised treatment with medication. As well as making medication more effective, this kind of individual medicine makes taking medicine much more tolerable!

Digitisation improves the overall running of hospitals

In the Precision Medicine department, we concentrate on individualised medicine. Our vision is to be able to offer every single patient the most modern and individual treatment in future. The department focuses on integrating digital information and new diagnostic and therapeutic methods that are hugely important in treatment as well as prevention and diagnosis.

Greater efficiency for better healing

One example is genetic analysis, where just a few years ago, patient and doctor had to wait several weeks for the results – and the process also used to be very expensive. The costs and the time required for analysis have since been substantially reduced. Consequently, we can treat patients with the best specific therapy more quickly.

In summary, it can be said that digitisation is a major step forward for medicine – and Asklepios is actively shaping this development for the good of its patients.

My motivation at Asklepios

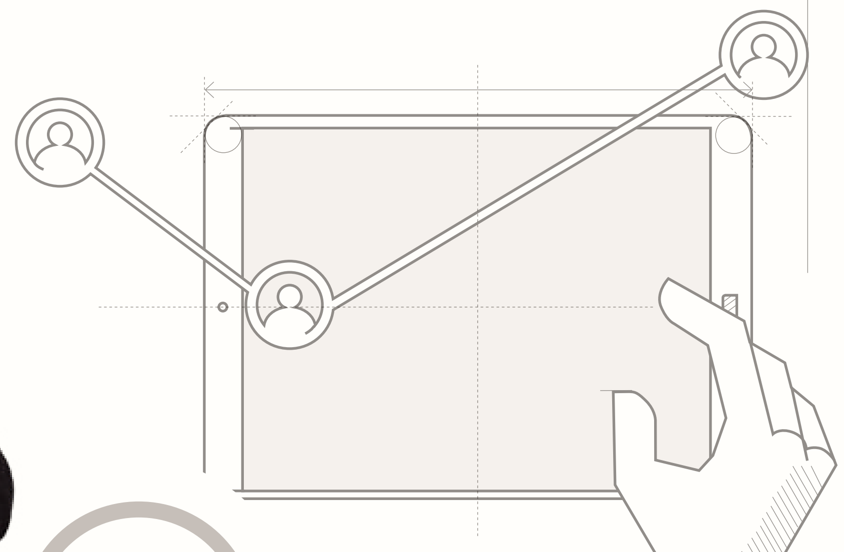
My main motivation is fruitful collaboration with my colleagues at Asklepios. I really enjoy working on moving Asklepios forwards strategically and operationally every day with highly motivated and intelligent people. Being a trained medical practitioner, the health of our patients obviously matters just as much to me. As head of strategic quality management at Asklepios, I aim to lead by example when it comes to ensuring that our patients' treatment experience is safe and as comfortable as possible.

PROF. DR. CHRISTOPH U. HERBORN

Prof. Dr. Christoph U. Herborn joined Group management on 1 January 2018, and is responsible for strategic quality management in his role as CMO.

Maximum standards of data protection and security

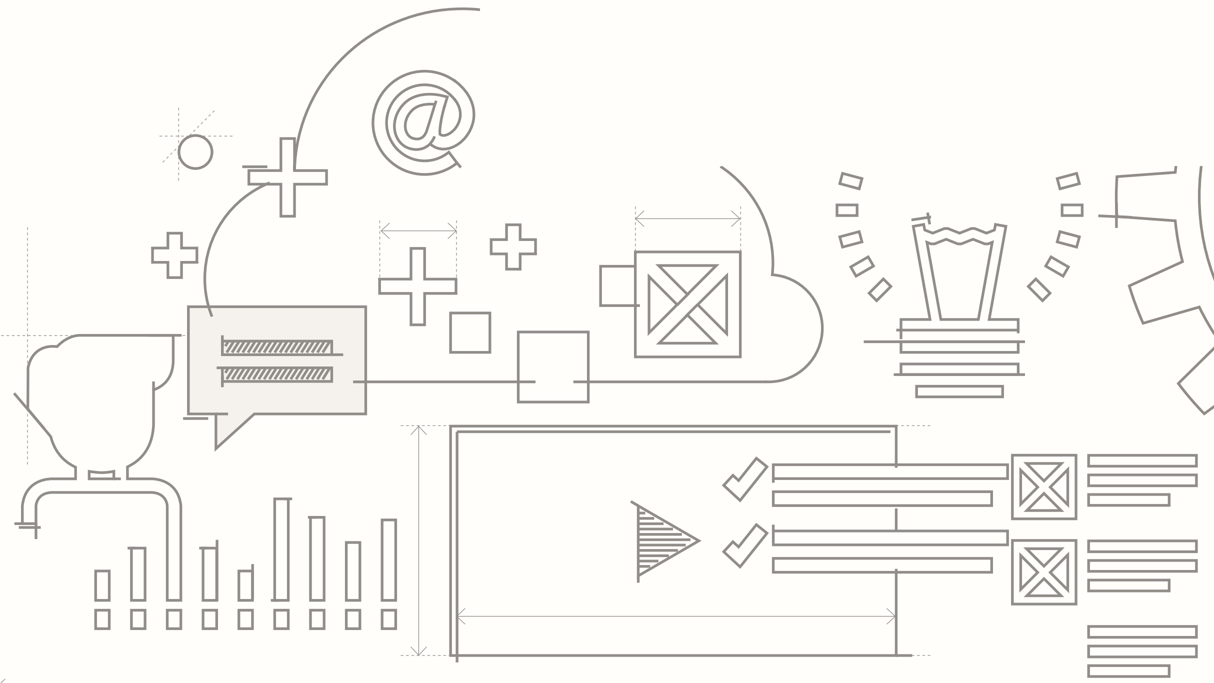
Patients benefit directly from more precise diagnostic and treatment options, increased transparency and faster innovations. This why such a sensitive area as healthcare needs to be protected and safeguarded.

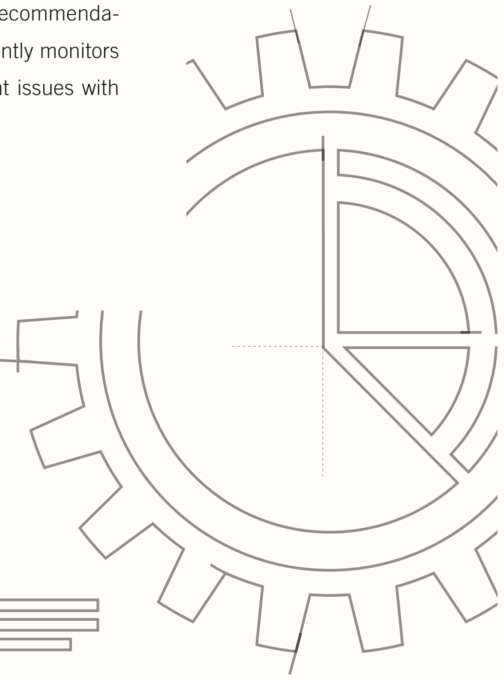


3 Questions to Henning Schneider Group Head of IT

But what does Asklepios do to ensure protection and security of its data? And what exactly are IT and security? One thing is certain: we take data protection very seriously, and are already prepared for implementation of the General Data Protection Regulation, expected in mid-2018.

To ensure professional and fast responses to IT-related threats, Asklepios has a specially trained team (“Computer Security Incident Response Team”, CSIRT) that examines security incidents and issues action recommendations. In addition, an Information Security Officer (CISO) constantly monitors the organisation and processes, and assesses security-relevant issues with the support of the specialist departments.





Mr Schneider, everyone is talking about IT and security. Why do you think that is?

Information security is always a package of measures that comprises organisational and technical elements and does not relate to the data centre only. We maintain a purpose-built data centre for this at our Barmbek location. Here, Asklepios operates around 3,000 servers – for the central infrastructure and components such as our “clinic information systems” (KIS) of the various clinics, for example. Many of our laboratory systems and the medical applications are also hosted here.

Our data centre consists of two mirrored fire zones. Each zone is independently supplied with electricity – including uninterruptible power supply (USP) – as well as a standby diesel generator set. There is also a separate gas extinguishing system and air conditioning. Most – especially all critical – applications and data are synchronously stored in both fire zones.

Patient records are essential to good treatment. How do you protect the data centre against data loss?

In addition to synchronous mirroring between the fire zones, all important data is backed up on separate backup storage systems and on tapes. Our important data is therefore available in more than one place. The systems and components used are intended to prevent various scenarios, such as accidental deletion of data or breakdowns in the form of hardware malfunctions.

Of course, up-to-date virus scanners are used in all systems. Central internet access is even monitored by various virus scanners and other protection mechanisms.

But how do you prevent data from falling into the wrong hands or even being stolen?

Asklepios applies the minimality principle: all users are given only as many rights as they need. In addition, all data-management systems are protected by a user-defined login. With this restriction, we minimise the risk of individual accounts. Furthermore, we operate a Group-wide central authentication and guideline platform. Most of our applications can also use the user and rights management of this active directory. Exceptions are operated with dedicated user management.

The data centre is certified in line with the data-protection and data-security standards ISO 27001, and also performs independent internal and external audit penetration tests. The whole IT department works in accordance with IT Infrastructure Library (ITIL) processes, thus ensuring a high level of professionalism in terms of traceability and control of IT processes.

Return

Intelligent patient coordination in healthcare

Digitisation can make the running of healthcare facilities much easier: by introducing e-health technologies, we can give patients a more comfortable and stress-free stay in hospital while at the same time lightening the load on our employees and making their work routines more efficient.

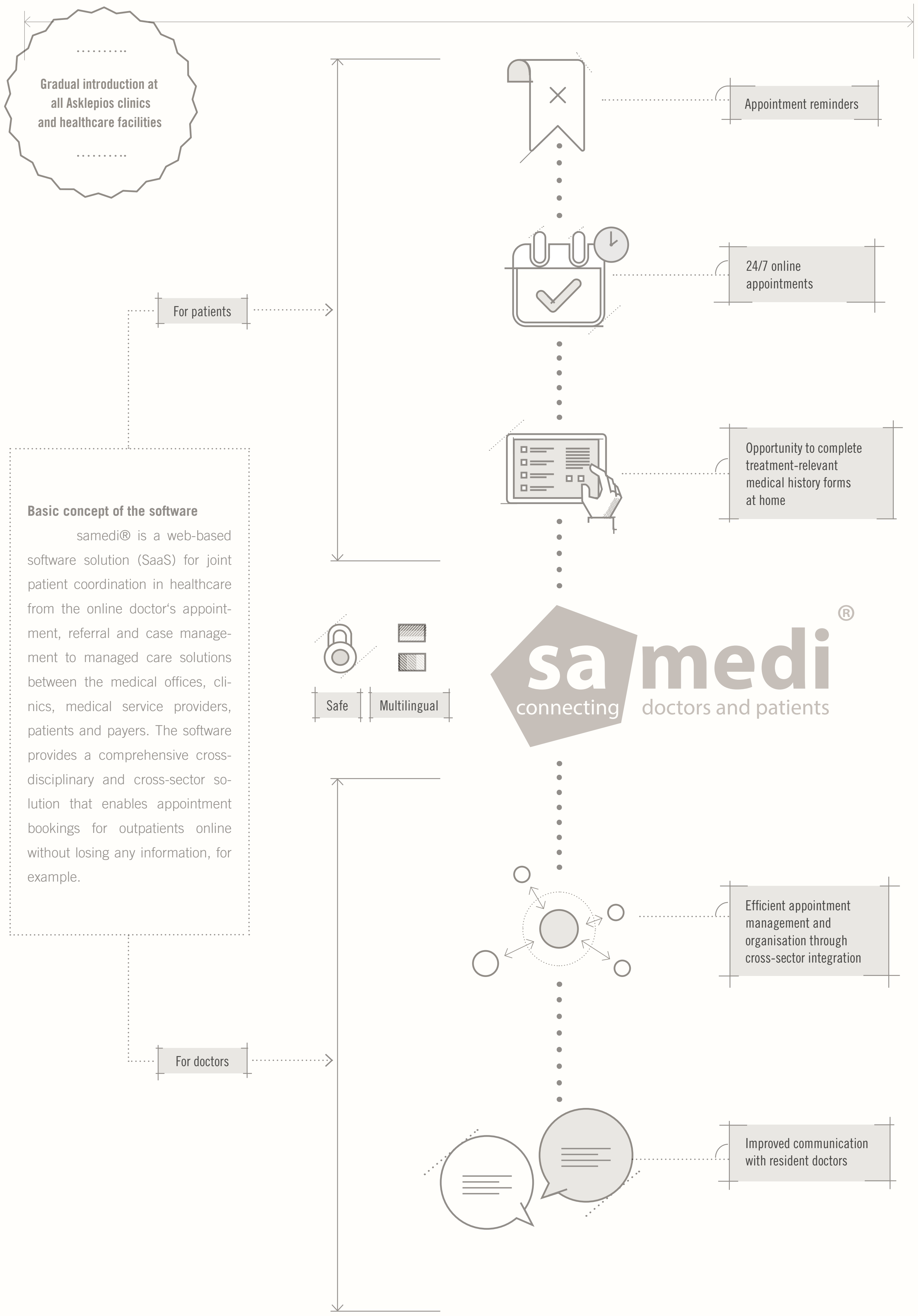
The web-based e-health software samedi® is a clear example of digital excellence at Asklepios. We are gradually introducing it at our approximately 160 clinics and healthcare facilities. The software can be used across disciplines and sectors.

Convenient features for patients and efficient resource planning for the clinic

It provides patients with lots of convenient features such as 24/7 online appointments, appointment reminders, and the option to complete treatment-relevant medical history forms at home and send them securely. samedi® enables our healthcare facilities to manage appointments and organise their operations efficiently. Through cross-functional integration, the software also improves communication with the resident doctors. MediClin AG, which belongs to Asklepios, opted for samedi® in conjunction with its online rehabilitation beds portal back in 2015. This has set a new standard in more than 50 of the company's clinics, which comprise various departments such as acute care and rehabilitation, resulting in an immediate improvement in care.

Easy availability with less administrative work

The samedi® software is being used to create a platform that allows us to significantly improve digital patient communication and care. Use of the software reduces the administrative workload for employees and departments when arranging outpatient consultations. In addition to online appointment bookings, the departments can issue important documents to the patients ahead of the consultation and send relevant findings in advance.



Basic concept of the software

samedi® is a web-based software solution (SaaS) for joint patient coordination in healthcare from the online doctor's appointment, referral and case management to managed care solutions between the medical offices, clinics, medical service providers, patients and payers. The software provides a comprehensive cross-disciplinary and cross-sector solution that enables appointment bookings for outpatients online without losing any information, for example.

Cross-sector care of our patients

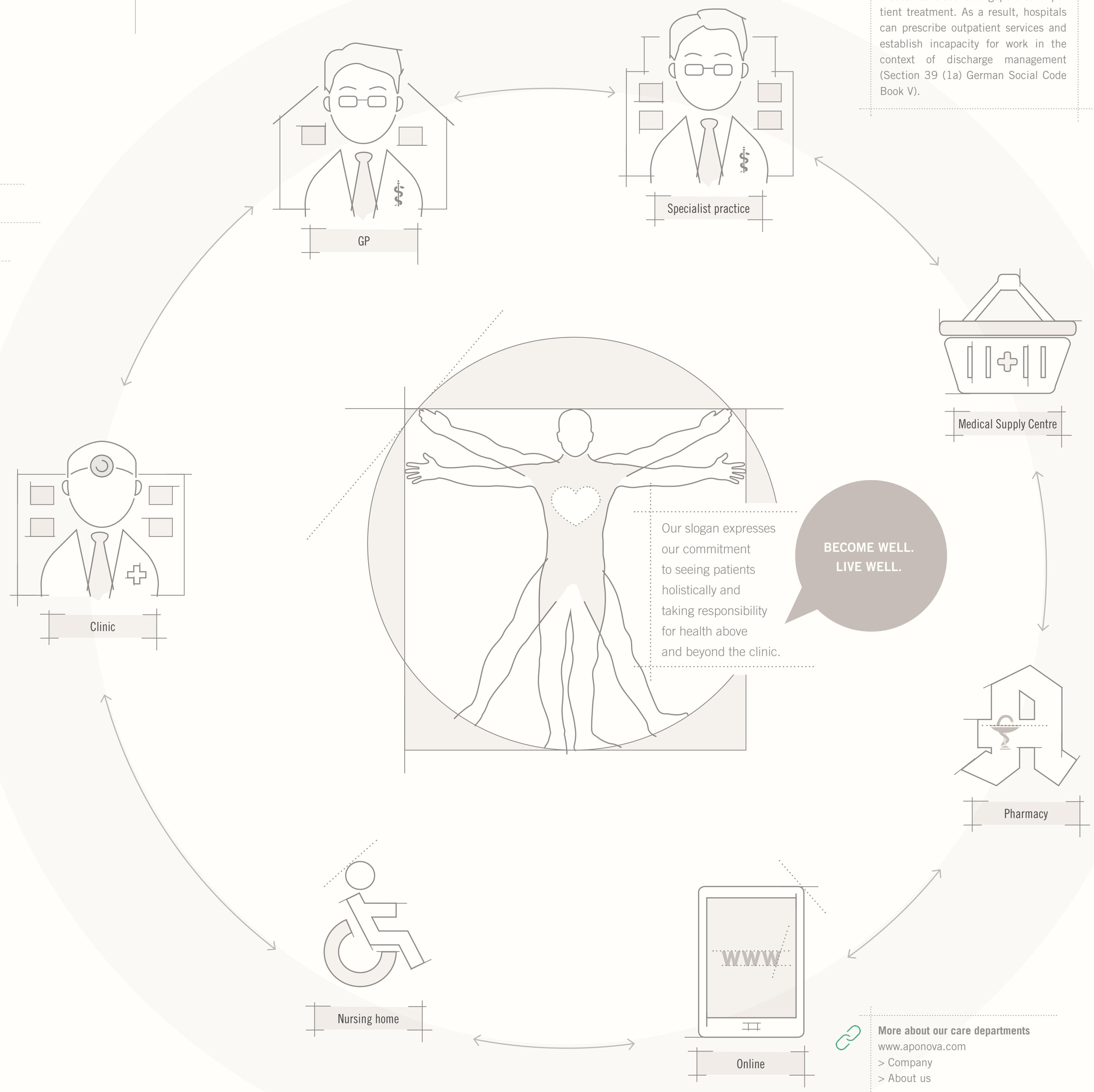
Since summer 2017, hospital treatment has included systematic and uniform discharge management. Consequently, Asklepios also supports cross-sector care of its patients after their stay in hospital. The aim is to ensure a seamless transition from inpatient to outpatient care.

An interdisciplinary team of doctors, nursing staff and social workers is also available to our patients. We are committed to guaranteeing full follow-up care for every single patient.

Together, we determine the medical or nursing measures required after hospital treatment. In some cases, we instigate them during the hospital stay in coordination with the patients and their families. Key measures for discharge management include a discharge report and a corresponding medication plan. In addition, our team of doctors can prescribe drugs, dressings, remedies, aids, home nursing care and sociotherapy as required.

Proof of successful project management

Implementation of discharge management standardised across the entire clinic network is a good example of successful teamwork between the responsible departments and project managers. The Group's IT department coordinated closely with individual clinics and the respective regional managing directors here to introduce the standardised IT infrastructure on which discharge management is based. Uniform guidelines were jointly defined. A dedicated working group defined the essential processes and responsibilities, critically assessed decisions and established Group standards. Through this close coordination, cross-clinic implementation of this complex system ultimately went without a hitch. This example clearly illustrates how effective digital technologies are, particularly in conjunction with qualified employees and strong project management.

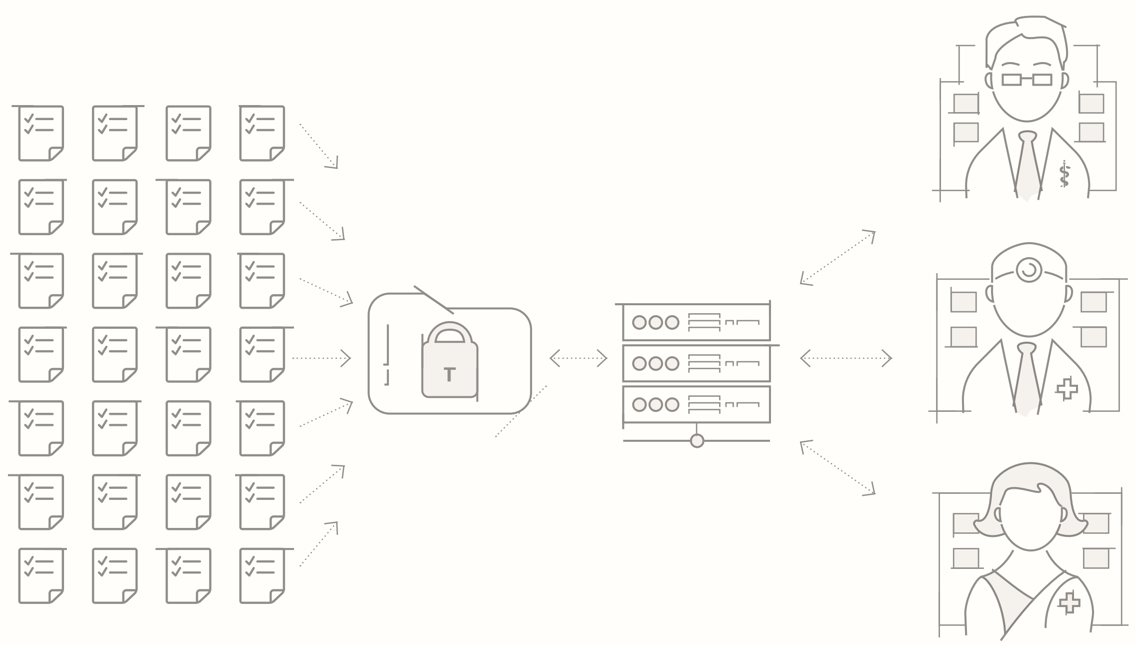


Legislative changes to strengthen statutory health insurance.
The German Statutory Health Insurance Care Strengthening Act (GKV-VSG was created to close care gaps after inpatient treatment. As a result, hospitals can prescribe outpatient services and establish incapacity for work in the context of discharge management (Section 39 (1a) German Social Code Book V).

More about our care departments
www.aponova.com
> Company
> About us

Development and introduction of scalable digital patient records that take all processes into account

For optimum patient care from admission and treatment to discharge.



The wheels are in motion: Westklinikum Rissen, one of seven Asklepios Kliniken Hamburg clinics, introduced Meierhofer AG's hospital information system (KIS) in the first half of 2016. We thus paved the way for more digitisation in healthcare – particularly for facility-wide introduction of digital patient records. The launch at Westklinikum Rissen marked the start of the roll-out of a KIS concept specifically designed for the seven hospitals. The other six clinics are being converted to the hospital information system at six-monthly intervals up to mid-2020.

Preparation of the concept took a year. A further year was spent adapting the electronic patient records to practical requirements, with considerable involvement of stakeholders. The aim was to develop a digitisation solution that takes all processes into account and is sufficiently scalable for us to adapt it to all clinics. Along with over a hundred experts from our clinics, we scrutinised procedures and harmonised processes across all clinics. Over 1,500 documents were examined, catalogued and overlaid.

The outcome is not an off-the-peg system, but an individual, advanced system for all Asklepios healthcare facilities that encompasses numerous adaptations and 15 new developments.

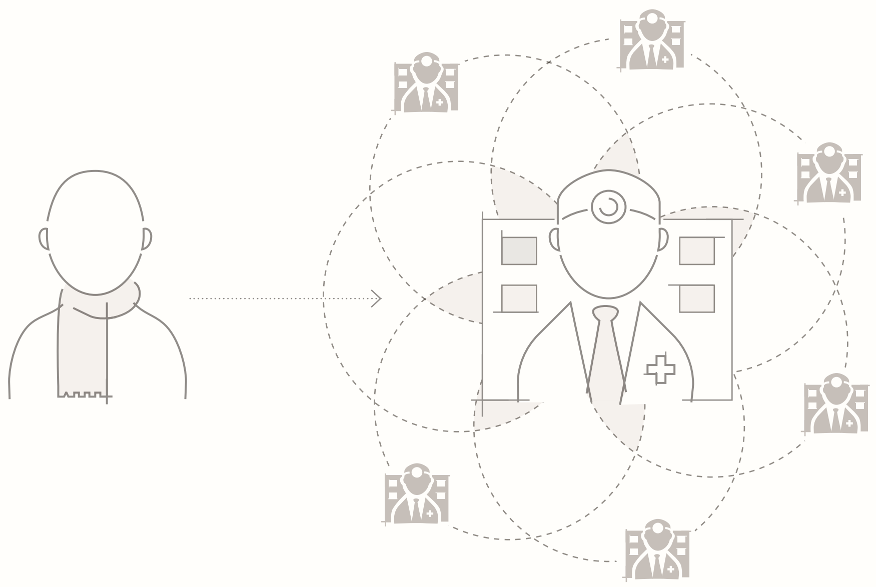
Digitised process along the care pathway

Since the beginning of April, patient records have been fully digital instead of paper-based. To ensure that this process is rigorously pursued, all paper documents that the patient brings along are scanned and entered in the hospital information system. Consequently, all documents are available to the people involved in the patient's treatment throughout the hospital. Conversion from paper-based documentation to a digital process was a major learning curve for our employees, requiring lots of work and huge commitment from everyone involved. However, everyone was convinced of the benefits of digital records from the outset.

By introducing digital patient records across all facilities, we have taken another major step in the context of our extensive digitisation strategy.

Decentralised and bundled tumour expertise

Cross-clinic integration ensures the best possible therapy in regional clusters.



Founded in 2017, Asklepios Tumorzentrum Hamburg has established an outstanding reputation for high-quality treatment of malignant diseases, and is helping to achieve further improvements in treatment. The benefits are obvious: local treatment by experts throughout the Hamburg region, easy access via a telephone hotline, and interdisciplinary and cross-location therapy for patients.

Our seven hospitals in Hamburg have specialised in one or more types of cancer treatment for several years. In addition, Asklepios Klinik Barmbek has been certified by the German Cancer Society (DKG) as an oncology centre since 2016.

To bundle all this expertise and provide the best possible therapy for patients, a structure has been created that combines all specialists in malignant diseases at Asklepios in Hamburg – without patients or doctors having to constantly travel from one end of Hamburg to the other. Rather than being a centre in the conventional sense, i.e. a building where all experts and their patients meet, this is a partly virtual structure that Asklepios has created.

At all seven hospitals, patients can turn up at dedicated walk-in clinics, where the respective specialist decides what therapy is most appropriate and what clinic has the best expertise for that, sometimes in consultation with colleagues from other hospitals. The specialists advise on the best possible therapy in tumour consultations, which have already been held at the clinics but now take place across all locations. Special cases, often borderline cases, require a combination of therapy options and the involvement of specialists. The primary aim is to treat the patients at the highest medical level and integrate the locations and disciplines.

Return

4

Our commitment to

EXCELLENT CARE

Non-negotiable

Looking after our patients' wellbeing every day is at the heart of everything we do. Our commitment to delivering consistently excellent nursing care to all patients is non-negotiable.

Return

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Nursing care – a varied career

Nurses perform lots of challenging tasks – day in, day out. That is why our commitment to excellence also encompasses numerous areas, some of which are very different. Medical services alone cover a wide range of activities: wound care, paediatric care, intensive care, surgical assistance – the list goes on and on. Nursing patients also includes such things as preparing and distributing meals, service quality and face-to-face contact to raise patients' awareness of safety.

Demographic development poses numerous challenges to nursing care and medical professions. At the same time, the occupational profile from a professional viewpoint is becoming more and more demanding. The value of nursing must be increased and receive more social significance. It needs to be made more prominent. In view of this, we are focusing our efforts on ensuring that our employees can continue to enjoy their jobs, stay motivated and work in the best conditions.

Nursing

Nursing involves independent care and support in cooperation with other career groups of people in all age groups.

Nursing includes health promotion, disease prevention, and care and support of ill, disabled and dying people.

SELECTED ACTIVITIES

- Assistance with or complete handling of personal care
- Monitoring of patients after procedures and operations
- Wound treatment and dressings
- Administration of medication and infusions
- Mobilisation
- Intensive-therapy care
- Comfort and attention

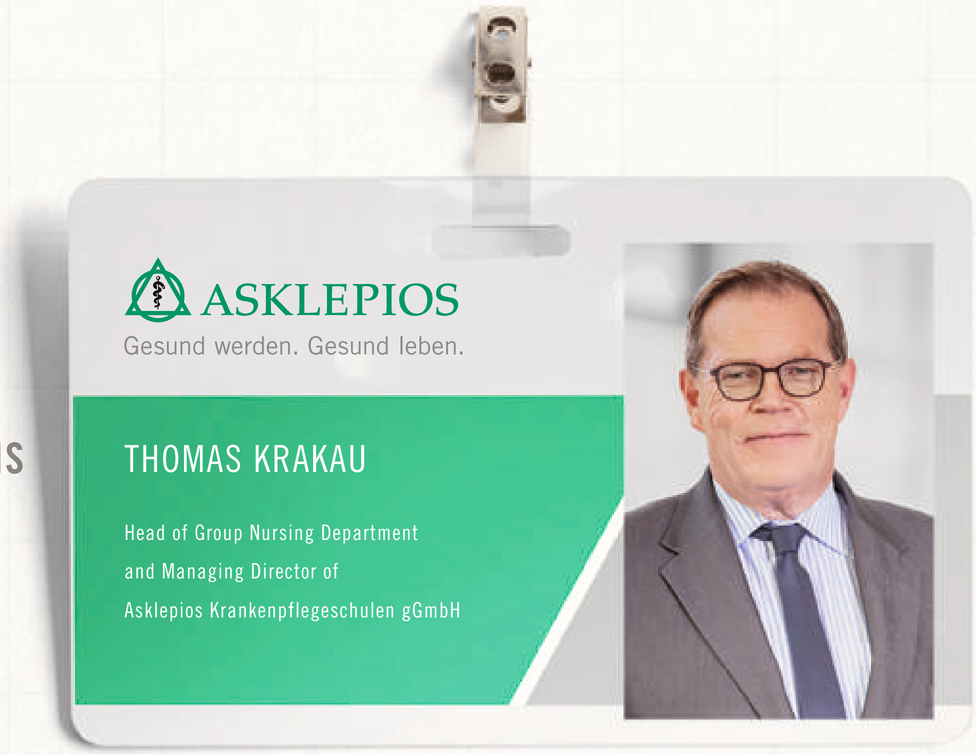
SELECTED SPECIALISMS

- Ward care
- Intensive care
- Rehabilitation care
- Palliative care
- Geriatric care
- Cancer care
- Paediatric care
- Neonatal care
- Post-operative and endoscopy care
- Quality management
- Hygiene management
- Wound management
- Outpatient care

Administration of medication

Nursing care – Development in the years ahead

THREE QUESTIONS TO



Mr Krakau, how do you see things developing in the years ahead?

Demographic change will have a particular impact on nursing care. We expect numbers of qualified nursing staff to fall in the next few years, both in the specialised disciplines and in general nursing fields. This will affect different clinics to different extents. Retirement of the "baby-boomers" will certainly exacerbate the situation. In addition, employees in the nursing sector are getting older on average. At Asklepios, we are responding to this and countering it with our demographic project for age-appropriate working. The project was aimed at developing bespoke, pragmatic and economically feasible measures focused on securing expertise and transferring knowledge between our employees. This has resulted in a tool box that is accessible to all our clinics.

How are you delivering on the promise of "excellent care" for your patients in the face of this major challenge?

We have already introduced some key measures. These include setting the goal of reducing nurses' workloads by relieving them of unnecessary administrative tasks, for instance. For example, certain forms or tables don't necessarily have to be completed by a qualified nurse. Office assistants or care assistants can provide outstanding support here.

Easing the burden on nursing staff working on-site by means of a skill & grade mix helps Asklepios by improving processes. Current examples are the introduction of a digital ordering system and the introduction of service staff who are responsible for replenishing material, linen and medicine cabinets as modular providers. Ultimately, making core care less strenuous benefits the patients and, of course, the nursing staff themselves. They can focus on their core tasks, and may also still have time to chat with their patients.

In addition, we aim to further enhance our reputation as an employer so that we can retain our excellent staff long-term and also attract more outstanding employees. This year, we started offering our trainees an employment contract from their first year of training, for example – provided that they pass their exam.

Along with Group management, you are working towards academisation of nursing. What exactly does that mean, and what are the advantages of it?

With this step, we are giving our nursing staff the opportunity for further training at universities, colleges and numerous in-house institutions. This generates crucial advantages. Firstly, academisation is the necessary response to the increasingly challenging reality in the wards: due to demographic change, we have growing numbers of chronically ill patients with complex requirements in terms of their inpatient treatment. The doctors need more help so that they can handle this workload; at the same time, nurses need to have more medical expertise so that they can handle these difficult cases in the best possible way.

Furthermore, we will make nursing jobs much more attractive if we combine them with academic training. This also increases public appreciation of the profession – unfortunately, this has been a big concern for many nursing staff to date. However, it obviously doesn't mean that every employee in the care sector is now forced to study! Excellent care is of course based on successful interaction of employees with a wide range of qualifications and assigning them to the right place.

3 EXAMPLES of excellent care at Asklepios

1 WOUND CARE

Evidence-based wound care at Asklepios is a superb example of excellent care in patient services.

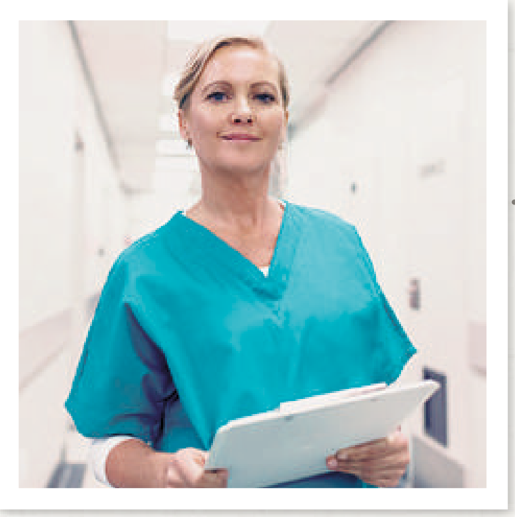
Numerous initiatives have enabled us to establish outstanding wound care based on uniform standards in our healthcare facilities. Wound care is no longer a core activity of doctors. Experts in this field are increasingly to be found among the nursing staff. Through rigorous training of our nursing staff, we have significantly expanded the requisite knowledge and attained outstanding treatment quality. An interdisciplinary working group from all somatic departments ensures that this standard of excellence is communicated uniformly throughout the entire clinic network. Binding guidelines for all types of chronic and complex wounds are devised and set out. In addition, wound managers equipped with the requisite knowledge in this specialist field are appointed as designated contacts for all clinics.

2 ACADEMISATION AND TRAINING

Asklepios is one of the biggest employers in the healthcare sector to systematically promote academisation of nursing professions. This is aimed at training our employees so that they can also perform more complex tasks.

Training and academisation improve care and treatment quality and improve the public perception of the nursing profession. It is also economically beneficial – for employers and employees alike. For example, Asklepios is the first clinic operator in Germany to offer part-time courses in nursing studies. To this end, we are co-operating with Steinbeis University Berlin and enabling students to study on the job. In tandem with their work and studies, the students work on a scientific in-house project – with real added value for patients and the entire clinic network. With the programme, we are increasing medical care quality and actively combating the lack of suitable teaching staff for healthcare and nursing professions, which is just as serious as the lack of qualified nursing staff.

3 TASK MANAGEMENT AND PLANNING CAPABILITY



An increasingly challenging vocational field requires the best possible working conditions. We are easing the day-to-day strain on our nursing staff through smarter task management and greater differentiation between individual activities.

By supporting our nurses with care assistants, service staff and office staff, for example, we ensure that they can focus more on their core tasks. At the same time, we aim to make duty rosters and the work-life balance of the nursing professions more reliable. In a pilot project that we are running at our Stadtroda clinic, we are currently rethinking our staff-planning systems. We can't get rid of shift work in nursing professions – but we can ensure that the agreed day off each week is respected.

5 We take SOCIAL RESPONSIBILITY for our patients and employees

As one of the biggest private-sector healthcare providers in Germany, we take responsibility for the health of thousands of people every day. However, we are continuing to move the concept of social responsibility forwards. To us, corporate responsibility at Asklepios extends to both our patients and our employees.

for our patients

SAFETY SATISFACTION QUALITY

Our patients are at the heart of our corporate philosophy. From the decision in favour of one of our clinics or healthcare facilities through treatment and nursing to discharge of the patient – and beyond – we take responsibility for their health.

The safety and quality standards of approved hospitals in Germany are very high. To Asklepios, social responsibility also means aiming to go beyond these standards. Therefore, we regard statutory requirements as the foundation on which we build: wherever possible, we aim to go the extra mile to deliver the best possible treatment outcome for our patients. To this end, we apply additional quality indicators, processes and procedures.

inform
treat
ask

Patient information and patient safety

We understand that many patients are afraid of mistreatment, infection or confusion in the hospital. This makes it all the more important to give the patients extensive information on our safety measures in advance. We use various media such as information flyers, brochures and posters. In addition, we have produced films on patient safety in order to get the topic across clearly. Clear language is used to explain, for example, why the patients receive an armband, why they are asked for their name several times or why the doctor marks the operating site with a pen.

The film "Patientensicherheit bei Asklepios" (Patient safety at Asklepios) describes the progression of a hospital treatment and explains the individual safety improvement measures from a patient's perspective.

Online: qb.asklepios.com/mediathek

Establishing patient interests

Our goal is continuous improvement of patient care. To achieve this, we must want to find out every day: was the patient satisfied? And how is patient satisfaction measured? An established professional survey in the clinics embodies this guiding principle. Satisfaction of patients during an inpatient stay is a top priority for Asklepios.

To ensure an extensive analysis of patient satisfaction, Asklepios uses various tools:

Internal patient survey
Continuous use of anonymous questionnaires for all inpatients

External patient survey
Standardised, three-yearly patient survey by an external service provider that also performs evaluation (anaQuestra GmbH)

Complaint management
Monitoring of general satisfaction with the stay at all Asklepios clinics, annual review of improvements in cooperation with the TÜV SÜD Group

Survey of resident doctors
Three-yearly survey of resident doctors based at the respective clinic, and publication of results in the portal Qualitätskliniken.de

analyse – improve – standardise

Safety standards at Asklepios

For all relevant clinic departments, Asklepios has defined standards that increase patient safety treatment quality in a targeted way. These action recommendations for our medical staff are regularly updated and enhanced. In highly complex surgery in particular, Asklepios relies on comprehensive packages of measures to optimise risks. To ensure safety of an operation, we simultaneously follow the recommendations of the WHO, the German Coalition for Patient Safety and the various recommendations of medical expert associations. The centrepiece of this philosophy is the use of a comprehensive checklist before and after an operation. This comprehensive safety check is comparable with the safety check before take-off of an aeroplane, where checklists have been used successfully for many years.

Wide-ranging measurement of treatment quality

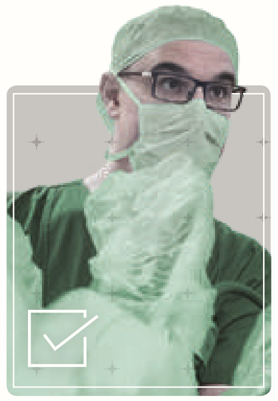
Asklepios has deliberately exceeded the minimum requirements set by legislators for quality measurement and reporting for many years. We have been providing transparent results of our quality measurements in our medical quality report since 2006 – in addition to the reporting required by law. We do this in a way that is as comprehensible to non-medical practitioners as possible. After all, we want to treat our patients as equals! And along with the statutory esQS quality-assurance procedure, we voluntarily apply two additional procedures: the G-IQI of the cross-clinic Quality Medicine Initiative (IQM), and that of the QSR developed by the AOK.

More about safety standards at Asklepios in the medical quality report

Online: qb.asklepios.com
PDF: asklepios.com / Qualität & Sicherheit / gute Ergebnisqualität

Example of an intensive-care ward: Process evaluation

When treating intensive care patients in particular, the processes and procedures must dovetail perfectly – they are often key factors in the patients' health. To constantly optimise the internal processes in our intensive care, Asklepios also performs medical board audits to a major extent here. They are based on our Group-wide intensive care audit catalogue. This was devised by an interdisciplinary team of experts and comprises a host of questions that are used to analyse process organisation and quality of outcomes in intensive care from all perspectives. To supplement Group-wide use of the audit catalogue, best practices are shared across the various intensive care wards as standard.



Example of operations: Appropriate indication

A medical procedure always puts the body under some degree of strain. Therefore, operations should be performed only if they are actually necessary for the patient. At Asklepios, clearly defined criteria are used to decide on the need for a procedure – individually for each competent professional society. For example, the Kellgren-Lawrence score is applied when deciding on use of an artificial hip. With this systematic method, it was recently established that 98% of hip operations at Asklepios complied with guidelines. By way of comparison, treatment is deemed to be of high quality if more than 90% of patients treated meet the criteria in the guidelines. In cases in which we are not satisfied with the results, we immediately set up medical board audits. In these forums, experts from various Asklepios clinics analyse and assess the guideline-compliant indications. The joint aim is to identify specific improvement measures. These measures are supplemented by regular, Group-wide exchange between senior consultants.

Example of obstetrics: Maximum quality requirements

Expectations in terms of mother and child safety before, during and after the birth are rightly huge and constantly grow as time goes by. To fulfil this major responsibility, Asklepios applies a triple safety net in obstetrics. In addition to the proven formulation of binding standards and conducting of specific medical board audits, we have established a special obstetrics risk audit. With this audit, all Asklepios maternity wards are extensively and regularly examined in terms of their risks. The results form the basis for an extensive requirements catalogue for doctors, midwives and obstetricians. However, the catalogue also contains quality standards concerning the technical equipment or atmosphere in the maternity ward.

for our employees

HEALTH FAMILY WELFARE

Quality, innovation and social responsibility – these Asklepios core values relate to our employees as well as our patients and their treatment. Everyday work in our healthcare facilities is never routine. Treatment and nursing of our patients don't stop when the shift ends. This high level of responsibility means that our employees' health is especially important to us.

Family and career

We are keen to ensure that our employees strike the right balance between family and career. This increasingly applies to the medical sector, where the proportion of women is now over 50%. We are committed to reliable working hours. Many of our clinics have day nurseries or further care options for our employees' children. Asklepios is a member of the "Success Factor Family" corporate network. We support our employees, for example, through flexible working-time models, part-time models, or special leave to help them care for their children or relatives. The first clinics have successfully participated in the “berufundfamilie” (work and family) audit – the measures of a family-friendly HR policy have won an award from berufundfamilie gGmbH, an initiative of the Hertie Foundation.

Demography project

We aim to cater for the specific skills and needs of all age groups among our employees. Job satisfaction, motivation and long-term employability are especially important to us here. That is why we take our responsibility for creating age-appropriate working conditions seriously and are continuously expanding our cross-clinic Demography project. We implement our target group-oriented measures at various levels here – at the workstation, within the ward and throughout the entire clinic.

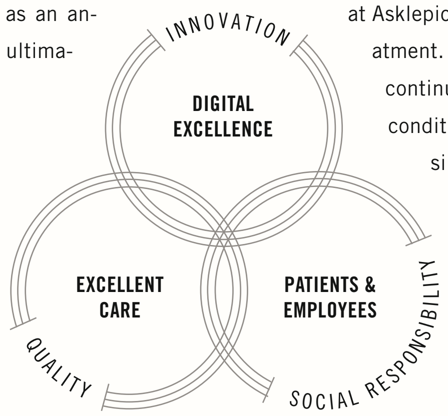
The Demography project was initiated in mid-2015 by the HR Development department with the particular aim of helping our employees in nursing and functional departments to stay fit and healthy in the long term. Other key objectives are securing expertise and transferring knowledge. The five action areas of health management and occupational safety, work organisation and structuring, qualification and skills development, corporate culture, and HR management and recruitment. A detailed analysis of the individual initial situation together with an age-structure analysis forms the basis for this. This analysis and the devising of measures are performed by in-house demography officers who are trained in the course of the project. This has resulted in a tool box of instruments and measures, accessible in all clinics.

Return

Become well
Live well
Step into the future

For over 30 years, we have been setting ourselves exactly the same task every day: both living out our corporate values of quality, innovation and social responsibility and gearing them towards the future.

All through this long period, continuous change has been a defining constant in the healthcare market. Medical technologies are constantly evolving, new strategies are replacing old ways of thinking, and social expectations are changing. However, our motivation and our corporate values – quality, innovation and social responsibility – serve as an anchor for us here, keeping us focused on our ultimate aim – the health of our patients.



Excellence – the interaction of many action areas

If you come to an Asklepios healthcare facility as a patient, we want you to get well again as quickly as possible. That probably comes as no surprise. At first glance at least, it may surprise you a little more to know that we do our best to make sure that you don't come back to the clinic after treatment if at all possible. Prevention and aftercare are core elements of our nursing and therapy. For instance, we hold regular information events on healthy living and specialist medical topics at all locations. We also offer extensive health checks at many locations. And our doctors and nurses are also on hand for you after treatment – because good aftercare is essential to long-term treatment success. "Stepping into the future" is an important part of our mission, and no less important than the other two aspects. We need to shape the future of our company and our industry boldly and proactively.

That is why we promote excellence in the areas that are important to our work with our patients. Medical excellence means a high level of innovation in cutting-edge technologies and continuous training of doctors. Excellent care means that patients are at the heart of everything we do in our clinics, and our nurses address the individual needs of every single patient. Nursing at Asklepios is much more than support of medical treatment. To this end, we are committed to providing continuous training as well as attractive working conditions for our nurses. Digitalisation is increasingly important in medicine and nursing. Personalised therapies, early detection and prevention of illnesses or medication aligned with individual requirements - the benefits of digital technologies for our patients are huge. In the next few years, modern information technology will enable our doctors to diagnose illnesses earlier, more precisely and more quickly – so that they can then provide more individual and more gentle treatment. Asklepios will help shape digital excellence in healthcare.

Our success in the 2017 financial year shows that Asklepios's focus on excellence is paying off. But our success is more than just the right strategy. It is down to the work of many people. In particular, our employees make a substantial contribution to our patients' health every single day with their dedication and motivation.

The Asklepios Group can also build on an experienced management team that actively implements changes and is proactive in shaping the future. To support our excellence strategy, we have optimised our organisational structure under corporate law and changed it to a partnership limited by shares (KGaA). Along with our Group's transparent financing structure, we have put conditions in place that theoretically enable us also to use the growth opportunities on the capital market. Asklepios is in a stable position to help shape the future of the healthcare industry – for the good of our patients.

Bernard g. Broermann

Dr. Bernard große Broermann

Hamburger Abendblatt/Mark Sandten

Return to index

Asklepios Kliniken
GmbH & Co. KGaA, Hamburg
(formerly Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein im Taunus)

GROUP MANAGEMENT REPORT

for the 2017
financial year

A. Key figures of the Asklepios Group

Group key figures		2017	2016[5]	Change in %
Number of patients		2,282,421	2,279,477	+0.1
Cost weight		587,240	595,210	-1.3
Number of beds		26,704	26,593	+0.4
Employees (full-time equivalents)		35,097	34,887	+0.6
Net cash from operating activities	EUR million	289.3	341.5	-15.3
Revenue	EUR million	3,261.9	3,211.2	+1.6
EBITDAR[1]	EUR million	453.1	445.0	+1.8
EBITDAR margin in %		*13.9*	*13.9*	
EBITDA	EUR million	396.4	390.4	+1.5
EBITDA margin in %		*12.2*	*12.2*	
EBIT	EUR million	256.7	263.9	-2.7
EBIT margin in %		*7.9*	*8.2*	
Consolidated net profit	EUR million	194.1	192.1	+1.0
Return on sales in %		*6.0*	*6.0*	
Investments in property, plant and equipment and intangible assets (own funds)[2]	EUR million	195.6	174.0	+12.4
Own funds ratio in %		*70.9*	*63.6*	
Total assets	EUR million	4,113.0	3,460.8	+18.8
Equity	EUR million	1,416.6	1,273.4	+11.2
Equity ratio in %		*34.4*	*36.8*	
Financial liabilities	EUR million	1,486.9	980.9	+51.6
Cash and cash equivalents	EUR million	612.3	456.6	+34.1
Net debt	EUR million	874.6	524.3	+66.8
Net debt/EBITDA[3]		2.2x	1.3x	
Interest coverage factor (EBITDA/net interest income)[4]		16.5x	10.3x	

[1] Earnings before interest, taxes, depreciation, amortisation and rent
[2] In relation to investments at hospital locations
[3] EBITDA of the preceding twelve months
[4] As at 31 December of the current year
[5] Audited figures from the consolidated financial statements of Asklepios Kliniken Gesellschaft mit beschränkter Haftung as at 31 December 2016

Return

B. 2017 – An eventful financial year

The 2017 financial year was significantly defined by the completion of the Group's company law restructuring. Together with the debt pushdown, key events included the consolidation of the financial structure at the level of Asklepios Kliniken GmbH & Co. KGaA (Asklepios) and the placement of our third schuldschein loan agreement in the amount of EUR 780 million in November 2017. The bond of EUR 150 million remaining at Broermann Holding GmbH (formerly: Asklepios Kliniken GmbH) was repaid on schedule in September 2017.

The schuldschein loan agreement was part of the Asklepios Group's long-term financial strategy geared in particular towards the sustainable financing of hospital operations and a continuous improvement of financing conditions. The schuldschein is divided into tranches with maturities of five, seven and ten years. The high share of fixed tranches enhances Asklepios' planning certainty, extends the average term and harmonises the maturity profile. The funds raised serve the purpose of general corporate financing and favourable refinancing.

Asklepios Kliniken GmbH & Co. KGaA emerged from the change of legal form of Asklepios Kliniken Verwaltungsgesellschaft mbH, Hamburg. By way of the Group's restructuring, Broermann Holding GmbH has no longer been the Group management company of the Asklepios Group since 1 January 2017 and this role has instead been assumed by its wholly owned subsidiary Asklepios Kliniken GmbH & Co. KGaA. Broermann Holding GmbH has operated solely as a holding company since 1 January 2017.

Some items of the consolidated financial statements of Asklepios Kliniken Verwaltungsgesellschaft mbH as at 31 December 2016 can only be compared with the consolidated financial statements of Asklepios Kliniken GmbH & Co. KGaA to a limited extent. As at January 2017, by way of purchase and transfer agreement between Broermann Holding GmbH and Asklepios Kliniken GmbH & Co. KGaA ("transfer agreement"), in particular the intangible assets, the intragroup service companies – not including the shares in Atlantic Hotel Besitzgesellschaft mbH – and financing were transferred to Asklepios Kliniken GmbH & Co. KGaA. All Group divisions and employees were integrated into Asklepios Kliniken GmbH & Co. KGaA in this context.

To improve the understanding of the business performance and economic situation of Asklepios Kliniken GmbH & Co. KGaA as at 31 December 2017, the results of operations, financial position, net assets and all key figures have been compared with the previous year's figures as at 31 December 2016 of Broermann Holding GmbH (formerly: Asklepios Kliniken GmbH) in the management report. The management report provides information on the development of the Asklepios Group as the Group management company.

Asklepios Kliniken GmbH & Co. KGaA enjoyed a solid performance in the 2017 financial year. There was stable growth in both revenue and patient figures. Nearly 2.3 million patients were treated at the approximately 160 healthcare facilities in the financial year. Revenue increased by 1.6% to EUR 3,261.9 million. Operating EBITDA improved by 1.5% to EUR 396.4 million with an EBITDA margin of 12.2%. Equity amounted to EUR 1,416.6 million as at 31 December 2017 and, despite the withdrawal by Broermann Holding GmbH of EUR 200.0 million, was higher than as at 31 December 2016 (previous year: EUR 1,273.4 million.). At 34.4% (previous year: 36.8%), the equity ratio was below the previous year's level as a result of the increase in total assets following the Group's restructuring.

C. Basis of the Group

1. BUSINESS MODEL OF THE GROUP

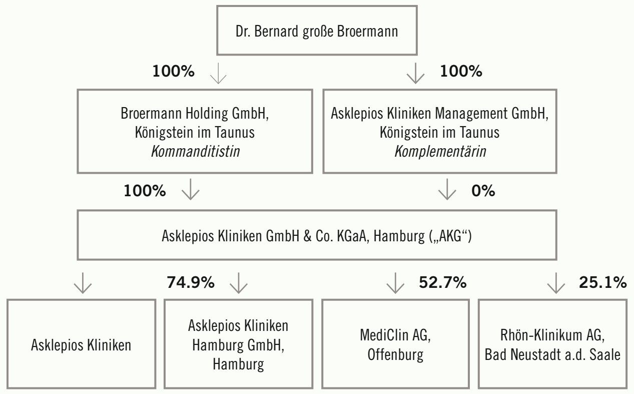
While maintaining its identity, Asklepios Kliniken Verwaltungsgesellschaft mbH changed its legal form to that of a "GmbH & Co. KGaA" in December 2017 and now operates as Asklepios Kliniken GmbH & Co. KGaA. The sole general partner of Asklepios Kliniken GmbH & Co. KGaA is the company founded for this purpose, Asklepios Kliniken Management GmbH, Königstein im Taunus, which is wholly owned by the sole shareholder Dr Bernard gr. Broermann. The sole limited partner of Asklepios Kliniken GmbH & Co. KGaA is Broermann Holding GmbH. Broermann Holding GmbH operated as Asklepios Kliniken GmbH until the end of October 2017.

The change of legal form did not involve a change in the indirect ownership structure. The operating activities of the Asklepios healthcare corporation are not affected by the change of legal form.

For over 30 years, the healthcare group Asklepios has stood for quality, innovation and social responsibility. Its 160 healthcare facilities in 14 German states make the Asklepios Group one of the leading private hospital operators in Germany and allow for integrated treatment chains and the establishment of medical clusters. In the Group, we cover the entire range of medical care services: In addition to maximum, basic, standard and priority care, specialist hospitals with specific specialities operate far beyond their own regions. As an operator of rehabilitation clinics, we are able to guarantee full inpatient care from a single source and take top positions throughout Germany. Our patients find outpatient support in our medical centres. Clear performance profiles and our established Centres of Excellence are leading to increased demand in our market environment.

The Group focuses on the non-cyclical acute market. Roughly 80% of the business volume related to acute care hospitals and 20% to the rehabilitation sector and other medical facilities. In total, the approximately 160 healthcare facilities treated 2,282,421 patients in the financial year (previous year: 2,279,477). The Asklepios Group employed 35,097 full-time equivalents in the past financial year (previous year: 34,887).

The investment structure was as follows as at 31 December 2017:



Asklepios Kliniken GmbH & Co. KGaA acts as the management company of the Asklepios Group. The operating entities are predominantly consolidated subsidiaries. Asklepios Kliniken GmbH & Co. KGaA is responsible for the areas of strategy and financing, and for monitoring, management and controlling functions. In addition, Asklepios is realising functional synergies, for example in the areas of finance and financing, insurance, quality management, medicine and science, procurement and IT. Standard intercompany agreements on the exchange of services and cooperation agreements have been entered into between the Group entities.

2. OBJECTIVES AND STRATEGIES

The goal of Asklepios is to grow sustainably and profitably in the 2018 financial year as well. Our economic success is the requirement for being able to operate flexibly on the healthcare market while maintaining a high level of investment. We remain focused on the right balance between medical quality, social responsibility and economic success. In addition to the ongoing expansion of medical care in the interests of our patients, we are aware of the great responsibility of all our employees – the medical staff, the nursing staff and the administrative staff. We try to live up to this responsibility with healthcare and prevention programmes for staff in addition to individual options for achieving and maintaining work-life balance.

Acute hospitals remain the core business of Asklepios. However, as a healthcare company, Asklepios will also closely analyse acquisition opportunities along the value chain, possibly pursuing them further. Nonetheless, the focus is on organic growth.

Our Centres of Excellence strategy is now established and is being further expanded with the goal of honing Asklepios' profile as a modern and responsible healthcare provider. We would like to increase our patients' trust in both inpatient and outpatient care so as to achieve a continuous rise in patient numbers.

Asklepios will be prepared for and respond flexibly to key future healthcare issues. The opportunities of digitisation are already being recognised and leveraged. The great challenge of the demographic shortage in skilled workers, particularly in the care sector, is being actively addressed. Overall, Asklepios is prepared – its transparent investment structure under company law and a strong financing structure at Group level form the basis for this.

3. MANAGEMENT SYSTEM

The Asklepios Group is managed and controlled by its Group management, which is the responsibility of Asklepios Kliniken Management GmbH as the general partner. The other executive bodies of the company are the Supervisory Board, the Advisory Board and the Annual General Meeting. The Supervisory Board monitors the management work by the general partner. The Advisory Board is responsible for the controlling and monitoring of the management to the extent that these rights and duties are not assigned to the Supervisory Board or the Annual General Meeting. The Annual General Meeting adopts resolutions on the approval of the annual financial statements, official approval of the actions of the general partner and the Supervisory Board and the appropriation of profits.

Asklepios follows a decentralised organisational approach in its operating business, transferring responsibility for achieving targets to the regional units, which also look after the patients in organisational terms. The decentralised organisational structure is accompanied by central functions, which comprise purchasing, IT, revenue management, construction, finance and financing, insurance, HR, corporate communications and marketing.

In order to manage the Group's performance with regard to Asklepios' corporate targets, Earnings before interest, taxes, depreciation and appreciation (EBITDA) is used as a key performance indicator in the area of finance. This provides information on Asklepios' profitability. EBITDA describes the operating performance before capital expenditure expense and represents a significant control-related financial performance indicator.

Asklepios uses the equity ratio, which expresses the ratio of equity to total assets as a percentage, as another significant, control-related financial performance indicator. The equity ratio represents the share of equity in overall capital and is an indicator of financial and economic stability.

The number of cost weights is a significant non-financial performance indicator for Asklepios. The cost weight is a key figure used to bill medical services in hospitals. The cost weight is given for each diagnosis-related group (DRG) in combination with the case-mix index (index of the average severity of cases). Multiplying the cost weight by the base case value produces the amount that a health insurance fund has to pay to a hospital for a case such as this. This performance indicator provides Asklepios with important information on both case numbers and the assessment of quality.

Asklepios also uses year-on-year organic percentage growth to manage its own performance.

As part of the reporting system, these KPIs are aggregated at the level of the Group, prepared for individual facilities and monitored by management. We use planning and control processes to calculate these KPIs.

The internal audit as a management tool supports management in its control function by providing targeted, independent reviews. It includes regular monitoring of the proper functioning of the internal control system and of risk management.

Group management bears overall responsibility for the internal control and risk management system with regard to the financial reporting processes of the companies included and for the Group financial reporting process. All consolidated entities are included using defined management and reporting structures.

4. QUALITY MANAGEMENT, INNOVATION AND ENVIRONMENTAL ASPECTS

Hospitals have been legally obliged to publish structured quality reports on a regular basis since 2005. These reports should help to provide patients and insured parties with information. They also serve as a guide for doctors and allow hospitals to demonstrate their services and quality. The quality report therefore helps to provide information and create transparency in the area of hospital treatment. The Asklepios Group transparently presented the results of clinical treatment for the eleventh time in the 2017 financial year and published them in the 2016 medical quality report.

Asklepios regularly conducts internal quality inspections. 15 hygiene audits and 26 medical board audits were conducted in the acute care hospitals in 2017. Medical Board audits serve the purpose of examining whether a medical department is functioning properly, particularly with regard to adequate patient care. The focus is on the department's medical care processes and an analysis of randomly selected patient records. These audits include a critical analysis of whether the treatment is in line with the latest scientific knowledge and is provided in accordance with guidelines.

In addition, Asklepios relies on a quality management system that is continuously reviewed and certified by external organisations. One such organisation is the Kooperation für Transparenz und Qualität im Gesundheitswesen (KTQ – Cooperation for Transparency and Quality in Healthcare). In the KTQ system, doctors, nurses and employees are included in the review process. To obtain KTQ certification, patient care is reviewed in addition to other areas such as work organisation, training, safety and management. In 2017, 17 acute care hospitals were certified according to DIN ISO 9001:2015, two acute care hospitals were certified according to DIN ISO 9001:2008, 21 acute care hospitals were certified to KTQ and 17 Asklepios rehabilitation clinics were certified to KTQ.

The established methods are used to measure treatment quality: the legally prescribed external inpatient quality assurance method (esQS method), the measurement of treatment quality from invoice data (German Inpatient Quality Indicators, G-IQI) and the QSR method, which considers outcomes along a patient's treatment chain. In the interests of our continual improvement of patient care, Asklepios uses all three methods to obtain a comprehensive picture of treatment quality.

We not only want to measure quality, but above all to improve it. For this to succeed, findings on treatment quality must be available very promptly.

Asklepios therefore uses a tool within the Group that allows quality and invoice data to be analysed throughout the year during the assessment period. It is therefore possible to analyse the results of treatment quality very quickly after the treatment is carried out – quality is measured and improved if necessary. The data are evaluated on a quarterly and sometimes monthly basis, and the findings are fed back to the clinics and their departments. In this way, process improvements can be initiated very rapidly. The indication or complications are viewed critically. This critical analysis enables a comprehensive portfolio of quality assistance and quality assurance measures. It ensures the active examination of treatment quality. Weaknesses can be identified quickly and handled appropriately. The effectiveness of the measures initiated and implemented is monitored continuously.

We take our social responsibility for the environment seriously. The mindful use of natural resources is self-evident for us. Our medical, economic and research experts develop innovative product ideas to improve healthcare – from ecological building materials and modern light and acoustic solutions to prevention concepts for acute and home care applications. The Green Hospital programme combines aspects of environmental protection, healthcare and medical technology with the goal of building and expanding Asklepios healthcare facilities in an environmentally acceptable manner.

D. Economic report

1. GENERAL ECONOMIC AND SECTOR-SPECIFIC CONDITIONS

General economic conditions

In its autumn forecast, the German government predicted growth in gross domestic product of 2.0% in 2017 and 1.9% in 2018. We assume that general economic development will have no material effect on our business in the next two years.

General sector conditions

According to the 2017 Hospital Rating Report, legislators addressed several action areas in the ending legislative period, such as the Krankenhausstrukturgesetz (KHSG – German Hospital Structure Act), the GKV-Versorgungsstärkungsgesetz (VSG – German Statutory Health Insurance Care Strengthening Act) and the E-Health-Gesetz (German e-Health Statutory Act) to support digitisation in healthcare. The central goal of the German Hospital Structure Act is to improve the quality of care, to optimise hospital structures to enhance efficiency, to reduce discounts as service quantity increases in order to cushion rising demand and to boost bedside care. The report states that more resources were made available for hospital care overall. The right to a second opinion to improve indication quality and to restrict rising service quantities was established more firmly.

The benchmark for the maximum increase in base rates at state level is the rate of change, which is 2.97% for 2018 (2017: 2.5%). At 2.1%, the target for 2018 published by the Federal Statistical Office on 29 September 2017 is below the 2018 basic wage rate of 2.97%. This dispenses with any need to negotiate a rate of change for 2018 in terms of the Krankenhausentgeltgesetz (KHEntgG – German Hospital Fees Act); this is in line with the basic wage rate of 2.97% for the last time.

Replacing the care surcharge last charged in 2016, a nursing care surcharge will be introduced from 2017 to subsidise nursing care. The amount of the nursing care surcharge is calculated annually for each hospital and is dependent on the costs for nursing staff. This involves calculating the share of the hospital's staff costs for care staff relative to the staff costs for care staff of all general hospitals, and this individual share for each hospital is applied to the total subsidies available nationwide of EUR 500 million per year.

The fixed cost degression discount has replaced the additional services discount as a service management instrument from 2017. Both the fixed cost degression discount negotiated at state level (35%) and the cap on the higher discount at local level (50%) were set by law for 2017 and 2018. The higher discount applies both to additional services with a higher fixed cost degression and to additional services where there is already a high level of economically justified quantity increases. The fixed cost degression discount must not exceed the cap of 50% in 2017 or 2018.

The hygiene programme, which has partially funded the cost increases necessitated by the provisions of the Infection Prevention Act since 2013, has become established procedure following various arbitration rulings and legislative changes. However, its share of the total budget is small at 0.1%. Based on the provisions of the German Hospital Structure Act (KHSG), it will be continued beyond 2016 until 2019, and in some areas until 2022, in order to support training of additional hygiene employees; only the funding for doctors responsible for hygiene management is being dropped, but this accounts for the largest share of the total funding.

Source: https://www.bundesregierung.de/Content/DE/Artikel/2017/10/2017-10-11-herbstprojektion.html

2. OUTLOOK

Asklepios achieved its forecast slight increase in revenue in the 2017 financial year. Contrary to our forecast, there was no increase in the equity ratio. This was due to the increase in total assets on account of the Group's restructuring and refinancing, and to the withdrawal by Broermann Holding GmbH of EUR 200.0 million. At EUR 396.4 million, EBITDA was higher than the previous year's level of EUR 390.4 million and therefore in line with our forecast thanks to the stable revenue performance. The Asklepios Group's growth prospects are generally positive thanks to its sound economic and financial foundation and its future-oriented overall strategic concept. We are anticipating a stable year-on-year development in the number of patients and cost weights for the 2018 financial year. Organic revenue growth will be between 1.5% and 2.0%. We expect a slight but sustained increase in EBITDA and a stable equity ratio.

E. Net assets, financial position and results of operations

1. BUSINESS PERFORMANCE AND RESULTS OF OPERATIONS

	2017		2016*	
	EUR million	%	EUR million	%
Revenue	3,261.9	100.0	3,211.2	100.0
Other operating income	240.4	7.4	211.5	6.6
Cost of materials	-706.1	-21.6	-695.9	-21.7
Staff costs	-2,067.5	-63.4	-2,016.6	-62.8
Other operating expenses (not including rental expenditure)	-275.6	-8.4	-265.2	-8.3
EBITDAR	**453.1**	**13.9**	**445.0**	**13.9**
Rental expenditure	-56.7	-1.7	-54.6	-1.7
EBITDA	**396.4**	**12.2**	**390.4**	**12.2**
Depreciation, amortisation and impairment	-139.7	-4.3	-126.6	-3.9
EBIT	**256.7**	**7.9**	**263.9**	**8.2**
Net investment income	6.4	0.2	9.3	0.3
Net interest income	-24.0	-0.7	-38.0	-1.2
Income taxes	-45.0	-1.4	-43.0	-1.3
Consolidated net profit	**194.1**	**6.0**	**192.1**	**6.0**

*Audited figures from the consolidated financial statements of Asklepios Kliniken Gesellschaft mit beschränkter Haftung as at 31 December 2016

The development in patient numbers is reflected in slight revenue growth. The Asklepios Group generated revenue of EUR 3,261.9 million in the financial year (previous year: EUR 3,211.2 million), thus achieving marginal revenue growth of 1.6%. This growth was predominantly organic. We are therefore at the lower end of the revenue increase of 1.5% to 2.5% forecast in the previous year. 83.6% (previous year: 84.5%) of revenue was generated in acute care hospitals, 15.5% (previous year: 14.8%) in rehabilitation clinics and 0.9% in social welfare facilities and other facilities.

Other operating income of EUR 240.4 million (previous year: EUR 211.5 million) includes income from additional services, rental and leasing, insurance claims, income from granting rights of use and income from clinical studies and research projects.

Development of case numbers	2017	2016*	Absolute Change	Relative Change
No. of inpatient cases	693,078	706,224	-13,146	-1.9%
No. of outpatient cases	1,589,343	1,573,253	+16,090	+1.0%
Number of patients	2,282,421	2,279,477	+2,944	+0.1%
Number of cost weights	587,240	595,210	-7,970	-1.3%
Number of beds	26,704	26,593	+111	+0.4%

*Audited figures from the consolidated financial statements of Asklepios Kliniken Gesellschaft mit beschränkter Haftung as at 31 December 2016

A total of 2,282,421 patients visited the Asklepios Group's facilities in the 2017 financial year. The development was stable compared to the previous year (2,279,477 patients). However, the number of inpatient cases was down at 693,078 (previous year: 706,224). Outpatient case numbers rose by 1.0% to 1,589,343 (previous year: 1,573,253). The number of cost weights decreased to 587,240 (previous year: 595,210). As a non-financial performance indicator, cost weights were therefore lower than our forecast as at 31 December 2016. Average inpatient care case income rose from EUR 4,082.6 to EUR 4,221.8 (up 3.4%).

Asklepios concluded pay negotiations for approximately 65% of its hospital locations in the 2017 financial year. At clinics for which no agreement has been reached with providers of social services, the fixed cost degression discount introduced from 2017 was again taken into account for additional services requested at relatively high discount. Additional service discounts from previous years were maintained as a precaution where agreements had not yet been reached in negotiations with payers. This negative price effect affected growth in our performance.

The individual ratios of cost and earnings to revenue developed as follows:

in %	2017	2016*
Cost of materials ratio	21.6	21.7
Staff costs ratio	63.4	62.8
Other expenses ratio (not including rental expenditure)	8.4	8.3
Rental expense ratio	1.7	1.7
EBITDA	**12.2**	**12.2**
Depreciation and amortisation expense ratio	4.3	3.9
EBIT	**7.9**	**8.2**

*Audited figures from the consolidated financial statements of Asklepios Kliniken Gesellschaft mit beschränkter Haftung as at 31 December 2016

The absolute cost of materials rose at a slower rate than revenue, increasing by EUR 10.2 million from EUR 695.9 million to EUR 706.1 million. The cost of materials ratio changed by 0.1 percentage points year-on-year to 21.6% (previous year: 21.7%). The energy procurement measures initiated in the last financial year and ongoing measures in the area of materials expenses had a positive effect in 2017.

Absolute staff costs climbed by EUR 50.9 million to EUR 2,067.5 million, while the staff costs ratio rose from 62.8% to 63.4%. Overall, the absolute increase in staff costs is due to growth in the Group's headcount of 0.6% and a higher rate of pay.

Return

Other operating expenses (not including rental expenses) rose by EUR 10.4 million or 3.9% to EUR 275.6 million (previous year: EUR 265.2 million). The increase resulted in particular from higher maintenance costs, advertising and travel expenses and consulting and auditing costs. The ratio was 8.4% (previous year: 8.3%).

The development in rental expenses as a percentage of revenue was in line with the previous year at 1.7%. MediClin AG paid back performance-based rent discounts granted in the past in the fourth quarter. The anticipated repayment was taken into account in risk provisions and the effects were compensated for within the Group as a whole.

Operating EBITDA was stable in the financial year and, at EUR 396.4 million, higher than in the previous year (EUR 390.4 million). The margin was also in line with the previous year's level at 12.2% in the 2017 financial year (12.2%). A key financial performance indicator, EBITDA is in line with the forecast set out in the consolidated financial statements as at 31 December 2016.

The depreciation and amortisation expense ratio was 4.3% in the past financial year and thus slightly higher than the previous year's level (3.9%).

The EBIT of EUR 256.7 million generated in 2017 meant a margin of 7.9% (previous year: EUR 263.9 million and 8.2%).

Net investment income was down 33.3% year-on-year at EUR 6.4 million (previous year: EUR 9.3 million).

At EUR 24.0 million, net interest income was significantly lower than in the previous year (EUR 38.0 million). Interest income rose to EUR 3.5 million (previous year: EUR 3.3 million). Interest expenses amounted to EUR 27.5 million in the financial year (previous year: EUR 41.4 million). The change results from the optimisation of financing costs.

Income tax expenses rose from EUR 43.0 million in the previous year to EUR 45.0 million.

Consolidated net income increased to EUR 194.1 million in total in the reporting period after EUR 192.1 million in the previous year. The return on sales was 6.0% in the 2017 financial year as a whole, on par with the previous year's level (6.0%).

2. OVERALL MANAGEMENT STATEMENT

The 2017 financial year was defined by completion of the company law restructuring, the consolidation of the financial structure at he level of Asklepios Kliniken GmbH & Co. KGaA and the schuldschein loan agreement in the amount of EUR 780 million.

Asklepios had an economically solid financial year overall. The development in patients numbers and stable revenue figures had a positive impact on earnings. While staff costs were up slightly due to an increase in the number of employees and higher rates of pay, the ratio of the cost of materials to revenue was reduced by various measures. The development between rising costs as a result of our healthcare facilities' additional services at the same time as capped remuneration for the services provided remained challenging in the 2017 financial year as well.

Our forecast for the 2017 financial year prepared as at 31 December 2016 for Asklepios Kliniken GmbH as the Group management company can only be compared with the income statement and statement of financial position of what is today Asklepios Kliniken GmbH & Co. KGaA to a limited extent. EBITDA was higher than in the previous year overall at EUR 396.4 million (EUR 390.4 million), while the margin was 12.2% as in the previous year. Revenue rose by 1.6% from EUR 3,211.2 million in the previous year to EUR 3,261.9 million. Revenue performance was at the lower end of our forecast for the financial year – organic revenue growth of between 1.5% and 2.5%. Contrary to our forecast, the equity ratio fell to 34.4% (31 December 2016: 36.8%). This was on account of the schuldschein issued in November 2017 and the resulting higher level of total assets as at 31 December 2017. At 587,240 (previous year: 595,210) the number of cost weights was lower than our forecast as at 31 December 2016.

3. FINANCIAL POSITION AND NET ASSETS

The financial structure was consolidated at the level of Asklepios Kliniken GmbH & Co. KGaA in the financial year. The central measure was the debt pushdown of the schuldschein loan agreements from 2013 and 2015 and the syndicated loan from 2015. Broermann Holding GmbH (formerly: Asklepios Kliniken GmbH) was replaced as the borrower by Asklepios Kliniken GmbH & Co. KGaA. Asklepios Kliniken GmbH & Co. KGaA placed a schuldschein loan agreement of EUR 780 million in November 2017. The bond of EUR 150.0 million remaining at Broermann Holding GmbH was repaid on schedule in September 2017.

By way of the Group's restructuring, Broermann Holding GmbH has no longer been the Group management company of the Asklepios Group since 1 January 2017 and this role has instead been assumed by its wholly owned subsidiary Asklepios Kliniken GmbH & Co. KGaA. Broermann Holding GmbH has operated solely as a holding company since 1 January 2017.

As a conservative company in terms of finance, the Group's financing structure is long-term in nature. Accordingly, most underlying credit volumes are hedged against interest fluctuation risks in the long term. Asklepios Kliniken GmbH & Co. KGaA has been responsible for the operational management of cash and cash equivalents and the financing of Group companies since 1 January 2017. This is based on the careful investment of cash funds in line with credit rating considerations, with broad diversification across banks within Germany's major deposit protection systems.

In addition to cash funds of EUR 612.3 million, the Group has unutilised credit facilities of around EUR 461.1 million (previous year: EUR 460.5 million) at its disposal. The high internal financing power and the relatively moderate level of net debt protect the Group from further financial market risks.

Financial liabilities amounted to EUR 1,486.9 million (previous year: EUR 980.9 million). The financial liabilities essentially comprise the 2013 and 2015 schuldschein loan agreements and the schuldschein with a volume of EUR 780.0 million issued on 6 November 2017.

The gearing ratio – measured as net debt/EBITDA – increased as a result of the schuldschein issue. According to internal guidelines, this ratio must not exceed 3.5x. The following table illustrates how this performance indicator was calculated in the period under review:

EUR million	2017	2016*
Financial liabilities	1,486.9	980.9
Cash and cash equivalents	612.3	456.6
Net debt	874.6	524.3
EBITDA	396.4	390.4
Net debt/EBITDA	**2.2x**	**1.3x**

*Audited figures from the consolidated financial statements of Asklepios Kliniken Gesellschaft mit beschränkter Haftung as at 31 December 2016

Net debt amounts to 2.2x (previous year: 1.3x), and is therefore in line with our internal guidelines. The interest coverage factor (EBITDA/net interest income) is 16.5x (previous year: 10.3x).

Summarised statement of financial position	2017		2016*	
	EUR million	%	EUR million	%
Non-current assets	2,780.5	67.6	2,369.5	68.5
Current assets	1,332.5	32.4	1,091.3	31.5
ASSETS	**4,113.0**	**100.0**	**3,460.8**	**100.0**
Equity	1,416.6	34.4	1,273.4	36.8
Non-current liabilities and provisions	1,956.3	47.6	1,437.6	41.5
Current liabilities and provisions	740.2	18.0	749.8	21.7
EQUITY AND LIABILITIES	**4,113.0**	**100.0**	**3,460.8**	**100.0**

*Audited figures from the consolidated financial statements of Asklepios Kliniken Gesellschaft mit beschränkter Haftung as at 31 December 2016

The Group's accounting and financing structures are sound. As in the previous year, non-current assets are financed at a rate of over 100% with matching maturities by equity or long-term borrowings. Total assets increased from EUR 3,460.8 million in the previous year to EUR 4,113.0 million as a result of the schuldschein.

Non-current assets increased by EUR 411.0 million year-on-year to EUR 2,780.5 million. This item includes equity investments in non-consolidated companies.

Equity amounted to EUR 1,416.6 million and, despite the withdrawal by Broermann Holding GmbH of EUR 200.0 million, was higher than in the previous year (31 December 2016: EUR 1,273.4 million.). The equity ratio was down at 34.4% as at 31 December 2017 (31 December 2016: 36.8%) on account of the 2017 schuldschein and the higher level of total assets as a result. Asklepios has permanent interest-free and redemption-free access to subsidies of around EUR 1,194.7 million (31 December 2016: EUR 1,219.7 million). As these subsidies will fall due for repayment only in the hypothetical event of no longer being included in the hospital plan, these funds are in effect similar to equity.

Days sales outstanding (receivables turnover rate - trade receivables x 365 days / revenue) increased to 56.0 days (previous year: 51.4 days), partly on account of changes in the billing procedures used by payers and short-term migration effects.

Non-current liabilities amounted to EUR 1,956.3 million (previous year: EUR 1,437.6 million). These comprise pension provisions, other non-current provisions, financial liabilities and other liabilities due in more than one year and deferred taxes. Non-current financial liabilities include the schuldschein loan agreement of EUR 780 million issued in the financial year alongside the 2013 and 2015 schuldschein loan agreements.

In addition to cash funds of EUR 612.3 million, the Group has unutilised credit facilities of around EUR 461.1 million. The Group thus has financial reserves available at short notice of EUR 1,073.4 million.

Internal financing capability is still at a good level. The cash flow from operating activities was influenced by the stable EBITDA of EUR 396.4 million (previous year: EUR 390.4 million) and changes in health insurance funds' payment performance. Capital expenditure on equipment and new buildings for our hospitals was financed by cash flow from operating activities.

The following table shows the change in cash funds over the course of the year:

EUR million	2017	2016*
EBITDA	396.4	390.4
Net cash from operating activities	289.3	341.5
Net cash used in investing activities	-445.3	-171.7
Net cash from/used in financing activities	548.0	-268.0
Change in cash and cash equivalents	**392.0**	**-98.2**
Cash and cash equivalents on 1 January	220.1	554.9
Change in cash and cash equivalents due to changes in basis of consolidation	0.2	0.0
Cash and cash equivalents on 31 December	**612.3**	**456.6**

*Audited figures from the consolidated financial statements of Asklepios Kliniken Gesellschaft mit beschränkter Haftung as at 31 December 2016

Cash and cash equivalents changed by EUR 392.0 million to EUR 612.3 million in 2017. The cash flow from operating activities amounted to EUR 289.3 million (previous year: EUR 341.5 million) and was defined by the payment performance of health insurance funds. These receivables are expected to be paid in the following quarters.

The operating cash flow is offset by cash flow from investing activities of EUR 445.3 million (previous year: EUR 171.7 million). Payments for investing activities of EUR 445.3 million essentially comprise investments in non-current assets and financial assets.

Financing activities resulted in a cash inflow of EUR 548.0 million (previous year: outflow of EUR 268.0 million). Cash flow from financing activities is essentially influenced by the schuldscheins of EUR 780.0 million, the resulting refinancing and the withdrawal of EUR 200.0 million by Broermann Holding GmbH.

4. ACQUISITIONS

Consistently high and regular investment in our healthcare facilities for the best possible medical and nursing care of our patients remains essential. In addition to subsidies, the stable earnings power in the 2017 financial year enables the Asklepios Group to use own funds averaging between 7% and 9% of revenue for maintenance and capital expenditure. A secure and stable positioning within the competitive environment remains crucial. The German federal states provided EUR 3.0 billion for investment in hospitals in 2017. However, according to the Federal Ministry of Health, scientists and hospitals estimate annual investment requirements of approximately EUR 5.0 billion to EUR 6.6 billion. As anticipated, the internal financing ratio will continue to rise. As a growth-oriented Group, Asklepios is dependent on capital expenditure and is able, thanks to its internal financing power, to compensate for the loss of subsidies.

Capital expenditure was as follows in the 2017 financial year:

	Capital expenditure in 2017		
	Total EUR million	of which subsidised	Internal financing ratio
Intangible assets	24.9	1.0	96.0%
Land and buildings	41.1	6.4	84.4%
Technical equipment	11.1	3.5	68.5%
Operating and office equipment	88.6	34.1	61.5%
Assets under construction	110.0	35.1	68.1%
Total	**275.7**	**80.1**	**70.9%**

The majority of capital expenditure in the financial year related to the following locations:

Location	Capital expenditure EUR million
Klinik Wandsbek (Hamburg)	14.0
Asklepios Service IT (Hamburg)	7.2
Klinik St. Georg (Hamburg)	6.2
Klinik Nord (Hamburg)	5.5
Klinik Lindau	5.4
Stadtklinik Bad Tölz	4.1
Klinik Langen	3.8
MediClin Rehazentrum Reichshof	3.6
Fachklinikum Stadtroda	3.5
Klinik Westerland	3.5

After deducting subsidised capital expenditure, net capital expenditure amounted to EUR 195.6 million (previous year: EUR 174.0 million) or 6.0% of revenue (previous year: 5.4%). Capital expenditure is fully financed by cash flow from operating activities. Without deducting subsidies, capital expenditure amounted to EUR 275.7 million (previous year EUR 273.5 million). At EUR 97.3 million in total, expenses for maintenance and servicing were up as against the previous year (EUR 94.8 million). Expressed as a percentage of revenue, 2.9% was invested in ongoing maintenance (previous year: 3.0%). This means that Asklepios used 8.9% (previous year: 8.4%) of revenue for internally financed capital expenditure and maintenance work.

F. Forecast, report on risks and opportunities

1. FORECAST

Asklepios will experience a stable development and profitable growth. The resulting capacity for investment directly benefits its healthcare facilities. The share of own funds in total investment will be consistently high. A high level of investment in our employees, our healthcare facilities and their medical equipment makes a lasting contribution to organic growth.

Overall management statement

The business goals for 2018 include organic revenue growth in a range of around 1.5% to 2.0% and a slight but sustainable increase in EBITDA as against the previous year. On the basis of these targets, we want to increase the equity ratio slightly in the 2018 financial year compared to the previous year. In addition to financial figures, we also take account of the number of cost weights as a non-financial performance indicator when managing the company and will increase this number slightly compared to the previous year.

2. RISKS AND OPPORTUNITIES

a) Risk and opportunity management report

Asklepios is exposed to a range of challenges and risks, especially locally, due to dynamic growth, the complexity of business interrelations, high regulatory requirements, constant scientific, medical and technological progress, the demand for greater efficiency and effectiveness and the increasing demands of our patients. Systematic recognition of risks and opportunities in equal measure enables the Group to ensure long-term economic success, satisfy our patients' requirements and secure our employees' jobs. The rapidly changing health policy, structural, social and economic conditions must be identified and managed. Managing the associated risks and opportunities is an ongoing challenge and an important element of managing the hospitals and the Group. Risk management is firmly established at Asklepios and both satisfies and exceeds legal requirements.

Risk and opportunity management system process

The risk management system (system, responsibilities, structure, formal processes, integration and automation) is characterised by a strong degree of professionalisation and institutionalisation. The homogeneous risk assessment structures are uniformly supported by standardised, automated procedures throughout the Group. Risk management is therefore not just practiced operationally, but also used as an instrument for strategic management. The structures established in this way allow for a comprehensive risk management approach as a result of the combined risk assessment comprising both bottom-up and top-down approaches. This facilitates not only early detection of risks, but also early identification of opportunities. The risk and opportunity management system is rounded off by systematic measures management which forms the basis for the effective and efficient management of risks and opportunities. These processes receive technical support from appropriate risk management software to which all affected reporting units are connected. The institutionalisation of strategic risk management was completed as intended in 2017 with the introduction of a Strategic Risk Management Committee. This further enhances the strategic focus of risk management.

The aim of the risk and opportunity management process is to enable the early identification, assessment and management of risks and opportunities that have a significant influence on the achievement of targets at hospital and Group level. To this end, a standardised process was established that allows close integration of elements of the bottom-up and top-down approach. In addition to regular reporting (e.g. financial reporting, reports on the quality of medical care), risks and opportunities are usually reported on a quarterly basis at the level of the hospitals (and Group departments), the subgroups and the Group as a whole. An ad hoc reporting process has been established in order to escalate very critical issues. Risks and opportunities are always viewed in terms of the current financial year. This view constitutes a combination and aggregation of quantitative factors (probability of occurrence, effect on the achievement of planned EBITDA or on liquidity) and qualitative factors (e.g. information from supplementary reporting). In cooperation with the local risk managers and possibly also technical experts (known as risk sponsors), the risk officers – usually the managers in the hospitals and the heads of the Group departments – carry out the bottom-up elements for identifying and evaluating risks and opportunities. Based on the information gathered, corresponding risk management strategies and opportunity-taking strategies are developed and backed up with specific measures. Risks are categorised according to their potential adverse effects from the hospitals' perspective as "acceptable", "requiring monitoring", "requiring action" or "very critical". Opportunities are allocated to one of four opportunity categories from "low expectations" to "very high expectations".

Risks that are categorised as at least requiring action in the bottom-up process are examined again by Group management as part of the top-down approach. This procedure enables early support for reporting units by means of central measures. This allows for systematic management of risks and opportunities. Identified and documented risks and opportunities are monitored continuously with regard to their development. This monitoring includes tracking the risk and opportunity measures resolved in terms of their risk mitigation effect (effectiveness) and their cost and implementation status (efficiency). In addition, the Strategic Risk Management Committee analyses long-term developments early on to identify and assess their risk and opportunity potential for the company and to resolve appropriate action options.

Internal control system with regard to the Group financial reporting process

With regard to the financial reporting processes of the companies included and the Group financial reporting process, we consider those aspects of the internal control and risk management system that have a material influence on Group accounting and the overall view conveyed by the consolidated financial statements and Group management report to be significant. These are the following aspects in particular:

- Identification of major areas of risk and aspects to be monitored that are relevant to the Group-wide financial reporting process;
- Monitoring of the Group-wide financial reporting processes and examination of the results at the level of management and at the level of the entities included in the consolidated financial statements;
- Controls in the finance and accounting of the Group and the individual consolidated companies, and in operating business processes that which generate the key figures for the preparation of the consolidated financial statements and Group management report, including the separation of functions for predefined approval processes in the relevant areas;
- Measures to ensure the proper computerised processing of content and data relating to Group financial reporting.

b) Risks

Risks are categorised in line with the assessment at local (hospital) level according to their potential adverse effects on Asklepios from the Group's perspective as "acceptable", "requiring monitoring", "requiring action" or "very critical". There were no risks requiring action or very critical risks in the period under review. Risk areas with a medium risk assessment are outlined below; the order in which they are presented reflects the current estimate of the relative degree of risk for Asklepios.

IT risks

Asklepios is dependent on a functional IT structure. The successful course of treatment of a patient (from admission through diagnosis and treatment to documentation) depends to a large extent on an integrated IT system. Basic IT procedures and the configuration of the data centre are significant in this connection. There is high potential for standardisation and room for improvement in relation to the controls for monitoring IT processes. In this context, risk management in the IT department is being continuously developed. Disruptions in IT integration and infrastructure or in related processes can have a corresponding impact on the net assets, financial position and results of operations.

The general IT risk situation was heightened on account of a global increase in cyber-attacks in 2017. In order to appropriately counter this development, Asklepios has taken measures to further improve IT security and continue successfully defending against possible cyber-attacks moving ahead. The data centre is certified according to privacy and data security standards, and also performs independent internal and external audit penetration tests that highlight the effectiveness of our security measures.

Personnel risks

On the healthcare market, there are always HR risks that can lead to a deterioration of the results of operations, financial position and net assets. The most significant individual risks include the lack of qualified staff, the migration of key personnel and the development of personnel costs.

Asklepios proactively counters the risk of not having sufficient qualified personnel both centrally and locally by means of extensive recruiting campaigns and personnel development programmes. The Group provides Asklepios employees with the kind of opportunities that would not be possible in smaller structures. In addition, training and education of specialist and service staff are a high priority for us. By ensuring optimal training of our employees, we guarantee high innovation potential and forward-looking processes, not just in the field of first-class medicine, but also in relation to our business activities. In addition, we implement targeted staff retention measures in order to get qualified and motivated employees enthusiastic about Asklepios in the long term. We can thus systematically prevent a lack of qualified staff. Using this approach, we fulfil both our economic and our social responsibility and strengthen our brand.

The trend in staff costs is heavily dependent on changes to the collective agreements governing staff wages. To reduce external dependency and to allow for the option of actively shaping future developments, the Group has significantly reduced the risks by using more flexible company agreements adopted to fit local circumstances and other alternative remuneration models. These models are reviewed by the relevant Group departments before the agreements are entered into. The Group's goal is to agree the longest possible terms in collective bargaining in order to achieve sufficient planning certainty. In view of the negotiated staff cost increases that are still to be expected, Asklepios is paying particular attention to the required staffing levels of hospitals.

Liability and legal risks

Risks arising from legal disputes are continually identified, evaluated and communicated within the Group and its companies. In addition, the Group is involved in various legal disputes resulting from its operating activity. It is impossible to predict the outcome of these disputes; nevertheless Asklepios expects no material impact on the net assets, financial position and results of operations from the proceedings currently pending. In liability cases, impairment of results of operations, financial position and net assets cannot be ruled out despite all existing precautions. In addition, there is a potential liability risk if subsidies are used for something other than their intended purpose. It therefore cannot be ruled out that certain procedures could require adjustment in future despite having been reviewed by the relevant Group departments. We are insured against claims from our patients, which are not completely avoidable, using our own insurance model with an appropriate externally arranged deductible. This allows us to partially respond to the steadily rising insurance premiums of external insurers throughout the market, to increase the Group's liquidity and process claim notifications in the interest of patients and the Group itself while also taking account of the increasing claims from overwhelmingly isolated cases in risk management. In addition to patients' willingness to take legal action, there is a risk of frequent recourse claims by payers. Steadily rising premiums are being observed throughout the market for property insurance, particularly due to unfavourable loss ratios in the construction sector. This correlates with the significant rise in our property insurance expenses. Our internal insurance unit actively observes the markets, develops measures aimed at minimising the number and amount of claims where possible, and uses targeted insurance management to control insurability by way of deductibles and premiums.

Our goal is to offer modern medical services that are geared towards proximity to the patient. This is supported by cooperation within the Group and targeted network building, with a focus on establishing care structures that are as comprehensive as possible. The Asklepios strategy, which includes targeted offerings in high-demand medical fields, will also contribute to generating above-average growth in future. Sales risks in the healthcare market can nevertheless arise in the areas where location changes have to be made or the quality assessment by patients and referring doctors is lower than for other hospitals in the market. At the same time, we are aware that risks can arise from our patients' treatment processes due to unexpected disruptions. We have taken account of liability and legal risks requiring recognition that we are aware of by setting aside provisions. To cover the potential risk, Asklepios uses liability insurance policies, mostly with deductibles. Appropriate provisions are recognised or adjusted for the deductibles. We are not currently involved in any litigation or defending any claims which could result in major changes to the results of operations.

Income, documentation and budget risks

The high level of state regulation means that Asklepios is exposed to risks in the day-to-day documentation and billing of cases and in the medium-term development of revenue budgets. This currently applies not only to the fact that the health insurance funds are slower to pay but primarily to details of budgetary law, such as differing opinions on case specifications and remuneration; pending arbitration proceedings, where in some cases the outcome is impossible to predict; delayed budget negotiations; and potential changes to budgetary law and the supplementary billing regulations. The risks named could cause the results of operations, financial position and net assets to deteriorate.

The size of the Group, its available knowledge and its available data sets mean that it has the opportunity to define standards and to provide effective support to the clinics locally in the implementation of the above issues. In the area of handling sensitive services, which also generally represent public authority tasks, there is generally an inherent risk that the private sector may be pushed back. A decline in processed contracts would entail a loss of revenue, whereas the effect on EBITDA depends on the product area concerned. With all other things remaining the same, the demographic development forecast in some areas can lead to decreasing case numbers and revenue.

Investment risks

Asklepios understands investment risks as the risk that unimplemented or unprofitable investments result in an ageing infrastructure or one that is not fit for purpose and prevent the utilisation of new market potential. As a result, income targets could be missed (because, for example, use permits), market share could be lost to competitors and there is the risk of penalties if purchase contract obligations are not fulfilled. Here, the management observes constantly decreasing subsidy ratios, with corresponding consequences for investing activities. Asklepios is not dependent on the development of subsidies to the same extent as the majority of the competition thanks to its relatively high internal financing power.

We purposefully use our financial strength for a high proportion of proprietary investments in the hospitals. This increases the attractiveness of our facilities and in large measure supports sustainable organic growth. At the same time, investments improve efficiency and result in lower consequential costs. For the construction and extension of buildings and the furnishing and equipment of our hospitals, we utilise third-party services alongside internal ones. These services can cause delivery problems in the supply chains and also quality deficits. We therefore base purchasing decisions, procurement and project implementation on careful and continuous monitoring of all our construction projects, our suppliers and the entire market in order to limit these risks efficiently. In order to meet its own standard of first-class medicine, the Group makes substantial investments in the hospitals at the individual locations. However, investments in our hospitals are being financed with an ever smaller proportion of subsidies, meaning that the subsidy ratio of the federal states is declining. This results in a risk of decreasing cash flow that has to be compensated by efficiency measures in operating business.

Performance risks

With regard to performance, the statutory regulation of the remuneration system is proving challenging. Performance increases are remunerated with price reductions of up to 165%; budget shortfalls can also entail reduction risks. In terms of cost development, we face steadily rising costs, especially staff costs and material expenses, which can be higher than growth due to performance increases. Adequately accounting for resulting income and cost risks is therefore one of the primary tasks of management in order to deal with the gap between income and cost increases that has been widening for years.

The examination procedure agreement for examinations by the MDK was concluded in July 2014. At present, the German Hospital Federation (DKG) and the GKV have yet to issue joint guidance on the interpretation of the examination procedure agreement, meaning that uncertainties concerning the agreed procedure will remain. While it is assumed that the examination procedure will be accelerated, our view is that retrospective coding and, in particular, recoding within the examination procedure will be significantly impaired, while the previous flat-rate expenses of the health insurance funds for unsuccessful MDK examinations at hospitals will become less important. The agreement was terminated by the DKG as at 31 December 2015 in June 2015. A follow-up agreement for 2016 onwards that, overall, contains improvements benefiting hospitals, was signed in 2015. The main elements took effect as at 1 October 2016 and 1 January 2017 and required extensive IT changes beforehand. The transition to a flat-rate fee system for psychiatric and psychosomatic facilities (PEPP) in stationary acute care will also have an impact on our results of operations. The transition to PEPP is intended to be mandatory from 2017 but is designed to be budget-neutral until 2018. We are currently adjusting our internal processes to reflect these new requirements. The precise impact on our results of operations is expected to be low, although the corresponding empirical data will become more stable over the coming months and years. Other risks include delays in the completion of patient records and the implementation of case coding.

This hinders the release of tied-up capital and thus the increase of financing flexibility. There are also process risks in new business models like the billing of medical service centres.

Credit and counterparty risks

These risks arise if a customer or another counterparty to a financial instrument fails to meet its contractual obligations in terms of due dates and del credere. Asklepios is exposed to only a low level of risk from an unexpected loss of cash or income. There is a low level of risk of default on account of a large portion of debtors consisting of German statutory health insurance funds, complemented by a smaller portion of public social security authorities and private patients. By contrast, the risk of late payment on trade receivables, and thus the risk of an increase in capital being tied up in current assets, can be considered medium. The investment policy on the assets side is conservative and involves broad diversification. The investment counterparties are banks belonging to deposit protection systems. Investments are also monitored continuously via investment controlling. The company reacts with measures to correct any differences compared to its expected targets. In addition, we have entered into hedges against changes in fair value fluctuations (fair value hedges).

Financing and liquidity risks

The Group is subject to capital market risks. The management of short-term liquidity risks and longer-term financing risks is the central responsibility of the Finance department, which uses a treasury system for this purpose with a focus on efficient management of current cash funds. As a financially conservative company, and on the basis of the investment terms of the assets, Asklepios' financing strategy is long-term in nature and contains manageable short-term refinancing risks. The high levels of cash funds, the constant cash flow, favourable capital structure (low level of debt), broad diversification of financing partners, access to the capital market and extensive unutilised lines of credit show that we are largely independent of general developments on the capital markets and ensure that we have full financial freedom of action, including for growth through acquisitions. The profitability and credit structure was negatively affected in part by the acquisition of MediClin Aktiengesellschaft and the accompanying rental and financing structure. The majority of financial liabilities is hedged by fixed interest rate agreements.

Construction risks

AOn account of the extensive construction work, the Group is exposed to risks from business interruptions and delays in construction work with revenue losses and cost overruns in the budgeted construction work. The measures to reduce these risks include the provision of a high level of expertise within the Group with regard to construction planning and implementation, working if at all possible with standardised instructions and equipment, and the Group's own staff to monitor the construction work allowing an immediate response to any problems that may arise. For the construction and extension of buildings and the furnishing and equipment of our hospitals, we utilise third-party services alongside internal ones. These services can cause delivery problems in the supply chains and also quality deficits. We therefore base purchasing decisions and procurement on careful and continuous monitoring of all our suppliers and the entire market in order to limit these risks efficiently.

Risks from competition

There are numerous competitors operating in the healthcare sector at local and regional level. This is a risk that the activities of existing competitors or the entrance of new competitors will have a negative impact on our market share. The potential misjudgement of important trends at all market levels can also lead to negative revenue performance. We counter these risks with comprehensive analyses of the competitive situation, the technological and regulatory trends and the general market environment. The continuous improvement of our internal processes enables us to keep the quality of our service provision at the highest level and to continuously optimise it by exploiting new developments.

Reputation risks

As one of the largest providers of healthcare services in Germany, our offering is subject to a great deal of public scrutiny. Our aim is to maintain the trust in Asklepios and the Group's reputation and to be permanently open to coverage in all media. At the same time, we cannot rule out the possibility that negative press reports, e.g. on public television, or incriminatory accounts by our employees at some locations that we do not consider to fully reflect the true nature of conditions in our hospitals will damage our public perception and hence represent a risk to our reputation. We will counter these risks by providing comprehensive information to the public and involving it in our strategies, conducting image campaigns and offering ample dialogue.

Quality risks

FTreatment quality is a major factor for our operating activities. Here, Asklepios uses a self-developed quality indicator programme to monitor results. Known as the Asklepios quality monitor, it highlights compliance with all quality indicators throughout the Group. The system has settings that enable immediate detection of even the smallest changes and implementation of quality management programmes. We minimise these operating risks firstly by maximising the quality of treatment that we ensure with our well educated and continually trained staff as part of our predefined courses of treatment. Secondly, our modern hospitals guarantee high-level care in terms of quality and technology. Furthermore, our clinical risk management (e.g. CIRS) and structured quality management ensure that we possess adequate preventive systems that we can use to identify potential sources of errors and to increase quality standards and the safety and efficiency of our processes. This ultimately allows us to achieve a permanent improvement in patient safety in addition to treatment and process quality.

Asklepios counters this efficiency competition with target planning for the individual clinics in order to provide proof that the medical services on offer are in line with demand. Competition on quality is countered by the high quality of treatment. This is the basis for gaining patients' trust in the work of our clinics, while at the same ensuring that operating and litigation risks are minimised.

Hygiene and infection risks

Potential hygiene and infection risks are countered by way of appropriate hygiene management concepts, structured workflows and processes and continuous employee training. Our methods take adequate account of hygiene needs and requirements, while the process evaluations and improvements forming part of the quality management processes contribute to the further improvement of our workflow quality and efficiency.

Risks from acquisition and integration

Risks can arise from the integration of acquired hospitals and facilities. Our task is to integrate the processes and the infrastructure of the acquired company in our Group as rapidly as possible. To do so, we harmonise processes and logistical procedures. The loss of important managers as part of the integration and careless and inadequate due diligence processes could be critical. We try to minimise risks of acquisition by using the transaction expertise that has built up in the Group over the years and the associated people and methods.

Compliance risks

Compliance risk refers to the lack of legal and organisational compliance with all laws and standards applicable to Asklepios. Owing to the diversity of regulations, there is a risk that requirements are not being complied with deliberately or as a result of negligence. This is associated with legal and economic risks for Asklepios. This can result in penalties, compensation claims, or an occupational ban for medical staff. Appropriate measures, for example enhanced regulations and controls, are in development. A formal compliance management system is being set up.

Governance risks

In rapidly growing groups of Asklepios' size, there is the risk that structures for Group management and the establishment of control systems (e.g. dual control) are not appropriately effective or first need to be established.

c) Opportunities

Opportunities are allocated in line with the assessment at local (hospital) level according to their potential positive effects on Asklepios from the Group's perspective to one of four opportunity categories from "low expectations" to "very high expectations". Opportunity areas are outlined below; the order in which they are presented reflects the current estimate of the relative expectation for Asklepios.

Opportunities from financial activities

Our broad financing mix and high equity ratio enable us to achieve long-term financing security while responding flexibly to beneficial financing opportunities. In addition, our capital resources make us a popular partner on the capital market, so we are able to benefit from favourable refinancing terms. In addition to general corporate and growth financing, this allows us to reach the capital strength necessary in order to take opportunities quickly.

Strategic opportunities

These comprise all opportunities arising in the long term from global trends and developments. Investment projects, acquisitions, strengthening the brand and entering new business areas count towards this category. We are continuously monitoring the hospital market in Germany and abroad. Our many years of experience in the acquisition and integration of hospitals into the Asklepios Group enable us to identify and make use of investment opportunities and potential for strategic acquisitions at an early stage. By expanding existing hospitals and enhancing the available service range, we are selectively strengthening the Asklepios brand among patients and employees.

Opportunities from operating activities

Opportunities from operating activities include in particular opportunities to enhance the billing process and increase income. They also include opportunities to further improve medical quality by using new processes and technologies and educating our staff. The ongoing development and implementation of cost reduction activities in the context of generated Group-wide synergies enables us to continuously improve our cost situation compared to the competition and to keep medical performance at a constantly high level. Thanks to our favourable cost structures and above average competence in the area of DRG revenue management, we are well positioned to transform the change process into an additional competitive edge. Membership in the hospital network "Wir für Gesundheit" gives Asklepios the chance to continue establishing itself in an environment of highly qualified service providers. The hospital network's offer includes a multi-operator, nationwide and quality-oriented supply network with the target of promoting members' growth and increasing case numbers.

Infrastructural opportunities

Infrastructural opportunities are all the issues that have a positive effect on our service provision, but are not located directly in operating activities. In particular, these include the qualification and motivation of our employees, the intelligent use of modern information technology and the technical equipment of our hospitals. By ensuring optimum qualification of our employees, we guarantee high innovation potential and forward-looking processes, not just in the field of advanced medicine. At the same time, we can acquire highly motivated personnel thanks to our strong brand as an employer. The homogenisation of our IT landscape reduces costs and increases the effectiveness and efficiency of the systems used.

With targeted investments, we can respond flexibly to changes in patient demands and thus distinguish ourselves from the competition. Our modern hospitals guarantee high-level care in terms of quality and technology, which also offers opportunities for future performance growth.

Opportunities from the market and environment

This category of opportunities includes positive developments arising from political or economic trends. The medical sector's strength is its relative independence from economic developments, so we see an opportunity here to maintain our growth even though the economic situation is changing. Opportunities arising from competition are also assigned to this category. Here, we see potential in the establishment and expansion of medical services. In addition to aspects of medical care, opportunities to continue distinguishing ourselves positively from the competition with modern offerings and services also arise throughout our patients' entire hospital stays. We hereby draw on the wealth of experience of our nation-wide hospital network and are guided by the needs and the welfare of our patients.

OVERALL MANAGEMENT STATEMENT: SUMMARY AND OUTLOOK

With regard to the risks described in this report – taking account of their probability, potential financial impact and present business prospects – the management does not anticipate any individual or aggregate risks that could materially endanger the Group's ability to continue as a going concern. The management assumes that the company's earnings power is a solid foundation for future business development and provides the necessary resources.

Hamburg, 29 March 2018

Kai Hankeln | Dr. Thomas Wolfram

Hafid Rifi | Marco Walker | Prof. Dr. Christoph U. Herborn

Return to index

Asklepios Kliniken
GmbH & Co. KGaA, Hamburg

(formerly Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein im Taunus)

CONSOLIDATED FINANCIAL STATEMENTS

for the 2017
financial year

FRS consolidated income statement

for the financial year from 1 January to 31 December 2017

EUR '000	Note no.	2017	2016
Revenue	VI.1	3,261,875	3,210,978
Other operating income	VI.2	240,391	204,080
		3,502,266	**3,415,058**
Cost of materials	VI.3	706,144	756,956
Staff costs	VI.4	2,067,538	1,941,186
Other operating expenses	VI.5	332,231	335,322
Operating result/EBITDA[1]		**396,353**	**381,594**
Depreciation, amortisation and impairment			
of intangible assets and depreciation and impairment of financial assets and property, plant and equipment	VI.6	139,652	132,003
Operating result/EBIT[2]		**256,700**	**249,591**
Net investment income		6,418	9,312
Net investment income	**VI.7**	**6,418**	**9,312**
Interest and similar income	VI.8	3,501	8,189
Interest and similar expenses	VI.8	-27,508	-41,695
Net interest income	VI.8	**-24,007**	**-33,506**
Net finance costs		**-17,588**	**-24,194**
Earnings before income taxes		**239,111**	**225,396**
Income taxes	VI.9	-45,002	-39,875
Consolidated net profit		**194,111**	**185,521**
of which attributable to the parent company		*153,965*	*147,315*
of which attributable to non-controlling interests		*40,146*	*38,206*

[1)] Operatives Ergebnis vor Finanzergebnis, Steuern und Abschreibungen;
[2)] Operatives Ergebnis vor Finanzergebnis und Steuern

IFRS consolidated statement of comprehensive income

for the financial year from 1 January to 31 December 2017

EUR '000	2017	2016
Consolidated net profit	**194,111**	**185,521**
Share in OCI of an associate accounted for using the equity method	40	0
Measurement of financial assets	-729	-16,688
Income taxes	11	250
Reclassifications due to available-for-sale financial assets sold in the financial year	718	0
Total changes in value reclassified to profit or loss if certain conditions are met	**40**	**-16,438**
Change in actuarial gains (+) / losses (-) from defined benefit pension commitments and similar obligations	-11,897	-46,596
Income taxes	1,556	8,558
Total changes in value not reclassified to profit or loss	**-10,341**	**-38,038**
Total changes in value recognised in equity (other comprehensive income)	**-10,301**	**-54,476**
Total comprehensive income (total consolidated net profit and other comprehensive income)	**183,810**	**131,045**
of which attributable to the parent company	*146,328*	*103,306*
of which attributable to non-controlling interests	*37,561*	*27,739*

IFRS consolidated statement of cash flows

for the financial year from 1 January to 31 December 2017

EUR '000	Note no.	2017	2016
Consolidated net profit		**194,111**	**185,521**
Income taxes	VI.9	45,002	39,875
Net interest income	VI.8	24,007	33,506
Net investment income	VI.7	-6,418	-9,312
Amortisation of intangible assets and financial assets and depreciation of property, plant and equipment	VI.6	139,652	132,003
Gross cash flow (EBITDA)		**396,354**	**381,593**
Other non-cash transactions		12,823	6,156
Changes in inventories, receivables and other assets	VIII.6,7,8,9	-96,007	-23,894
Changes in liabilities and provisions	VIII.13,14,15, 16,17,18,20	7,782	19,918
Dividends received	VI.7	5,883	9,411
Interest income	VI.8	875	915
Income taxes paid	VI.9	-38,457	-33,585
Cash flow from operating activities/net cash flow		**289,253**	**360,514**
Investments in intangible assets[1]	VIII.2	-24,964	-14,440
Investments in property, plant and equipmen[2]	VIII.3	-250,709	-154,974
Proceeds from the disposal of non-current assets		3,336	3,812
Acquisitions of subsidiaries, equity investments and financial assets[3]	VIII.1,4,5	-172,928	-600
Net cash used in investing activities		**-445,265**	**-166,202**
Proceeds from borrowings	VIII.12	780,000	0
Proceeds from the repayment of financial liabilities		-101,430	-104,068
Cash flow from dual hospital financing	VIII.3	88,578	4,856
Interest expenses	VI.8	-19,166	-25,784
Borrowing/repayment of loans to parent company		0	66,999
Withdrawal		-200,000	0
Distributions		0	-1,640
Cash flow from financing activities		**547,982**	**-59,637**
Change in cash and cash equivalents		391,970	134,675
Cash and cash equivalents as at 1 January		220,133	85,458
Change in cash and cash equivalents due to changes in basis of consolidation		230	0
Cash and cash equivalents as at 31 December	**VIII.10**	**612,333**	**220,133**

[1] EUR 1.0 million (previous year: EUR 0.7 million) of which financed by grants
[2] EUR 79.1 million (previous year: EUR 85.3 million) of which financed by grants
[3] EUR 43.8 million (previous year: EUR 0.9 million) of which attributable to subsidiaries.

IFRS consolidated statement of financial position

for the financial year from 1 January to 31 December 2017

EUR '000	Note no.	31 Dec. 2017	31 Dec. 2016
ASSETS			
Non-current assets			
Intangible assets	VIII.2	655,714	398,279
Property, plant and equipment	VIII.3	1,546,773	1,488,375
Investments accounted for using the equity method	VIII.4	427,247	14,042
Financial assets	VIII.5	3,443	310,887
Other financial assets	VIII.5	67,302	68,514
Trade receivables	VIII.7	0	66
Other assets	VIII.9	1,025	80
Deferred taxes	VIII.20	78,968	75,146
Total non-current assets		**2,780,472**	**2,355,389**
Current assets			
Inventories	VIII.6	114,531	102,494
Trade receivables	VIII.7	500,469	453,738
Current income tax assets	VIII.8	5,758	2,297
Other financial assets	VIII.5	88,508	60,533
Other assets	VIII.9	10,938	3,999
Cash and cash equivalents	VIII.10	612,333	220,133
Total current assets		**1,332,537**	**843,194**
Total assets		**4,113,009**	**3,198,583**

EUR '000	Note no.	31 Dec. 2017	31 Dec. 2016
EQUITY AND LIABILITIES			
Equity attributable to the parent company			
Issued capital	VIII.11a	101	101
Reserves	VIII.11b	939,096	1,012,048
Consolidated net profit	VIII.11	153,965	147,315
Non-controlling interests	VIII.11c	323,418	282,217
Total equity	**VIII.11**	**1,416,580**	**1,441,681**
Non-current liabilities			
Trade payables	VIII.13	110	12
Financial liabilities	VIII.12	1,328,978	68,303
Finance lease liabilities	VIII.16	6,026	12,770
Pensions and similar obligations	VIII.17	276,559	268,272
Other provisions	VIII.18	215,311	219,628
Deferred taxes	VIII.20	53,885	45,428
Other financial liabilities	VIII.14	67,868	510,365
Other liabilities	VIII.15	7,530	9,027
Total non-current liabilities		**1,956,268**	**1,133,805**
Current liabilities			
Trade payables	VIII.13	83,763	67,034
Financial liabilities	VIII.12	157,921	13,591
Finance lease liabilities	VIII.16	6,943	860
Pensions and similar obligations	VIII.17	5,999	5,883
Other provisions	VIII.18	107,630	99,658
Current income tax liabilities	VIII.19	15,238	13,580
Other financial liabilities	VIII.14	155,710	209,356
Other liabilities	VIII.15	206,956	213,135
Total current liabilities		**740,161**	**623,097**
Total equity and liabilities		**4,113,009**	**3,198,583**

IFRS statement of changes in consolidated equity

for the 2017 financial year

	Equity attributable to the parent company							
EUR '000	**Issued capital**	**Capital reserves**	**Revenue reserve**	**Fair value reserve**	**Consolidated net profit**	**Total**	**Non-controlling interests**	**Equity**
As at 1 Jan. 2016	**100**	**243,162**	**627,888**	**42,165**	**142,861**	**1,056,176**	**256,365**	**1,312,541**
Net income	0	0	0	0	147,315	147,315	38,206	185,521
Other comprehensive income	0	0	-27,571	-16,438	0	-44,009	-10,467	-54,476
Total comprehensive income	**0**	**0**	**-27,571**	**-16,438**	**147,315**	**103,306**	**27,739**	**131,045**
Withdrawal	0	0	0	0	0	0	0	0
Payment obligations and distributions	0	0	0	0	0	0	-1,641	-1,641
Change in equity interests in consolidated companies	1	0	-19	0	0	-18	-246	-264
Allocation to reserves	0	0	142,842	0	-142,861	0	0	0
Other changes	0	0	0	0	0	0	0	0
Total transactions recognised directly in equity	**1**	**0**	**142,842**	**0**	**-142,861**	**-18**	**-1,887**	**-1,905**
As at 31 Dec. 2016	**101**	**243,162**	**743,158**	**25,727**	**147,315**	**1,159,463**	**282,217**	**1,441,681**
As at 1 Jan. 2017	**101**	**243,162**	**743,158**	**25,727**	**147,315**	**1,159,463**	**282,217**	**1,441,681**
Net income	0	0	0	0	153,965	153,965	40,146	194,111
Other comprehensive income	0	0	-7,637	0	0	-7,637	-2,664	-10,301
Total comprehensive income	**0**	**0**	**-7,637**	**0**	**153,965**	**146,328**	**37,482**	**183,810**
Withdrawal	0	0	-200,000	0	0	-200,000	0	-200,000
Payment obligations and distributions	0	0	0	0	0	0	-1,364	-1,364
Changes in the consolidated group	0	0	0	0	0	0	3,125	3,125
Change in equity interests in consolidated companies	0	0	-249	0	0	-249	-113	-362
Allocation to reserves	0	0	147,315	0	-147,315	0	0	0
Other changes	0	0	13,347	-25,727	0	-12,380	2,071	-10,309
Total transactions recognised directly in equity	**0**	**0**	**-39,587**	**-25,727**	**-147,315**	**-212,629**	**3,719**	**-208,910**
As at 31 Dec. 2017	**101**	**243,162**	**695,934**	**0**	**153,965**	**1,093,162**	**323,418**	**1,416,580**

Return to index

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the 2017 financial year

in accordance with
International Financial Reporting Standards

I. Basis of the consolidated financial statements

1. GROUP STRUCTURE: PRINCIPLES AND BUSINESS SEGMENTS

The name of the company is Asklepios Kliniken GmbH & Co. KGaA, Rübenkamp 226, Hamburg, Germany (hereinafter also referred to as AKG, the Group or the company), and it is entered in the commercial register at the Hamburg Local Court under HRB 149532. The company was formed on 7 June 2004.

Asklepios Kliniken GmbH & Co. KGaA and its subsidiaries predominantly operate on the German market in the clinical acute care, rehabilitation sectors and, to a very limited extent, in the nursing sector. The purpose of the company is the acquisition and operation of healthcare institutions and the provision of consulting services.

The Group operates facilities in numerous federal states in Germany. The Group structure is geared towards regional differences in terms of personnel and company law. The operating entities are essentially the Asklepios hospitals of AKG in which investments are held directly and the equity investments of the two sub-group financial statements included in the consolidated financial statements, Asklepios Kliniken Hamburg GmbH, Hamburg (74.9% equity investment) and MediClin AG, Offenburg (52.73% equity investment).

The Group also has selected foreign operations; this relates almost exclusively to the investment in Greece (Athens Medical Center S.A.).

II. Accounting principles

1. RULES APPLIED

The consolidated financial statements of the company and its subsidiaries as at 31 December 2017 have been prepared in accordance with section 315e(3) of the Handelsgesetzbuch (HGB – German Commercial Code) in line with the International Financial Reporting Standards (IFRS) and the relevant interpretations of the IASB (IFRIC), as adopted in the European Union in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council. All standards and interpretations effective for the 2017 financial year have been taken into account.

The consolidated financial statements are prepared on the basis of historical cost, except for the remeasurement of available-for-sale financial assets and the measurement at fair value of financial assets and financial liabilities (derivative financial instruments). The going concern principle was applied in preparing the consolidated financial statements.

The Group has waived the preparation of consolidated financial statements in accordance with the German Commercial Code. The IFRS consolidated financial statements and the Group management report for the smallest group of companies have been published in the Federal Gazette. The Group of Asklepios Kliniken GmbH & Co. KGaA is included in the IFRS consolidated financial statements of Broermann Holding GmbH, Königstein im Taunus, which prepares the consolidated financial statements for the largest group of companies. Its consolidated financial statements and Group management report have been published in the Federal Gazette.

Please see section IV for information on the consolidation methods and accounting principles applied.

2. NEW STANDARDS AND STANDARDS EFFECTIVE FOR THE FIRST TIME

Accounting standards applied for the first time

The accounting standards were revised and issued by the IASB. They replace earlier versions of these standards/interpretations in full or in part or constitute new standards/interpretations. The Group applied the following full standards or the corresponding amended regulations in compliance with the corresponding transitional provisions for the first time and – where necessary – adjusted the comparative information in compliance with the new accounting standards:

Amendments to IAS 7	Statement of Cash Flows – Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 7:
Statement of Cash Flows – Disclosure Initiative

The European Union (EU) endorsed the amendments to IAS 7 Statement of Cash Flows issued by the IASB on 29 January 2016 under the title "Disclosure Initiative" in European law on 6 November 2017.

The amendments to IAS 7 require the following disclosures on changes in financial liabilities for which cash flows are classified in the statement of cash flows as cash flows from financing activities

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

The new regulations are effective for the first time for financial years beginning on or after 1 January 2017.

These new regulations did not have any effect on the net assets, financial position and results of operations of the Asklepios Group.

Amendments to IAS 12:
Recognition of Deferred Tax Assets for Unrealised Losses

The European Union (EU) endorsed the amendments to IAS 12 Income Taxes issued by the IASB on 19 January 2016 in European law on 6 November 2017.

In particular, this clarifies the recognition of deferred tax assets for unrealised losses on assets recognised at fair value. Deferred tax assets must be recognised on deductible temporary differences resulting from available-for-sale financial assets in the form of debt instruments. This applies regardless of whether the instrument is sold or held to maturity.

The new regulations are effective for the first time for financial years beginning on or after 1 January 2017.

These new regulations did not have any effect on the net assets, financial position and results of operations of the Asklepios Group.

DThe list below shows the IFRS/IAS standards and interpretations that will be effective in subsequent years:

Endorsed	Publication in Official Journal	Effective date
IFRS 15 Revenue from Contracts with Customers	October 2016	1 January 2018
IFRS 9 Financial Instruments	November 2016	1 January 2018
Amendments to IFRS 4 regarding the first-time application of IFRS 9 Financial Instruments	November 2017	1 January 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers	November 2017	1 January 2018
IFRS 16 Leases	November 2017	1 January 2018

The IASB and the IFRIC have issued the standards listed in the above table under "Endorsed", which have already been adopted by the EU through comitology procedures, but which were not yet effective for the 2017 financial year.

IFRS 15 Revenue from Contracts with Customers

DThe European Union (EU) endorsed IFRS 15 Revenue from Contracts with Customers in European law on 31 October 2017.

Under IFRS 15, revenue is recognised when the customer acquires control of the agreed goods and services and can derive benefits from them. The transfer of material risks and opportunities, as under the old IAS 18 "Revenue" regulations, is no longer a determining factor. The new model provides a five-step system for determining revenue recognition, which stipulates that the customer contract and the separate performance obligations in it must first be identified. Then the transaction price of the customer contract must be determined and allocated to the individual performance obligations. Finally, the new model stipulates that revenue must be recognised for each performance obligation in the amount of the assigned transaction price portion as soon as the agreed service is performed or the customer has gained control over it. Hereby, specified criteria are used to distinguish whether the performance obligation is satisfied over time or at a point in time. The new standard does not distinguish between different types of contracts or services, and instead provides uniform criteria for when performance must be recognised at a point in time or over a period of time. The regulations and definitions of IFRS 15 will in future supersede the content of both IAS 18 Revenue and IAS 11 Construction Contracts.

The original effective date (1 January 2017) was postponed to 1 January 2018 by way of an amendment issued in September 2015.

A project was carried out at Group level in the past financial year to analyse the Group's key business models. Asklepios will apply IFRS 15 using the modified retrospective method. The new standard has no material impact on the Group as a whole. IFRS 15 mainly results in changes in reporting in the income statement and the statement of financial position. To a minor extent, amounts previously recognised as expenses will be recognised as reductions of revenue in future. There is no effect on earnings compared to current accounting.

IFRS 9 Financial Instruments

The final version of IFRS 9 was issued in July 2014 and endorsed in EU law on 6 November 2017. The new standard will replace IAS 39 "Financial Instruments: Recognition and Measurement" in future.

In particular, the standard includes the following radically revised areas of regulation:

Classification and measurement of financial instruments

The regulations on the classification and measurement of financial instruments were radically redrafted compared to IAS 39 – especially for financial assets. In future, the classification and measurement of these instruments will depend on two key questions:

- What business model of the entity underlies the portfolio to which the financial asset is allocated? In this sense, IFRS 9 provides for the models "hold to collect contractual cash flows", "held for sale" and "held for trading".
- What are the instrument's contractual cash flows, or rather are these cash flows – aside from minimal deviations – solely payments of principal and interest on the principal amount outstanding (cash flow characteristics test)? Given the design of the cash flow characteristics test, only debt instruments, such as bonds from the creditor's perspective, can fulfil these requirements.

Return

In accordance with IFRS 9, the classification and (subsequent) measurement of an instrument depends on the type of financial asset and the two criteria above.

By contrast, IFRS 9 barely changes the rules for the classification and measurement of financial liabilities. Only for liabilities designated as at fair value, changes in this fair value attributable to changes in credit risk of the liability must no longer be recognised in profit or loss but in other comprehensive income (OCI).

Accounting for impairment on financial assets

The new provisions on accounting for impairment radically change its recognition as it is no longer just incurred losses (the former incurred loss model) but also expected losses (expected loss model) that are recognised, whereby the extent of recognition of expected losses is further differentiated according to whether the credit risk of financial assets has increased significantly since initial recognition. If it has increased and the credit risk is not classifiable as low at the end of the reporting period, all expected losses over the entire term must be recognised from this date (lifetime expected credit losses). Otherwise, only the expected losses over the term of the instrument that result from future loss events possible within the next twelve months (12-month expected credit losses) must be recognised.

There are exemptions for trade receivables (or contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables. For these assets, all expected losses must be recognised (trade receivables or contract assets without a significant financing component) or are allowed to be recognised (trade receivables or contract assets with a significant financing component and lease receivables) on initial recognition.

The impact of IFRS 9 was analysed in the past financial year. On the basis of this analysis, the introduction of IFRS 9 has no significant changes on current accounting.

This conclusion was drawn from the assessment of the following new aspects of IFRS 9:

- Classification of receivables and liabilities: On the basis of the analysis performed, no significant effects are expected from the new measurement categories or allocation criteria.
- Expected loss model: The expected loss model can lead to early recognition of expenses in individual cases.
- Hedge accounting: The hedges currently used by the Group to a limited extent also qualify as hedges in accordance with IFRS 9. No significant changes are expected from the amendments regarding effectiveness testing.

Amendments to IFRS 4 regarding the first-time application of IFRS 9 Financial Instruments

The International Accounting Standards Board (IASB) issued amendments to IFRS 4 Insurance Contracts regarding the first-time application of IFRS 9 Financial Instruments on 12 September 2016.

The amendments contain two optional approaches for insurers – the overlay approach and the deferral approach – to reflect the discrepancy between the effective dates of IFRS 9 and the successor standard to IFRS 4.

Der Standard ist für den Asklepios Konzern nicht relevant.

Clarifications to IFRS 15 Revenue from Contracts with Customers

The International Accounting Standards Board (IASB) issued clarifications to IFRS 15 Revenue from Contracts with Customers on 12 April 2016.

The amendments clarifying IFRS 15 address the three topics of identifying performance obligations, principal versus agent considerations and licensing. The clarifications also provide some transition relief for modified contracts and completed contracts.

IFRS 16 Leases

The European Union (EU) endorsed IFRS 16 Leases, which was issued by the IASB on 13 January 2016, in European law on 31 October 2017.

IFRS 16 replaces the previous standard on lease accounting, IAS 17, and the interpretations IFRIC 4, SIC-15 and SIC-27. The main changes made by IFRS 16 relate to accounting by the lessee. For example, the lessee must recognise assets from the obtained rights of use and liabilities from the assumed payment obligations for all leases. Expedients are granted for leased assets of low value and for short-term leases. The accounting regulations for lessors are largely the same as the former regulations of IAS 17.

Application of the standard is mandatory from 1 January 2019. Voluntary early adoption is permitted, but only if IFRS 15 Revenue from Contracts with Customers is also applied as at the same date. Asklepios will not apply IFRS 16 early.

The new IASB standard on accounting for leases will significantly increase the finance leases recognised by the Asklepios Group. We expect this to lead to an increase in non-current assets and standard financial liabilities, which could considerably alter the Group's capital structure, and an increase in EBITDA on account of the absence of rental expenses. Please see section IX.17 "Finance lease liabilities" for information on the assessment of the market conformity of MediClin AG property rents.

Not yet endorsed:	Publication	Effective date
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	June 2016	1 January 2018
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	December 2016	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	December 2016	1 January 2018
Improvements to International Financial Reporting Standards, 2014-2016 cycle	December 2016	1 January 2018/ 1 January 2017
IFRS 17 Insurance Contracts	May 2017	1 January 2021
IFRIC 23 Uncertainty over Income Tax Treatments	June 2017	1 January 2019
Amendments to IFRS 9 Prepayment features with negative compensation	October 2017	1 January 2019
Amendments to IAS 28 Long-term interests in associates and joint ventures	October 2017	1 January 2019
Improvements to International Financial Reporting Standards, 2015-2017 cycle	December 2017	1 January 2019

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 contain the following clarifications:

- Previously, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments.
- An exception was introduced into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- When a cash-settled share-based payment changes to an equity-settled share-based payment as a result of modifications of the terms and conditions, the original liability recognised for the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date. Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

The standard is not relevant to the Asklepios Group.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

Owing to the diversity of accounting practices with regard to IAS 21 – The Effects of Changes in Foreign Exchange Rates, the IASB has issued IFRIC 22 to clarify when the exchange rate must be determined for the translation of transactions in foreign currencies that include the receipt or payment of advance consideration. In accordance with IFRIC 22, the exchange rate for the underlying asset, income or expense is determined as at the date on which the asset or liability resulting from the advance consideration is first recognised.

The Asklepios Group does not expect the regulations to have any significant effect on the Group's net assets, financial position and results of operations.

Amendments to IAS 40: Transfers of Investment Property

The amendment relates to the classification of properties not yet completed and clarifies when the classification of a property as "investment property" begins and ends if the property is still under construction or development. This was not clearly specified by the previously exhaustive list in IAS 40.57. The list is now explicitly designated as non-exhaustive, so that the rule can also apply to properties under construction or development.

The amendment is not currently relevant to the Asklepios Group.

Improvements to International Financial Reporting Standards, 2014-2016 cycle

The Annual Improvement Project 2014-2016 amended three standards:

- IFRS 1 First-time Adoption of IFRS: Deletion of the short-term exemptions in IFRS 1.Appendix E (IFRS 1.E3-E7) for first-time adopters.
- FRS 12 Disclosure of Interests in Other Entities: The amendment clarifies that the disclosures also apply to interests covered by IFRS 5 (except IFRS 12.B10-B16).
- IAS 28 Investments in Associates and Joint Ventures: the amendment clarifies that the option to measure an investment in an associate or a joint venture at fair value through profit or loss can be exercised differently for each investment upon initial recognition.

The Asklepios Group does not expect the regulations to have any significant effect on the Group's net assets, financial position and results of operations.

IFRS 17 Insurance Contracts

On 18 May 2017, the International Accounting Standards Board (IASB) issued IFRS 17 Insurance Contracts, which will replace IFRS 4 Insurance Contracts in future.

The new standard establishes general rules for the recognition, measurement, reporting and disclosure of insurance contracts. Under IFRS 17 there are two models for the measurement of insurance contracts: Measurement is either based on the principles of the general model or those of the premium allocation approach.

The standard is not relevant to the Asklepios Group.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 Uncertainty over Income Tax Treatments was issued on 7 June 2017.

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The Asklepios Group is currently examining the precise impact of the new interpretations.

Amendments to IFRS 9 Prepayment features with negative compensation

On 12 October 2017, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 "Prepayment features with negative compensation" to clarify the classification of financial assets in the event of prepayment features with negative compensation.

The amendment modifies the existing rules in IFRS 9 on prepayment options such that measurement at amortised cost is possible given negative compensation.

The amendments to IFRS 9 also clarify that an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange.

The Asklepios Group does not expect the regulations to have any significant effect on the Group's net assets, financial position and results of operations.

Amendments to IAS 28 Long-term interests in associates and joint ventures

On 12 October 2017, the International Accounting Standards Board (IASB) issued amendments to IAS 28 to clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Asklepios Group does not expect the regulations to have any significant effect on the Group's net assets, financial position and results of operations.

Improvements to International Financial Reporting Standards, 2015-2017 cycle

The IASB issued annual improvements, 2015-2017 cycle, on 12 December 2017 and thereby amended four standards:

- IFRS 3 Business Combinations: The amendment to IFRS 3 clarifies that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- IFRS 11 Joint Arrangements: IFRS 11 clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes: The amendment clarifies that all income tax consequences of dividends (profit distributions) are recognised in profit or loss.
- IAS 23 Borrowing Costs: The amendment clarifies that the borrowing costs specifically attributable to the development or production of a qualifying asset are only kept separate from the capitalisation rate on general borrowings until the related asset is ready for its intended use.

The Asklepios Group does not expect the regulations to have any significant effect on the Group's net assets, financial position and results of operations.

3. REPORTING AND RECLASSIFICATION

Assets and liabilities and expenses and income have been offset in accordance with IAS 1.33 when offsetting reflects the substance of the transaction. Receivables and liabilities were netted at the level of each German federal state in accordance with the Krankenhausfinanzierungsgesetz (KHG – German Hospital Financing Act).

The consolidated income statement, which is presented as a separate part of the consolidated financial statements in accordance with the option provided by IAS 1 (rev. 2011), has been prepared using the cost-summary method.

All amounts in the consolidated financial statements are disclosed in thousands of euro (EUR thousand) or millions of euro (EUR million) if no other currency unit is specified.

Some items of the consolidated financial statements of Asklepios Kliniken Verwaltungsgesellschaft mbH as at 31 December 2016 can only be compared with the consolidated financial statements of Asklepios Kliniken GmbH & Co. KGaA to a limited extent. As at January 2017, by way of purchase and transfer agreement between Broermann Holding GmbH and Asklepios Kliniken GmbH & Co. KGaA ("transfer agreement"), in particular the intangible assets, the intragroup service companies and financing were transferred to Asklepios Kliniken GmbH & Co. KGaA. All Group divisions and employees were integrated into Asklepios Kliniken GmbH & Co. KGaA in this context.

4. FINANCIAL YEAR

The financial year is the calendar year.

5. APPROVAL OF THE FINANCIAL STATEMENTS

The management approved the publication of the company's consolidated financial statements by signature.

III. Currency translation

The consolidated financial statements are prepared in euro, which is the functional and reporting currency of the Group.

Transactions in foreign currencies are translated to the functional currency at the rates prevailing at the date of the transaction. Gains and losses from the settlement of such transactions and from the translation at the closing rate of monetary assets and liabilities in foreign currencies are recognised in the consolidated income statement unless they are recognised as qualifying cash flow hedges and qualifying net investment hedges in equity (other comprehensive income).

IV. Consolidation and accounting methods

The financial statements of the entities included in the consolidated financial statements of the company were prepared on the basis of uniform accounting policies. The financial statements of all consolidated companies were prepared as at the same date as the consolidated financial statements.

1. BASIS OF CONSOLIDATION

a) Subsidiaries

In addition to Asklepios Kliniken GmbH & Co. KGaA as the ultimate parent company, the consolidated group also includes the subsidiaries directly or indirectly controlled by AKG. The Group controls a subsidiary when it is exposed to variable returns from its investment in the subsidiary or has rights to these returns and has the ability to use its power over the subsidiary to affect these returns. The subsidiaries are consolidated from the day the Group obtains control. The subsidiaries are deconsolidated when the Group loses control.

In the event of loss of control over a subsidiary, the assets and liabilities of the former subsidiary are derecognised and any retained interests are recognised at fair value. Subsequently, the investment and all amounts that the Group owes to or is owed by the former subsidiary are accounted for in compliance with the relevant IFRS. The fair value is deemed to be the initial value of a financial asset or, if applicable, the cost on addition of an investment in an associate or joint venture. Gains and losses on the loss of control are recognised in the income statement. This also applies to the amounts that were previously included in the statement of comprehensive income.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. The costs incurred for a business combination are expensed and reported under administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration deemed to be an asset or liability will be recognised in accordance with IAS 39 as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

The fair value adjustments from the realisation of hidden reserves and liabilities are carried forward, amortised or reversed in subsequent periods in line with the development of the assets and liabilities. Goodwill is tested for impairment at least once a year in subsequent periods and written down to its recoverable value if impaired.

If shares are acquired in stages, the difference between the cost and the pro rata equity is recognised as goodwill. In this case, the share of equity previously held by the acquirer is remeasured at fair value on the acquisition date and the gain or loss arising is recognised in profit and loss.

Intercompany expenses and income and receivables and liabilities between consolidated entities are eliminated. Intercompany profits and losses are eliminated if material. In the event of consolidation adjustments in profit or loss, the income tax effects are recognised and deferred taxes reported.

b) Associates

Associates are entities over which the Group has significant influence but no control. Investments in associates are reported using the equity method and initially measured at cost. The share of the Group in associates contains the goodwill incurred on acquisition.

The Group's share in the gains and losses of associates is recognised in the consolidated income statement from the date of acquisition, while the share of changes in associates' reserves is recognised in the Group's reserves. The total changes after the acquisition are offset against the carrying amount of the investment. Dividend payments are subtracted accordingly from the amount recognised in equity. If the Group's share of losses in an associate corresponds to or exceeds the Group's interest in this entity, including other unsecured receivables, the Group will not recognise any further losses unless it has entered into obligations for the associate or has made payments for the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only once its share of the profits exceeds the share of losses not recognised.

Unrealised gains resulting from transactions between Group entities and associates are eliminated in proportion to the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates were amended where necessary to guarantee uniform accounting within the Group.

c) Other equity investments

Equity investments of the Group that are neither consolidated as subsidiaries (IFRS 10) nor consolidated as associates (IAS 28) are accounted for in accordance with the principles of IAS 39. The Group recognises such equity investments as "Available-for-sale financial assets". They are measured at fair value on initial recognition. Transaction costs were initially recognised as part of the purchase price. Available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised directly in other comprehensive income in the reserve for available-for-sale financial assets.

d) Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets attributable to shares not held by equity holders of the parent. Non-controlling interests are reported separately in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of financial position. They are reported in equity in the consolidated statement of financial position.

If the Group's holding in a subsidiary changes and the Group does not lose control of the subsidiary, these transactions are treated as equity transactions. This applies to transactions with owners in their capacity as owners.

The Group recognises directly in equity any difference between the amount by which the non-controlling interests change and the fair value of the consideration paid or received.

e) Basis of consolidation

The following entities belonged to the consolidated group as at 31 December 2017. Other supplementary information provided includes the amount of the interest (direct and indirect) and whether or not the respective entity exercised the exemption of section 264(3) HGB and section 264b HGB not to prepare a management report or meet disclosure requirements.

Return

Name, headquarters	Equity interest in % 2017	Equity interest in % 2016	Section 264(3) HGB/section 264b HGB
AKG Klinik Hohwald GmbH, Königstein	100.00	100.00	Yes
AKG Klinik Parchim GmbH, Königstein	94.00	94.00	Yes
AKG Kliniken GmbH, Königstein	100.00	100.00	Yes
Ambulantes Gesundheitszentrum Schwedt GmbH, Schwedt	100.00	100.00	Yes
Angiologikum GmbH, Hamburg	100.00	0.00	No
Aponova Home & Care GmbH, Lübeck	100.00	100.00	Yes
Asklepios - ASB Krankenhaus Radeberg GmbH, Radeberg	94.00	94.00	No
Asklepios Aponova GmbH, Hamburg	100.00	100.00	No
Asklepios Business Services GmbH, Königstein	100.00	0.00	No
Asklepios Business Services Hamburg GmbH, Hamburg	100.00	100.00	No
Asklepios Connecting Health GmbH, Hamburg	100.00	100.00	Yes
Asklepios Connecting Health Deutschland GmbH, Königstein	100.00	100.00	No
Asklepios Dienstleistungsgesellschaft Hamburg mbH, Hamburg	100.00	100.00	No
Asklepios Dienstleistungsgesellschaft mbH, Gauting	100.00	0.00	Yes
Asklepios Einkauf und Versorgung Hamburg GmbH, Hamburg	94.00	94.00	No
Asklepios Fachkliniken Brandenburg GmbH, Brandenburg	100.00	100.00	Yes
Asklepios Fachklinikum Stadtroda GmbH, Stadtroda	94.00	94.00	Yes
Asklepios Facility Services Hamburg GmbH, Hamburg	100.00	100.00	No
Asklepios Gesundheitszentrum Bad Tölz GmbH, Bad Tölz	100.00	100.00	Yes
Asklepios MVZ Bayern GmbH (vormals: Asklepios Gesundheitszentren Ostbayern GmbH), Cham	100.00	100.00	Yes
Asklepios Gesundheitszentrum GmbH, Königstein	100.00	100.00	Yes
Asklepios Hamburg Personalservice GmbH, Hamburg	100.00	100.00	No
Asklepios Harzkliniken GmbH, Goslar	94.00	94.00	Yes
Asklepios International Beteiligungsgesellschaft mbH, Königstein	100.00	100.00	No
Asklepios International GmbH, Königstein	100.00	100.00	No
Asklepios IT-Services Hamburg GmbH, Hamburg	100.00	100.00	No
Asklepios Klinik Alsbach GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Bad Griesbach GmbH & Cie OHG, Königstein	94.00	94.00	Yes
Asklepios Klinik Bad Salzungen GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Bad Wildungen GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Fürstenhof Bad Wildungen GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Gauting GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Lenggries GmbH, München	100.00	100.00	No
Asklepios Klinik Lich GmbH, Lich	94.00	94.00	Yes
Asklepios Klinik Lindau GmbH, Lindau	100.00	100.00	No
Asklepios Klinik Lindenlohe GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Pasewalk GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Sankt Augustin GmbH, Sankt Augustin	94.00	94.00	Yes

Name, headquarters	Equity interest in % 2017	Equity interest in % 2016	Section 264(3) HGB/section 264b HGB
Asklepios Klinik Schaufling GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Sobernheim GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Wiesbaden GmbH, Königstein	94.00	94.00	Yes
Asklepios Kliniken Hamburg GmbH, Hamburg	74.90	74.90	No
Asklepios Kliniken Langen-Seligenstadt GmbH, Langen	94.00	94.00	Yes
Asklepios Kliniken Weißenfels – Hohenmölsen GmbH, Weißenfels	94.00	94.00	Yes
Asklepios Klinikum Bad Abbach GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinikum Uckermark GmbH, Schwedt	94.00	94.00	No
Asklepios Krankenpflegeschulen gGmbH, Königstein	95.00	95.00	No
Asklepios Kurhaus GmbH, Königstein	100.00	100.00	Yes
Asklepios Lindau Beteiligungsgesellschaft mbH, Lindau	100.00	100.00	No
Asklepios Medical Healthcare China Holding GmbH, Königstein	100.00	100.00	No
Asklepios Medical School GmbH, Hamburg	100.00	100.00	No
Asklepios MVZ Hessen GmbH (vormals: MVZ Asklepios Klinik Seligenstadt GmbH), Seligenstadt	100.00	100.00	Yes
Asklepios MVZ Mitteldeutschland GmbH, Stadtroda	100.00	100.00	Yes
Asklepios MVZ Nord GmbH, Hamburg	100.00	100.00	Yes
Asklepios MVZ Nord SH GmbH (vormals: Asklepios MVZ Nord Schleswig Holstein GmbH), Hamburg	100.00	100.00	Yes
Asklepios MVZ Niedersachsen GmbH, Goslar	100.00	0.00	No
Asklepios MVZ Weißenfels GmbH, Weißenfels	100.00	100.00	Yes
Asklepios Nordseeklinik Westerland GmbH, Königstein	93.00	93.00	Yes
Asklepios Objektbetreuung Hamburg GmbH, Hamburg	100.00	100.00	No
Asklepios Pflegeheim Weserblick GmbH, Königstein	100.00	100.00	Yes
Asklepios Poland sp. z o.o., Stettin (Polen)	100.00	100.00	n.a.
Asklepios Privita GmbH, Hamburg	100.00	100.00	No
Asklepios Psychiatrie Langen GmbH, Langen	100.00	100.00	Yes
Asklepios Psychiatrie Niedersachsen GmbH, Göttingen	100.00	100.00	Yes
Asklepios Reha - Klinik Bad Schwartau GmbH, Königstein	94.00	94.00	Yes
Asklepios Schwalm-Eder-Kliniken Dienstleistungs-GmbH, Schwalmstadt	100.00	100.00	No
Asklepios Schwalm-Eder-Kliniken GmbH, Schwalmstadt	94.00	94.00	No
Asklepios Service Einkauf und Versorgung GmbH, Königstein	100.00	0.00	No
Asklepios Service Hotellerie GmbH, Königstein	100.00	0.00	Yes
Asklepios Service IT GmbH, Königstein	100.00	100.00	No
Asklepios Service Reinigung GmbH, Königstein	100.00	0.00	No
Asklepios Service Technik GmbH, Königstein	100.00	0.00	No
Asklepios Stadtklinik Bad Tölz GmbH, Königstein	94.00	94.00	Yes
Asklepios Stadtkrankenhaus Seesen GmbH, Seesen	100.00	100.00	No
Asklepios Südpfalzkliniken GmbH, Burglengenfeld	94.00	94.00	Yes
Asklepios Therapie GmbH, Königstein	100.00	100.00	No

Name, headquarters	Equity interest in % 2017	Equity interest in % 2016	Section 264(3) HGB/section 264b HGB
Asklepios Weserbergland-Klinik GmbH, Höxter	94.00	94.00	Yes
Asklepios Westklinikum Hamburg GmbH, Hamburg	74.98	74.98	Yes
Beteiligungsgesellschaft Prof. Mathey, Prof. Schofer GmbH, Hamburg	100.00	0.00	No
Cortex Software GmbH, Offenburg	100.00	100.00	Yes
DHZ Deutsches Herzklappenzentrum GmbH, Hamburg	100.00	0.00	No
Fachklinik Rhein/Ruhr für Herz/ Kreislauf- und Bewegungssystem GmbH & Co. KG, Essen	100.00	100.00	Yes
Fachklinik Rhein/Ruhr für Herz/ Kreislauf- und Bewegungssystem Verwaltungs GmbH, Essen	100.00	100.00	No
Fachklinikum Wiesen GmbH, Königstein	100.00	100.00	Yes
Fachklinik Zwieselberg GmbH, Freudenstadt	100.00	0.00	Yes
German health tv GmbH, Königstein	100.00	100.00	Yes
GFB medi GmbH, Alsbach	100.00	100.00	No
GKB Klinikbetriebe GmbH, Königstein	94.00	94.00	Yes
HDG-Harzkliniken Dienste GmbH, Goslar	100.00	100.00	Yes
Herzzentrum Lahr/Baden GmbH & Co. KG, Bad Rappenau	94.49	94.49	Yes
HKW Hamburger Krankenhauswäscherei GmbH, Hamburg	51.00	51.00	No
KB Krankenhausbeteiligungsgesellschaft mbH & Co. KG, Essen	100.00	100.00	Yes
KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH, Essen	100.00	100.00	Yes
KLS – Facility Management GmbH, Langen	100.00	100.00	No
Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau	94.49	94.49	No
Kraichgau-Klinik Bad Rappenau GmbH & Co. KG, Bad Rappenau	94.49	94.49	Yes
Lungenpraxis am Wördemannsweg GmbH, Hamburg	100.00	0.00	No
MAH Medizinische Akademie Hamburg GmbH, Hamburg	100.00	51.00	No
MC Kliniken Geschäftsführungs-GmbH, Offenburg	94.49	94.49	Yes
MC Service GmbH, Offenburg	100.00	100.00	Yes
MediClin à la Carte GmbH, Offenburg	100.00	100.00	Yes
MediClin AG, Offenburg	52.73	52.73	No
MediClin Betriebs GmbH, Offenburg	100.00	100.00	Yes
MediClin Dr. Hoefer-Janker GmbH & Co. Klinik KG, Bonn	100.00	100.00	Yes
MediClin Fachklinik Rhein / Ruhr Therapie & Pflege GmbH (vormals: MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig), Essen	100.00	100.00	Yes
MediClin Energie GmbH, Offenburg	100.00	100.00	Yes
MediClin Geschäftsführungs-GmbH, Offenburg	100.00	100.00	Yes
MediClin GmbH & Co. KG, Offenburg	100.00	100.00	Yes
MediClin Immobilien Verwaltung GmbH, Offenburg	100.00	100.00	Yes
MediClin Krankenhaus am Crivitzer See GmbH, Crivitz	100.00	100.00	Yes
MediClin Medizinisches Versorgungszentrum GmbH, Offenburg	100.00	100.00	Yes
MediClin Pflege GmbH, Offenburg	100.00	100.00	Yes
MediClin Therapie GmbH, Offenburg	100.00	100.00	Yes

Name, headquarters	Equity interest in % 2017	Equity interest in % 2016	Section 264(3) HGB/section 264b HGB
MEDILYS Laborgesellschaft mbH, Hamburg	100.00	100.00	No
Medizinisches Versorgungszentrum Prof. Mathey, Prof. Schofer GmbH, Hamburg	100.00	0.00	No
MVZ Hamburg-Ost HOG GmbH, Hamburg	100.00	100.00	No
MVZ Hanse Histologikum GmbH, Hamburg	51.00	51.00	No
MVZ MediClin Bonn GmbH, Bonn	100.00	100.00	Yes
MVZ Onkologie Barmbek GmbH, Hamburg	100.00	100.00	No
MVZ Sobernheim GmbH, Bad Sobernheim	100.00	0.00	No
MVZ Vorpommern GmbH, Pasewalk	100.00	100.00	Yes
MVZ-Müritz GmbH, Waren	100.00	100.00	Yes
Nordseeklinik Neubau GmbH, Königstein	100.00	100.00	Yes
Orthopädietechnik Weitner GmbH, Frankfurt am Main	100.00	0.00	No
OT-Rhein-Main GmbH, Föhren	100.00	0.00	No
Personalagentur für Gesundheit GmbH, Alsbach	100.00	100.00	Yes
Poly Z Med GmbH, Königstein	100.00	100.00	Yes
ProCuraMed AG, Bern (Schweiz)	100.00	100.00	n.a.
Prof. Mathey, Prof. Schofer Vermietungsgesellschaft mbH & Co. KG, Hamburg	100.00	0.00	No
ProFuß GmbH, Föhren	80.00	0.00	No
PROMEDIG gemeinnützige Gesellschaft für medizinische Innovation mbH, Hamburg	100.00	100.00	No
Reha - Klinik Schildautal Investgesellschaft mbH, Königstein	99.00	99.00	Yes
Rehabilitationszentrum Gernsbach/ Schwarzwald GmbH & Co. KG, Bad Rappenau	94.49	94.49	Yes
Rückenzentrum St. Georg GmbH, Hamburg	100.00	51.00	No
Sächsische Schweiz Kliniken GmbH, Sebnitz	100.00	100.00	No
Samedi GmbH, Berlin	100.00	0.00	No
Sanomed Sanitätshaus für Orthopädie und Rehabilitationstechnik GmbH, Bad Sobernheim	75.10	0.00	No
Universitäres Herz- und Gefäßzentrum Hamburg GmbH, Hamburg	100.00	0.00	No
ZIT Zentralinstitut für Transfusionsmedizin GmbH, Hamburg	100.00	100.00	No

The following companies are accounted for at cost as it was not possible to determine their fair values reliably (shares in capital unchanged year-on-year):

Name, headquarters	Equity interest in %	Equity EUR '000	Net income EUR '000
4QD – Qualitätskliniken.de GmbH, Berlin**	20,000	953	65
Bad Griesbacher Tunnelanlagen GmbH & Co. Betriebs – KG, Bad Griesbach**	15,500	1,887	-151
KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, Crivitz**	69,231	46	11
MediServ GmbH, Essen**	51,000	45	-7
Movival GmbH, Achern**	45,450	359	-141
Müritz-Klinikum Service GmbH, Waren**	51,000	110	24
VR-LEASING ABYDOS GmbH & Co. Immobilien GmbH, Eschborn**	44,408	-66	57
Wir für Gesundheit GmbH, Berlin*	33,330	429	-1,691

* Figures for 2016 as figures not yet available for 2017; ** Figures for 2017

The following companies are accounted for using the equity method:

Name, headquarters	Equity interest in %
Athens Medical Center S.A., Athens	36.48
Collm Klinik Oschatz GmbH, Oschatz	25.00
Meierhofer AG, Munich	40.00
Rhön-Klinikum AG, Bad Neustadt an der Saale	25.10

2. INTANGIBLE ASSETS

Intangible assets are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

After initial recognition, intangible assets are carried at amortised cost.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets with a finite useful life are amortised on a straight-line basis over their useful life and tested for impairment whenever there is an indication that the intangible asset could have become impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each financial year at least. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

	Useful life in years
Software and licences	3 to 10
Brands and customer bases	10 to 20

Impairment is recognised in the income statement in amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment. With the exception of goodwill, there are no intangible assets with an indefinite useful life in the Group.

3. GOODWILLE

Goodwill arising from a business combination is initially measured at cost, which is the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently using an impairment test if events or changes in circumstances indicate that the carrying amount could have become impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units, or groups of cash-generating units (CGUs), that are expected to benefit from the synergies of the combination from the acquisition date, regardless of whether other assets or liabilities of the Group are assigned to those cash-generating units or groups of cash-generating units. A cash-generating unit or group of cash-generating units to which goodwill has been allocated is the lowest level in the Group at which goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. The recoverable amount is the higher of an asset's net selling price and its value in use. An impairment loss is recognised where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount. If the impairment exceeds the carrying amount of the goodwill, the difference is allocated proportionally to the CGU's assets. If the reasons for impairment cease to exist, impairment of goodwill is not reversed. Impairment is recognised in the income statement in amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is based on the following useful lives:

	Useful life in years
Land rights	60 years
Residential and commercial buildings	20 to 52 years
Land improvements	10 to 20 years
Plant and machinery	6 to 30 years
Other equipment, furniture and fixtures	3 to 15 years

The carrying amounts of property, plant and equipment are tested for impairment as soon as there is any indication that the carrying amount of an asset exceeds its recoverable amount.

Property, plant and equipment are derecognised upon disposal or when no further economic benefits are expected from their continued use or sale. The gain or loss on derecognition is determined as the difference between the net disposal proceeds and the carrying amount and recognised in the consolidated income statement in the period in which the item is derecognised.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of each financial year and adjusted if necessary.

The cost of repairing property, plant and equipment, including current maintenance costs, for example, is recognised in profit or loss.

5. GOVERNMENT GRANTS

The company receives government grants for different programs subsidised by the state. In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), a government grant is only recognised if there is reasonable assurance of compliance with the conditions attached to it and that the grant will be received. If government grants are made for the purchase of property, plant and equipment, these grants are offset against the cost of the asset in accordance with IAS 20.24. In addition, the company receives grants earmarked for financing current expenses. These grants are recognised in profit or loss and deducted from the corresponding expenses in the appropriate period.

Assistance granted to entities in the Group in the form of an interest benefit in the granting of non-interest bearing or low-interest bearing loans is determined at the time of granting and also deducted from the cost of the subsidised asset.

6. LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases under which a material portion of the risks and rewards connected with ownership of the leased property are retained by the lessor are classified as operating leases. In this case, payments made are charged to the income statement on a straight-line basis over the period of the lease.

Leases under which the Group bears the key risks and enjoys the benefits of ownership of the leased property are classified as finance leases. Finance lease assets are capitalised at the time of the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. A lease liability is recognised in the same amount. Each lease instalment is split into an interest component and a repayment component in order to keep the interest charged on the lease liability at a constant level. The interest component of the lease instalment is recognised in the income statement as an expenses so as to incur a constant rate of interest over the term of the lease. The corresponding finance lease asset is depreciated over the shorter of the term of the lease or the economic life of the leased asset.

The new IASB standard on accounting for leases will significantly increase the finance leases recognised by the Asklepios Group. We expect this to lead to an increase in non-current assets and standard financial liabilities, which could considerably alter the Group's capital structure, and an increase in EBITDA on account of the absence of rental expenses.

7. RESEARCH AND DEVELOPMENT COSTS

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the technical and commercial application of research findings. Research costs are expensed as incurred. The portion of development costs for which the requirements for recognition as an intangible asset in accordance with IAS 38 – Intangible Assets are met in full is recognised as an intangible asset.

Development costs that must be capitalised were not incurred in the current financial year or the previous year. Development costs are subsidised and therefore have no effect on earnings in net terms.

8. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset (IAS 23.11). Borrowing costs of EUR 1.5 million (previous year: EUR 1.5 million) were capitalised in connection with construction projects in the 2017 financial year. The capitalised amount was calculated as a surcharge rate from the capitalisation rate for loans taken out (8.17%).

All other borrowing costs are expensed in the period in which they were incurred (IAS 23.10).

9. IMPAIRMENT OF NON-FINANCIAL ASSETS

Other intangible assets and property, plant and equipment are subject to impairment testing by the company in accordance with IAS 36.

An impairment loss is charged on other intangible assets and property, plant and equipment if, as a result of certain events or developments, the carrying amount of the asset is no longer covered by the expected proceeds from the sale or the discounted net cash flow from further use. If it is not possible to determine the recoverable amount for individual assets, the cash flows are determined from the next higher cash-generating unit.

Impairment losses are reversed if the reason for impairment ceases to apply in subsequent years. The reversal of impairment losses is limited to the maximum amount of amortised cost that would have resulted had the impairment losses not been charged.

The test for impairment is carried out annually. If there are indications that could result in potential impairment, tests are carried out more frequently. Net cash flows are determined on the basis of forecasts for the individual reporting units; for subsequent years, the net cash flow trend is determined. The expected net cash flows are discounted using a risk-adjusted interest rate. Other parameters are derived from standardised industry figures. We use the expertise of independent advisory firms for this purpose.

The following parameters were used for all cash-generating units (CGUs) when testing for impairment:

	2017	2016
Planning horizon	3 years	3 years
Growth rate including perpetuals	0.5%	0.5%
Discount rate before tax	4.3%	3.4%

The average revenue growth for the key companies to which goodwill has been assigned is between 1.0% and 7.5% in the 2018 to 2020 planning period. The pre-tax discount rate is 4.4% (previous year: 4.0%).

Our business model includes the turnaround of loss-making clinics/institutions, which generally takes up to five years in the industry.

10. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments recognised as financial assets or financial liabilities are reported separately. Financial instruments are recognised as soon as a Group entity becomes a party to the financial instrument. Financial instruments are initially measured at fair value. Transaction costs are initially recognised as part of the purchase price (except for transaction costs incurred for financial assets, which are measured at fair value through profit or loss).

For subsequent measurement, the financial instruments are allocated to one of the measurement categories listed in IAS 39 (Financial Instruments: Recognition and Measurement). Financial assets are derecognised if the rights to cash flows have expired or if the right to receive the cash flows has been transferred and the Group has substantially transferred all risks and rewards incidental to ownership.

Financial assets as defined by IAS 39 are broken down into financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and derivative financial instruments. The classification depends on the purpose for which the financial asset in question was acquired. Regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within the period generally established by regulation or convention in the marketplace.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading. Financial assets such as shares or interest-bearing securities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in profit or loss. An exception to this relates to financial instruments designated for hedge accounting. Gains or losses on these are reported in other comprehensive income.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as trade receivables for example. These are disclosed under current assets, provided that they do not fall due in more than twelve months from the end of the reporting period. After initial recognition, loans and receivables are subsequently measured at amortised cost using the effective interest method minus any reduction for impairment. Impairment is recognised if partial or full uncollectibility is expected. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. The time value of money from using the effective interest method is also recognised in profit or loss.

c) Available-for-sale financial assets

If a decline in the fair value of an available-for-sale financial asset was recognised in other comprehensive income, this amount is reclassified to loss if there is objective evidence that this asset is impaired. This even occurs if the asset is not derecognised.

Impairment losses recognised in profit or loss for equity instruments categorised as available-for-sale financial assets are not reversed to profit or loss.

If the fair value of a debt instrument classified as available for sale increases in a period after the impairment was recognised in profit or loss, this impairment is reversed and the amount of the reversal is recognised in profit or loss.

The Group determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The carrying amount of cash and cash equivalents, receivables, and current liabilities approximates fair value due to the relatively short-term maturity of these instruments. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period.

d) Derivative financial instruments

Derivative financial instruments are financial contracts whose value is derived from the price of an asset (such as shares, obligations, money market instruments or commodities) or a reference rate (such as currencies, indices and interest rates). Little or no initial investment is required and they are settled in the future. Examples of derivative financial instruments include options, forward transactions or interest rate swaps.

Unless used as hedges, derivative financial instruments are measured at fair value in profit or loss in accordance with IAS 39.

The Group adheres to the requirements of IAS 39 with respect to fair value hedge accounting. Changes in the fair value of derivatives designated to hedge the fair value of the hedged item are reported in the income statement together with the changes in the fair value of the hedged item.

Offers available to the Group for the acquisition of assets were designated as fair value hedges to hedge fluctuations of the market price. If the hedge can be considered effective, the carrying amount of the hedging items is adjusted for the changes in the fair value attributable to the hedged risk.

The fair value hedge was not recognised in the 2017 financial year as the quoted price of the assets hedged was higher than the purchase offer by the related party.

e) Financial liabilities

Financial liabilities as defined by IAS 39 are classified as financial liabilities at fair value through profit or loss or as other financial liabilities.

The Group determines the classification of its financial liabilities upon initial recognition and, where allowed and appropriate, reassesses this designation at each financial year-end.

Financial liabilities at fair value through profit or loss are measured at fair value upon initial recognition. Gains and losses from changes in fair value are recognised immediately in profit or loss. As in the previous year, the Group has not allocated any financial liabilities to the "Financial liabilities measured at fair value through profit or loss" category as at the end of the reporting period.

Financial liabilities, which are therefore all allocated to the "Financial liabilities measured at amortised cost" category, are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. They are reported under other financial liabilities.

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or expires.

f) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset if the Group has a right to offset the amounts recognised against each other at the current time and the Group intends to settle the financial assets and financial liabilities on a net basis or to settle the associated liability simultaneously with the realisation of the asset. The legal right must not be contingent on future events and must be enforceable in the ordinary course of business.

g) Determination of fair value

The following table shows financial instruments measured at fair value analysed in terms of measurement method. The different levels are as follows:

- Level 1: market prices (unadjusted) used on the active market for identical assets and liabilities
- Level 2: inclusive data, apart from the level 1 market prices, that are observable for the assets and liabilities either directly (i.e. as price) or indirectly (i.e. derived from price)
- Level 3: inclusive data for assets and liabilities not based on market data (the Group's investments are reported at amortised cost at this level as no market price can be calculated for them)

31 December 2017 (EUR million)	Level 1	Level 2	Level 3	Net total
Financial assets	0.0	0.0	2.0	2.0
Available-for-sale financial assets	0.0	0.0	0.0	0.0
Financial liabilities	0.0	0.0	0.0	0.0

31 December 2016 (EUR million)	Level 1	Level 2	Level 3	Net total
Financial assets	0.0	0.0	0.6	0.6
Available-for-sale financial assets	309.1	0.0	0.0	309.1
Financial liabilities	0.0	0.2	0.0	0.2

Please see VIII. 5) "Financial and other financial assets" for information on changes in financial assets available for sale.

The fair value of financial instruments that are traded on the active market is based on the quoted market bid price at the close of business at the end of the reporting period. The market is considered active if quoted prices are readily and regularly available from an exchange, dealer, industry group, pricing service or regulatory agency, and those prices represent current and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded on an active market is calculated using a measurement method. Fair value is thus estimated on the basis of the results of a measurement method that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs. If all inputs required for measuring fair value are observable, the instrument is assigned to level 2.

If one or more significant inputs are not based on observable market data, the instrument is assigned to level 3. There were no reclassifications in this financial year or the previous year.

h) Net profit by measurement category

	From subsequent measurement				
EUR million	From net interest income	Fair value	Impairment	2017	2015
Loans and receivables	0.4	-4.7	-10.9	-15.2	-14.5
Financial liabilities measured at amortised cost	0.2	0.0	0.0	0.2	-30.1
Financial assets and liabilities measured at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0
Available-for-sale financial assets	0.0	0.0	0.0	0.0	9.4

Net profit from subsequent measurement of loans and receivables comprises the income and expenses from impairment of trade receivables.

The liabilities recognised at fair value and the financial assets and liabilities measured at fair value through profit or loss relate to a fair value hedge with a net result of zero. The fair value hedge was not recognised in the 2017 financial year as the quoted price of the assets hedged was higher than the purchase offer by the related party.

Net income from available-for-sale financial assets includes dividends in full, which are reported in net investment income.

11. INCOME TAXES

a) Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities..

b Deferred taxes

Deferred tax is recognised using the liability method on all temporary differences as at the end of the reporting period between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax bases. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled. The tax rates and tax laws in effect as at the end of the reporting period apply. Future changes in tax rates are taken into account as at the end of the reporting period, to the extent that their material effectiveness conditions are fulfilled in the course of the legislative process.

Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carry forwards to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the unused tax loss carry forwards can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reviewed at the end of each reporting period and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realised.

As in the previous year, a corporate income tax rate of 15% plus a solidarity surcharge of 5.5% of corporate income tax was used to determine deferred taxes as at 31 December 2017. The operating clinics are generally exempt from trade tax.

For transactions and other events recognised in other comprehensive income, any income taxes are also recognised in other comprehensive income and not in the consolidated income statement. In the financial year, this related to the change in the fair value of financial assets in the amount of EUR 11 thousand (previous year: EUR 250 thousand) and the change in pension commitments of EUR 1,556 thousand (previous year: EUR 8,558 thousand).

Deferred tax assets and deferred tax liabilities are offset against each other where the Group has an enforceable right to offset the current tax assets against the tax liabilities and these assets and liabilities relate to income taxes levied by the same tax authority for the same taxable entity. Deferred taxes are not discounted.

12. INVENTORIES

Inventories are measured at the lower of the cost and net realisable value in accordance with IAS 2, using their average cost price as a simplified measurement method. All identifiable risks in inventories resulting from an above-average storage period or reduced options for disposal of inventories are taken into account by carrying out appropriate impairments.

Work in progress relates to inpatients whose treatment is still ongoing as at the end of the reporting period. We do not report any income realised in accordance with the percentage of completion method from estimates and assumptions from the measurement of these inpatients (zero profit method); see IV.19) “Estimates and assumptions” for more details. The number of patients in the hospital is recorded as at the end of the reporting period. If we have to assume as at the end of the reporting period that the contract costs will exceed contract revenue, we initially write down the estimated contract costs. We also report provisions for potential losses as necessary.

13. TRADE RECEIVABLES

Receivables are not secured and therefore subject to the risk of total or partial default. Specific bad debt allowances in a separate allowance account are recognised if receivables are fully or partially uncollectible or it is likely that they cannot be collected, and the amount can be determined reliably. Receivables are written off directly if there is objective evidence that it will not be possible to collect the debts.

The bad debt allowances make provision for all recognisable risks based on individual risk estimates and past experience.

14. REVENUE RECOGNITION

Revenue is essentially generated from the running of hospitals and therefore consists exclusively of revenue from the performance of services. Like all other hospitals in Germany, our hospitals are subject to statutory remuneration rules (including the Krankenhausentgeltgesetz (KHEntgG – German Hospital Fees Act) and the Bundespflegesatzverordnung (BPflV – German National Hospital Rate Ordinance)). The offering of the hospitals and the prices charged to the payers (predominantly health insurance companies) are regulated by a large number of laws and ordinances at state and federal level. The inpatient services provided by the hospitals are supposed to be remunerated from budgets negotiated prospectively with the statutory health insurers. In practice, however, budgets negotiations take place during a financial year, and sometime are not finished before the financial year has ended. In such cases there is uncertainty surrounding the agreed volume of services and/or remuneration, for which we use appropriate estimates.

Most of our revenue stems from billing DRGs under the German Hospital Fees Act in our acute hospitals. No statutory DRGs are defined for some of our services (in particular psychiatry and treatment of psychologically disturbed criminals). Remuneration here is based on the budgets negotiated according to daily nursing charges in accordance with the German National Hospital Rate Ordinance or local provisions.

The budgets negotiated, which are capped, result from multiplying the service volume by the price. The budgets are negotiated by our hospitals with the payers.

Dividend income is recognised at the date at which the right to receive the payment arises and is reported in net investment income. Interest income is recognised using the effective interest method.

15. OTHER RECEIVABLES AND OTHER ASSETS

Other receivables and other assets are stated at amortised cost. Adequate specific bad debt allowances are recognised for items subject to risk.

16. CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the statement of financial position comprise short-term, highly liquid monetary deposits with an original maturity of less than three months from the date of acquisition. Cash and cash equivalents correspond to the cash and cash equivalents in the consolidated statement of cash flows.

17. OTHER PROVISIONS

Provisions are recognised when the Group has a present obligation (legal, contractual or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is reported in the consolidated income statement net of the amount recognised for a reimbursement that is virtually certain.

Non-current provisions are discounted. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

18. PROVISIONS FOR PENSIONS

The Group has various pension plans. The plans are financed by payments to insurance companies or pension funds or by creating provisions, the amount of which is based on actuarial calculations. The Group has both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which fixed contribution payments are paid to an independent company (insurance company or pension fund).

Under defined contribution plans, the Group makes contributions to public or private pension plans based on statutory or contractual obligations. The Group has no other payment obligations apart from the payment of the contributions. The contributions are recognised in staff costs when they fall due.

A defined benefit plan is a pension plan that does not fall under the definition of a defined contribution plan. Typically it involves a fixed amount of pension payments to be paid to an employee upon retirement, which is usually based on one or several factors such as the employee’s age, years of service and salary.

The provision for defined benefit plans recognised in the statement of financial position corresponds to the present value of the defined benefit obligation (DBO) as at the end of the reporting period less the plan assets to cover the obligations.

The DBO is calculated annually by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting the future expected cash outflows using the interest rate on high-quality corporate bonds with the same maturities as the pension obligation. The pension obligations are measured on the basis of actuarial appraisals that include the assets available to cover these obligations.

Actuarial gains and losses based on experience adjustments and changes in actuarial assumptions are recognised immediately. They are shown as components of total comprehensive income outside the consolidated income statement in the statement of comprehensive income and are subsequently reported directly in retained earnings in total comprehensive income; they are no longer recognised in profit or loss in subsequent periods.

IAS 19 (rev. 2011) introduced net interest income. Net interest income is calculated by applying the actuarial interest rate to net liabilities/net assets. When calculating net interest income in accordance with IAS 19 (rev. 2011), the actuarial interest rate is also implicitly applied to plan assets. The difference between the (expected) net interest income and the actual income is recognised with the remeasurements and thus in other comprehensive income.

Under collectively bargained agreements, the Group has to make contributions for a certain number of employees to a public sector pension plan (supplemental pension plan ZVK). The contributions are made by way of cost sharing. This plan is a multi-employer plan (IAS 19.8 (rev. 2011)) as the entities involved share both the credit risk and the biometric risk.

The ZVK pension is classified as a defined benefit pension plan (IAS 19.30 (rev. 2011)). As the information required to make a more detailed calculation of the proportion of future payment obligations attributable to the Group is not available, the requirements of IAS 19.34 (rev. 2011) are applicable. The ZVK is essentially financed by cost sharing, whereby the contribution rate for a certain coverage period is determined at the level of the entire pool of insured persons and not at the level of the individual insured risk. Asklepios therefore also bears the risks (biometric, capital investment) of the other sponsoring entities of the ZVK. The obligations are therefore accounted for as a defined contribution plan. There are no agreements as defined by IAS 19.36 (rev. 2011), hence it is not necessary to recognise a corresponding asset or liability. The recognition of any liability item in the statement of financial position is subordinate to warrantor obligations of public-sector entities. The current contribution payments to ZVK are reported as pension costs for the respective years as post-employment benefits in staff costs.

The pension provisions also include indirect obligations covered by the provident funds, provided that Asklepios Kliniken GmbH or its subsidiaries are responsible for fulfilling the obligations by way of payment of the corresponding amounts to the external pension funds. The obligations are recognised less the plan assets of the provident fund. In addition, there are obligations to civil servants of the city of Hamburg on leave of absence and individual contractual obligations to retired members of executive bodies.

19. ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires that assumptions or estimates be made that affect the values stated in the company's statement of financial position, the reporting of contingent liabilities and the reporting of income and expenses.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in subsequent financial years are discussed below (the carrying amounts of receivables and liabilities as well as further explanations can be found in section VIII.).

› Acquisitions: Assumptions and estimates influence the purchase price allocation for acquisitions. Contingent purchase price liabilities are recognised at fair value in the context of purchase price allocation.

› Impairment of goodwill: The Group reviews goodwill for impairment annually. This involves an estimate of the value in use of the cash-generating units (CGUs) to which the goodwill is allocated. Calculating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose the discount rates in order to calculate the present value of those cash flows.

  The carrying amount of goodwill was EUR 505,256 thousand as at 31 December 2017 (previous year: EUR 358,084 thousand).

  Please see IV.9) for information on the performance of impairment tests and the corresponding notes on goodwill.

› Fair value of derivative and other financial instruments: The fair value of financial instruments not traded on an active market is determined by applying suitable techniques selected from a variety of methods. The assumptions used are mostly based on market conditions as at the end of the reporting period. To determine the fair value of numerous available-for-sale financial assets that are not traded on active markets, the Group applies present value techniques.

› Fair value of investments accounted for using the equity method: Where the fair value of financial assets recognised in the statement of financial position cannot be derived from active markets, their fair value is determined using measurement methods including the discounted cash flow model. The input parameters used in the model are based on observable market data to the extent that this is possible, and on assumptions relating to growth and interest rates. The carrying amount of investments accounted for using the equity method was EUR 427,247 thousand as at 31 December 2017 (previous year: EUR 14,042 thousand).

› Inpatients (work in progress): When billing our patients, we receive fixed prices for the amount of the respective DRG, which is calculated based on the base rates that are uniform for each federal state and the uniform coding for Germany. The number of patients in the hospital is recorded as at the end of the reporting period. This is based on the "length of stay" milestones as a percentage of the average national length of stay in Germany and the date of the operation. As the cost of these inpatients cannot be reliably determined due to the their difficult-to-assess status and the difficulty in forecasting the development of their treatment, the Group calculates the costs for these inpatients based on the fixed prices to which Asklepios is entitled. Because the cost of these inpatients cannot be reliably estimated as a result, the Group reports no income realised in accordance with the percentage of completion method from the treatment of these patients. The income reported is limited to the amount of estimated contract costs incurred by reducing the estimated costs per inpatient (zero profit method). The carrying amount was EUR 63,360 thousand as at 31 December 2017 (previous year: EUR 54,538 thousand).

› Pensions and similar obligations: The amount of provisions for pensions depends on a large number of actuarial assumptions. These essentially relate to:
  › the discount rates
  › the future wage and salary increases

  Given the long-term nature of these provisions, such estimates are subject to significant uncertainty. Please refer to the information in VIII.17) "Provisions for pensions". The carrying amount was EUR 282,558 thousand as at 31 December 2017 (previous year: EUR 274,155 thousand).

› Taxes: The calculation of taxable income is based on the assessment of the matter in accordance with the applicable legal norms and their interpretations. The amounts reported as a tax expense, tax liabilities and tax receivables are based on the assumptions made. The recognition of unused tax losses in particular requires estimates regarding the amount of the unused tax losses and the future taxable income available for offsetting against these unused tax losses. There are uncertainties surrounding the interpretation of complex tax provisions in particular. Differences from the assumptions made arising at a later date are recognised in the period in which they arose. The income and expenses from such differences are recognised in the period in which they arose. Please refer to VI.9 "Income taxes".

Return

- Revenue recognition: The inpatient services provided by our hospitals are supposed to be remunerated from budgets negotiated prospectively with the statutory health insurers. In practice, however, budgets negotiations take place during a financial year, and sometime are not finished before the financial year has ended. In such cases there is uncertainty surrounding the agreed volume of services and/or remuneration, for which Asklepios uses appropriate estimates. Past experience has shown that the imprecision inherent in every estimate is immaterial in this case in proportion to revenue.

- Other provisions: Estimates are required for provisions with regard to the amount, the probability of occurrence and the maturity.

- Some Group entities protect themselves against and settle actual and expected cases of losses up to a specified amount of losses. If this amount is exceeded, other external insurance companies are involved. The provisions recognised in the financial year are based on estimates of future payments for the cases of losses reported and for the cases already incurred but not yet reported. The estimates are based on past experience and current claims. This experience is based both on the frequency of claims (number) and the amount of claims (costs) and is combined with expectations regarding individual claims in order to estimate the amounts recognised. The obligations to pay damages were calculated based on actuarial methods by an external expert.

- The amount of the provisions recognised is determined in particular by the actuarial parameters established, the amount of the individual claim and the date on which payments are due in connection with the claim. The provision covers individual losses and the expenses of claims settlement. Past experience has shown that the imprecision inherent in the estimate is immaterial. Please see the statement of changes in provisions under VIII. 18) for information on the reporting of provisions.

- Trade receivables: Identifiable risks are accounted for with bad debt allowances. These are measured on the basis of the probable credit risk using past experience and the percentage maturity structure on the basis of the period outstanding or the risk of non-recognition.

V. Financial risk management

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND METHODS

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity of another entity. The Group has various financial assets, essentially comprising cash and cash equivalents, trade receivables and other receivables arising directly from operations. The financial liabilities reported by the Group essentially comprise trade payables, liabilities to banks and finance lease liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The main risks arising from the company's financial instruments can be grouped into the following three risk clusters: liquidity and financing risks, interest fluctuation and capital market risks (market risk) and credit, counterparty and payment risks (default risks).

Group-wide risk management focuses on the uncertainty of developments on financial markets and aims at minimising potential adverse effects on the financial position of the Group. Risk management is performed by management and complies with the policies issued by management. Management identifies, assesses and hedges financial risks in close cooperation with the operating units of the Group. Management determines the principles for general risk management and issues policies for specific areas including the handling of interest and credit risk, the use of derivative and primary financial instruments and the investment of excess liquidity.

2. LIQUIDITY AND FINANCING RISK

Liquidity risks stem from a possible lack of financing to settle liabilities as they fall due in terms of volume and maturity. In particular the latter fact leads to the need to accept unfavourable financing conditions in the event of potential liquidity bottlenecks. The central task of the Group's Financing and Investor Relations division is to manage short-term liquidity risks and longer-term financing risks, for which it uses a Group-wide integrated cash management system with a focus on efficient control of short-term cash funds.

Prudent liquidity management involves holding an adequate reserve of cash funds, the option of financing an adequate amount using the lines of credit obtained and the ability to issue suitable financial instruments on the market.

Given the dynamic nature of the business environment in which the Group operates, the aim of management is to ensure that financing remains as flexible as needed by securing sufficient lines of credit and constant access to capital markets. All credit agreements are complied with on an ongoing basis.

The table below shows the maturities of liabilities based on minimum contractual obligations (without discounting).

EUR million	Total as at 31 Dec. 2017	Up to 12 months	1 to 5 years	More than 5 years
Trade payables	83.9	83.8	0.1	0.0
Financial liabilities	1,486.9	157.9	510.6	818.4
Finance leases	16.6	10.1	2.7	3.8
Other financial liabilities (not including derivatives)	223.5	155.7	33.5	34.3

EUR million	Total as at 31 Dec. 2016	Up to 12 months	1 to 5 years	More than 5 years
Trade payables	67.0	67.0	0.0	0.0
Financial liabilities	95.1	16.4	26.7	52.0
Finance leases	18.3	1.4	5.0	11.9
Other financial liabilities (not including derivatives)	719.6	209.2	72.1	438.3

3. CREDIT, COUNTERPARTY AND TRANSACTION RISK (DEFAULT RISK)

Credit and counterparty risks result if a customer or another counterparty to a financial instrument fails to meet its contractual obligations in terms of due dates and del credere. Asklepios is exposed to only a low level of risk from an unexpected loss of cash or income. Firstly, financial contracts are entered into only selectively and are distributed over a broad group of banks with a good credit rating. The cash investment policy, which is largely short term, follows the principle of "security over yield" and spreads excess Group liquidity across different banks from the three major German deposit protection systems with a limit for each individual institution. Secondly, Asklepios has a low del credere risk thanks to the high share of debtors that are German (statutory) health insurance companies, supplemented with a smaller share of public welfare authorities and some private patients. By contrast, the growing influence of the economic crisis on the earnings situation of the social insurance schemes results in the risk of delayed payment of trade receivables, which in turn leads to a danger of more capital being tied up in current assets. There is also a risk that individual receivables will not be recognised by the MDK. As a result, provisions are recognised for bad debts that are measured by the management on the basis of the past experience. The income adjustments after the end of the reporting period made based on examinations by the MDK are recognised in the allowances for trade receivables provided these have not yet been settled by the payers. The MDK risk for receivables already paid is covered by a provision.

Bad debt allowances are recognised immediately when there is any indication that a receivable is not recoverable in full or in part.

As in the previous year, there are no significant concentrations of risk as at 31 December 2017. With respect to the other financial assets carried by the Group, the maximum exposure to credit risk arising from default of the counterparty is equal to the carrying amount of the corresponding instrument.

For all payment transactions processed using an automated payment management system, at the very least the principle of dual control applies. The conclusion of financial contracts is also regulated in a volume-weighted approval catalogue.

4. MARKET RISK

Asklepios regards market risk as the risk of a loss that can be incurred as a result of a change in the market parameters relevant to measurement (currency, interest, price). Fluctuations in market interest rates affect future interest payments for floating-interest liabilities. Material increases in the base interest rate or the bank margin can therefore restrict the Group's profitability, liquidity and financial position. The same applies to the foreign currency risks, which are very limited.

5. INTEREST RATE RISK

For fixed-rate financial liabilities, the operating cash flow and Group profit are largely unaffected by changes in the market interest rate. Accordingly, the more long-term liabilities from the Schuldschein loan agreement have a fixed interest rate.

The interest rate risk is presented using sensitivity analyses in accordance with IFRS 7. These present the effects of changes in market interest rates on interest income and expenses, other components of profit or loss and on equity.

There is no interest rate risk within the meaning of IFRS 7 for financial instruments that are subject to fixed interest rates and measured at amortised cost.

The average balance was used as the closing balance of cash funds is not reliable for calculating interest sensitivities. The average balance was taken to be the arithmetic mean of the opening and closing balances.

	31 Dec. 2017		31 Dec. 2016	
EUR '000 Variable: interest rate	**+100 basis points**	**– 100 basis points**	**+100 basis points**	**– 100 basis points**
Ergebnis vor Ertragsteuern	-2,317	2,024	693	-1,006

6. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratio in order to support its business operations.

As at 31 December 2017, the equity ratio was 34.4% (previous year: 45.1%) and thus considerably higher than the contractual requirements. The company monitors its capital using the ratio of net debt to EBITDA (debt ratio). This performance indicator continues to improve. According to internal guidelines, this ratio should be limited to 3.5x. The external contractually agreed limits are more broadly defined.

The financing strategy of the Group as a whole is primarily managed based on the net debt/EBITDA ratio.

The following table illustrates how this performance indicator was calculated in the period under review:

EUR million	2017	2016
Financial liabilities	1,486.9	81.9
Cash and cash equivalents	612.3	220.1
Net debt	874.6	-138.2
EBITDA	396.4	381.6
Net debt/EBITDA	**2.2x**	**-0.4x**

The performance indicator was therefore within the specified range at 2.2x in the financial year (previous year: -0.4x).

Compared to German industry as a whole and the relevant competitors within the industry, this leverage can be considered positively low. The interest coverage factor (EBITDA/net interest income) is 16.5x (previous year: 11.4x).

As at the end of the reporting period, the Group has cash reserves of EUR 612.3 million (previous year: EUR 220.1 million) in the form of cash and cash equivalents and unutilised lines of credit for a further EUR 461.1 million (previous year: EUR 79.4 million).

VI. Notes to the income statement

1. REVENUE

Revenue breaks down by business segment as follows:

EUR million	2017	2016
Clinical acute care	2,726.2	2,713.5
Post-acute and rehabilitation clinics	507.0	475.5
Social and welfare facilities	16.9	16.1
Miscellaneous	11.8	5.9
Total	**3,261.9**	**3,211.0**

The Asklepios Group's facilities treated a total of 2,282,421 patients in the 2017 financial year, a slight increase of 0.1% compared to the previous year (2,279,477). While the number of inpatient cases was down slightly by 1.9% at 693,078 (previous year: 706,224), outpatient case numbers rose by 1.0% to 1,589,343 (previous year: 1,573,253). The rise in patient numbers resulted in marginal revenue growth. This increased by 1.6% from EUR 3,211.0 million to EUR 3,261.9 million largely as a result of organic growth.

2. OTHER OPERATING INCOME

Other operating income is broken down as follows:

EUR million	2017	2016
Income from operations	88.8	79.6
Income from ancillary, additional and other operations	81.5	72.2
Income from cost reimbursements	26.2	25.3
Income from other grants	9.0	7.5
Miscellaneous	34.9	19.5
Total	**240.4**	**204.1**

The rise in income from operations essentially relates to income from the sale of pharmacies, which rose to EUR 55.6 million in the reporting year (previous year: EUR 51.9 million), and to other own work capitalised, which climbed to EUR 9.0 million in the reporting year (previous year: EUR 6.3 million). The growth in income from ancillary, additional and other operations essentially results from the EUR 1.6 million rise in rental income to EUR 13.9 million and power income of EUR 1.9 million, which was generated for the first time. The increase in miscellaneous income essentially results from the reversal of a provision for risks of an external audit (EUR 6.8 million) and from various sources of prior-period income, which rose by EUR 4.4 million in total.

3. COST OF MATERIALS

The ratio of the Asklepios Group's cost of materials to revenue developed at a lower rate year-on-year and was 21.6% as at 31 December 2017 (previous year: 23.6%). In absolute terms, the cost of materials was down by EUR 50.8 million year-on-year at EUR 706.1 million. This was thanks to the energy model already established by Asklepios in the previous year and the operation of combined heat and power plants. In addition, the cost of materials in the previous year had included services purchased from companies that were transferred to the AKG Group as part of the Group's internal restructuring. This has caused staff costs to rise while the cost of materials decreases at the same time.

4. STAFF COSTS

Staff costs rose by EUR 126.4 million year-on-year to EUR 2,067.5 million. The headcount increased from 32,923 full-time equivalents in the previous year to 35,097. The ratio of staff costs to revenue increased from 60.5% to 63.4% due to the strong rise in staff costs. The rise in absolute staff costs is due to the higher number of employees and a change in rates of pay.

Staff costs include wages and salaries of EUR 1,722.7 million (previous year: EUR 1,625.7 million), social security expenses of EUR 306.0 million (previous year EUR 282.4) and contributions to pensions of EUR 38.8 million (previous year: EUR 33.1 million).

The pension costs contain benefits of the Asklepios Group from defined benefit and defined contribution obligations and similar commitments. For company pensions, (former) employees have claims under supplemental pension plans (ZVK), federal or state benefit plans (VBL), or direct insurance policies in addition to the pension provisions. The employees are also insured through the statutory pension insurance.

The current contribution payments to VBL/ZVK are reported in the operating result as post-employment expenses.

In addition, the employer's contributions to pension insurance qualify as payments to defined contribution plans.

5. OTHER OPERATING EXPENSES

Other operating expenses relate to:

EUR million	2017	2016
Maintenance and servicing	97.3	96.2
Rental expenditure	56.7	54.3
Taxes, dues and insurance	37.3	38.6
Contributions, consulting and audit fees	33.0	25.6
Advertising and travel expenses	21.4	15.3
Office supplies, postage and telephone charges	21.3	19.5
Other administrative and IT expenses	14.2	39.2
Training expenses	13.5	13.8
Miscellaneous	37.6	32.8
Total	**332.2**	**335.3**

The contributions, consulting and audit fees include expenses for acquisitions, IT projects, audits of financial statements and other consulting projects. For information on the assessment of the rental expenditure of MediClin AG, please also refer to section VIII.16 "Finance lease liabilities".

Miscellaneous other expenses comprise various items from current operations.

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT

Amortisation, depreciation and impairment break down as follows:

EUR million	2017	2016
Depreciation and impairment of financial assets and property, plant and equipment	124.2	121.5
Amortisation and impairment of intangible assets	15.4	10.5
Total amortisation/depreciation and impairment	**139.6**	**132.0**

7. NET INVESTMENT INCOME

Net investment income breaks down as follows:

EUR million	2017	2016
Net investment income	6.4	9.3
Other investment loss/income	**6.4**	**9.3**

Net investment income includes dividend payments.

8. NET INTEREST INCOME

Net interest income breaks down as follows:

EUR million	2017	2016
Interest income	3.5	8.2
Interest expenses	-27.5	-41.7
Net interest income	**-24.0**	**-33.5**

The company received EUR 0.9 million of the interest income reported (previous year: EUR 0.9 million). The company paid EUR 19.2 million of the interest expenses (previous year: EUR 25.8 million).

Interest expenses break down as follows:

EUR MIO.	2017	2016
Interest expense from the schuldschein loan agreement	-16.7	0.0
Bank loans and overdrafts	-6.1	-3.5
Interest expense for pension and similar obligations	-4.4	-4.7
Loans from the parent company	0.0	-17.4
Interest expense from derivatives	0.0	-7.2
Other finance costs	-0.3	-8.9
Interest expenses	**-27.5**	**-41.7**

The interest expenses include interest on finance leases of EUR 521 thousand (previous year: EUR 539 thousand).

Interest income breaks down as follows:

EUR Mio.	2017	2016
Interest income from the interest cost of provisions	2.6	0.0
Interest income from default interest	0.4	0.0
Interest income from derivatives	0.0	7.2
Interest income from bank balances	0.0	0.2
Other financial income	0.5	0.8
Interest income	**3.5**	**8.2**

9. INCOME TAXES

Income taxes relate to current and deferred income taxes. Corporate income taxes, including the solidarity surcharge, are reported as income taxes. In addition, deferred taxes on different carrying amounts in the financial accounts and the tax accounts and on recoverable loss carryforwards, which can usually generally be carried forward indefinitely, are also recognised in this item in accordance with IAS 12.

Income taxes break down as follows:

EUR '000	2017	2016
Current income taxes	-40,037	-38,024
Deferred income taxes	-4,965	-1,851
Total	**-45,002**	**-39,875**

The taxes paid amounted to EUR 38.5 million in the financial year (previous year: EUR 33.6 million).

The reconciliation of the current tax expenses and the tax resulting on the earnings before income taxes taking German corporate income tax into account is shown below:

EUR '000	2017	2016
Earnings before income taxes	239,111	225,396
Imputed tax expense*	-37,839	-35,669
Capitalised and non-capitalised loss carryforwards	-1,986	-1,112
Trade tax	-4,987	-2,853
Tax refunds/back payments for previous years	419	-488
Tax increases/decreases due to deviating tax rates	110	-487
Tax increases/decreases due to recognition adjustments for deferred taxes	-1,802	-230
Tax increases/decreases due to compensation payments/non-deductible expenses, corporate income tax on compensation payments of non-deductible expenses and corporate income tax on compensation payments on non-controlling interests	295	-354
Dividend income, taxed at 5%	801	1,415
Miscellaneous	-13	-97
Tax expense of the current year	**-45,002**	**-39,875**

* Imputed tax rate for 2017 and 2016: 15.825%

The actual tax rate was 18.8% (previous year: 17.7%).

VII. Notes to the consolidated statement of cash flows

In accordance with IAS 7, the statement of cash flows is structured according to cash flows from operating, investing and financing activities. The cash flow from operating activities is developed using the indirect method. Cash and cash equivalents comprise cash on hand and bank balances.

Cash and cash equivalents changed by EUR 392.0 million year-on-year to EUR 612.3 million. The cash flow from operating activities amounted to EUR 289.3 million (previous year: EUR 360.5 million) and was defined by the payment performance of health insurance funds. These receivables are expected to be paid in the following quarters.

The operating cash flow is offset by cash flow from investing activities of EUR 445.3 million (previous year: EUR 166.2 million). Payments for investing activities of EUR 445.3 million essentially comprise investments in non-current assets and financial assets.

Financing activities resulted in a cash inflow of EUR 548.0 million (previous year: outflow of EUR 59.6 million). Cash flow from financing activities is essentially influenced by the schuldscheins of EUR 780.0 million, the resulting refinancing and the withdrawal of EUR 200.0 million by Broermann Holding GmbH.

VIII. Notes on items of the consolidated statement of financial position

1. BUSINESS COMBINATIONS USING THE ACQUISITION METHOD

Acquisitions in 2017

Effective 1 August and 1 September 2017, 100% of shares were acquired in the companies Medizinisches Versorgungszentrum Prof. Mathey, Prof. Schofer GmbH, Hamburg, Beteiligungsgesellschaft Prof. Mathey, Prof. Schofer GmbH, Hamburg, and Prof. Mathey, Prof. Schofer Vermietungsgesellschaft mbH & Co. KG, Hamburg, (hereinafter: Mathey & Schofer). Mathey & Schofer is a leading provider of outpatient cardiology in northern Germany. The heart and vascular medical care centre treats around 25,000 patients with heart and arterial blood vessel diseases each year. We anticipate that the acquisition will enhance invasive cardiology services within the Asklepios Group and directly benefit the areas at cardiology, vascular surgery, cardiac surgery, diabetology and metabolic diseases at the Hamburg hospitals.

Furthermore, Sanomed Sanitätshaus für Orthopädie und Rehabilitationstechnik GmbH, Bad Kreuznach and four subsidiaries/second-tier subsidiaries (hereinafter: Sanomed), are now included in consolidation after control was acquired by way of a 75.1% shareholding on 1 July 2017. The companies operate in the field of orthopaedic technology and run medical supply stores. In the field of orthopaedic technology, Sanomed is especially well-known for its outstanding performance in trunk orthotics, particularly in the area of care for scoliosis patients. The acquisition of Sanomed will generate additional income from upstream and downstream business areas along the entire value chain.

We achieved control of Samedi GmbH by way of the acquisition of 100% of its shares effective 9 February 2017. The object of the company is the operation and maintenance of an Internet portal for service providers and patients in the health sector, in particular for doctors, dentists, non-medical practitioners and therapists, in addition to creating and developing the software this requires. The acquisition of Samedi GmbH is expected to allow synergy effects to be leveraged in our core business.

Purchase price allocation in accordance with IFRS 3 has been carried out in order to obtain information and is understood to be provisional as defined in IFRS 3.45 et seq.

Remeasurement of the assets acquired and liabilities assumed as at the acquisition date

The starting point is a systematic identification process in which all potential assets and hidden liabilities not yet recognised are analysed for potential recognition in the context of purchase price allocation on the basis of due diligence. An estimate of the fair value of all identified assets and liabilities is also required. The assets and liabilities of the companies acquired take the place of the cost recognised as the carrying amount of the investment in the separate financial statements of the parent company (notional individual acquisition). In applying the acquisition method, only the identifiable assets acquired and liabilities assumed that meet the definitions of assets and liabilities in the IFRS Framework as at the acquisition date are recognised (IFRS 3.11).

The acquirer's application of the recognition principle and conditions may result in recognising some assets and liabilities that the acquiree had not previously recognised as assets and liabilities in its financial statements (IFRS 3.13). This can lead to the recognition of particular assets acquired and liabilities assumed. Specifically, particular assets acquired are identifiable intangible assets.

The acquirer measures the identified assets acquired and the liabilities assumed at their acquisition-date fair values (IFRS 3.18).

The fair values of the identifiable assets and liabilities of the companies assumed are as follows as at the acquisition date:

EUR '000	Fair value as at acquisition date
Assets	
Non-current assets	17,391
Cash and cash equivalents	2,309
Current assets	4,811
Total assets	**24,511**
Liabilities	0
Non-current liabilities	2,620
Current liabilities	6,726
Total liabilities	**9,347**
Total identifiable net assets at fair value	**15,164**
Non-controlling interests measured at fair value	-943
Goodwill attributable to the parent company from the acquisition	31,665
Consideration	**45,887**

The non-current assets are essentially intangible assets and property, plant and equipment. The current assets are trade receivables. The current and non-current liabilities are mostly trade payables and provisions.

The acquisition method requires the acquirer to recognise all acquired intangible assets separately. This applies regardless of whether or not the intangible assets were already recognised in the financial statements of the acquiree prior to the business combination. Specifically, particular assets acquired are identifiable intangible assets. In purchase price allocation, deviating from the figures previously recognised by the acquiree, we measured the doctors' offices acquired (intangible assets) at fair value (EUR 4.5 million). Buildings and heritable building rights are also recognised in property, plant and equipment (EUR 8.7 million).

Under liabilities, any hidden liabilities or previously unrecognised liabilities or provisions must be recognised and measured. Hidden liabilities arise when the fair value of a liability is higher than its recognised nominal or settlement amount. For example, the terms of a liability must be checked against the current market values (interest rates). In the context of the acquisitions, we recognised liabilities due to the land transfer tax arising from the acquired heritable building right at a fair value of EUR 0.4 million. Furthermore, we recognised a risk provision for receivables from former shareholders in the amount of EUR 0.7 million.

Moreover, total goodwill of EUR 33.8 million arose from the acquisitions. The goodwill essentially reflects the forecast future profitability that will result from the synergy effects with the newly acquired facilities. It is assumed that the goodwill is not tax deductible.

The goodwill is calculated according to the full goodwill method, whereby the full amount of the acquiree's goodwill is recognised, including any goodwill attributable to non-controlling interests – which amounts to EUR 2.1 million.

Regarding income taxes, the acquirer recognises and measures a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination in accordance with IAS 12 (IFRS 3.24). In particular, the acquirer accounts for the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition in accordance with IAS 12 (IFRS 3.24).

The different measurement resulting from the assets recognised in accordance with IFRS 3 as part of the business combination gives rise to deferred tax liabilities (EUR 0.7 million).

As there is no active market, the consideration for the interests acquired was calculated using the cost.

The fair value of the equity interest in the acquirees as at the acquisition date was EUR 15.2 million.

Since the acquisition date, the acquisitions have contributed a total of EUR 11.0 million to revenue and EUR 398 thousand to consolidated net income. If the business combinations had taken place at the start of the year, the acquirees would have contributed EUR 23.8 million to revenue and EUR 519 thousand to consolidated net income.

Acquisitions in 2016

Medical-Wundmanagement Hamburg GmbH was acquired in the 2016 financial year and has since been renamed Aponova Home & Care GmbH. No expenses were incurred in relation to the acquisition. Net current assets of EUR -0.2 million were acquired. The purchase price was EUR 1.0 million. Goodwill of EUR 1.7 million was determined in final purchase price allocation.

Furthermore, statutory health insurance physicians' offices were acquired for EUR 1.8 million. All the effectiveness requirements for these offices were met in 2016, hence they were included in the consolidated financial statements in 2016. No expenses were incurred in relation to the acquisitions.

The revenue and net income of the new acquisitions generated since their inclusion in the consolidated financial statements are of minor importance to the consolidated financial statements.

2. INTANGIBLE ASSETS

2017 EUR '000	Goodwill	Other intangible assets	Prepayments for intangible assets	Total
Cost as at 1 Jan. 2017	**371,030**	**110,368**	**2,501**	**483,899**
Addition from transfer agreement	106,372	102,020	1,551	209,943
Changes in consolidated group	39,580	1,541	109	41,230
Additions/investments similar to acquisitions	2,323	17,145	4,471	23,939
Disposals	-15	-814	-156	-985
Reclassification	569	1,054	-409	1,215
As at 31 Dec. 2017	**519,859**	**231,314**	**8,067**	**759,240**
Cumulative depreciation, amortisation and impairment as at 1 Jan. 2017	**-12,946**	**-72,674**	**0**	**-85,620**
Addition from transfer agreement	0	-259	0	-259
Changes in consolidated group	-1,252	-967	0	-2,219
Amortisation and impairment for the financial year	-144	-15,276	0	-15,420
Reclassifications	-274	-485	0	-759
Amortisation and impairment on disposals	13	738	0	751
As at 31 Dec. 2017	**-14,603**	**-88,923**	**0**	**-103,526**
Residual carrying amounts as at 31 Dec. 2017	**505,256**	**142,391**	**8,067**	**655,714**

2016 EUR '000	Goodwill	Other intangible assets	Prepayments for intangible assets	Total
Cost as at 1 Jan. 2016	**367,396**	**105,347**	**769**	**473,512**
Additions/investments similar to acquisitions	3,635	7,325	2,935	13,895
Disposals	0	-2,991	-1,051	-4,042
Reclassification	-1	687	-152	534
As at 31 Dec. 2016	**371,030**	**110,368**	**2,501**	**483,899**
Cumulative depreciation, amortisation and impairment as at 1 Jan. 2016	**-12,946**	**-64,825**	**0**	**-77,771**
Amortisation and impairment for the financial year	0	-10,510	0	-10,510
Amortisation and impairment on disposals	0	2,661	0	2,661
As at 31 Dec. 2016	**-12,946**	**-72,674**	**0**	**-85,620**
Residual carrying amounts as at 31 Dec. 2016	**358,084**	**37,694**	**2,501**	**398,279**

In detail, the goodwill reported by the Group relates to:

Goodwill EUR '000	2017	2016
MediClin AG, Offenburg	233,659	233,403
General service division goodwill allocated to Asklepios Group hospitals	106,321	0
Asklepios Kliniken Hamburg GmbH, Hamburg	82,681	64,046
Asklepios Fachkliniken Brandenburg GmbH, Brandenburg	14,933	14,933
Samedi GmbH, Berlin	12,756	0
Asklepios Klinikum Uckermark GmbH, Schwedt	9,753	9,753
Sanomed Sanitätshaus für Orthopädie und Rehabilitationstechnik GmbH, Bad Sobernheim	8,590	0
Asklepios Fachkliniken Brandenburg GmbH, Lübben location	8,308	8,308
Asklepios Klinik Sobernheim GmbH, Königstein	6,423	6,423
Pro Cura Med AG, Bern (Switzerland)	4,908	4,908
Asklepios Fachkliniken Brandenburg GmbH, Teupitz location	4,245	4,245
Reha-Klinik Schildautal Investgesellschaft mbH, Königstein	2,273	2,273
Asklepios Gesundheitszentrum Aidenbach, Königstein	1,695	1,695
Aponova Home & Care GmbH, Lübeck	1,657	1,657
MVZ Vorpommern GmbH, Pasewalk	1,330	1,282
Asklepios Klinik Wiesbaden GmbH, Königstein, Klinik Birkenwerder	1,291	1,291
Miscellaneous	4,433	3,867
Total	**505,256**	**358,084**

The excess over the purchase price was recognised as goodwill for the service companies acquired under the purchase and transfer agreement between Broermann Holding GmbH and Asklepios Kliniken GmbH & Co. KGaA.

The CGUs each constitute an operation (medical facility or group of facilities) and are thus the smallest cash-generating unit. The changes in goodwill are the result of practice goodwill acquired or sold and already recognised in the separate financial statements.

The recoverability of all goodwill included in the consolidated statement of financial position and allocable to cash-generating units was substantiated by its value in use. No impairment losses were necessary in the reporting period.

The calculation of value in use (= recoverable amount) considers our strategic direction, past experiences and industry development.

The sensitivity analysis carried out assumed a change in the pre-tax discount rate of 0.5% or -0.5%. In addition, EBIT was adjusted 5% higher or lower than the current assumption. No matter what the configuration, goodwill will not need to be written down.

Software, customer bases and brand names are all reported under other intangible assets.

3. PROPERTY, PLANT AND EQUIPMENT

2017 EUR '000	Land and buildings, including buildings on third-party land	Technical equipment and machinery	Operating and office equipment	Assets under construction	Total
Cost as at 1 Jan. 2017	**1,822,644**	**147,435**	**530,265**	**85,680**	**2,586,024**
Addition from transfer agreement	0	0	3,748	1,180	4,928
Changes in consolidated group	11,097	4	6,334	83	17,518
Additions	34,683	7,572	54,515	74,876	171,646
Disposals	-2,698	-746	-17,635	-623	-21,702
Reclassification	28,049	-765	4,483	-32,983	-1,215
As at 31 Dec. 2017	**1,893,775**	**153,500**	**581,710**	**128,213**	**2,757,197**
Cumulative depreciation, amortisation and impairment as at 1 Jan. 2017	**-702,376**	**-70,253**	**-325,020**	**0**	**-1,097,649**
Addition from transfer agreement	0	0	-1,133	0	-1,133
Changes in consolidated group	-760	-3	-5,399	0	-6,162
Amortisation and impairment for the financial year	-60,207	-10,635	-53,390	0	-124,232
Amortisation and impairment on disposals	907	690	16,397	0	17,994
Reclassifications	1,157	571	-969	0	759
As at 31 Dec. 2017	**-761,279**	**-79,630**	**-369,514**	**0**	**-1,210,423**
Residual carrying amounts as at 31 Dec. 2017	**1,132,495**	**73,870**	**212,196**	**128,213**	**1,546,773**

2016 EUR '000	Land and buildings, including buildings on third-party land	Technical equipment and machinery	Operating and office equipment	Assets under construction	Total
Cost as at 1 Jan. 2016	**1,754,917**	**133,406**	**499,277**	**87,636**	**2,475,236**
Additions	26,355	6,076	60,163	62,870	155,464
Disposals	463	-2,945	-36,423	-5,237	-44,142
Reclassification	40,909	10,898	7,248	-59,589	-534
As at 31 Dec. 2016	**1,822,644**	**147,435**	**530,265**	**85,680**	**2,586,024**
Cumulative depreciation, amortisation and impairment as at 1 Jan. 2016	**-644,839**	**-62,549**	**-310,713**	**0**	**-1,018,101**
Amortisation and impairment for the financial year	-60,132	-10,555	-50,749	0	-121,436
Amortisation and impairment on disposals	2,595	2,851	36,442	0	41,888
As at 31 Dec. 2016	**-702,376**	**-70,253**	**-325,020**	**0**	**-1,097,649**
Residual carrying amounts as at 31 Dec. 2016	**1,120,268**	**77,182**	**205,245**	**85,680**	**1,488,375**

Furthermore, there are also rental and lease agreements for real property, medical equipment and office equipment, which are classified as operating leases. The rental and lease expenses incurred are reported under other operating expenses.

The amounts recognised as finance leases under buildings and buildings on third-party land relate to a new building in Barmbek. The rental agreement has a term of 20 years. Once the rental agreement expired, the property passes to AKHH. It is financed via a partially subsidised loan. The non-subsidised portion is reported under financial liabilities (see VIII 12 "Financial liabilities"). The residual carrying amount is EUR 29.6 million (previous year: EUR 32.6 million).

Receivables and government grants for financing investments are deducted from the cost of the assets and therefore reduce current depreciation. These were grants earmarked for specific investments in accordance with the German Hospital Financing Act with a residual carrying amount of EUR 1,077.7 million (previous year: EUR 1,095.7 million) and other government grants and third-party grants with a residual carrying amount of EUR 117.0 million (previous year: EUR 124.0 million). Grants issued in accordance with the German Hospital Financing Act are only repaid in the event that hospital operations are discontinued in accordance with section 8(1) KHG (no longer included in the hospital plan).

The Group thus has permanent interest-free and redemption-free access to subsidies of EUR 1,194.7 million (previous year: EUR 1,219.7 million).

Write-downs after reduction due to income from the reversal of special items of EUR 94.0 million (previous year: EUR 97.3 million) amount to EUR 139.6 million (previous year: EUR 132.0 million).

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Shares developed as follows:

EUR '000	2017	2016
Beginning of the year	14,042	14,045
Purchase of further shares	0	96
Transition to equity method	412,629	0
Net investment income	6,458	-99
Dividend payment for current year	-5,883	0
End of the year	**427,246**	**14,042**

The market capitalisation of the shares for which a publicly quoted market price exists is EUR 549.4 million (previous year: EUR 19.0 million) pro rata. The pro rata total comprehensive income for all entities accounted for using the equity method was EUR 6.5 million (previous year: EUR 0.1 million). There was no other comprehensive income to report.

The summarised financial information for the investment accounted for at equity for the first time is as follows:

EUR '000	30 Sept. 2017
Current assets	135,235
Non-current assets	230,271
Current liabilities	78,798
Non-current liabilities	6,680

EUR '000	1 Jan. to 31 Dec. 2017*
Revenue	302,020
Earnings after taxes	9,035

* Figures extrapolated based on Q3 2017

5. FINANCIAL AND OTHER FINANCIAL ASSETS

EUR 70.7 million (previous year: EUR 379.5 million) of the financial assets and other financial assets are non-current and EUR 88.5 million (previous year: EUR 73.9 million) are current.

Asklepios Kliniken GmbH & Co. KGaA rose above the investment threshold of 20% in Rhön-Klinikum AG on 1 March 2017. As a result of the acquisition, Asklepios Kliniken Verwaltungsgesellschaft mbH has significant influence over Rhön-Klinikum AG and accounted for the shares using the equity method for the first time in the 2017 reporting year. This is essentially the reason for the sharp decline in financial assets from EUR 310.9 million in 2016 to EUR 3.4 million in 2017.

Please see VIII. 21 "Financial instruments" and IV. 10d) "Derivative financial instruments" for information on marketable securities and derivatives.

Receivables from grants of EUR 56.1 million (previous year: EUR 61.8 million) to finance a hospital are offset by a loan obligation. This is reported under VIII 14 "Other financial liabilities".

Receivables under German hospital financing law of EUR 11.7 million (previous year: EUR 10.7 million) relate to outstanding claims to state subsidies. Receivables in accordance with the German National Hospital Rate Ordinance and the German Hospital Fees Act of EUR 43.2 million (previous year: EUR 21.7 million) relate to compensation claims.

Equity investments of EUR 2.0 million (previous year: EUR 0.6 million) include companies in which AKG has a shareholding of between 20% and 50%. These are not consolidated and are accounted for at cost.

Other financial assets were not impaired as at the end of the reporting period or in the previous year. As in the previous year, no transactions were recognised in profit or loss in the 2017 financial year.

6. INVENTORIES

Inventories break down as follows:

EUR '000	31 Dec. 2017	31.12.2016
Materials and supplies	49,855	47,232
Inpatients at end of reporting period (work in progress)	63,360	54,538
Finished goods and merchandise	1,316	724
Total	**114,531**	**102,494**

Materials and supplies essentially include medical supplies. Work in progress relates in particular to DRG inpatients as at the end of the reporting period. There were no impairment losses on raw materials or supplies in 2017 (previous year: EUR 0.1 million).

7. FORDERUNGEN AUS LIEFERUNGEN UND LEISTUNGEN

EUR '000	31 Dec. 2017	31.12.2016
Gross receivables	558,630	504,615
Less impairment	-58,161	-50,811
Net receivables	**500,469**	**453,804**
Of which non-current receivables	0	66
Of which current receivables	500,469	453,738

Trade receivables are recognised at amortised cost. An amount of EUR 500,469 thousand (previous year: EUR 453,738 thousand) has a remaining term of less than one year.

EUR '000	Carrying amount	Of which: not impaired as at end of the reporting: Of which: neither impaired nor past due as at end of the reporting period	Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
	as at 31 Dec. 2017							
Trade receivables	**500,469**	352,619	62,889	19,204	10,545	15,604	13,589	26,018
	as at 31 Dec. 2016							
Trade receivables	**453,804**	345,413	50,504	11,992	4,878	10,095	11,767	19,155

With respect to the trade receivables that were neither impaired nor past due, there was no indication as at the end of the reporting period that the debtors would fail to meet their payment obligations.

Write-downs of trade receivables amounted to EUR 58.2 million (previous year: EUR 50.8 million), whereby trade receivables of EUR 7.3 million (previous year: EUR 6.4 million) were derecognised in the financial year.

8. CURRENT INCOME TAX ASSETS

Current income tax assets relate to corporate tax reimbursement claims against tax authorities.

9. OTHER ASSETS

Other assets break down as follows:

EUR '000	31 Dec. 2017	31 Dec. 2016
Receivables from other taxes	781	112
Payments on account	117	113
Prepayments for expenses in the coming financial year	11,066	3,854
Other assets	**11,963**	**4,079**
Of which non-current	1,025	80
Of which current	10,938	3,999

10. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits are subject to variable interest rates. Short-term deposits are made for different periods of time depending on the Group's liquidity requirements. Interest is charged at the respective interest rates applicable for short-term deposits. The fair value of cash and cash equivalents corresponds to their carrying amount.

Cash and short-term deposits include grants received. The grants are earmarked and can be used for subsidised investments only.

11. EQUITY

In accordance with IAS 1, the development of equity is presented in a statement of changes in consolidated equity, which is a separate component of the consolidated financial statements.

EUR '000	31 Dec. 2017	31 Dec. 2016
Equity attributable to the parent company	1,093,162	1,159,464
Non-controlling interests	323,418	282,217
Total equity as per the statement of financial position	**1,416,580**	**1,441,681**

Components of equity

Zur Zusammensetzung des Eigenkapitals verweisen wir auf die Konzern-Eigenkapitalveränderungsrechnung.

a) Issued capital

The issued capital is the liable capital under company law of the parent company Asklepios Kliniken GmbH & Co. KGaA. It has been paid in full. The issued capital relates in full to 100,500 bearer shares with voting rights (no-par-value shares) with a notional interest in the share capital of EUR 1.00 per share. There are no restrictions on voting rights or the transfer of shares – even if they result from an agreement between shareholders – or we are not aware of such restrictions. None of our shares have special rights bestowing control.

b) Reserves

Reserves include the capital reserves, retained earnings and, in the previous year, the fair value reserve. "Retained earnings" consist of earnings retained from previous years.

A total of EUR 147,315 thousand (previous year: EUR 142,861 thousand) was allocated to retained earnings in the 2017 financial year. There was an appropriation to retained earnings of EUR 10 thousand (previous year: EUR 0 thousand) in accordance with section 150(1) and (2) of the Aktiengesetz (AktG – German Stock Corporation Act). Despite the withdrawals by Broermann Holding GmbH amounting to EUR 200.0 million, equity declined by only EUR 25.1 million to EUR 1,416.6 million (previous year: EUR 1,441.7 million).

The fair value reserve changed by EUR 25,727 thousand in the financial year, amounting to EUR 0 thousand as at 31 December 2017 (previous year: EUR 25,727 thousand). The remeasurement of financial assets was reported in this reserve in the previous year.

c) Non-controlling interests

The non-controlling interests contain third-party shares in the equity of consolidated subsidiaries.

Non-controlling interests of approximately 6% relate to the entities that operate clinics. Please refer to IV.1) “Basis of consolidation” in the notes to the consolidated financial statements.

EUR 40,146 thousand of the consolidated net income for the year is attributable to non-controlling interests (previous year: EUR 38,206 thousand). Subject to executive approval, a provisional amount of EUR 22.8 million (previous year: EUR 20.1 million), and thus cumulatively EUR 158.7 million, of this net income for the year is attributable to the non-controlling interests of Asklepios Kliniken Hamburg GmbH, Hamburg, in 2017. Non-controlling interests hold 25.1% of the voting rights in Asklepios Kliniken Hamburg GmbH in total. The consolidated financial statements of Asklepios Kliniken Hamburg GmbH will be approved and adopted by the company’s boards at a later date. For Asklepios Kliniken Hamburg GmbH, the consolidated financial statements include a total of EUR 432.5 million (previous year: EUR 377.1 million) in assets that can be liquidated at short notice (including cash funds of EUR 129.0 million, which were up slightly by EUR 3.0 million year-on-year, and EUR 799.2 million (previous year: EUR 773.9 million) in non-current assets available for generating future income (EUR 1,258.4 million in total in 2017). Non-current liabilities of EUR 390.1 million (previous year: EUR 376.4 million) were included in the consolidated financial statements for Asklepios Kliniken Hamburg GmbH. In connection with the measurement of non-current liabilities, actuarial losses of EUR 11.6 million (previous year: EUR 41.6 million) before the deduction of deferred tax assets of EUR 1.5 million (previous year: EUR 7.8 million) were included in the consolidated financial statements, EUR 2.9 million of which were charged to non-controlling interests.

Subject to executive approval, a provisional amount of EUR 14.4 million of the net income for the year attributable to non-controlling interests, and thus cumulatively EUR 150.6 million, is attributable to the non-controlling interests of MEDICLIN Aktiengesellschaft (MediClin AG), Offenburg, in 2017. Non-controlling interests hold 47.27% of the voting rights in MEDICLIN Aktiengesellschaft in total. There were no distributions to non-controlling interests in the reporting year. The consolidated financial statements of MEDICLIN Aktiengesellschaft will be approved and adopted by the company’s boards at a later date. For MEDICLIN Aktiengesellschaft, the consolidated financial statements include a total of EUR 128.9 million (previous year: EUR 127.7 million) in assets that can be liquidated at short notice (including cash funds of EUR 26.9 million, down EUR 14.7 million year-on-year) and EUR 239.8 million (previous year: EUR 219.3 million) in non-current assets available for generating future income (EUR 626.4 million in total in 2017). Non-current liabilities of EUR 118.4 million (previous year: EUR 106.4 million) were included in the consolidated financial statements for MEDICLIN Aktiengesellschaft. In connection with the measurement of non-current liabilities, actuarial losses of EUR 0.4 million (previous year: EUR 2.8 million) before the deduction of deferred tax assets of EUR 0.1 million (previous year: EUR 0.4 million) were included in the consolidated financial statements, EUR 0.2 million of which were charged to non-controlling interests.

There were no material transactions with material non-controlling interests in 2016 or 2017.

d) Development of other comprehensive income

Other comprehensive income includes both the development of actuarial losses from pension provisions of EUR -10.3 million (previous year: EUR -38.0 million) and the share of total comprehensive income of investments accounted for using the equity method of EUR 40 thousand (previous year: EUR 0 thousand).

EUR -2.7 million (previous year: EUR -10.5 million) of the actuarial losses from pension provisions relates to non-controlling interests.

12. FINANZSCHULDEN

EUR ‘000	31 Dec. 2017	31 Dec. 2016
Current portion	157,921	13,591
Non-current portion	1,328,978	68,303
Total financial liabilities	**1,486,899**	**81,894**

EUR 105.8 million was repaid in total in the financial year (previous year: EUR 104.1 million).

Asklepios placed a schuldschein loan agreement of EUR 300.0 million with an average term of more than 7.5 years in November 2013 and a schuldschein loan agreement of EUR 580 million with an average term of more than eight years in August 2015. A significant event in November 2017 was the placement of a third schuldschein loan agreement of EUR 780 million. The schuldscheins were placed with fixed and variable interest. The floating interest rate varies between 0.65% and 1.3% and is based on capital market rates (Euribor).

Other financial liabilities essentially bear interest at floating rates and usually have fixed-interest periods of between one and three months. The redemption payments are essentially in line with the fixed-interest terms.

None (previous year: EUR 0 million) of the financial liabilities reported are secured by land charges.

The non-subsidised portion of a loan to finance a new building with a carrying amount of EUR 29.6 million (previous year: EUR 32.6 million) as at 31 December 2017 had a fair value of EUR 34.5 million (previous year: EUR 38.9 million) as at the same date.

Of the non-current financial liabilities, the following amounts fall due in the next few years:

Financial year	Amount in EUR million
2019	6.9
2020	81.7
2021	4.9
2022	417.2
Subsequent years	818.3
Total	**1,329.0**

The future payments from financial liabilities and the interest and instalment components included therein break down as follows:

31 Dec. 2017 Remaining term EUR million	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Mindestverpflichtung	181	596	858	**1,635**

31 Dec. 2016 Remaining term EUR million	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Mindestverpflichtung	16	27	52	**95**

Credit facilities

The Group has freely available lines of credit of EUR 461.1 million as at the end of the reporting period (previous year: EUR 79.4 million). EUR 0.0 million (previous year: EUR 0.0 million) of this is secured by land charges. Drawings on these credit lines are subject to floating interest.

Return

13. TRADE PAYABLES

There are trade payables due to third parties. An amount of EUR 83,763 thousand (previous year: EUR 67,034 thousand) has a remaining term of less than one year.

14. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise:

EUR '000	31 Dec. 2017	31 Dec. 2016
Liabilities under German Hospital Financing Act	76,015	56,946
Subsidised loans	72,402	79,925
Liabilities from outstanding invoices	42,886	41,874
Purchase price commitments/liabilities to former payers	6,965	10,270
Liabilities to state authorities	4,511	1,161
Liabilities from third-party funds	3,718	2,877
Liabilities to Landeskrankenhausgesellschaft	2,138	1,975
Liabilities to external shareholders	1,900	1,954
Liabilities for third-party obligations	1,775	2,832
Liabilities to other lenders	1,080	1,091
Liabilities to senior consultants	999	1,341
Liabilities to provident funds	267	70
Liabilities to shareholders	177	432,920
Miscellaneous other financial liabilities	8,745	84,485
Other financial liabilities	**223,578**	**719,721**
Of which non-current	67,868	510,365
Of which current	155,710	209,356

The subsidised loans of EUR 72.4 million are financed in full by the respective states, affecting interest and repayment.

The future payments from subsidised loans and the interest and instalment components included therein break down as follows:

31 Dec. 2017 Remaining term EUR million	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Mindestverpflichtung	11	44	29	**84**

31 Dec. 2016 Remaining term EUR million	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Mindestverpflichtung	11	45	39	**95**

The interest component included in the minimum obligations amounts to EUR 11.5 million (previous year: EUR 14.6 million).

For information liabilities under the German Hospital Financing Act, please see VIII. 5) "Other financial assets".

The purchase price obligations essentially comprise obligations from a number of acquisitions.

Liabilities for third-party obligations concern statutory obligations to perform maintenance and fire protection work.

Liabilities from grants relate to funds for investments obtained from sponsors, etc. that has not yet been used.

15. OTHER LIABILITIES

Other liabilities comprise:

EUR '000	31 Dec. 2017	31 Dec. 2016
Staff liabilities	171,180	178,149
Tax liabilities (wage tax, VAT)	34,214	36,650
Payments on account	5,252	4,077
Miscellaneous	3,840	3,286
Other liabilities	**214,486**	**222,162**
Of which non-current	7,530	9,027
Of which current	206,956	213,135

Staff liabilities essentially relate to obligations from performance-based remuneration, obligations for holiday not taken and German partial early retirement obligations. Staff liabilities include termination benefits, particularly in the form of German partial early retirement obligations and severance obligations of EUR 8.3 million (previous year: EUR 17.5 million). The liabilities from partial early retirement arrangements of EUR 1.5 million (previous year: EUR 1.6 million) include the Group's future obligations for the outstanding settlement amounts during the beneficiaries' working phases and the top-up amounts to be accumulated on a pro rata basis according to IAS 19 (rev. 2011). For unregulated cases, an estimate in line with the previous utilisation of similar contractual offers was applied. The asset values for securing the outstanding settlement amount of EUR 2,068 thousand (fair value) (previous year: EUR 1,171 thousand) are offset against the obligations in the financial year.

Tax liabilities include the wage tax and VAT payable to the tax authorities.

16. FINANCE LEASE LIABILITIES

Assets for which the Group has entered into finance leases are reported in property, plant and equipment. The lease payments for a sale-and-leaseback arrangement with a total volume of EUR 7.6 million entered into in 2008 are EUR 554 thousand per year for the first ten years. Thereafter, they are provisionally calculated at EUR 621 thousand. A financing rate of 5.85% per year was applied for the first ten years. As market interest rates have changed significantly since the contract was entered into, we have informed the lessor that we are exercising the contractually agreed purchase right as at 30 November 2018. Accordingly, these are reported under current finance lease liabilities.

The leased property was transferred to non-current assets at the present value of the minimum lease payments of EUR 7.6 million, with EUR 2.7 million attributable to land and EUR 4.9 million to the building. The net carrying amount was EUR 10.3 million in total as at the end of the reporting period (previous year: EUR 11.2 million).

The future payments from finance lease agreements for land and buildings and the interest and instalment components included therein break down as follows:

31 Dec. 2017 Remaining term EUR '000	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Minimum lease obligation	9,576	805	3,306	13,687
Financing costs	-3,063	-82	-219	**-3,364**
Present value of minimum lease obligation (land and buildings)	**6,513**	**723**	**3,087**	**10,323**

31 Dec. 2016 Remaining term EUR '000	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Minimum lease obligation	832	3,376	11,253	15,461
Financing costs	-401	-1,479	-2,401	**-4,281**
Present value of minimum lease obligation (land and buildings)	**431**	**1,897**	**8,852**	**11,180**

In addition, there are other leases for medical and technical equipment classified as finance leases. The leases have remaining terms of up to five years. The interest rates for the leases vary between 2.9% and 5.7% per year according to the date the contract was signed, term and lease volume. The net carrying amounts were EUR 2.6 million in total as at the end of the reporting period (previous year: EUR 2.4 million).

The future payments from finance lease agreements for operating and office equipment and the interest and instalment components included therein break down as follows:

31 Dec. 2017 Remaining term EUR '000	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Minimum lease obligation	515	1,850	567	2,932
Financing costs	-85	-188	-13	-286
Present value of minimum lease obligation (operating and office equipment)	**430**	**1,662**	**554**	**2,646**

31 Dec. 2016 Remaining term EUR '000	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Minimum lease obligation	572	1,635	636	2,843
Financing costs	-105	-249	-40	-394
Present value of minimum lease obligation (operating and office equipment)	**467**	**1,386**	**596**	**2,449**

Property rents of MediClin AG

MEDICLIN Aktiengesellschaft (MediClin) has filed a lawsuit with the Offenburg District Court to claim the repayment of rent above the normal market rate. The company is assuming that the rents paid in total for the period from 2005 to 2015 were higher than the applicable market rent for this period.

The lawsuit was filed against existing and former shareholders of the company who hold units in the property fund to which the hospitals acquired and leased back between 1999 and 2001 were contributed. In weighing up the risks and opportunities of the lawsuit, MediClin took into account the fact that the subject of this legal dispute – particularly with regard to measuring the market conformity of the rents in question – will be a complex matter and will involve difficult legal questions, some of which have not yet been answered at the highest judicial level.

In the opinion of the Management Board, this matter does not require any accounting consequences.

17. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Some employees were granted post-employment annuity payments under the Group's pension scheme, which takes the form of defined contribution and defined benefit plans. The Group's obligations cover both existing and future benefit claims.

Pension provisions for defined benefit plans are determined in accordance with IAS 19 on the basis of actuarial assumptions. In the financial years, the following parameters were applied:

	2017	2016
Discount rate	1.80%	1.80%
Expected salary increases	2.00%	2.50%
Expected pension increases	1.00%	1.00%
Average employee turnover	0.00%	0.00%

The cost trends in the medical sector were not considered in the calculation of pension provisions on grounds of immateriality.

The Group's defined benefit pension obligations are orientated towards the Hamburg Act on Additional Retirement Pensions and the respective valid version of the bylaws of the Pension Institution of the Federal Republic and the Federal States (VBL) and are based on benefit guideline no. 1 of the collective agreement on the company pension scheme at Landesbetrieb Krankenhäuser (LBK Hamburg) – a public-law institution – dated 24 July 2000. These obligations are met by way of the insured provident fund of LBK. In addition, there are obligations to civil servants of the city of Hamburg on leave of absence and individual contractual obligations that are partially covered by employer's pension liability insurance policies. For employees entitled to a pension at Asklepios Westklinikum Hamburg GmbH, acquired on 1 July 2008, there are benefit obligations funded by provisions in accordance with the articles of association of the VBL.

The Hamburg Act on Additional Retirement Pensions allows for pension benefits on the basis of final salary. The corresponding present value of the obligations was EUR 441,301 thousand as at 31 December 2017 (88% of the total obligation). The benefit amount is calculated from years of service and pay according to the pay grade when pension payments begin. Pensions increase by 1% per year.

The present value of the obligation from defined contribution pension commitments according to the articles of association of the VBL is EUR 53,839 thousand (11% of the total obligation). The annual contribution amount is determined by the pay subject to supplementary pension payments. The pension payments result from the actuarial annuitisation of the contributions. The current annuities increase by 1% each year.

As the payable benefits are lifelong pension payments, there is a longevity risk, which is largely hedged by the pension liability insurance policies in place. In addition, because the payable benefit depends on salary, there is a risk that the required payment to the employee will increase due to future salary increases. The Group bears this risk in full.

The 2005 G Heubeck mortality tables were used as a biometric basis for calculation.

The amount of the provision breaks down as follows:

EUR '000	31 Dec. 2017	31 Dec. 2016
Present value of benefit obligation from funded pension commitments	470,285	453,794
Present value of unfunded benefit obligations funded by provisions	112,274	114,496
Total present values of pension obligation	**582,559**	**568,290**
Fair value of plan assets	-300,001	-294,135
Effect of the asset cap as at 31 December	0	0
Net provisions	**282,558**	**274,155**

In the financial years shown, there were no effects from the change in demographic assumptions as these were unchanged year-on-year.

The development is as follows:

EUR '000	31 Dec. 2017	31 Dec. 2016
Provision as at 1 January	274,155	232,848
Current service cost	6,622	6,126
Past service cost	386	0
Net interest expense/income	4,383	4,706
Benefits paid	-1,997	-1,950
Experience adjustments	11,851	-1,453
Employer contributions to plan assets	-12,842	-14,171
Actuarial losses from the change of financial assumptions	0	48,049
Provision as at 31 December	**282,558**	**274,155**

The present value of the pension obligations developed as follows:

EUR '000	31 Dec. 2017	31 Dec. 2016
Present value of the obligation as at 1 January	568,290	517,452
Service cost	6,622	6,126
Past service cost	386	0
Interest cost	9,702	11,274
Experience adjustments	14,169	-1,453
Actuarial losses from the change of financial assumptions	0	48,049
Benefits paid	-16,610	-13,158
Present value of the obligation as at 31 December	**582,559**	**568,290**
Of which unfunded benefit obligations funded by provisions	**112,274**	**114,496**
Present value of the funded benefit obligations	**470,285**	**453,794**

The fair value of plan assets developed as follows:

EUR '000	31 Dec. 2017	31 Dec. 2016
Fair value of plan assets as at 1 January	294,135	284,580
Expected return on plan assets	5,320	6,568
Benefits paid	-14,534	-10,638
Remeasurement of plan assets	2,318	-282
Employer contributions to plan assets	12,762	13,907
Fair value of plan assets as at 31 December	**300,001**	**294,135**

If there is excess cover in the provident fund, it is not economically usable, so it is not recognised as an asset. The effect of this asset cap developed as follows:

EUR '000	31 Dec. 2017	31 Dec. 2016
Effect of the asset cap as at 1 January	0	0
Profit recognised in other comprehensive income	0	0
Effect of the asset cap as at 31 December	**0**	**0**

Plan assets mostly comprise employer's pension liability insurance taken out to cover the provident fund obligations from benefit obligations.

EUR 11.6 million (previous year: EUR 13.2 million) was contributed to the Hamburg provident fund in the 2017 financial year. The amount paid in to plan assets for 2017 financial year is expected to be comparable to 2017.

The sensitivity of the obligation in relation to the change in relevant actuarial assumptions (figures in brackets relate to the previous year) is as follows:

		Relative change of the obligation
Actuarial interest rate	-0.50%	Increase of 5.14% (9.60%)
Actuarial interest rate	+0.50%	Decrease of 11.58% (8.42%)
Income trend	-0.50%	Decrease of 4.49% (0.82%)
Income trend	+0.50%	Decrease of 2.99% (increase of 0.87%)

The effects of sensitivity were determined by the same method as the obligation at the end of the year. Only the change in the factor presented was considered, while other factors were assumed to be constant. This assumption could turn out differently in reality.

As the pension adjustment is contractually fixed (1% increase), this is not an influencing factor listed in the sensitivity analysis.

Because of the existing employer's pension liability insurance policies, most of the biometric risk is not borne by the Group but rather by the insurer, meaning that there was no sensitivity analysis here either.

The estimated payments from the pension provisions and plan assets are as follows:

Financial year	EUR '000
2018	14,956
2019	15,559
2020	16,462
2021	17,245
2022	18,095
2023-2027	103,698
Total	**186,015**

The estimated employer contributions to plan assets for 2017 amount to EUR 12.8 million. Estimated benefit payments from pension provisions are EUR 2.0 million.

The annual benefit payment obligation arises from the insurance contracts in place with the provident funds.

The weighted average duration of pension obligations is around 18 years (previous year: 18 years).

Multi-employer plans

Since 1 January 2002, BVK Zusatzversorgung, Munich, has paid a benefit that arises if an annual amount of 4.00% of an employee's gross salary is paid in full into a funded scheme. The contributions are made exclusively by the employer. The size of the contribution depends on the respective employee's pay subject to supplementary pension payments. The bylaws provide for a flat redevelopment charge for additional financing requirements above the actual contribution.

In the financial year, the contribution rate of ZVK Darmstadt was 6.2% of the pay subject to supplementary pension payments. As a result of the closure of the integrated scheme and the switch to the points model, the fund levies a flat redevelopment charge of 2.30% to cover additional financing requirements in order to finance the claims and accrued entitlements arising before 1 January 2002. In accounting group II, which is already funded, a compulsory contribution of 6.35% is levied.

In the following year, Asklepios is expecting a contribution/funding requirement for members of BVK Zusatzversorgung, Munich, of EUR 4.3 million (previous year: EUR 6.4 million). For members of the Zusatzversorgungskasse der Gemeinden und Gemeindeverbände (supplementary pension fund for municipalities and municipal associations) in Darmstadt, Asklepios is expecting a funding requirement of EUR 4.2 million (previous year: EUR 4.2 million).

BVK Zusatzversorgung, Munich, had 5,751 members in the 2016 financial year (2015 financial year: 5,750) and managed assets of EUR 20.1 billion (previous year: EUR 18.8 billion). In 2016, 710,582 compulsorily insured employees and 672,628 non-contributory insurance contracts were registered via these members. Company pensions are paid to 274,878 compulsorily insured employees. In the financial year, Asklepios registered 2,077 employees entitled to supplementary pension provision.

The Zusatzversorgungskasse der Gemeinden und Gemeindeverbände in Darmstadt has more than 643 members. 88,700 compulsorily insured employees, 88,500 non-contributory insured individuals and around 5,800 voluntarily insured individuals were registered via these members. Company pensions are paid to 47,600 former employees and their surviving dependents. In the financial year, Asklepios registered 1,431 employees entitled to supplementary pension provision.

The financing requirements for compulsory insurance benefits are determined for the coverage period plus one year. To cover these financing requirements, the contributions and redevelopment charges for the coverage period must be determined according to actuarial principles in such a way that the contributions to be paid for the coverage period together with other income expected from compulsory insurance and the partial assets available at the start of the coverage period are expected to suffice to finance the expenditure for the coverage period and one additional year. The coverage period is measured in such a way that the expected obligations of the fund resulting from entitlements and benefits from compulsory insurance can be met on an ongoing basis, but must not be less than ten years. After five years at the latest, the contribution and redevelopment charge requirements for a new coverage period must be determined after five years at the latest (rolling coverage period).

If a member leaves the accounting group of BVK Zusatzversorgung, Munich, or ZVK Darmstadt, the fund must be paid a settlement amount equal to the present value of its obligations from compulsory insurance on the date the membership ended. The calculation of present value takes account of company pension beneficiaries' claims to benefits and pension points from accrued entitlements as at the date the membership ended. Individually financed supplementary contributions are not included.

Until 31 December 2012, one of the Group's clinics was a participating institution in the Pension Institution of the Federal Republic and the Federal States (VBL) in Karlsruhe. The equity investment was cancelled with notice of six months as at 31 December 2012. A corresponding risk provision was recognised in the consolidated financial statements.

18. OTHER PROVISIONS

Other provisions developed as follows in the financial year:

EUR '000	1 January 2017	Utilisation	Reversal	Additions	31 Dec. 2017
Contractual obligations	128,002	-34,920	0	20,146	113,228
Compensation payments/loss adjustment	106,387	-5,517	-200	15,722	116,392
Health insurers	50,107	-22,770	-3,979	43,412	66,770
Litigation risks	3,723	-1,147	-983	1,343	2,936
Sundry other provisions	31,067	-5,836	-3,938	2,322	23,615
Total	**319,286**	**-70,190**	**-9,100**	**82,945**	**322,941**

Provisions break down by term as follows:

EUR '000	31 Dec. 2017	31 Dec. 2016
Less than one year	107,630	99,658
More than one year	215,311	219,628
Other provisions, total	**322,941**	**319,286**

Contractual obligations essentially relate to recognised provisions that are likely to be utilised for non-standard rental obligations and the reduction of the maintenance backlog by 2027. EUR 12.1 million is expected to be utilised in 2018 and around EUR 81.0 million from 2019 to 2027.

The provisions for compensation payments/loss adjustment were calculated for medical liability damages by an external expert using actuarial methods. The provision covers individual losses, incurred but not reported (IBNR) cases and claims settlement expenses. A market interest rate with a matching term was used to discount the expected payments. An amount of EUR 8.2 million of these provisions is expected to be utilised in 2018 and around EUR 25.6 million from 2019 to 2022.

The provisions for health insurance funds are set up to cover budget risks and provisions for risks of out-standing examinations by the MDK.

Litigation risks result from legal disputes with employees, suppliers and payers. The liabilities arising from the ruling and litigation costs incurred by Asklepios are recognised in this item.

Sundry other provisions relate to operating activities.

The provisions are utilised at a constant rate as in previous years and in accordance with IAS 37.

19. CURRENT INCOME TAX LIABILITIES

The current income tax liabilities of EUR 15,238 thousand (previous year: EUR 13,580 thousand) are for as yet unassessed corporate income tax and the solidarity surcharge for the last financial year and the previous years, and for other income tax liabilities resulting from the ongoing tax audit.

20. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities break down as follows:

EUR '000	31 Dec. 2017	31 Dec. 2016
Deferred tax assets		
Provisions for pensions	**45,783**	**44,421**
Contractual obligations	**14,858**	**20,384**
Unused tax losses	10,530	10,017
Miscellaneous	7,797	6,367
Total deferred tax assets	**78,968**	**81,189**
Offsetting	0	-6,043
Deferred tax assets reflected in the statement of financial position	**78,968**	**75,146**
Deferred tax liabilities		
Variance in value of intangible assets and property, plant and equipment	44,218	51,006
Miscellaneous	9,667	465
Total deferred tax liabilities	**53,885**	**51,471**
Offsetting	0	-6,043
Deferred tax liabilities reflected in the statement of financial position	**53,885**	**45,428**

Deferred tax assets are recognised on temporary differences and unused tax losses if there is reasonable assurance that they will be realised in the short term or there is a corresponding amount of deferred tax liabilities.

For transactions and other events recognised directly in other comprehensive income, any deferred taxes are recognised in equity or in other comprehensive income, and not in the consolidated income statement. For 2017, EUR 11 thousand of this (previous year: EUR 250 thousand) related to deferred tax assets recognised in other comprehensive income due to temporary differences in the measurement of financial assets. Another EUR 1,556 thousand (previous year: EUR 8,558 thousand) of deferred tax assets was recognised in other comprehensive income due to temporary differences in provisions for pensions.

In the 2017 financial year, no deferred tax assets were recognised on unused tax losses for corporate income tax purposes of EUR 65.0 million (previous year: EUR 60.2 million) and for commercial tax purposes of EUR 54.1 million (previous year: EUR 31.0 million), as it is unlikely that sufficient tax income will be generated for these amounts in the near future. EUR 2.9 million of deferred tax assets were recognised for unused commercial tax losses of EUR 20.4 million (previous year: EUR 40.3 million used tax losses with EUR 5.6 million deferred tax assets).

21. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

Carrying amounts, amounts recognised and fair values by class and measurement category (all level 3 except AFS measurement category if fair values differ from carrying amount)

EUR '000	Measurement category as per IAS 39	Carrying amount 31 Dec. 2017	Amount recognised in statement of financial position as per IAS 39: Amortised cost	Cost	Fair value in other comprehensive income	Fair value through profit or loss	Amount recognised in statement of financial position as per IAS 17	Fair value 31 Dec. 2017
ASSETS		**1,268,612**	**1,268,612**	**0**	**0**	**0**	**0**	**1,268,612**
Cash and cash equivalents	LaR	612,333	612,333	0	0	0	0	612,333
Trade receivables	LaR	500,469	500,469	0	0	0	0	500,469
Other financial assets	LaR	155,810	155,810	0	0	0	0	155,810
EQUITY AND LIABILITIES		**1,807,319**	**1,807,319**	**0**	**0**	**0**	**12,969**	**1.821,445**
Trade payables	FLAC	83,873	83,873	0	0	0	0	83,873
Financial liabilities	FLAC	1,486,899	1,486,899	0	0	0	0	1,491,784
Finance lease liabilities	n. a.	12,969	12,969	0	0	0	12,969	12,969
Other financial liabi-lities	FLAC	223,578	223,578	0	0	0	0	232,819
Of which: aggregated by IAS 39 measure-ment category:								
Loans and receivables	LaR	1,268,612	1,268,612	0	0	0	0	1,268,612
Financial liabilities at amortised cost	FLAC	1,794,350	1,794,350	0	0	0	0	1,808,476

EUR '000	Measurement category as per IAS 39	Carrying amount 31 Dec. 2016	Amount recognised in statement of financial position as per IAS 39: Amortised cost	Cost	Fair value in other comprehensive income	Fair value through profit or loss	Amount recognised in statement of financial position as per IAS 17	Fair value 31 Dec. 2016
ASSETS		**1,113,871**	**804,753**	**0**	**309,118**	**0**	**0**	**1,113,871**
Cash and cash equivalents	LaR	220,133	220,133	0	0	0	0	220,133
Trade receivables	LaR	453,804	453,804	0	0	0	0	453,804
Other financial assets	AfS	309,118	0	0	309,118	0	0	309,118
Other financial assets	LaR	130,816	130,816	0	0	0	0	130,816
EQUITY AND LIABILITIES		**882,290**	**882,290**	**0**	**0**	**0**	**13,629**	**900,332**
Trade payables	FLAC	67,046	67,046	0	0	0	0	67,046
Financial liabilities	FLAC	81,894	81,894	0	0	0	0	88,132
Finance lease liabilities	n.a.	13,629	13,629	0	0	0	13,629	13,629
Other financial liabilities	FLAC	719,721	719,721	0	0	0	0	731,525
Of which: aggregated by IAS 39 measure-ment category:								
Loans and receivables	LaR	804,753	804,753	0	0	0	0	804,753
Available-for-sale financial assets	AfS	309,118	0	0	309,118	0	0	309,118
Financial liabilities at amortised cost	FLAC	868,661	868,661	0	0	0	0	886,703

The fair value of derivative financial instruments and loans was calculated by discounting the expected future cash flows using market interest rates. The fair value of other financial assets was determined using market interest rates.

Return

IX. Other notes

1. ANNUAL AVERAGE NUMBER OF FTES

The average number of employees was 35,097 in the 2017 financial year (previous year: 32,923).

FTEs by group	2017	2016
Nursing service	11,886	11,731
Medical-technical service	5,550	5,553
Medical service	5,206	5,099
Functional service	4,030	3,802
Financial and care service	2,605	2,957
Administrative service	2,393	2,296
Miscellaneous	3,427	1,485
Total	**35,097**	**32,923**

2. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Other financial obligations essentially relate to capital commitments and leases and comprise the following:

EUR '000	2017	2016
Rental and lease agreements	434,272	489,059
Purchase commitments	43,689	40,999
Maintenance contracts	33,389	31,919
Sureties	31,075	0
Supply agreements	21,167	19,365
Capital commitments	5,389	6,550
Insurance contracts	1,540	2,247
Miscellaneous	24,634	27,038
Total	**595,155**	**617,177**

The obligations arising from rental and lease agreements essentially relate to the real property of MediClin AG rented on a long-term basis, not including obligations already recognised in purchase price allocation. The underlying rental agreements have a term until 31 December 2027. The agreements provide for an annual rent adjustment in the amount of the change in the German Consumer Price Index, but in any case no more than 2% p.a.

The purchase commitments include orders in investments that were not yet delivered as at the cut-off date.

All other financial obligations are carried at their nominal amount and are due as follows:

	EUR '000
Up to 1 year	147,057
Between 2 and 5 years	197,992
More than 5 years	250,106
Total	**595,155**

The future payment obligations under operating leases broke down as follows as at 31 December 2017 and 31 December 2016:

EUR '000	31 Dec. 2017	31 Dec. 2016
Up to 1 year	52,083	82,595
Between 2 and 5 years	164,363	151,662
More than 5 years	217,826	254,802
Total	**434,272**	**489,059**

Please refer to note 5) for information on contingent liabilities with related partie.

3. MANAGEMENT REMUNERATION

The members of management in key positions are the managing directors of Asklepios Kliniken Management GmbH – sole general partner of Asklepios Kliniken GmbH & Co. KGaA – and the members of the Supervisory Board of Asklepios Kliniken GmbH & Co. KGaA.

Remuneration for the management of Asklepios Kliniken GmbH & Co. KGaA amounted to EUR 2.5 million in the financial year. This was not disclosed in the previous year in accordance with section 314(3) sentence 2 in conjunction with section 286(4) HGB as there was only one managing director receiving remuneration from the company.

Remuneration for members of the Supervisory Board of Asklepios Kliniken GmbH & Co. KGaA amounted to EUR 2.0 million in the 2017 financial year (previous year: EUR 1.4 million), including attendance fees of EUR 59 thousand (previous year: EUR 38 thousand).

4. FEES FOR THE AUDITOR OF THE CONSOLIDATED FINANCIAL STATEMENTS (SECTION 314(1) NO. 9 HGB)

Total fees for the Group's auditors were expensed as follows in the financial year (figures include VAT):

Fee EUR '000	2017	2016
Audits of financial statements	2,117	1,327
Other assurance services	280	100
Tax consulting services	135	186
Other services	1,927	649
Total	**4,459**	**2,262**

5. RELATED PARTY DISCLOSURES

For Asklepios Kliniken GmbH & Co. KGaA, related parties within the meaning of IAS 24.9 include entities controlled by the Group and entities significantly influenced by the Group and vice versa. In particular, subsidiaries and equity investments are therefore defined as related parties.

Related parties* EUR '000	2017	2016
Receivables	7,764	7,808
Liabilities	1,824	430,878
Income	25	15
Expenses	4,629	2,798

* Figures not including consolidated subsidiaries

ransactions between Asklepios Kliniken GmbH & Co. KGaA and its consolidated subsidiaries and among the consolidated subsidiaries were eliminated from the consolidated statement of financial position and the consolidated income statement.

Dr Bernard gr. Broermann, Königstein-Falkenstein, is the sole shareholder of Broermann Holding Gesellschaft mit beschränkter Haftung – which in turn is the parent company of Asklepios Kliniken GmbH & Co. KGaA.

Asklepios Kliniken GmbH & Co. KGaA has a lease agreement with a related party for various offices. The expenses of EUR 452 thousand are recognised under other operating expenses in the consolidated income statement.

The shareholder Broermann Holding Gesellschaft mit beschränkter Haftung has granted the company a standard loan of EUR 0.0 million (previous year: EUR 430.5 million). Interest expenses of EUR 0.0 million (previous year: EUR 17.4 million) are recognised in net finance costs.

The non-controlling interests of EUR 1,130 thousand include a compensation payment to the shareholder Broermann Holding Gesellschaft mit beschränkter Haftung from the profit transfer agreements in place.

In the previous year, Asklepios Kliniken GmbH & Co. KGaA had entered into a service agreement and an agreement for the use of the brand and standards with Broermann Holding Gesellschaft mit beschränkter Haftung, which led to expenses of EUR 6.0 million and EUR 4.4 million respectively in the previous year.

There is a consolidated tax group for VAT purposes at the level of Broermann Holding GmbH. This simplifies the intragroup transactions considerably and results in significant savings in the medium term. Standard intercompany agreements on the exchange of services have been entered into between the Group entities.

The Group has received purchase offers for assets held by the company from a related party (a subsidiary wholly owned by the shareholder of Broermann Holding Gesellschaft mit beschränkter Haftung). The related party is contractually committed to be bound to the purchase offers indefinitely. However, the related party can call on the Group in writing to accept the offer within a period of 30 days at any time. Thereafter, the offer lapses without a requirement for further clarification. No expenses or income from the hedge were recognised in the financial year.

There are no other transactions with related parties.

Consulting services worth EUR 790 thousand were rendered by members of the Supervisory Board of Asklepios Kliniken GmbH & Co. KGaA or their related parties as at arm's length in the financial year. The services are included under other operating expenses. The remuneration paid to the employee representatives on the Supervisory Board for the work they performed in addition to their Supervisory Board activities amounted to EUR 0.6 million in 2017 (previous year: EUR 0.6 million), including attendance fees of EUR 12 thousand (previous year: EUR 12 thousand).

6. LEGAL DISPUTES

The company is occasionally involved in legal disputes in the course of its business activities. The company is not aware of any events that could have a significantly adverse effect on its financial position and financial performance.

7. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The current version of the declaration of compliance in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) of the listed company MediClin AG, which is included in the consolidated financial statements, has been published and made permanently available on the MediClin AG website. The current declaration of compliance is also included in the corporate governance declaration in accordance with section 289a HGB, which is likewise available on the MediClin AG website.

8. SUPPLEMENTARY REPORT

After 31 December 2017, Asklepios Kliniken GmbH & Co. KGaA acquired the equity investments in Blomenburg Holding GmbH and Medicum Hamburg MVZ GmbH – the medical care centre for diabetology.

EUR 2.5 million and EUR 124.0 million respectively of the schuldscheins placed in 2013 and 2015 were repaid in January and February 2018.

No other events with a significant effect on the net assets, financial position and results of operations occurred after the end of the reporting period.

9. EXECUTIVE BODIES OF ASKLEPIOS KLINIKEN GMBH & CO. KGAA

Supervisory board

The members of the Supervisory Board of the company are:

Dr. Ulrich Wandschneider	Chairman of the Supervisory Board, Business administration graduate, Hamburg
Uwe Ostendorff	Deputy Chairman of the Supervisory Board, trade union secretary, Berlin
Barbara Brosius	Managing Director, Kronberg
Sabine Daß	State department secretary, Neumünster
Dr. Miklas Drüeke	Doctor for anaesthesia, Bad Tölz
Angelika Guerra	Team partner in administration module, Frankfurt/Main
Dr. Hans-Otto Koderisch	Internal medicine specialist, Heidelberg
PD Dr. Karsten Krakow	Senior consultant, Frankfurt/Main
Rainer Laufs	Business consultant, Kronberg
Prof. Dr. Dr. h.c. Karl-Heinrich Link	Senior consultant for surgery, Wiesbaden
Stefan Murfeld	Employee, Königstein
Heiko Piekorz	Nurse, Lübben
Dirk Reischauer	Lawyer, Wiesbaden
Jochen Repp	Lawyer, Oberursel
Dr. Anke Savcenko	Medical director for Anaesthesia/Intensive Care, Schwedt
Michael Schreder	HR manager, Fernwald
Martin Simon Schwärzel	Specialist nurse, Griesheim
Claudia Steinbach	Diabetes consultant DDG, head of Diabetes department, Malsfeld
Andre Stüve	Architect, Damme
Stephan zu Höne	Managing director, Kassel

Management

Asklepios Kliniken Management GmbH (from 29 December 2017) Königstein im Taunus	
Kai Hankeln[1] Bad Bramstedt	State-certified business economist Management Chairman
Dr. Thomas Wolfram[1] Hamburg	Specialist for surgery and traumatology Health economics and MBA graduate Management Chairman
Hafid Rifi[1] Friedberg	Economics graduate, tax consultant
Marco Walker[1] Hamburg	Economics graduate
Prof. Dr. Christoph U. Herborn[2] Hamburg	Specialist for radiology

1) for Asklepios Kliniken Management GmbH from 29 December 2017; 2) for Asklepios Kliniken Management GmbH from 1 January 2018

Hamburg, 29 March 2018

For Asklepios Kliniken Management GmbH

Kai Hankeln

Dr. Thomas Wolfram

Hafid Rifi

Marco Walker

Prof. Dr. Christoph U. Herborn

Independent auditor's report

To Asklepios Kliniken GmbH & Co. KGaA, Hamburg

Audit opinions

We have audited the consolidated financial statements of Asklepios Kliniken GmbH & Co. KGaA, Hamburg, and its subsidiaries (the Group), comprising the consolidated statement of financial position as of 31 December 2017, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2017 to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we audited Asklepios Kliniken GmbH & Co. KGaA's Group management report for the financial year from 1 January 2017 to 31 December 2017.

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

› the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to section 315e(1) HGB and, in accordance with these requirements, give a true and fair view of the Group's net assets and financial position as of 31 December 2017, and of its results of operations for the financial year from 1 January 2017 to 31 December 2017, and
› the attached Group management report as a whole presents an accurate view of the Group's position. The Group management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development.

Pursuant to section 322(3) sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or 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 section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility according to these regulations and standards is described in further detail in the "Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report" section of our auditor's report. We are independent of the consolidated companies in compliance with the provisions of German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding 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 preparing the consolidated financial statements, which in all material respects comply with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to section 315e(1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless they intend to liquidate the Group or discontinue its business operations, or there is no realistic alternative.

Moreover, the legal representatives are responsible for preparing the Group management report, which as a whole provides an accurate view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a Group management report in compliance with applicable German legal regulations and to allow sufficient, suitable evidence to be provided 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 an accurate view of the Group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the IDW will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and Group management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the Group management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. the risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls..
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the Group management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems.
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the Group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the Group management report in the auditor's report or, if these disclosures are 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 auditor's report. However, future events or circumstances may mean that the Group is no longer a going concern.
- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such 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 IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to section 315a(1) HGB.
- we obtain sufficient appropriate audit evidence for the company's accounting information or business activities within the Group in order to provide audit opinions regarding the consolidated financial statements and the Group management report. We are responsible for directing, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we evaluate the consistency of the Group management report with the consolidated financial statements, its legality and the view it gives of the position of the Group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

Frankfurt am Main, 29 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Burkhart	Lars Müller
German Public Auditor	German Public Auditor

Report of the supervisory board

The Supervisory Board of Asklepios Kliniken GmbH & Co. KGaA (or – before the change in legal form – Asklepios Kliniken Verwaltungsgesellschaft mbH) thoroughly performed the tasks required of it in accordance with the law, articles of association and rules of procedure in financial year 2017. Based on regular written and verbal reports provided by the general partner Asklepios Kliniken Management GmbH or the management (hereinafter "Group management"), the Supervisory Board fully addressed the business performance, position and planned operating policy of Asklepios Kliniken GmbH & Co. KGaA. It was promptly and comprehensively informed of all events of significance to the company. This helped the Supervisory Board to support and monitor the activities of the Group management on an ongoing basis.

During the 2017 financial year, the Supervisory Board held a total of four meetings. At these meetings, the Group management reported the performance of the business along with all events of significant importance to the Supervisory Board. The Supervisory Board carefully examined and – where necessary – approved matters of significant importance, namely transactions requiring its approval in accordance with the law, articles of association and rules of procedure. Some matters such as contractual matters of the managers were handled by the General Committee of the Supervisory Board, which took the relevant decisions or expressed recommendations to the Supervisory Board. The Supervisory Board was informed in particular about the development of operating business, the reorganisation of the Group and the further intensification of compliance measures and risk management and discussed this with the Group management. The Supervisory Board supported the company's change of legal form in the 2017 financial year in a reviewing capacity.

The consolidated financial statements, the annual financial statements as of 31 December 2017 as well as the Group management report and the management report were examined by the auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, and approved without reservation. The auditor's reports were supplied to all members of the Supervisory Board and were dealt with in detail by the Audit Committee on 16 April 2018 and at the balance sheet meeting of the Supervisory Board on 24 April 2018.

The Supervisory Board took note of the annual financial statements and consolidated financial statements presented by the Group management. The auditors reported to the Supervisory Board members on the main findings of their audits. The Supervisory Board acknowledged the findings of the audits of financial statements. According to the final outcome of the Supervisory Board's own review, no objections were raised regarding the consolidated financial statements, the annual financial statements and the management reports.

The Supervisory Board recommends that the Annual General Meeting adopts the 2017 annual financial statements of Asklepios Kliniken GmbH & Co. KGaA. The Supervisory Board endorses the Group management's proposal for the appropriation of profits.

In accordance with section 312 of the Aktiengesetz (AktG – German Stock Corporation Act), the general partner has prepared a report on the company's relations with affiliates (dependent company report) for the period after the company's change of legal form to GmbH & Co. KGaA.

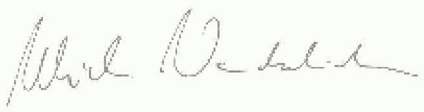
The auditor audited the dependent company report and issued the following auditor's report:

"In line with our engagement, we audited the legal representatives' report according to section 312 AktG on relations with affiliates according to section 313 AktG for the reporting period from 29 December to 31 December 2017. As there are no objections to be raised according to the final outcome of our audit, we issue the following auditor's report according to section 313(3) sentence 1 AktG: Having conducted a proper audit and assessment, we confirm that the factual statements in the report are correct."

The Audit Committee and the Supervisory Report received and reviewed the dependent company report and the audit report in good time. The auditor attended the relevant meetings and reported on his audit of the dependent company report and his significant audit findings. The auditor answered the Supervisory Board member's questions. According to the final outcome of the audit, the Supervisory Board approved the dependent company report and the audit report and has no objections to raise against the general partner's declaration at the end of the dependent company report.

On behalf of the Supervisory Board, I would like to sincerely thank the Group management and all employees of the Asklepios Group for their successful work and their huge personal dedication in financial year 2017.

Königstein-Falkenstein, 24. April 2018



Dr. Ulrich Wandschneider
Chairman of the Supervisory Board

Return

IMPRINT

Issued by
Asklepios Kliniken GmbH & Co. KGaA
Rübenkamp 226
22307 Hamburg
Germany
www.asklepios.com

IR contact
Mirjam Constantin
Tel.: +49 (0)6174 901166
Fax: +49 (0)6174 901110
ir@asklepios.com

PR contact
Rune Hoffmann
Tel.: +49 (0)40 18188266-30
Fax: +49 (0)40 18188266-39
presse@asklepios.com

Design and layout
POLARWERK GmbH, Bremen
www.polarwerk.de

Photos
Felix Matthies
felima@me.com

Hamburger Abendblatt
Mark Sandten

Asklepios

iStockphoto
www.istockphoto.com

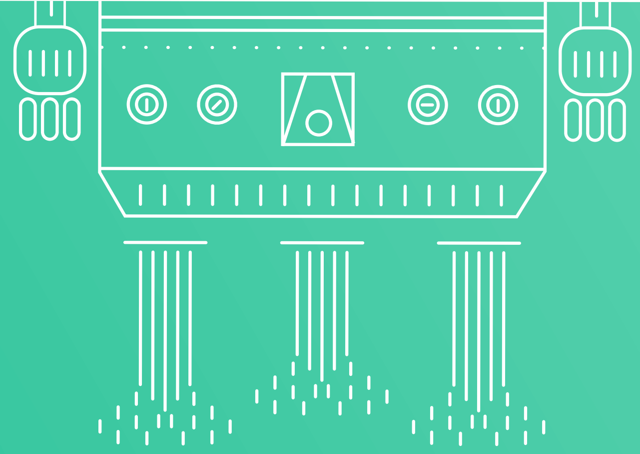
Cord Gode
studio@cordgode.de

Druck
Stürken Albrecht GmbH & Co. KG
stuerkenalbrecht.de

Editorial work and coordination
Dörte Janßen, Corporate Publishing,
Corporate Communications & Marketing department

Many thanks to the IT, Nursing, Quality and HR departments for their assistance in preparing this annual report, and to all employees involved in producing the text.

The annual report was produced with FSC-certified paper.



2018

FINANCIAL CALENDAR

26 APRIL
Annual Report 2017

24 MAY
Report on the first quarter

23 AUGUST
Report on the first half of the year

22 NOVEMBER
Report on the third quarter

ASKLEPIOS
Gesund werden. Gesund leben.