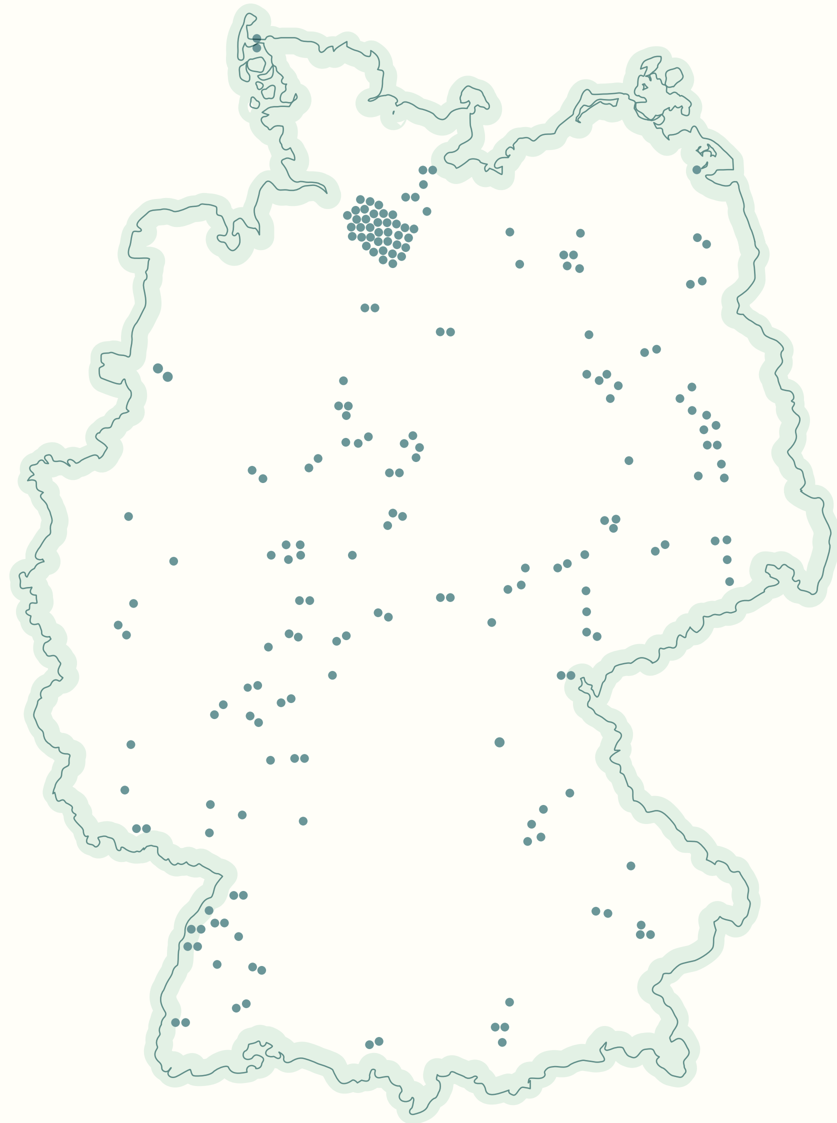
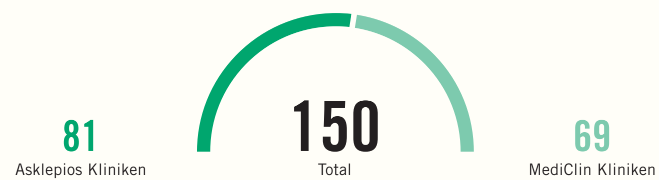
ASKLEPIOS

Gesund werden. Gesund leben.

Asklepios Kliniken

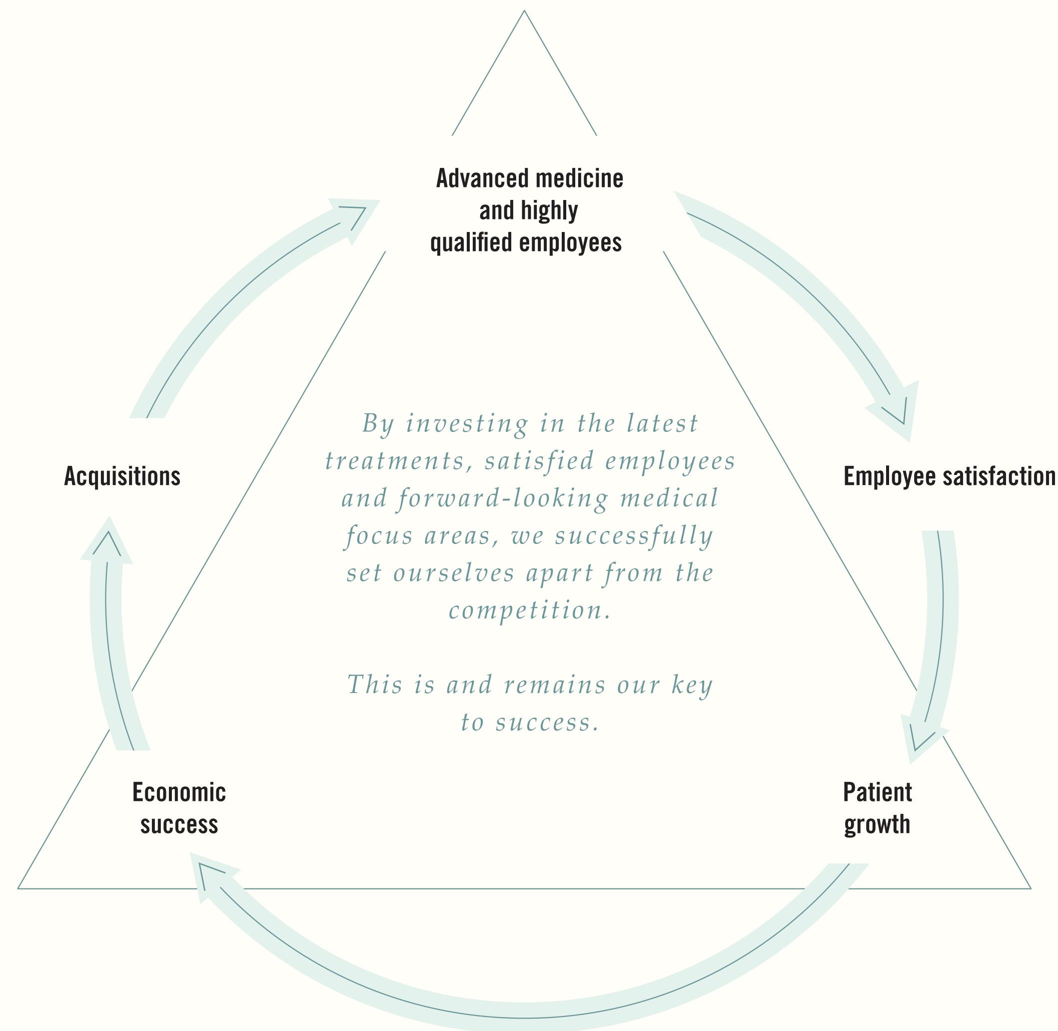
FACTSHEET





ASKLEPIOS HOSPITAL NETWORK

ASKLEPIOS



Overview of Asklepios
p. 4 – 9

Teams of Excellence
SUCCESS AS A TEAM

The world of healthcare is in a constant state of transition. Successfully developing in this process and actively shaping this transition is possible only in a strong team. What is true for every clinic is practised at all levels within Asklepios starting with the Group management. How? The two CEOs Kai Hankeln and Dr Thomas Wolfram explain the strategy as part of an interview.

Centers of Excellence
DELIVERING ADVANCED MEDICINE

With our high-performance medical centres – the Centres of Excellence – we are setting new standards in Germany, and therefore setting ourselves successfully apart from the competition. These are the fundamental pillars of our mission: we want to create advanced medicine – for each of our patients and for society.

Performance of Excellence
STRONG STRUCTURES FOR STRONG PERFORMANCE

Excellent medicine needs a solid foundation and financial freedom. With the help of our performance strategy, we are systematically expanding the strengths of our efficient Group platform to give our employees at the clinics and our network the agility required to seize opportunities for the future.

Future of Excellence
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Management Report
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Consolidated Financial Statements
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Imprint
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Financial Dates
back cover

Asklepios Kliniken

PORTRAIT

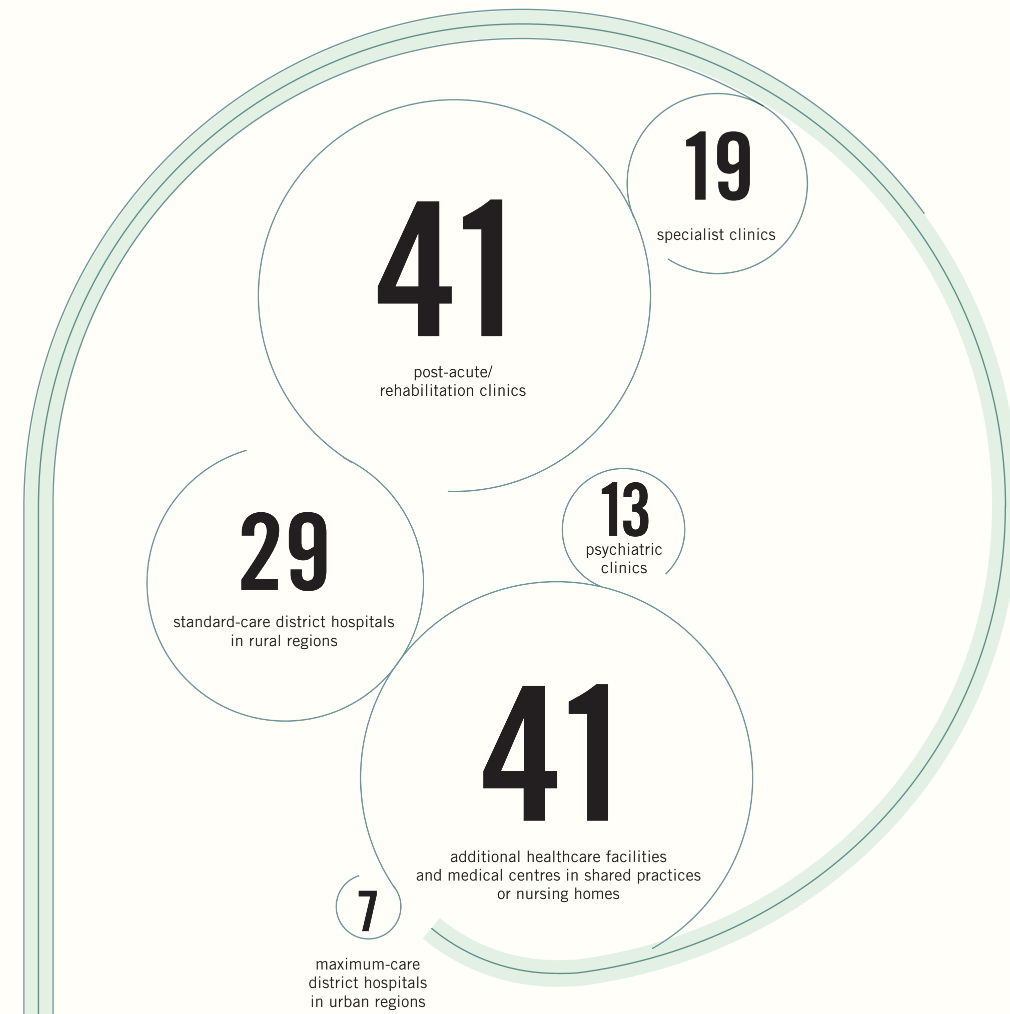
Since 1985, Asklepios has been pioneering the latest advanced medicine under private ownership. Today, the association of clinics includes around 150 healthcare facilities, making it Europe's largest private family-owned clinic operator. The focus of our corporate activities has always been on delivering future-oriented medicine that sets the highest quality standards for all patients in our care. A broad spectrum of services allows us to offer our workforce of more than 46,000 varied roles and rewarding challenges.

Top Quality Medicine
see page 8

People are at the heart of our philosophy: particularly in advanced medicine, personal attention is a decisive factor in restoring people's health. Every patient should receive it to the fullest extent possible. At our facilities, our doctors and nursing staff treat around two million people annually. Some 26,500 beds are provided for this purpose.

In the Group, we cover the entire range of medical care services: As well as maximum, basic, standard and priority care, specialist hospitals with particular areas of specialisation 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 are highly rated throughout Germany. Our patients find outpatient support in our medical centres. With MEDILYS, we operate one of the largest hospital laboratories in Europe. Each year, more than ten million analyses are performed and 18 million findings issued.

HEALTHCARE-CLUSTER

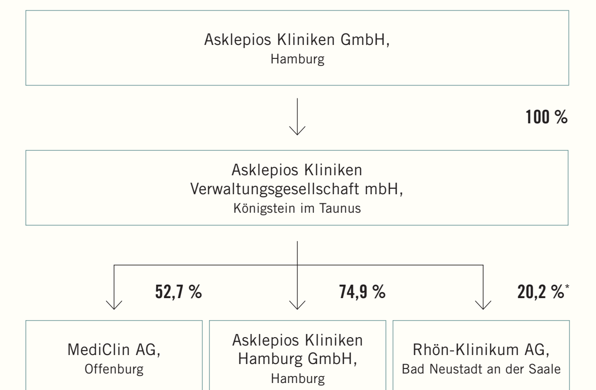


150 medical facilities in Germany

Synergies in medical expertise and structures

Patient flows across different levels of care

COMPANY STRUCTURE



* As at 31 Dec. 2016

Sustainable

GROWTH

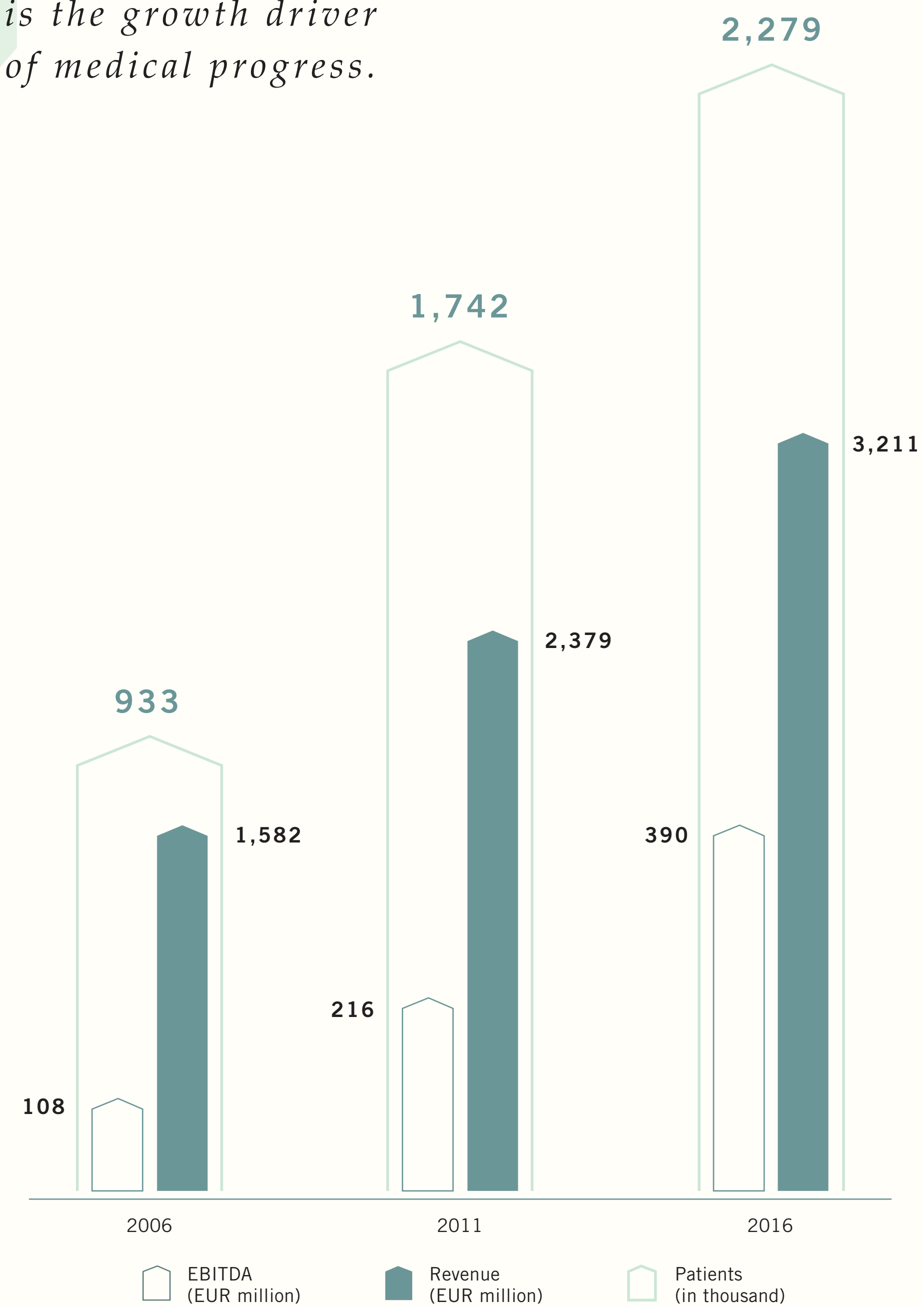
> *For us, advanced medicine is the growth driver of medical progress.*

Over the last five years, Asklepios has invested around EUR 1.3 billion in highly qualified employees, cutting-edge medical equipment and its own clinics. On average, we have financed 64% of these investments from our own funds. The high investments have proven their worth: Some 2.3 million patients placed their trust in us in the 2016 financial year. Consistently high levels of patient satisfaction and a steady rise in patient numbers are the basis of our growth strategy.

As a leading private healthcare group, Asklepios has been an established player on the German healthcare market for over 30 years – in the field of advanced medicine and in the introduction of innovative treatment and quality management. However, the healthcare market is in a state of continuous change. On the one hand, the geo-demographic change is impacting on the medical requirements of the clinics. On the other hand, the growing trend for outpatient treatment is consuming a large part of what used to be inpatient services. Added to this is the fact that patient preferences are shifting. „Modern" patients see themselves as customers and not only expect top quality medicine, customer orientation and transparency, but also digital offerings – something to which we pay particular attention.

Asklepios recognises that clear performance profiles are resulting in increasing demand in our market environment. The demand for medical and technical innovation is high. We have responded early to this development with our Centres of Excellence strategy. Our success proves us right: we can look back once again on a strong and healthy financial year.

Centers of Excellence
see page 20



TOP QUALITY

At Asklepios, quality begins with an assessment of the individual case. We endeavour to help every one of our patients with advanced medicine. Therefore, it is important for Asklepios to maintain and deliver this quality today and to continuously improve it for tomorrow. As well as adhering to legally prescribed procedures, we also rely on our established quarterly quality management within the Group.

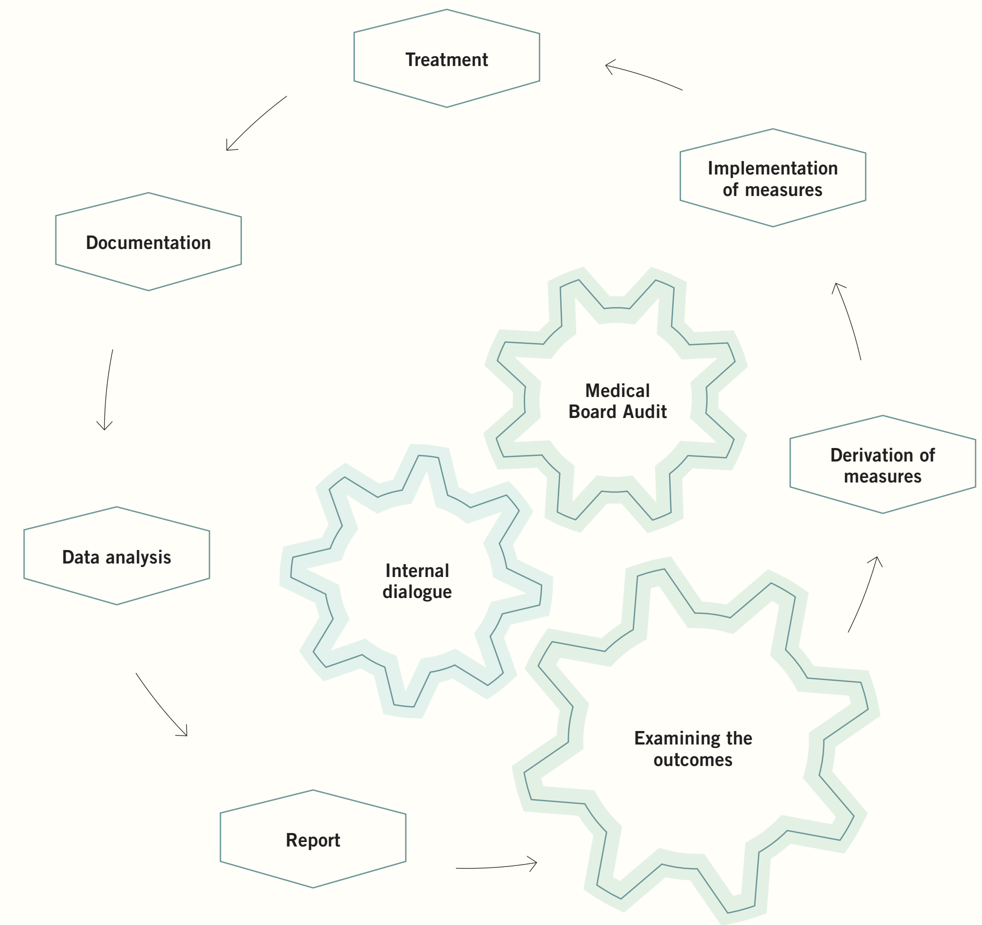
Continued high levels of investment in our clinics, medical equipment and staff are essential pre-requisites that allow Asklepios to offer advanced medicine in the first place. To guarantee this over the long term, we want not only to measure quality, but above all to improve it. To achieve this, we must make findings on treatment quality available very soon after the treatment is carried out.

Here at Asklepios, we believe in the principle of „doing one thing without neglecting the other.“ In addition to the legally prescribed external quality assurance (esQS) method, the G-IQI (German Inpatient Quality Indicators) method and quality assurance from routine data (QSR), Asklepios therefore employs the Group‘s internal evaluation tool – the Asklepios quality monitor. This enables the quarterly, and in some cases monthly, evaluation of results by the Group‘s quality department. Process improvements can be rapidly and actively initiated. The comprehensive Asklepios portfolio of quality-supporting and quality-assuring measures enable a critical examination involving the weaknesses identified; we can then implement the necessary measures swiftly.

The quality of medical outcomes is not only at the heart of our Centres of Excellence, but is also the guiding principle for each individual Asklepios clinic – we provide the highest standard of care across all our hospitals.

Report on the quality of medical outcomes

Read more at asklepios.com
> Qualität & Sicherheit
> Gute Ergebnisqualität



ASKLEPIOS QUALITY MONITOR PROCESS

Excellence in the team, in our clinics and in our economic development. The drives the entire Asklepios Group forward – from the administration, the nurses and doctors all the way to the senior management. Our annual report will provide an insight into how we go about implementing our standards of excellence.

TEAMS

of Excellence

Teamwork creates excellence.

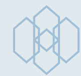
Management Team

COO
MARCO WALKER

CEO
KAI HANKELN

CEO
DR THOMAS WOLFRAM

CFO
HAFID RIFI



Teams of Excellence

Healthy growth in a future market.

Interview with Kai Hankeln and Dr Thomas Wolfram, the two CEOs of the Group.

Dr Thomas Wolfram, CEO

Four years at Asklepios – Operating management and Chairman of Asklepios Kliniken Hamburg GmbH (AKHH)

Experience

Qualified medical practitioner and specialist with 16 years' experience as a surgeon and 12 years of senior management experience with private clinic operators

Additional business studies with a diploma and an MBA

Professional focus

Medical excellence, quality management and personnel development

Motivation

„Asklepios aims to become synonymous with advanced medicine throughout Germany. To achieve this, the management of our clinics in the interests of patients, doctors and nursing staff must be improved a little every day."

Kai Hankeln, CEO

Eleven years at Asklepios – Operating member of the management team for the Brandenburg, North Rhine-Westphalia, Mecklenburg-Western Pomerania, Lower Saxony, Saxony, Saxony-Anhalt, Schleswig-Holstein and Thuringia regions

Experience

State-certified business economist with more than 20 years of senior management experience with private and communal clinic operators

Professional focus

Strategy andbusiness development

Motivation

„Establishing a future-proof operating model that will guarantee long-term medical excellence in a changing healthcare environment. We want to be the undisputed leader of all healthcare providers."

››› *On the corridors of the Asklepios hospitals there has been increasing mention of the word excellence. What do you associate with this?*

‹‹‹ **Hankeln:** The word excellence concisely summarises our mission to offer our patients the best possible quality of treatment and, in doing so, to meet our responsibility to improve healthcare overall in Germany.

This standard is the most important principle that guides our actions – from nurses and doctors through to the senior management: the quality of our medical care and the safety of our patients are paramount at Asklepios – we accept no compromises in this regard.

Optimum quality of medical outcomes

see page 24

‹‹‹ **Dr Wolfram:** Naturally, we can guarantee this excellent medical care of our patients only if we also strive to achieve excellence in our innovations, our employees and our economic development.

››› *How are you ensuring this excellent quality in concrete terms?*

‹‹‹ **Dr Wolfram:** Quality begins for us with an assessment of each individual case. We don't want to measure quality solely in key figures, but to improve continuously for each and every one of our patients.

For this reason, we have set up our own Asklepios quality monitor AQM in addition to the prescribed procedures, which far exceeds the legal requirements. This evaluation, which is closely linked to the treatment, enables us to implement process improvements directly. We can derive and implement highly effective measures to improve quality – and continuously monitor the effectiveness of these measures.

‹‹‹ **Hankeln:** Our consistent focus on excellent quality is successful and leads to high levels of satisfaction among our patients. This is reflected, for example, by the disproportionate increase in our patient numbers compared to the average of all German hospitals.

With a current total of over 40 centres of excellence, our network is rolling out genuine advanced medicine nationwide.

Dr Thomas Wolfram

Centers of Excellence
see page 20

»» *Our patients' experience of the clinics every day is ultimately what counts. Presumably, you cannot oversee this down to the finest detail from the head office?*

«« **Dr Wolfram:** That is correct. We can succeed only as a team. The decisive factor in all our measures is the manner in which our employees implement them on site. Their extraordinary dedication is the foundation of high-quality medical care for our patients.

For this reason, we work systematically to continuously improve the working environment at Asklepios for our employees. With more than 46,000 employees throughout Germany, we ultimately also bear a high level of social responsibility as an employer.

«« **Hankeln:** A key aspect of employee satisfaction involves investing in training and further education offerings and individual development prospects. Our success in this regard is borne out by the steady stream of top-class doctors and senior consultants who are joining Asklepios from other clinics. Or to put it another way: they are making a conscious decision in favour of Asklepios as an attractive employer.

Excellent conditions for senior managers
see page 32

»» *For many years, hospitals were focused on continuously expanding the range of treatments on offer. You are following a different path. Why does specialisation make sense in the current market environment?*

«« **Hankeln:** To guarantee good medical care over the long term, hospital operators today must find solutions to three key challenges: the geo-demographic change particularly in rural areas, the growing trend for outpatient treatment and changes in patient preferences.

We are systematically pursuing innovative strategies to further highlight the individual strengths of the individual hospitals. We focus on specialisation to make optimum use of resources to improve the quality of medical care. And our experience shows that a growing number of patients want to be treated by qualified specialists.

Specialisation encourages top quality
see page 22

«« **Dr Wolfram:** We are also seeing a shift in many areas from patients to customers who demand top-quality medicine, customer orientation, transparency and, increasingly, digital offerings. Clear performance profiles are driving increasing demand in this environment – particularly with regard to inpatient treatment.

And with our current total of over 40 centres of excellence, our network is rolling out genuine advanced medicine nationwide. As a private operator, we guarantee the highest standards of general healthcare with our healthcare facilities in many regions.

»» *How is the Centre of Excellence strategy implemented in operational terms?*

«« **Dr Wolfram:** A Centre of Excellence must meet the standard required to lead in terms of quality in the respective area of specialisation in the region. Four key success factors are central to this: a management team, well-educated and further-trained employees, the requisite capital to invest in state-of-the-art facilities and the expertise required for the latest processes.

«« **Hankeln:** And in this regard, individual clinics can are supported by a Group with more than 30 years' experience as a pioneer of advanced medicine. With 150 high-quality healthcare facilities today, we are ideally positioned to play an active role in the transition in the healthcare system.

secure jobs at Asklepios

»» *What role of does economic profitability play in your pursuit of excellence?*

«« **Dr Wolfram:** : Operating a hospital is also always a major undertaking in terms of health policy. Outstanding medical services and economic success are mutually dependent in this context.

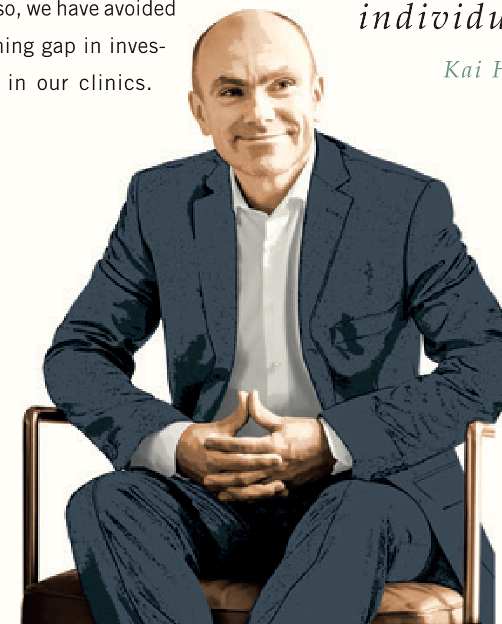
Our service offering must be sufficiently attractive for patients to choose us. Only then can we achieve economic success. And we invest what we earn in even better medicine – in the past year, around EUR 750,000 per day on average. This means that total investments for the financial year amounted to approximately EUR 274 million.

«« **Hankeln:** However, it is important to understand that the state subsidies budgeted for these investments are far from sufficient.

Over the past five years, we have funded the lion's share of investments to an average of 64 % from our own resources. In doing so, we have avoided a yawning gap in investment in our clinics.

We are systematically pursuing innovative strategies to further highlight the individual strengths of the individual hospitals.

Kai Hankeln



Our profitability is therefore an essential prerequisite for providing the best medical care in the interests of patients in the long term.

To this end, we have systematically identified measures to increase our funds for our investments, but not at the expense of our on-site personnel. Key parameters in this regard are an optimised purchasing policy and a reduction in material expenses in the Group. In the past financial year, therefore, we have pressed ahead systematically with the process of centralisation and the standardisation within Asklepios.

Strong structures for strong performance
see page 36

»» *Are extensive investments worthwhile in what is a strictly regulated hospital market?*

«« **Hankeln:** Yes, unequivocally – the operation of hospitals is an attractive growth market. Demand for hospital and healthcare services is growing. Medical advances and the demographic change are important drivers. This also makes the market very robust and largely non-cyclical.

«« **Dr Wolfram:** The most important thing is a sustainable business model based on a long-term strategy that strikes the right balance between quality medical care and profitability – something we have been doing very successfully for years.

The healthcare market is highly competitive. How do you plan to assert yourselves here?

Hankeln: We see our focus on medical excellence as a clear unique selling point in strategic terms. With the Centre of Excellence strategy, we are the sole privately-owned provider of advanced medicine throughout Germany.

The associated network also allows us to apply best-practice solutions – medical and commercial – swiftly to other hospitals.

Dr Wolfram: In the coming years, digitisation will also play an increasingly important role. Thanks to our strategic investment in one of Germany's leading specialists for hospital IT, we are already systematically accelerating the integration of eHealth solutions today from our own network.

Future of Excellence
see page 40

Do acquisitions also play a role for your growth path? And is internationalisation also of interest for you?

Hankeln: We are following an organic growth path with a clear focus on top-quality medical care. This also includes targeted acquisitions if they fit with our strategy and extend our value chain.

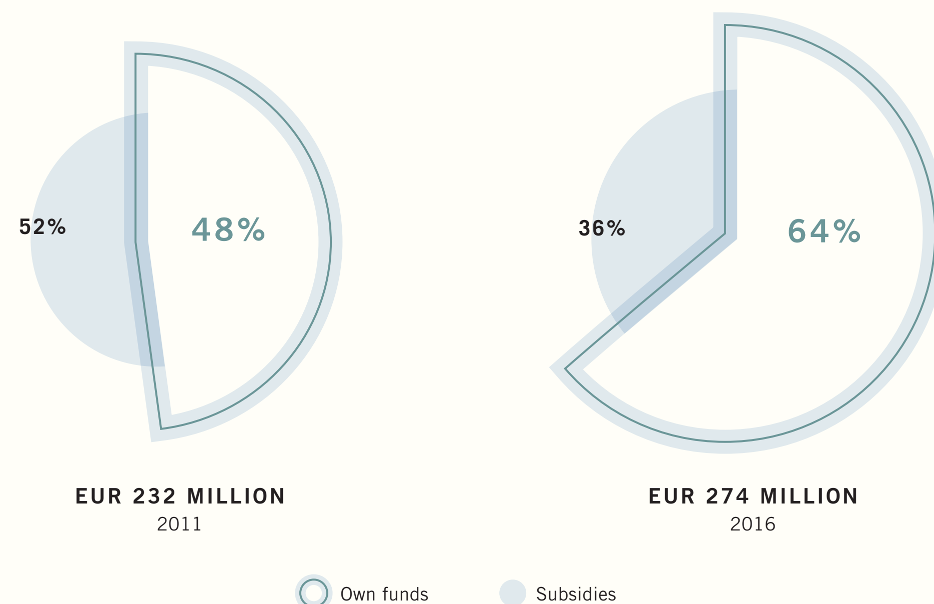
Dr Wolfram: Germany is and remains our core market. But of course, we regularly examine specific opportunities to invest outside Germany.

What role does your high liquidity play in implementing the planned growth strategy?

Dr Wolfram: For us, financial stability is – in addition to a strong economic development – the basis for our sustainable growth. To ensure dynamic further development, we need financial flexibility for necessary investments or prudent acquisitions.

Hankeln: One of the key milestones during the past financial year was therefore to reorganise the Group and financing structure with the help our CFO Hafid Rifi and his team. By doing so, we have created a strong foundation for continued long-term growth with our successful strategy.

HIGH INVESTMENTS



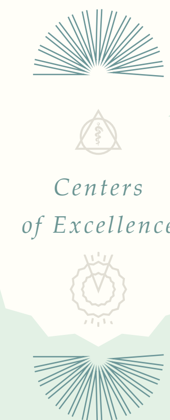
Future vision – where will Asklepios be in ten years?

Hankeln: We have a clear objective: We aim to set ourselves apart as the best clinic operator and leading integrated healthcare group in Germany.

To do this, we will concentrate on what we have already achieved: keeping the right balance between medical quality, social responsibility and economic success. The expansion of additional centres of excellence will support us on this path.

Dr Wolfram: In addition, we will certainly see major developments in the areas of outpatient medical treatment and digitisation, which will bring us further forward as a company and offer clear benefits to our patients.

We want to continuously improve healthcare in Germany and thus sustainably create values that benefit our patients as much as our employees, shareholders and investors.

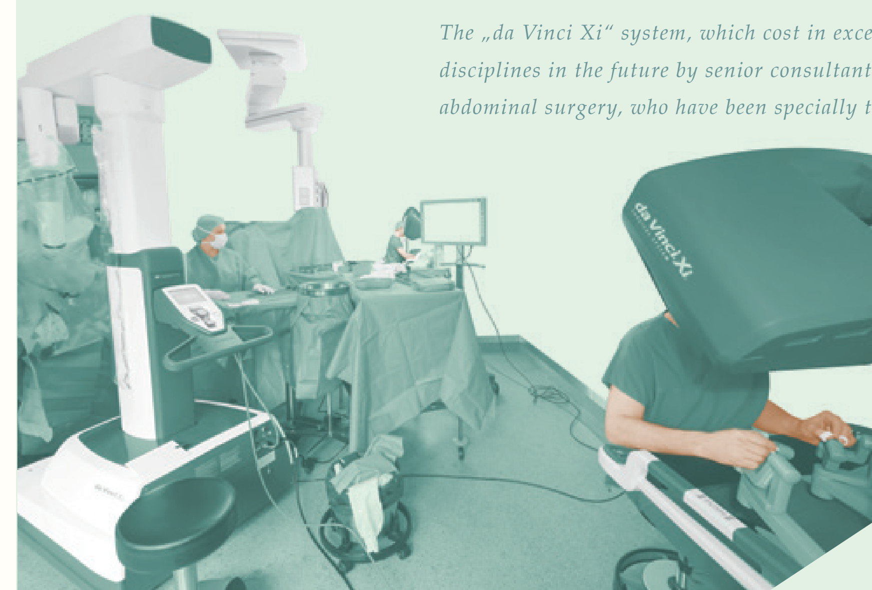


LATEST-GENERATION „DA VINCI XI" EQUIPMENT NOW AT THE ALTONA CLINIC

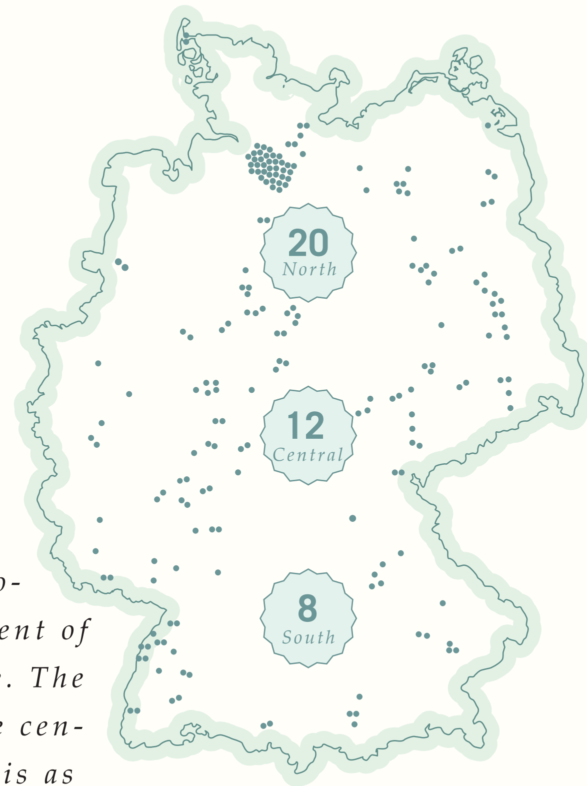
The world's surgical robot – the „da Vinci Xi" system – was officially commissioned at the Asklepios Klinik Altona in Hamburg, Germany at the beginning of February. As a result, the clinic in the metropolitan region now as a unique selling point with regard to robot-assisted operations.

Another aspect of note is that these minimally invasive high-tech operations, which are therefore exceptionally gentle on patients, will in future be performed by specialists from different fields across several Hamburg Asklepios clinics.

The „da Vinci Xi" system, which cost in excess of EUR 2 million, will be used across various disciplines in the future by senior consultants in the areas of urology, gynaecology, ENT and abdominal surgery, who have been specially trained in the use of this technology. The sharp, three-dimensional view of the operation area combined with the fantastic precision and exceptional manoeuvrability of the gripper arms and instruments enables exceptionally precise and safe surgery.



Patients benefit from the robot-assisted operating method with shorter surgical procedures, less blood loss and a shorter recovery phase following the intervention.



The relationship between high case numbers and high outcome quality is a cornerstone for the establishment of centres of excellence. The service range of the centres of excellence is as diverse as the range of medical services offered by Asklepios.

40 Centers of Excellence

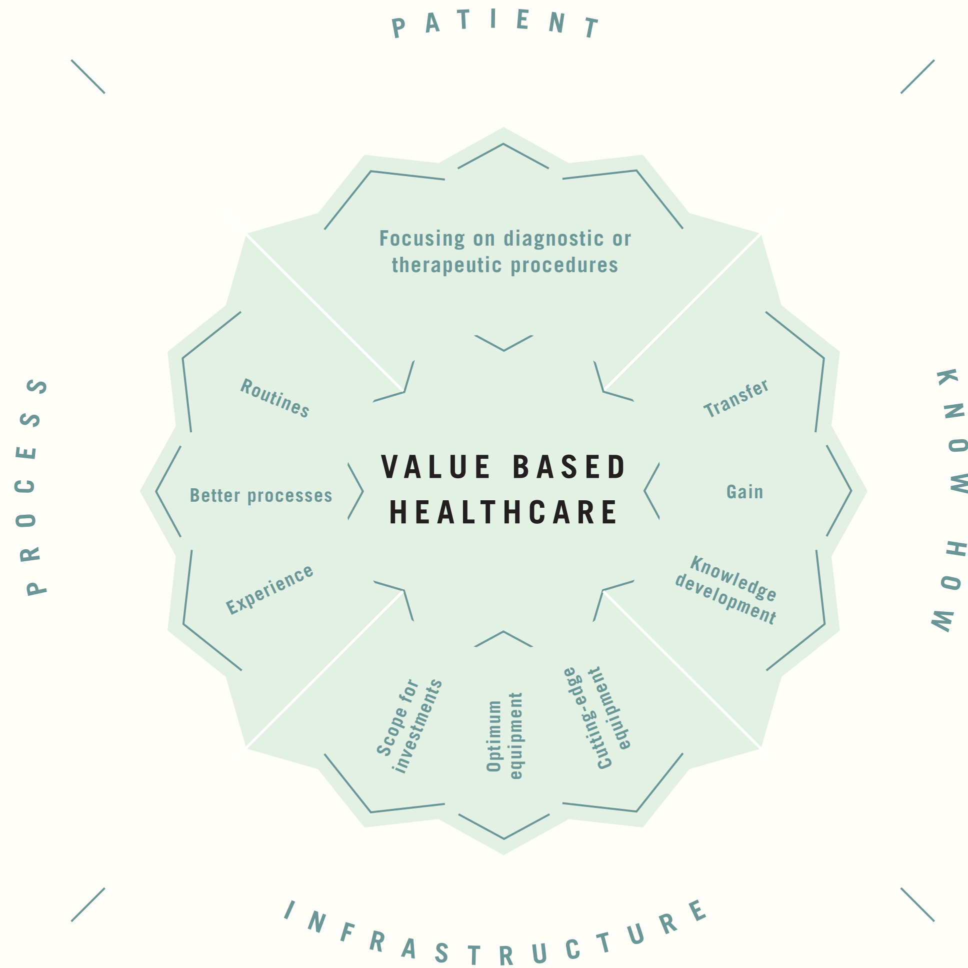
150 facilities in total

CENTERS

of Excellence

PERFORMANCE

SPECIALISATION ENCOURAGES TOP QUALITY



The Asklepios strategy to develop the centres of excellence begins with the idea of value-based healthcare. At its heart, this approach aims to focus primarily on the value of a diagnostic or therapeutic procedure from the patients' perspective. It is not merely the provision of a service that counts, but its immediate and long-term outcomes. This explicitly includes the post-discharge phase.

Report on quality management – outcome quality

Read more at asklepios.com
> Qualität & Sicherheit
> Gute Ergebnisqualität

Consistently thought through, the quality of processes and procedures can be significantly improved by a high degree of concentration and standardisation. In this way, specialisation enhances the safety and treatment quality of a procedure, which delivers immediate benefits to patients. In the context of implementation, Asklepios has also recognised the importance of concentrating specific therapies at selected locations. Specialisation and the resulting raise in profile are the strong points of effective clinics in an ever-changing healthcare environment.

The growth in outpatient hospital services presents a challenge, but also an opportunity to re-think the use of existing inpatient resources. With the centres of excellence concept, we want to achieve lasting improvements in the quality of medical care and offer special services that will set ourselves apart as a provider in the inpatient sector. Our objective is to be experts in special services, and to be acknowledged as such. Therefore, we are not only meeting the growing expectations of our patients for excellent care, but also creating new scope for action in the transition of the healthcare system. Up to now, hospitals could negotiate with payers to agree specific volumes of a service via the billing in the DRG system. A significant overrun in the respective service was compensated for only to a low degree due to lower remuneration. Since the start of 2017, however, the German Hospital Structure Act (KHSG) and the associated changes apply a fixed cost degression discount that reduces the remuneration of services that are particularly susceptible to increasing volumes such as total knee or hip replacements and back surgery by up to 30%. Specialisation and the resulting standardisation of processes enable these financial deductions to be absorbed despite the additional services provided.

Asklepios began at an early stage to define and expand centres of excellence and specialisation for every somatic acute hospital. In doing so, we took care to ensure the interaction between the individual centres of excellence within the Asklepios Group. In cooperation with the Asklepios and MediClin rehabilitation clinics, we developed transition concepts to make it as easy as possible for our patients to transition from a centre of excellence to appropriate follow-up treatment.

The successful development of the centres of excellence at Asklepios over the past few years has clearly shown that our strengths lie particularly in the areas of orthopaedic, cardiovascular and neurological as well as geriatric medicine. This recognition opens up additional ways for us to improve our medical services: wherever possible, we provide specialised medical services such as scoliosis operations, pacemaker implantations, or stroke treatments based on an interdisciplinary approach. The very high number of cases and the associated gain in expertise is yet another key to our long-term excellence. Each of our centres of excellence has a regional and sometimes national allure in its field with regard to treatment quality, personnel and technical equipment.

OPTIMUM QUALITY OF MEDICAL OUTCOMES

The optimum quality of medical outcomes is at the heart of our Centres of Excellence strategy. In Germany, the focus of external quality assurance is currently overwhelmingly on the period of inpatient care. Given the continuous reduction in the length of stays, its predictive value with regard to long-term outcome quality is becoming increasingly diluted. The first promising approaches that try to include the period post-hospitalisation care as well are offered by the QSR method from the Scientific Institute of the AOK (WIdO), which supports our facilities.

With the centres of excellence, Asklepios is ideally positioned to meet the current needs and expectations of patients. Sustained growth in patient numbers at the centres of excellence enables the continuous expansion and improvement of our high-performance medical centres.

Human Resources

The management of a centre of excellence is understood to be a team with a „first among equals“, who is responsible for the medical focus of the clinic. Medical skills are shared within the management team. Regular and transparent exchanges regarding the quality of medical outcomes take place at all levels. Excellent treatment quality is practised and shared by many people. In this way, we ensure that excellent treatment quality is not dependent on one person, but is the result of our internal processes and quality assurance.

Expertise

Medical innovation is what drives the continuous improvement of our centres of excellence – there are ongoing exchanges between doctors and management regarding new results, diagnostic approaches and therapy methods. Ideally, the interaction between members of the management team occurs within a faculty of equals – where internal competencies and responsibilities are clearly defined but the hierarchies are kept flat. In this way, we create an environment in which expertise can be exchanged on an equal footing.

Safety

Asklepios has implemented a quality assurance process that goes far beyond the legal requirements throughout the Group. The specially developed Asklepios quality monitor (AQM) is a unique tool that systematically records and analyses quality key figures – closely following the treatment on a quarterly basis. The AQM makes it possible to derive and implement measures to improve quality in a targeted manner and to continuously monitor their effectiveness – to ensure ongoing improvements in treatment quality for patients.

Infrastructure

In order to meet the high service and quality requirements of a centre of excellence, they must be equipped with the latest medical technology. The centres of excellence are an integral component of a pre-existing hospital infrastructure and generally draw on a shared pool of medical equipment. The medical devices required specifically to provide the core service of a centre of excellence correspond to the state of the art. Between the clinic and a centre of excellence, there are regulations governing the shared use and availability of the devices. High availability for the centres of excellence must be guaranteed at all times.

FUNCTION

Centers of Excellence

Neurology
Asklepios Kliniken Schildautal Seesen

Orthopaedics
Asklepios Klinikum Bad Abbach

Trauma therapy
Asklepios Fachklinikum Teupitz (SERAS)

Cardiology
Asklepios Klinik St. Georg

Neurology
Asklepios Stadtklinik Bad Tölz

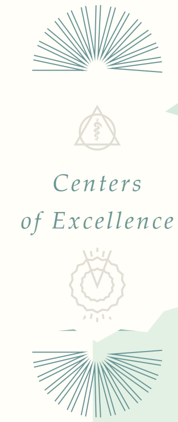
The service range of the centres of excellence is as diverse as the range of medical services offered by Asklepios.

Geriatrics
Asklepios Klinik Wandsbek

Neurology
Asklepios Schlossberg Klinik Bad König

Service range of the Centres of Excellence

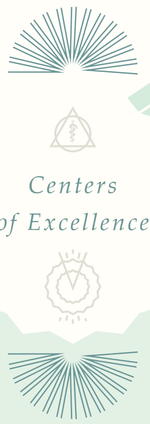
The centres of excellence are based on the existing areas of medical specialisation of our respective hospitals, which were defined during the strategic discussions between senior consultants and different levels of the management. The prerequisite for the founding of a centre of excellence is a level of care whose volume is above the average level at Asklepios. Furthermore, outstanding results must be achieved in terms of structural and outcome quality. All successes following inpatient treatment are systematically recorded and evaluated for this purpose. Ideally, the medical care is also provided by interdisciplinary and interprofessional teams.



ASKLEPIOS KLINIK TRIBERG AWARDED THE “REHA-ZUKUNFTSPREIS 2016”

Dr Thomas Widmann, senior consultant at Asklepios Klinik Triberg, and his team were awarded the „Reha-Zukunftspreis“ in recognition of the digital rehabilitation after-care concept „movement after cancer“.

This year, the prize was awarded for the first time by the Institute for Quality Management in Healthcare (IQMG), which advocates the further development of rehabilitation in Germany and therefore promotes best-practice examples in rehabilitation. The innovative concept „movement after cancer“ is fully integrated into the rehabilitation process at Asklepios Klinik Triberg, which specialises in oncology follow-up treatment (AHB) and rehabilitation. On „fitness paths“ outside the facility and in internal areas (e.g. using „Stair-Talk“ staircase labels), the persons undergoing rehabilitation are informed of their bouts of exercise and are motivated to continue their movements. In special movement consultations, patients are made aware of their individual movement resources. With a new digital after-care concept, the Asklepios Klinik Triberg also developed a software program that provides autonomous movement after-care for home and mobile use.



EXCELLENCE IN NEUROLOGICAL EARLY REHABILITATION

The Schlossberg Klinik Bad König – a trans-regional acute hospital for neurological first-stage rehabilitation – received the MRE official seal (Multi Resistente Erreger/multi-resistant pathogens) from the MRE network Südhessen. The first bearers of the seal from the MRE network Südhessen, which was founded in 2012, participated in a two-year certification process.

In her welcoming speech, Rosemarie Lück, district councillor and department head of social and youth affairs, emphasised that „The facilities bearing the quality seal are documenting their commitment and medical expertise in the fight against multi-resistant pathogens. I hope they will be followed by many more facilities that are facing this important challenge“.

HIGH HYGIENE STANDARDS

The MRE seal is awarded to facilities that demonstrate high standards of hygiene and initiate suitable measures to prevent infections with multi-resistant germs. These include education on the subject of hand hygiene and further training in antibiotic-resistant pathogens as well as the implementation of proper hygiene measures.

The objectives of this MRE network are:

- *Prevention of infections with multi-resistant germs*
- *Reducing their proliferation in treatment areas*
- *Improving the treatment of those patients carrying and those infected with multi-resistant germs*
- *Continuously implementing the treatment of patients carrying and those infected with multi-resistant germs, also if changing facility*
- *Providing adequate information to the general public*

NETWORKING THE CENTRES OF EXCELLENCE

Five questions to Marco Walker, COO, on the benefits of network building

We are not a bureaucratic administrative body. Quick and short decision paths are our strength.

What does cooperation between 150 medical facilities in 14 Germany federal states mean for Asklepios?

Walker: The nationwide network is one of the greatest strengths of Asklepios. On the one hand, we can only achieve the typical economies of scale and purchasing as a group. This means that there is more money left over that we can invest in medicine and in our personnel. On the other hand, our network naturally facilities the exchange and sharing of best-practice solutions between the clinics. This transfer of expertise throughout the group is extremely valuable because it helps us become even better. In this way, ideas and projects that improve quality and treatment outcomes can be swiftly and systematically implemented across the clinic network. This applies both to the area of medicine and to the business processes.

Marco Walker, COO

Economics graduate · Responsible for the operating business at 32 clinics (central/south)

Experience

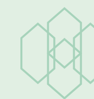
15 years of operational hospital management · From general care providers to maximum-care clinics · Rehabilitation/first-stage rehabilitation · Setting up centres of excellence · Cooperation and medical networks

Professional focus

Operating profit responsibility / controlling · Optimising processes and structures · Further development/ growth of clinics · Expansion and acquisition of centres of excellence · New care and operator models

Motivation

„Learning from one another about medicine and processes and working every day to further reduce impediments to the company's development“



PERFORMANCE

What operational issues can be solved by the possibilities of the Asklepios Group?

Walker: Many! And yet again I am astonished at how much potential is still to be tapped – despite the fact that we have been a Group for quite some time now. Our major advantage is that we can use synergies and savings derived from economies of scale to lower costs, but without negatively impacting the working conditions of our employees. Our premise is to leave no stone unturned in the areas not directly related to patients in order to find the resources to improve our medical quality!

Do the centres of excellence play a special role within the network of Asklepios clinics?

Walker: The centres of excellence are a key element of our strategy. As a general rule, each of our clinics is encouraged to develop unique selling points and areas of medical specialisation of trans-regional relevance and significance. Sometimes entire clinics (specialist clinics) form a centre of excellence; sometimes individual departments. The clear policy of driving our hospitals to raise their profile in this respect and to invest in excellence has already yielded a great many ground-breaking projects.

Is there not a danger that „normal" clinics will be seen merely as second choices in the future?

Walker: No. I am convinced that the opposite is the case. The establishment of centres of excellence acts as a stimulus and motivation. We firmly believe that each of our clinics has the potential to develop corresponding unique selling points. You could also say that mediocrity is not enough. To prevail amid the competition for the trust of patients, employees and referrers, we must implement our standards of excellence in a credible manner at all levels.

The excellence of individual hospitals is one thing, but how can you demonstrate the benefits to patients of the Asklepios network?

Walker: The standardisation of medical process and procedures across all our sites helps us and the patients enormously. For instance, all our obstetrics staff members work to standard safety and quality standards approved by our Medical Board. All our facilities work with standardised check lists and check routines in high-risk areas (e.g. surgery). The standards for providing information to patients or dealing with patient decrees are consistently regulated throughout the Group. The introduction of a systematic hygiene management 2.0 throughout the Group is scheduled for 2017.

Campaign by Asklepios Kliniken: After the national launch, the roll-out in the regions is next.

BECOME WELL. LIVE WELL. THE ASKLEPIOS BRAND CAMPAIGN 2017.

There is a new national Asklepios image campaign for 2017. At its heart is a new brand identity that positions us as a companion for all matters relating to health: „Become well. Live well." With this new brand claim, we are clearly stating that Asklepios not only stands for top-quality medicine, but also goes beyond the conventional understanding of a hospital.

But what does „Live well" actually mean for each individual? You could say that it means primarily: „I want to be there to experience everything that life has in store for me". And this is what the campaign is really about: being there. Using different advertising media, people tell us about the things that they absolutely do not want to miss. Our employees are also involved – e.g. in a major photo competition. For us, the involvement of our team in our major brand campaign is every bit as important as our public image. Supporting our major brand campaign 2017.

CENTRES OF EXCELLENCE FROM A DOCTOR'S PERSPECTIVE

Prof Christoph U. Herborn has been the Medical Director of the Asklepios Group since 1 September 2015. He is responsible for the area of medicine and science and for the Group's strategic quality and hygiene management. He is also responsible for further developing the centres of excellence. In addition, Prof Herborn is also the Managing Director of Asklepios Kliniken International (AKI), which is focused on the internationalisation of Asklepios.

> *Excellent conditions for senior managers.*
>
> *Prof Christoph U. Herborn*

For our doctors and nursing staff, working at a centre of excellence means operating at the forefront of medical innovation.

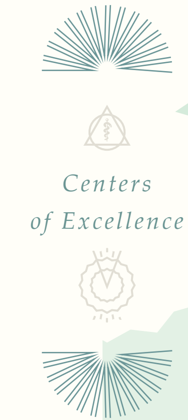
They contribute to advances in diagnosis and therapies for the illnesses in their specialised area. At every stage of their career, our employees are given the opportunity to continuously acquire new expertise and develop special skills. For instance, in our cardiology centres of excellence are using new and minimally-invasive techniques for heart valve replacement – and we were among the pioneers in the use of wireless pacemakers. Asklepios also establishes new drug therapies on a regular basis.

In today's hospital environment, the opportunity to carry out this work at the cutting edge of medicine is a privilege – it means working in an environment where daily learning and the motivation to do things better today than yesterday are permanently enshrined in the work ethos and act as a daily inspiration.

The acknowledged technical expertise of the medical and care personnel is the key success factor for a centre of excellence, and the desire for knowledge is an integral part of our self-image and identity. We expect that our specialists want to become better every day – and they expect Asklepios to provide them with opportunities for further professional and personal development. Consequently, research and development opportunities are open to all our employees. Working at a centre of excellence therefore offers development opportunities to each individual at every stage of their career.

Medical excellence is not an environment for lone warriors. We rely on team spirit: from nurses to the senior consultant, our centres of excellence operate in interdisciplinary as well as interprofessional teams. Those who work with us are under a clear obligation to share what they have learned with colleagues. Not least, this approach is the prerequisite for optimising care to the patient. After all, specialisation must not result in a blinkered outlook or losing sight of the patient altogether. On the contrary, its purpose is to create a basis on which to combine individual strengths and to extract the maximum potential for the patient.

The strategic orientation towards centres of excellence offers a very attractive working environment. The first-class medical outcomes support economic income and create greater scope for investment in human resources and medical facilities. We want to create an environment in which everyone can concentrate on the things that inspire them on a daily basis, that is, the best possible treatment for our patients. Only in this way will our centres of excellence offer benefits to all stakeholders.



FOCUS Germany's leading list of doctors — TOP medical practitioners Shoulder surgery 2016

FOCUS Germany's leading list of doctors — TOP medical practitioners Knee surgery 2016

NUMEROUS CLINICS RANK AMONG THE GERMANY'S TOP ADDRESSES

German magazine „Focus" has awarded prizes to Germany's leading clinics. For this nationwide comparison, an independent team of experts evaluated the quality data of the hospitals and surveyed referring doctors.

Once again, the top addresses included numerous Asklepios clinics such as Fachklinik Fürstenhof, which was the top-ranking rehabilitation clinic. The specialist department of diabetology in Birkenwerder was singled out for its outstanding achievements in the treatment of diabetic foot syndrome. The Paulinen Klinik Wiesbaden came out on top in the field of breast and bowel cancer. It is frequently recommended by patients, and „Focus" attributes the high quality of outcomes of bowel cancer operations to the fact that the team at the surgical centre can draw on the experience of hundreds of such interventions. The orthopaedic clinic at Lindenlohe impressed with awards for top medical expertise, best care, all-round service and an outstanding reputation.

In addition, 49 Asklepios doctors were delighted to receive top-doctor awards in „Focus" magazine.

Die Zukunft der Spitzenmedizin ist in Bewegung. Ambulantisierung und Digitalisierung werden das Gesicht der Medizin nachhaltig verändern. Asklepios gestaltet diese Trends zum Wohle der Patienten aktiv mit. Unsere Centers of Excellence übernehmen dabei eine zentrale Vorreiterrolle. Wenn wir bestimmte Leistungen bei gleicher oder besserer Behandlungsqualität zunehmend ambulant anbieten können, erlaubt uns dies umgekehrt eine effizientere Nutzung unserer stationären Systeme. Zusammen mit der weiteren Verbesserung von Diagnose- und Behandlungsqualität durch digitale Lösungen stärken wir so entscheidend die medizinische Versorgungsqualität und schaffen integrierte Lösungen entlang der gesamten Wertschöpfungskette.

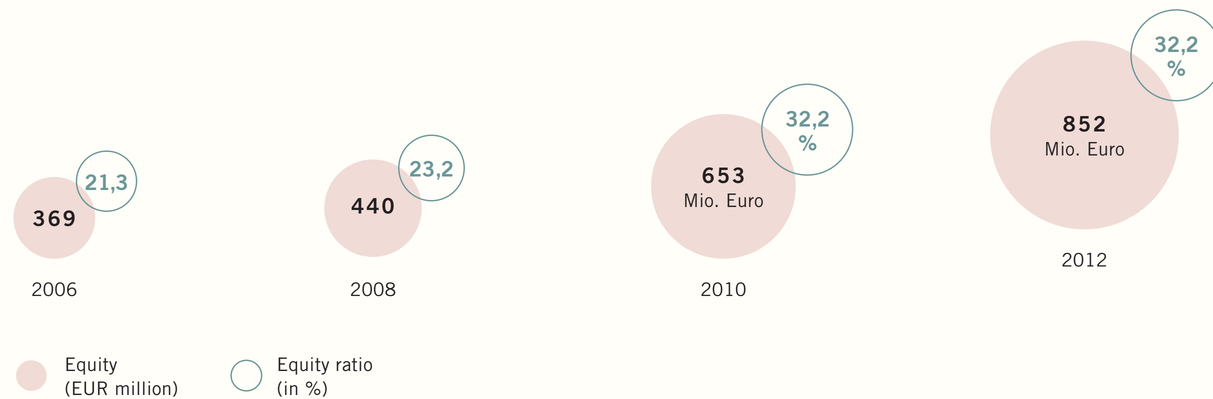
FUTURE

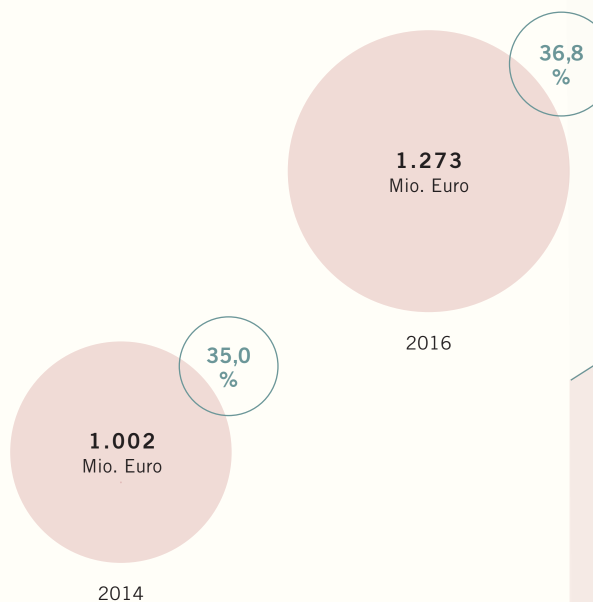
of Excellence

STRONG STRUCTURES FOR STRONG PERFORMANCE

We set ourselves a clear target in 2016: to realise the untapped potential of centralisation and standardisation, thereby creating additional scope to develop the excellent medical care of our patients. With this in mind, we have implemented targeted measures to streamline the historically complex corporate and investment structure under company law, and have standardised our financing structure.

The strategic optimisation of the Group structure and our transparent financing instruments strengthen the trust of our investors and secure our long-term position on the capital markets.





Hafid Rifi, CFO

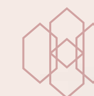
Economics graduate, tax consultant

At Asklepios for 8 years - Group Managing Director and CFO

Experience
Many years of experience as an auditor of listed companies from the healthcare and other sectors, municipal chains of clinics and university clinics

Professional focus
Accounting, taxation & controlling, investor relations & financing, treasury, insurance and risk management

Motivation
„Creating transparent structures; safeguarding the trust of our investors and Asklepios' long-term stable financing – in the interests of our patients."



A key milestone was the optimisation of our corporate investment structure. We transferred the shares in MediClin AG from Asklepios Kliniken GmbH to Asklepios Kliniken Verwaltungsgesellschaft mbH. In addition, Asklepios Verwaltungsgesellschaft mbH has held the investment in Asklepios Kliniken Hamburg directly since 2016. Asklepios Kliniken Verwaltungsgesellschaft mbH now acts as the Asklepios Group's new holding company. Following this systematic restructuring of the Group, Asklepios has established the basis for transparent structures and flexible control through standardisation and centralisation.

New
Asklepios Group
see page 5

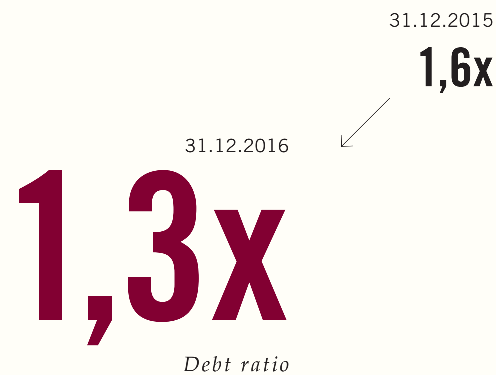
This allows us to bundle medical expertise even more efficiently across all clinics and to continuously optimise our processes throughout the Group. We use synergy effects while at the same time creating the structures to support excellent performance – from medical as well as economic perspectives.

In the next step, we want to condense the non-medical services and increase the efficiency of cross-site organisational structures.

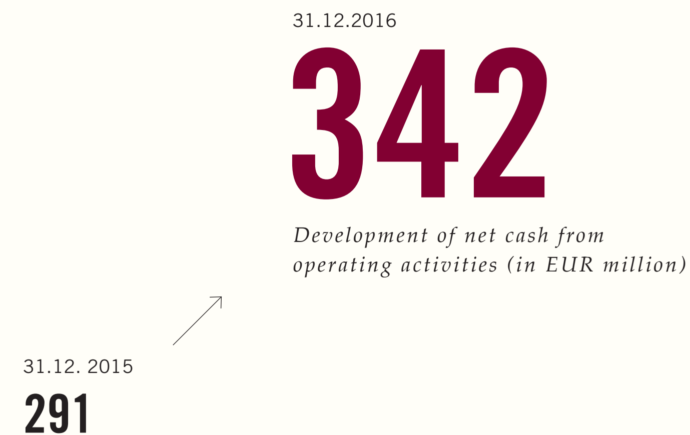
Process optimisation and economies of scale in the area of purchasing have enabled us to steadily reduce our cost of materials ratio and generate additional financial scope. Active liquidity control allowed us to generate positive interest income despite the negative interest environment.

Excellent scope for investment

The ability to invest in the latest medical technology and the improvement of our healthcare network at all times is one of our top economic priorities. Investments totalling EUR 274 million completed during financial year 2016 were financed – as in previous years – entirely from operating cash flow (EUR 342 million). In the coming year, we plan to invest EUR 500 million in our healthcare facilities. This ability to maintain a consistently high level of investment using our own funds successfully sets us apart from our competitors.



Debt ratio



Development of net cash from operating activities (in EUR million)

Asklepios on the capital markets

Asklepios has been represented on the capital markets since 2010. Since the issue of our bond in the amount of EUR 150 million, we have consistently professionalised and expanded our capital market strategy. With the placement of our promissory notes in 2013 and 2015, we have steadily reinforced the capital base – which includes the biggest capital market project in the healthcare sector to date, valued at EUR 580 million.

Forms of financing

Instrument	Time of issue	Issue volume	Coupon	Terms
Promissory note loan	2015	EUR 580 million	Variable or fixed	5, 7, 10, 12 and 15 years
Promissory note loan	2013	EUR 300 million	Variable or fixed	5, 7 and 10 years
Bond (XS0542428833)	2010	EUR 150 million	4,00 %	7 years

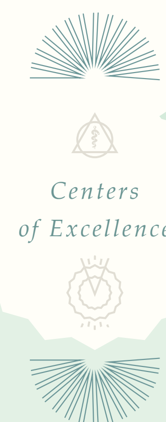
Healthy financial structure

As part of the optimisation of our investment structure under company law, we have standardised the financial structure and the financing instruments at a single level. A central measure was the debt pushdown for our most important financing instruments. This involved replacing Asklepios Kliniken GmbH as the borrower with the new holding company, Asklepios Verwaltungsgesellschaft mbH. This was preceded by a group-wide repayment programme for bilateral loans at operating-entity level in the amount of EUR 104 million. The debt pushdown marks the successful conclusion of extensive restructuring measures.

In 2016, we also carried out additional targeted financing measures to systematically optimise the financing of the Group as a whole. An important milestone in this context was the restructuring of the syndicated loan in the form of 'amend & extend', with an increase in its volume to EUR 365 million and an extension of its term. Asklepios also refinanced the syndicated loan in the amount of EUR 60 million in MediClin AG.

In the second half of 2016, in preparation for the debt pushdown, Asklepios made a change offer to the 2013 promissory note investors, which was enthusiastically accepted. The investors were essentially transferred to the 2015 standard documentation, which enabled them to avoid structural subordination.

Asklepios' conservative financing structure is based on long terms and the trust of our investors. At the end of the reporting period on 31 December 2016, Asklepios had equity in the amount of EUR 1,273 million (2015: EUR 1,214 million) and a solid equity ratio of 36.8% (2015: 34.7%). Consolidated total assets had increased to EUR 3,461 million. Asklepios therefore has a strong financial footing with ample opportunity to invest in innovation and excellent medical quality.



HIGH-TECH OPERATING THEATRES IN KLINIK WANDSBEK

Since 2016, the Asklepios Klinik Wandsbek has nine new operating theatres as well as an intensive care unit for newborn children. Two of the operating theatres with 4K imaging processes are equipped with technology that is unique in Germany to date and enables open and minimally-invasive surgery with exceptional imaging precision.

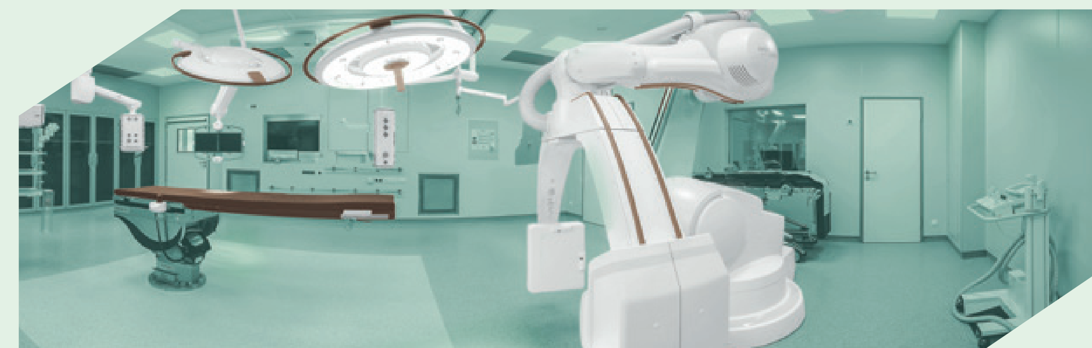


Image resolution four times greater than Full-HD provides doctors with pin-sharp images even in zoom mode. This is paired with an innovative operating concept that allows operations to be controlled as intuitively as a smartphone. At this level of detail, even nerve fibres and lymph nodes are clearly visible. The vivid reproduction that is clearer in terms of colour also makes it much easier to see tumour tissue – which allows surgeons to operate with greater precision and safety. A new high-tech hybrid operating theatre equipped with a robotic X-ray machine as well as a modern caesarean section theatre for obstetrics round out the new operation portfolio. Another advantage is that the surgeons and the team can control all working processes and, above all, equipment from a central touch screen. This means that they can control the position of the patient on the operating table as well as the intensity of the lighting. This not only supports and improves working procedures, but also practically eliminates communication errors and work interruptions – an important factor in patient safety. Our surgeons can now work in conditions that are not available in this form in any other clinic in Germany. Asklepios invested a total of EUR 7.6 million to achieve this and received support from the City of Hamburg.

The future of advanced medicine is in motion. Outpatient treatment and digitisation will permanently change the face of medicine. Asklepios is actively shaping these trends for the benefit of patients. Our centres of excellence are playing a central pioneering role in this regard. If we can offer specific services increasingly on an outpatient basis with the same or better quality of treatment, this also enables us to make more efficient use of our inpatient systems. Together with further improvements in diagnosis and treatment quality enabled by digital solutions, we are decisively strengthening the quality of medical care and creating integrated solutions across the entire value chain.

FUTURE

of Excellence

Ladies and gentlemen,

We have a clear goal: excellence. This is the measure by which we judge our performance every day – whenever patients entrust themselves and their health to one of our healthcare facilities. Since Asklepios was founded in 1985, the idea of excellence has featured in every one of our decisions. It applies to everyone from nursing staff to clinic management – and naturally to the Group Management and to me. Medical excellence is the foundation on which we continue to develop Asklepios successfully in the long term. In so doing, what counts for us is not merely the provision of a service, but its long-term and lasting value for the health of our patients.

Our guiding principles of quality, innovation and social responsibility will always act as the foundation for all future developments.

With our growing number of centres of excellence in Germany, we are setting benchmarks in the areas of medical innovation and specialisation. These factors are not only critical to the safety and satisfaction of our patients. Excellence and innovation are central prerequisites for achieving lasting success in what is a dynamic hospital market.

It is also thanks to our centres of excellence that Asklepios today plays a leading role in the area of medical quality and patient safety in particular. Over the last few years, Asklepios has successfully secured its hospital locations and invested heavily to boost the competitive strength of its healthcare facilities. Asklepios has established itself as a future-proof and modern employer for more than 46,000 employees.

That Asklepios is able to achieve all of this is thanks to our employees and our successful business model. As a private hospital operator, we provide significant societal benefits because we guarantee high-quality healthcare that is not subsidised by the public purse. Consequently, Asklepios creates medical structures that are good for patients and beneficial for medical care in general.

We will also use our economic success during the new financial year to play an active role in influencing the constantly changing healthcare market in the interests of patients and employees. Our guiding principles of quality, innovation and social responsibility will always act as the foundation for all future developments.

At the start of 2016, I handed over the management of our family-owned company. In doing so, I deliberately chose experienced managers from the Group whose strong and long-standing commitment had already contributed significantly to the company's success in the past. The new management team, consisting of the two CEOs Kai Hankeln and Dr Thomas Wolfram together with our CFO Hafid Rifi and COO Marco Walker, has once again demonstrated its outstanding qualities in the 2016 financial year.

Since April 2016, the two CEOs Kai Hankeln and Dr Thomas Wolfram together with Hafid Rifi (CFO) and Marco Walker (COO) have forged an excellent management team for the Asklepios Group.

Today, we are ideally positioned to secure and drive forward the medical and economic excellence of Asklepios together with all of our employees.

Dr Bernard Grosse Broermann

A. GROUP KEY FIGURES

Group key figures		2016	2015	Change in %
Number of patients		2,279,477	2,217,987	+2.8
Valuation ratio		595,210	583,517	+2.0
Number of beds		26,593	26,669	-0.3
Employees (full-time equivalents)		34,887	34,690	+0.6
Net cash from operating activities	EUR million	341.5	290.6	+17.5
Revenue	EUR million	3,211.2	3,082.0	+4.2
EBITDAR (earnings before interest, taxes, depreciation, amortisation and rent)	EUR million	445.0	427.3	+4.1
EBITDAR margin in %		*13.9*	*13.9*	
EBITDA	EUR million	390.4	374.0	+4.4
EBITDA margin in %		*12.2*	*12.1*	
EBIT	EUR million	263.9	249.1	+5.9
EBIT margin in %		*8.2*	*8.1*	
Consolidated net income for the year	EUR million	192.1	176.8	+8.6
Return on sales in %		*6.0*	*5.7*	
Investments in property, plant and equipment and intangible assets (own funds)	EUR million	174.0	180.3	-3.5
Own funds ratio in %		*63.6*	*68.9*	
Total assets	EUR million	3,460.8	3,495.0	-1.0
Equity	EUR million	1,273.4	1,213.5	+4.9
Equity ratio in %		*36.8*	*34.7*	
Financial liabilities	EUR million	980.9	1,150.8	-14.8
Cash and cash equivalents	EUR million	456.6	554.9	-17.7
Net debt	EUR million	524.3	595.9	-12.0
Net debt/EBITDA		1.3x	1.6x	
Interest coverage factor (EBITDA/interest result)		10.3x	9.8x	

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B. ASKLEPIOS CAN LOOK BACK AT A SUCCESSFUL FINANCIAL YEAR 2016

Asklepios Kliniken can look back at rising revenue and patient numbers in financial year 2016. The steadily increasing influx of patients to our healthcare facilities clearly demonstrates that the path we have taken is the right one. Our hospitals' clear, futureoriented medical performance profiles, which are geared towards the highest quality standards, are developing a regional allure and are more and more frequently attracting patients from outside the direct catchment area of our facilities. The medical strategy of setting ourselves apart from the competition in the region with our Centres of Excellence has taken root at Asklepios. In the financial year, our 150 medical facilities provided treatment to nearly 2.3 million patients – a year-on-year increase of 2.8%.

The growing number of patients, partly in connection with an increase in valuation ratios to 595,210 and a rise in the base rate, resulted in revenue growth of 4.2% to EUR 3.2 billion. EBITDA improved by 4.4% to EUR 390.4 million, with an EBITDA margin of 12.2%. Efficiency enhancements and a lower increase in the cost of materials had a positive impact here. Equity was up 4.9% as of 31 December 2016 and the equity ratio of 36.8% was up on the previous year (34.7%). The Asklepios Group thus achieved all targets forecast in 2015 at the top end of the range and in some cases exceeded them.

C. BASIS OF THE GROUP

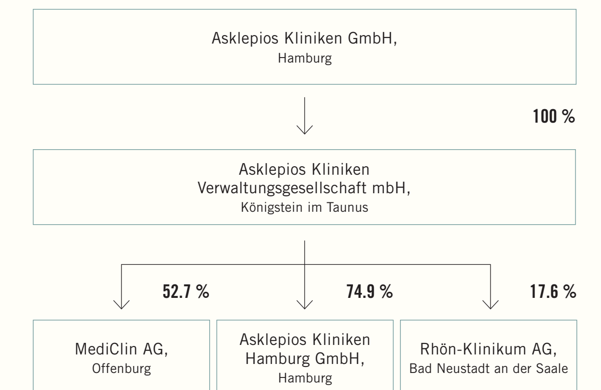
1 BUSINESS MODEL OF THE GROUP

For over 30 years, the healthcare group Asklepios has stood for quality, innovation and social responsibility. Its 150 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: As well as 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 are resulting in increasing demand in our market environment. We responded early to this development with our Centres of Excellence strategy.

The Group focuses on the non-cyclical acute market. 84.5% of the business volume related to acute care hospitals and around 14.8% to the rehabilitation sector. The remaining revenue was generated by the additional medical facilities. In total, the 150 healthcare facilities treated 2,279,477 patients in the financial year. The Asklepios Group employed 34,887 full-time equivalents in the past financial year (previous year: 34,690).

In the financial year 2016, the historically complex corporate and investment structure under company law was optimised. We transferred the shares in MediClin AG from Asklepios Kliniken GmbH to Asklepios Kliniken Verwaltungsgesellschaft mbH. In addition, Asklepios Hamburg Beteiligungsgesellschaft mbH was merged with Asklepios Kliniken Verwaltungsgesellschaft mbH, which also holds the shares in Rhön-Klinikum AG. Asklepios Kliniken Verwaltungsgesellschaft mbH acts as the Asklepios Group's new holding company.

As at 31 December 2016, the investment structure was as follows:



The operating entities are mainly consolidated subsidiaries. Asklepios Kliniken Verwaltungsgesellschaft mbH, the new holding company, is responsible for the areas of strategy and financing, as well as for carrying out 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. Within the Asklepios Group, the companies form a consolidated tax group for VAT purposes. Standard intercompany agreements on exchanging services and cooperation agreements have been concluded between the group entities.

2 OBJECTIVES AND STRATEGIES

Asklepios aims to set itself apart as the best clinic operator and leading healthcare group in Germany. We concentrate on keeping the right balance between medical quality, social responsibility and economic success. Our goal is the ongoing expansion of our advanced medicine – especially by raising the profile of further Centres of Excellence. We want to continuously improve health-care in Germany and thus sustainably create value that benefits our patients as much as it does our employees, shareholders and investors. We will succeed with the support of our very well educa-ted and highly motivated employees. Our target is economic suc-cess in order to ensure modern and future-proof jobs for our 34,887 full-time-equivalent employees.

With this strategic focus, Asklepios will concentrate on organic growth. Acute hospitals remain the core business of Asklepios. Acquisition opportunities along the value chain are subjected to targeted analysis and pursued if applicable. In this respect, we made a crucial improvement to the efficiency of our structures in the financial year 2016. Two central elements are characteri-stic of our strategy: a transparent investment structure under company law and a strong financing structure at Group Level – together, they form a solid foundation from which to further advance the standardisation of our processes. Asklepios there-fore has a strong financial footing with ample opportunity to invest in innovation and excellent medical quality. This puts us in an ideal position to remain successful in the future.

3 MANAGEMENT SYSTEM

The Group is managed and controlled by the group management. The supervisory board and the shareholder meeting serve as further corporate bodies. The supervisory board appoints the members of the management. It also advises and monitors the management in their managerial activities. The bylaws and the Asklepios approval catalogue stipulate that the group manage-ment must obtain the approval of the supervisory board and the shareholder meeting to carry out certain transactions.

Asklepios follows a decentralised organisational approach in its operating business, transferring responsibility for achieving tar-gets 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, depre-ciation 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 perfor-mance before capital expenditure expense and represents a sig-nificant controlrelated 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 indica-tor of financial and economic stability.

The number of valuation ratios is a significant control-related non-financial performance indicator for Asklepios. The valuation ratio is a key figure used to bill medical services in hospitals. The valuation ratio is given for each diagnosis-related group (DRG) in combination with the case-mix index (index of the average severity of cases). Multiplying the valuation ratio by the base case value gives you the amount which 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 num-bers 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 monito-red 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 hospi-tal treatment. The Asklepios hospitals are trend-setters in this area, having started to establish these reports before 2005 already. In the financial year 2015, the results of clinical treatment were presented in a transparent manner for the tenth time and publis-hed in the 2015 report on the quality of medical outcomes.

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 comprehen-sive picture of treatment quality.

We want not only to measure quality, but above all to improve it. For this to succeed, findings on treatment quality must be avai-lable very soon after the treatment is carried out. Asklepios the-refore uses an evaluation tool within the Group that allows quality and invoice data to be evaluated throughout the year during the assessment period. 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. Weaknes-ses can be identified quickly and handled appropriately. The effectiveness of the measures initiated and implemented is monitored continuously.

Asklepios regularly conducts internal quality inspections. Hygiene audits, Medical Board audits in the acute care clinics and rehabi-litation clinics and risk audits according to the GRB catalogue with regard to emergency admissions and obstetrics were conducted again in 2016. Medical Board audits serve the purpose of exami-ning whether a medical department is functioning properly, parti-cularly 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 Cooperation for Transparency and Quality in Healthcare (Kooperation für Transparenz und Qualität im Gesundheitswesen – KTQ). In the KTQ system, doctors, nur-ses and employees are included in the review process. To obtain KTQ certification, patient care is reviewed as well as other areas such as work organisation, training, safety and management. A total of 36 Asklepios acute care hospitals and 17 Asklepios reha-bilitation clinics were certified in accordance with KTQ in 2016. The company was also certified in the financial year.

During the financial year, we focused on the efficient and environ-mentally friendly construction and operation of healthcare facili-ties. The goals are responsibility for the environment, foresight in medicine and a future-oriented way of handling natural resour-ces. Our medical, economic and research experts turn innovative ideas into products for a palpable improvement in healthcare – from ecological building materials and modern light and acoustic solutions to prevention concepts for acute and home care appli-cations. The Green Hospital Program is an alliance of medical, economic and research experts.

D. ECONOMIC REPORT

1 GENERAL ECONOMIC AND SECTOR-SPECIFIC CONDITIONS

General economic conditions

In its autumn projection, the German federal government forecast a 1.8% increase in gross domestic product in 2016 after adjustment for price changes. Gross domestic product will rise by 1.4% in 2017 and 1.6% in 2018. We assume that general economic development will have no material effect on our business in the next two years.

General sector conditions

The hospital sector is an attractive growth market with non-cyclical, growing demand. Key growth drivers include an increasing need for medical treatment, an ageing population, a growing number of chronically ill patients, medical advances and greater health awareness. In general, there has been growing demand for private and additional services and for innovative products and therapies that patients pay for themselves. In the financial year 2016, demand for Asklepios hospital services continued to increase both in inpatient care and particularly in outpatient care. However, the growth dynamics in Germany's different federal states vary. While performance is continuing to increase in urban regions, non-city states generally tend to record lower growth due to demographic influences. Metropolitan regions such as Hamburg with a comprehensive range of services also display performance increases from surrounding federal states and regions. The performance development also varies between different hospitals – on the whole, clear performance profiles result in increasing demand. The development for individual indications such as typical age-related illnesses – cardiology, nutritional and metabolic diseases, pulmonary diseases and diseases of the digestive tract – was positive and stabilised over the course of the year.

Following performance increases in recent years, the development in inpatient care at psychiatric facilities is slowing down. A performance increase can still be reported in the area of day-patient cases. This is mainly due to the establishment of further external day clinics to provide care close to patients' homes. For the rehabilitation segment, Asklepios continues to expect increasing demand on the basis of medium and long-term trends. Demographic development is creating a rising number of workers aged 55 plus and consequently increased demand for rehabilitative services with a focus on professionally oriented medical rehabilitation.

The rate of change for 2016 was 2.95%. In deviation from this, the German Federal Statistical Office's orientation value was only 1.57%. The rate of change is the benchmark for the maximum increase in base rates at state level. A change rate of 2.5% was announced for 2017 on 6 September 2016. As a result of the development of performance and expenditure in other performance segments (e.g. additional fees), the actual increase in unweighted base rates at state level averages approximately 2.74%. Due to the budget technique, the real budget developments are in some cases uncoupled from this, because, to avoid discounts for additional services in subsequent years, budgets are kept high where possible, and if a performance increase actually occurs the agreed quantity is first topped up.

As a result of the amendments to the German Statutory Health Insurance Care Structure Act at the end of 2014, the care surcharge of 0.8% of invoiced services will continue until the end of 2016. Starting from 2017, the care surcharge will be transferred to the base rates as a result of the amendments to the Hospital Structure Act. The nursing care surcharge will continue to be implemented. It will be calculated based on the level of nursing care costs at the individual hospital.

The additional services discount amounts to 25% for agreed additional services up to and including 2016 and has a term of three years. Additional services that are agreed starting from 2017 will be subject to a "fixed cost degression discount" (FCDD). The FCDD is to be agreed at state level and amounts to 35% for all hospitals for 2017 and 2018. Hospitals with increasing performance will be penalised, since overall the discount will be considerably higher, comparatively, than before.

The hygiene programme, which since 2013 has partially funded the cost increases necessitated by the provisions of the Infection Prevention Act, 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.

Overall, the competition for diversification in the hospital sector is expected to accelerate further as a result of the new regulations of the KHSG. Asklepios is attempting to counteract this trend with the targeted positioning of its hospitals as part of the Centres of Excellence concept. Corresponding Centres of Excellence have now been defined for nearly all of the hospitals. This also includes intensified cooperation and targeted network building between Asklepios hospitals, with a focus on forming care structures for our patients that are as comprehensive as possible. With these measures and the right targeted offerings in high-demand medical fields, it remains possible to break away from the general situation and generate above-average growth. A significant level of additional services has been recorded in some cases at hospitals where the corresponding measures have been implemented, including with the Centres of Excellence concept. Together with the establishment of private hospitals, a portion of the discounts can be lowered in the future.

2 OUTLOOK

Asklepios achieved all of its business goals in the financial year 2016 and exceeded the forecasts for revenue performance and the equity ratio. The operating margin at EBITDA level of 12.2% in 2016 was slightly higher than the previous year's level and was thus consistent with our forecast. The Asklepios Group's growth prospects are generally positive thanks to its sound economic and financial foundation and its future-oriented overall strategic concept. For the financial year 2017, we therefore anticipate a further increase in patient numbers and valuation ratios, as well as organic revenue growth of between 1.5% and 2.5%. We expect a slight but sustained increase in both EBITDA and the equity ratio year on year.

E. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

1 | BUSINESS PERFORMANCE AND RESULTS OF OPERATIONS

	2016		2015	
	EUR million	**%**	**EUR million**	**%**
Revenue	3,211.2	100.0	3,082.0	100.0
Other operating income	211.5	6.6	195.1	6.3
Cost of materials	-695.9	-21.7	-684.5	-22.2
Personnel expenses	-2,016.6	-62.8	-1,913.8	-62.1
Other operating expenses (not including rental expenses)	-265.2	-8.3	-251.5	-8.3
EBITDAR	**445.0**	**13.9**	**427.3**	**13.9**
Rental expenditure	-54.6	-1.7	-53.3	-1.7
EBITDA	**390.4**	**12.2**	**374.0**	**12.1**
Depreciation, amortisation and impairment	-126.6	-3.9	-124.9	-4.1
EBIT	**263.9**	**8.2**	**249.1**	**8.1**
Net investment income	9.3	0.3	9.3	0.3
Interest result	-38.0	-1.2	-38.1	-1.2
Income taxes	-43.0	-1.3	-43.6	-1.4
Consolidated net profit	**192.1**	**6.0**	**176.8**	**5.7**

In the financial year 2016, a total of 2,279,477 patients visited the Asklepios Group's facilities. Compared to the previous year (2,217,987 patients), this represents an increase of +2.8%. This development was driven by our range of medical services in line with demand and the medical strategy of Centres of Excellence, which was established further in the financial year. The Group registered consistent utilisation of its healthcare facilities throughout the year. Growth in performance was attributable both to acute services and to post-acute and, in particular, psychiatric care. The trend towards outpatient care that is apparent in the healthcare sector as a whole also continued in our facilities, and the increase of 3.9% was higher than in the previous year (5.9%). Performance growth (valuation ratio) of +2.0% (11,693 valuation ratios) was achieved due to capex and structural measures. While performance grew, case complexity was at a high level.

Development of case numbers	**2016**	**2015**	**Absolute change**	**Relative change**
No. of inpatient cases	706,224	704,072	+2,152	+0.3%
No. of outpatient cases	1,573,253	1,513,915	+59,338	+3.9%
Number of patients	2,279,477	2,217,987	+61,490	+2.8%
Number of valuation ratios	**595,210**	**583,517**	**+11,693**	**+2.0%**
Number of beds	**26,593**	**26,669**	**-76**	**-0.3%**

Asklepios concluded remuneration negotiations for approximately 67% of its clinics in the past financial year 2016, which has secured income flow in good time beyond that resulting from the increase in the caseload. At clinics for which no agreement has been reached with providers of social services, a relatively high discount was again taken into account for additional services requested. At clinics that had already found themselves facing higher discounts for additional services in the previous year, these larger discounts were maintained as a precaution where no results had yet been achieved in negotiations with payers. This negative price effect affected growth in our performance. Our previous year's forecast of a slight increase in the valuation ratio proved entirely accurate.

The rise in patient numbers resulted in slight revenue growth. This increased by 4.2% from EUR 3,082.0 million to EUR 3,211.2 million largely as a result of organic growth. Consequently we are above the range of 2% to 3.5% anticipated in the previous year for revenue growth. Average case income developed positively (up +3.6%) in inpatient care, rising from EUR 3,940.27 to EUR 4,082.57.

84.5% (previous year: 84.4%) of revenue was generated in acute care hospitals, 14.8% in rehabilitation clinics and 0.7% in social welfare facilities and other facilities.

Other operating income of EUR 211.5 million (previous year: EUR 195.1 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.

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

In %	**2016**	**2015**
Cost of materials ratio	21.7	22.2
Staff costs ratio	62.8	62.1
Other expenses ratio (not including rental expenditure)	8.3	8.3
Rental expense ratio	1.7	1.7
EBITDA	**12.2**	**12.1**
Depreciation and amortisation expense ratio	3.9	4,1
EBIT	**8.2**	**8.1**

The Asklepios Group again succeeded in reducing the cost of materials ratio in financial year 2016. This achievement was based predominantly on measures relating to operating expenses. Personnel figures were affected by collective pay agreements, and the cost of materials increased due to quantitative and price effects.

The absolute cost of materials rose at a slower rate than revenue, increasing by EUR 11.4 million from EUR 684.5 million to EUR 695.9 million. The cost of materials ratio fell by 0.5 percentage points year-on-year to 21.7% (previous year: 22.2%). Our energy expenses were lowered due in particular to measures relating to energy procurement. Management measures in the field of personnel leasing also had an impact on the cost of materials. The energy procurement measures introduced will also have a positive impact on earnings in the years to come.

In absolute terms, staff costs rose at a slightly faster rate than revenue growth by 4.2% or EUR 102.8 million to EUR 2,016.6 million and resulted in a staff costs ratio that increased from 62.1% to 62.8%. Overall, the absolute increase in staff costs is partly attributable to wage increases (+2.5% to 3.0% p.a.) and a 0.6% rise in the number of employees in the Group. To provide a better insight into the results of operations, staff costs of EUR 48.5 million were offset against revenue of EUR 17.3 million and other operating income of EUR 31.2 million in the previous year, as these were assumed by third parties. The previous year's figures were therefore adjusted accordingly in line with IAS 8.41.

Asklepios reported a change in other operating expenses (not including rental expenditure) of EUR 13.7 million to EUR 265.2 million (previous year: EUR 251.5 million) or 5.4%. As in the previous year, the ratio was 8.3%.

EBITDA improved year on year in the year under review, rising to EUR 390.4 million from EUR 374.0 million in the previous year. This corresponds to a margin of 12.2% in financial year 2016 (previous year: 12.1%), meaning that the EBITDA margin developed stably. As a significant financial indicator, EBITDA is in line with the forecast set out in the annual financial statements as at 31 December 2015.

In the past financial year, the depreciation and amortisation expense ratio was 3.9% and was consequently slightly down on the previous year's level (4.1%).

The EBIT of EUR 263.9 million generated in 2016 meant a margin of 8.2% (previous year: EUR 249.1 million and 8.1%).

The investment result was unchanged year on year at EUR 9.3 million or 0.3% (previous year: EUR 9.3 million).

The interest result nearly on a par with the previous year at EUR 38.0 million or -1.2%. Interest income increased to EUR 3,343 thousand (EUR 1,474 thousand). Interest expenses amounted to EUR -41,361 thousand in the financial year; this change was attributable to interest expenses for pension provisions and the higher level of financial liabilities.

Income tax expenses fell slightly from EUR 43.6 million to EUR 43.0 million.

Overall, consolidated net income increased to EUR 192.1 million in the reporting period after EUR 176.8 million in the same period of the previous year. The return on sales amounted to 6.0% in total in the 2016 financial year (previous year: 5.7%).

2 OVERALL MANAGEMENT STATEMENT

Asklepios can look back at an economically successful financial year. The increases in patients numbers and revenue figures had a positive impact on earnings. While staff costs were up slightly due to an increase in the number of employees and a rise in payscale rates, the ratio of the cost of materials to revenue was reduced by means of 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. Asklepios responded to this with active cost management and a continuing focus on expanding the Centres of Excellence.

Overall, EBITDA was up year on year at EUR 390.4 million and a margin of 12.2% (previous year: EUR 374.0 million, 12.1%). We exceeded our forecast for the fiscal year from 31 December 2015 of organic revenue growth of between 2% and 3.5%. Revenue climbed by 4.2% from EUR 3,082.0 million to EUR 3,211.2 million.

3 FINANCIAL POSITION AND NET ASSETS

As a conservative company in terms of finance, the Group's financing structure is generally long-term in nature. Accordingly, most underlying credit volumes are hedged against interest fluctuation risks in the long term. The operating management of cash and cash equivalents and the financing of Group entities are performed via the Group holding company on the basis of careful investment and with a view to creditworthiness, involving broad diversification across banks within the three major deposit protection systems in Germany.

In addition to cash and cash equivalents of EUR 456.6 million, the Group has unutilised credit facilities of around EUR 460.5 million (previous year: EUR 462.1 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.

One of the central elements of the Group's financing strategy consists of sustainably optimising capital costs. The starting point for this approach is the long-term limitation of financial risks in the organisation of the operating business. Accordingly, sound financial structures are considered to form an important basis for all significant stages of growth.

To this end, the Asklepios Group has optimised its multifarious investment structure. All shares in both Rhön-Klinikum AG and MediClin AG are now held by Asklepios Kliniken Verwaltungsgesellschaft mbH. In addition, Asklepios Kliniken Verwaltungsgesellschaft mbH has held the investment in Asklepios Kliniken Hamburg GmbH, Hamburg, directly since 2016. We harmonised and improved the financing structure in the Group as a whole with targeted financing measures. Key steps were the extension (amend & extend) of the syndicated loan agreement, the refinancing of the syndicated loan at MediClin AG and the repayment of existing bilateral loans at operating-entity level in the amount of EUR 104.0 million.

Financial liabilities amounted to EUR 980.9 million (previous year: EUR 1,150.8 million). Non-current financial liabilities include a fixed-rate capital market bond with a volume of EUR 150.0 million. The coupon is 4.0%. The interest is paid in arrears on an annual basis as at 28 September each year. The bond will mature in September 2017. In addition, promissory note loan agreements with a volume of more than EUR 750 million are also reported under financial liabilities.

Through the conclusion of interest rate hedges, the Group is hedged against rising interest rates and therefore for the most part is not exposed to any interest rate risk.

The debt ratio – measured as net debt/EBITDA – decreased. 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 Mio.	2016	2015
Financial liabilities	980.9	1,150.8
Cash and cash equivalents	456.6	554.9
Net debt	524.3	595.9
EBITDA	390.4	374.0
Net debt/EBITDA	**1.3x**	**1.6x**

Net debt amounts to 1.3x (previous year: 1.6x). Compared with German industry as a whole and the relevant competitors within the industry, this leverage can be considered positively low. The interest coverage factor (EBITDA/interest result) stands at 10.3x (previous year: 9.8x).

Summarised statement of financial position	2016		2015	
	EUR million	%	EUR million	%
Non-current assets	2,369.5	68.5	2,347.3	67.2
Current assets	1,091.3	31.5	1,147.6	32.8
Available-for-sale financial assets	0.0	0.0	0.0	0.0
ASSETS	**3,460.8**	**100.0**	**3,494.9**	**100.0**
Equity	1,273.4	36.8	1,213.5	34.7
Non-current liabilities and provisions	1,437.6	41.5	1,656.1	47.4
Current liabilities and provisions	749.8	21.7	625.3	17.9
EQUITY AND LIABILITIES	**3,460.8**	**100.0**	**3,494.9**	**100.0**

The Group's balance sheet and financing structures are sound. As in the previous year, non-current assets are financed at a rate of over 100% with matching maturities via equity or long-term borrowings. Total assets decreased from EUR 3,494.9 million in the previous year to EUR 3,460.8 million.

Non-current assets increased by EUR 22.2 million year-on-year to EUR 2,369.5 million. This item includes equity investments in non-consolidated companies.

Equity rose significantly by EUR 59.9 million to EUR 1,273.4 million. With lower total assets, the equity ratio as at 31 December 2016 changed to 36.8% (31 December 2015: 34.7%). Asklepios has permanent interest-free and redemption-free access to subsidies of approximately EUR 1,219.7 million (31 December 2015: EUR 1,234.1 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/revenue x 365) increased to 51.4 days (previous year: 47.9 days). This rising trend could be observed throughout the sector and was partly due to changes in the billing procedures used by payers and short-term migration effects.

Non-current liabilities total EUR 1,437.6 million (previous year: EUR 1,656.1 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 also include the promissory note loan agreements of more than EUR 750 million.

The non-current capital, comprising equity and non-current liabilities, covers the non-current assets by over 100% as in the previous year.

In addition to cash and cash equivalents of EUR 456.6 million, the Group also has undrawn credit lines of EUR 460.5 million. The Group thus has financial reserves available at short notice in the amount of EUR 917.1 million.

Internal financing power is still at a good level. The optimisation of cash management is also leading to the repayment of financial liabilities and favourable refinancing of financial liabilities. The net cash flow from operating activities was impacted by the increase in EBITDA from EUR 374.0 million in the previous year to EUR 390.4 million and by changes in the 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 and cash equivalents over the course of the year:

EUR million	2016	2015
EBITDA	390.4	374.0
Net cash from operating activities	341.5	290.6
Net cash used in investing activities	-171.7	-264.9
Net cash from/used in financing activities	-268.0	368.0
Change in cash and cash equivalents	**-98.2**	**393.7**
Cash and cash equivalents on 1 January	554.9	161.2
Cash and cash equivalents on 31 December	**456.6**	**554.9**

Cash and cash equivalents fell by EUR 98.2 million to EUR 456.6 million in 2016. Cash flow from operating activities amounted to EUR 341.5 million. The operating cash flow is countered by a cash outflow from investing activities, including investments in financial assets, of EUR 171.7 million (previous year: EUR 264.9 million).

The payments for investing activities in the amount of EUR 171.7 million mainly comprise investments in fixed assets and financial assets. Financing activities resulted in a cash outflow of EUR 268.0 million (previous year: cash inflow of EUR 368.0 million). The cash inflow from financing activities was affected by the spin-off of EUR 70.0 million to a related party outside the Asklepios Group and the repayment of existing loans of EUR 104.0 million.

4 CAPITAL EXPENDITURE

Regular capital expenditure is vital in order to increase optimum patient care and maintain the physical fabric of the hospital.

The further increase in the Group's earnings power in financial year 2016 allows for sound internal financing as well as facilitating access to financial markets. Alongside subsidies, Asklepios intends to use own funds averaging between 7% and 9% of revenue for maintenance and capital expenditure in order not only to maintain its competitive position, but also to continue expanding it. In line with the trend of recent years, we continue to anticipate a rise in the self-financing ratio, as subsidies are declining due to the strained budgetary situation of the federal states and municipal authorities. 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 in financial year 2016 was as follows:

	Capital expenditure in 2016		
	Total in EUR million	of which subsidised	Internal financing ratio
Intangible assets	17.5	1.4	92.0%
Land and buildings	54.5	27.9	48.8%
Technical equipment	14.1	8.0	43.3%
Operating and office equipment	98.7	37.5	62.0%
Assets under construction	88.7	24.7	72.2%
Total	**273.5**	**99.5**	**63.6%**

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

Location	Capital expenditurein EUR million
Klinik Wandsbek (Hamburg)	15.2
Klinikum Schwedt	7.7
Klinik Wiesbaden	6.6
Klinik Altona (Hamburg)	6.1
Klinik Birkenwerder	4.9
Fachkrankenhaus Schildautal, Seesen	4.7
Klinik Burglengenfeld	4.7
Klinik Harburg (Hamburg)	4.4
Klinik Lübben	4.3
Klinik Lindau	4.0

After deducting subsidised capital expenditure, net capital expenditure totalled EUR 174.0 million (previous year: EUR 180.3 million), or 5.4% of revenue (previous year: 5.9%). Capital expenditure is fully financed by cash flow from operating activities. Without deducting subsidies, capital expenditure amounted to EUR 273.5 million (previous year EUR 261.8 million). At EUR 94.8 million in total, expenses for maintenance and servicing were up slightly compared with the previous year (EUR 90.9 million). Expressed as a percentage of revenue, 3.0% was again invested in ongoing maintenance as in the previous year. This means that Asklepios used 8.4% (previous year: 8.9%) of revenue for internally funded capital expenditures and maintenance work.

F. FORECAST AND RISK AND OPPORTUNITY MANAGEMENT

5 FORECAST

The Krankenhaus Rating Report 2016[1] assesses the hospital sector in Germany with regard to the German Hospital Structure Act (KHSG) as more positive than the past year. It says the economic situation was already improving in 2016 and will stabilise up to 2020. The authors expect the gap between costs and income to decrease at hospitals but to increase for statutory health insurers. The exceedingly high growth is ascribed to the general economic environment and low unemployment in Germany. The report cites the ageing population, geodemographic change, the decline in public capital, medical and technological innovation and new players in the healthcare sector as significant factors that are affecting hospitals. The healthcare sector has so far managed to resist the entrance of new players due to the high level of regulation. However, increasing digitalisation in healthcare will influence the future preferences of patients, whose focus on customer orientation, transparency and digital offerings is rising steadily. The current players in the healthcare sector will therefore have to adjust and also calculate on new offers from "outside", say the authors of the Krankenhaus Rating Report 2016.

Asklepios is not affected by the investment backlog in the industry and is using its financial strength for successive high investments of own funds in its locations. Asklepios regularly invests in buildings and technical equipment at all locations. Meanwhile, own funds as a proportion of the total investment will remain above the average for the hospital sector in 2017. In conjunction with substantial expenses for staff education and training, the Asklepios Group sees this as an essential requirement for continuing organic growth of patient numbers in this financial year and beyond.

The foreseeable rise in staff costs is countered by the expected tendency of the material expenses ratio to decline. The successes of the previous financial year 2016, especially with regard to expenses for medical supplies, are generally expected to continue here, especially as numerous measures for systematic savings will not take effect until the current financial year and efficiency improvements as regards energy are in the short term not being neutralised by rising energy prices. Asklepios therefore assumes that it will be able to achieve further relative savings in this area by consistently pursuing material expenses management, implementing the strategy accordingly in individual hospitals, and also making reductions in administration and business supplies, and thus that the material expenses ratio will decrease slightly, especially with positive revenue performance.

1 Krankenhaus Rating Report 2016; edhochzwei Verlag GmbH, Heidelberg; S. 191ff

Overall management statement

The business goals for 2017 include organic revenue growth in a range of around 1.5% to 2.5% and a slight but sustainable increase in EBITDA compared to the previous year. On the basis of these targets, we want to increase the equity ratio slightly in the 2017 financial year compared to the previous year. In addition to financial figures, we also take account of the number of valuation ratios as a non-financial performance indicator when managing the company and will increase this number slightly in comparison to the previous year.

Our goal is to make consistently high investments in our employees, our healthcare facilities and their medical equipment. This is based on healthy development of our hospitals combined with sustainable economic success. By further expanding our advanced medicine and focusing on our Centres of Excellence strategy, we will continue to reinforce the perception of Asklepios as a modern and responsible healthcare provider. We aim to increase our patients' trust in both inpatient and outpatient care so as to achieve a continuing rise in patient numbers.

6 DECLARATIONS BY THE CORPORATE BOARDS OF THE ASKLEPIOS GROUP

With regard to the target and implementation deadline for a gender quota for the Supervisory Board, the Supervisory Board recommends that the committees responsible for appointments maintain or reachieve a target gender ratio of 20% women out of the total number of Supervisory Board members by 30 June 2017.

With regard to the target and implementation deadline for a gender quota for the management, a gender ratio of at least 0% women among the members of the management is targeted by 30 June 2017, which corresponds to the current status.

7 OPPORTUNITIES AND RISKS

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.

Principles of the risk and opportunity management system

Asklepios has implemented a risk and opportunity management system that comprises various stages. In addition to regular reporting (e.g. risk and opportunity reporting, liquidity and financial reporting, reports on the quality of medical care), management discussions in individual regions identify risks and opportunities, check them for plausibility and define necessary measures. Furthermore, the implemented quality management programme for patient safety includes methods for detecting, analysing and preventing risks at an early stage. Specialists from within the Group conduct systematic on-site inspections of all processes relevant to safety, for example in surgery, obstetrics, pharmacotherapy safety and information provided to patients. The risk audits are aimed at increasing patient safety, identifying potential risks by analysing structures and processes and recommending specific preventive measures. In order to identify errors and adverse events at an early stage, a CIRS concept developed at Asklepios is also implemented in all hospitals. The anonymous error reporting system is based on the recommendations of the "German Coalition for Patient Safety" (APS) and makes it possible to learn from mistakes and prevent them in future. Important information is communicated throughout the Group via the "Asklepios CIRS Network".

Our risk and opportunity management system is closely linked to corporate strategy. The key components of ISO standard 31000 and the COSO ERM (enterprise risk management) framework were included in the design of the Group-wide risk and opportunity management system. Appropriate findings are directly incorporated into the risk assessment thanks to close integration with internal audit. Risks identified as part of the risk inventory are also communicated to internal audit promptly. This ensures that all key risks are subject to ongoing monitoring. The combination of our internal control system and risk controlling allows us to

recognise developments which could jeopardise the continuing existence of the Group or its entities at an early stage and to take appropriate countermeasures. In the same way, this procedure also enables opportunities to be identified and seized at an early stage.

The aggregation and combination of risk and opportunity information from the various stages of the Asklepios risk management system allow a holistic view that comprises a mix of primarily qualitative and primarily quantitative risk and opportunity assessments. No provision is therefore made for a purely quantitative evaluation of risks and opportunities.

Risk and opportunity management system process

In a multi-year project, Asklepios has reworked the risk management system with the aim of further professionalisation and institutionalisation (system, responsibilities, structure, formal processes, integration and automation). The structures relating to risk assessment have been homogenised and structured, plus automated procedures have been introduced on a standardised basis throughout the Group. Another aim was to practise risk management not just operationally but also to use it 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 effective and efficient management of risks and opportunities. To support these processes technologically, new risk management software that is suited to the new requirements was introduced in the financial year 2015. The process of connecting all relevant reporting units to this new software was completed by the end of 2016. For 2017, the plan is to institutionalise strategic risk management by introducing a strategic risk management committee.

The aim of the risk and opportunity management process is to enable the early identification, evaluation 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).

b) 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 picture 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 financial reporting process;
- Monitoring of the group 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;
- Control measures in the finance and accounting of the Group and the individual consolidated companies, as well as in operating business processes, which generate the key figures for the preparation of the consolidated financial statements and group management report, including separation of functions in predefined approval processes in the relevant areas;
- Measures to ensure the proper computerised processing of content and data relating to group financial reporting.

c) 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.

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 cannot therefore be ruled out that certain procedures may in future prove to require adjustments despite having been reviewed by the relevant group departments.

We have insured against claims from our patients, which are not completely avoidable, by 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 makes use of liability insurance policies, for the most part with deductibles. Appropriate provisions are formed or adjusted for the deductibles. We are currently not involved in any litigation or defending any claims which may result in major changes to the results of operations.

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. Income targets may therefore not be achieved (because, for example, use permits expire), market shares could be lost to competitors and penalty payments could threaten 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 as well as quality deficits. Therefore, we 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. For some of the properties used by Asklepios, rent reductions were granted and performance-based refunds agreed prior to their recognition by the Group. 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.

Personnel risks

There are always risks in the area of personnel and these may cause a deterioration in 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 optimum qualification 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 personnel expenses is heavily dependent on changes to the collective agreements governing staff wages. To reduce external dependency and 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 compensation models. These models are reviewed by the relevant group departments before the agreements are concluded. 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.

IT risks

Asklepios is fundamentally dependent on a functioning 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 may have a corresponding impact on the net assets, financial position and 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 as well as in the medium-term developments in income 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 may 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. The forecast demographic development in some areas will lead, ceteris paribus, to decreasing case numbers and revenue.

Performance risks

With regard to performance, the statutory regulation of the compensation system is proving to be a challenge. Performance increases are remunerated with price reductions of up to 75% (165% from 2017 onwards) and budget shortfalls can also entail reduction risks. When it comes to cost development, we have to deal with 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. Although it is generally 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. In June 2015, the agreement was terminated by the DKG as of 31 December 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 in 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 generally 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.

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 may 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.

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. In contrast to this, the risk of late payment in the case of 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 concluded 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 employs a treasury system for this purpose – with a focus on efficient management of current cash and cash equivalents. As a conservative company in terms of finance, and on the basis of the investment terms of the assets, Asklepios' financing strategy is generally long-term in nature and contains manageable short-term refinancing risks. The high levels of cash and cash equivalents, constant cash flow, favourable capital structure (low level of debt), broad diversification of financing partners, access to the capital market and extensive undrawn lines of credit demonstrate that we are largely independent of general developments on the capital markets and ensure that we have full financial freedom of action, including for non-organic growth. The profit-ability and credit structure was partially negatively affected 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
On 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, as well as own staff to monitor the construction work making it possible to react immediately 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 as well as quality deficits. Therefore, we 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.

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 to 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
Treatment 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 error sources as well as increasing quality standards and the safety and efficiency of our processes. This ultimately allows us to achieve a permanent improvement in patient safety and treatment quality as well as 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 (e.g. Ebola) are countered by way of appropriate hygiene management concepts, structured workflows and processes and continuous employee training. Our activities 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. Due 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.

d) 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 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 costreduction 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. Due to our favourable cost structures and above average competence in the area of DRG revenue management, we are in a good position to transform the change process into additional competitive advantages. 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.

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.

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 targetedly strengthening the Asklepios brand among patients and employees.

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 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. As well as general corporate and growth financing, this allows us to reach the capital strength necessary in order to take opportunities quickly.

OVERALL MANAGEMENT STATEMENT: SUMMARY AND OUTLOOK

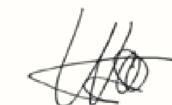
With regard to the risks described in this report – taking account of their probability, potential financial impact and present business prospects – the management does not anticipate any individual or aggregate risks that could materially endanger the Group's ability to continue as a going concern.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

Hamburg, 14 March 2017

Kai Hankeln

Dr. Thomas Wolfram

Hafid Rifi



Marco Walker

IFRS CONSOLIDATED INCOME STATEMENT

for the financial year from 1 January to 31 December 2016

EUR '000	Note no.	2016	2015
Revenue	VII.1	3,211,226	3,082,026
Other operating income	VII.2	211,464	195,065
		3,422,690	**3,277,091**
Cost of materials	VII.3	695,904	684,477
Personnel expenses	VII.4	2,016,570	1,913,753
Other operating expenses	VII.5	319,787	304,827
Operating result/EBITDA[1]		**390,429**	**374,034**
Depreciation, amortisation and impairment			
of intangible assets and depreciation and impairment of financial assets and property, plant and equipment	VII.6	126,561	124,896
Operating result/EBIT[2]		**263,868**	**249,137**
Net investment income		9,312	9,347
Net investment income	VII.7	9,312	9,347
Interest and similar income	VII.8	3,343	1,474
Interest and similar expenses	VII.8	-41,361	-39,541
Interest result	VII.8	**-38,018**	**-38,067**
Financial result		**-28,707**	**-28,720**
Earnings before income taxes		**235,162**	**220,417**
Income taxes	VII.9	-43,036	-43,606
Consolidated net profit		**192,126**	**176,811**
Of which attributable to the parent company		*154,819*	*135,058*
Of which attributable to non-controlling interests		*37,307*	*41,753*

[1] Earnings before financial result, taxes and depreciation and amortisation [2] Earnings before financial result and taxes

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IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year from 1 January to 31 December 2016

EUR '000	2016	2015
Consolidated net profit	**192,126**	**176,811**
Changes in the fair value of cash flow hedges	0	271
Measurement of financial assets	-23,950	53,005
Income taxes	360	-803
Total changes in value that are reclassified to profit or loss if certain conditions are met	**-23,590**	**52,473**
Change in actuarial gains (+) / losses (-) from defined benefit pension commitments and similar obligations	-46,596	-20,176
Income taxes	8,558	3,602
Total changes in value that are not reclassified to profit or loss	**-38,038**	**-16,574**
Total changes in value recognised in equity (other comprehensive income)	**-61,628**	**35,899**
Total comprehensive income (total consolidated net profit and other comprehensive income)	**130,498**	**212,710**
Of which attributable to the parent company	103,655	175,601
Of which attributable to non-controlling interests	26,842	37,109

IFRS CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year from 1 January to 31 December 2016

EUR '000	Note no.	2016	2015
Consolidated net profit		**192,126**	**176,811**
Income taxes	VII.9	43,036	43,606
Interest result	VII.8	38,018	38,067
Net investment income	VII.7	-9,312	-9,347
Amortisation of intangible assets and financial assets and depreciation of property, plant and equipment	VII.6	126,561	124,896
Gross cash flow (EBITDA)		**390,429**	**374,033**
Other non-cash transactions		6,364	6,592
Changes in inventories, receivables and other assets	IX.6,7,8,9	-38,253	-45,428
Changes in liabilities and provisions	IX.12,14,15, 16,17,18,20	5,784	-22,738
Dividends received	VII.7	9,411	9,347
Interest income	VII.8	3,230	1,137
Income taxes paid	VII.9	-35,479	-32,338
Cash flow from operating activities/net cash flow		**341,486**	**290,605**
Investments in intangible assets*	IX.2,17	-16,285	-11,112
Investments in property, plant and equipment*	IX.3	-157,243	-243,176
Proceeds from the disposal of non-current assets		3,386	9,702
Acquisitions of subsidiaries, equity investments and financial assets**	IX.1,4,5	-1,596	-20,326
Net cash used in investing activities		**-171,738**	**-264,912**
Proceeds from borrowings	IX.13	0	580,000
Proceeds from the repayment of financial liabilities		-171,549	-125,727
Repayment of participation capital / subordinated capital	IX.12	0	-47,000
Cash flow from dual hospital financing	IX.3	3,376	-4,026
Interest expenses	VII.8	-29,837	-34,495
Effects from spin-off of a subsidiary		-70,025	0
Distributions		0	-787
Cash flow from financing activities		**-268,035**	**367,965**
Change in cash and cash equivalents		-98,287	393,658
Cash and cash equivalents as at 1 January		554,898	161,240
Cash and cash equivalents as at 31 December	**IX.10**	**456,611**	**554,898**

* Internally financed capital expenditure ** Of which EUR 0.9 million (previous year: EUR 0.2 million) is attributable to subsidiaries.

IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the financial year ended 31 December 2016

EUR '000	Note no.	31 Dec. 2016	31 Dec. 2015
ASSETS			
Non-current assets			
Intangible assets	IX.2	413,996	410,977
Property, plant and equipment	IX.3	1,498,597	1,457,868
Investments accounted for using the equity method	IX.4	14,042	14,045
Financial assets	IX.5	305,333	328,672
Other financial assets	IX.5	62,276	65,722
Trade receivables	IX.7	66	264
Non-current income tax assets	IX.8	0	720
Other assets	IX.9	80	0
Deferred taxes	IX.21	75,150	69,077
Total non-current assets		**2,369,540**	**2,347,345**
Current assets			
Inventories	IX.6	103,110	101,289
Trade receivables	IX.7	452,573	403,954
Current income tax assets	IX.8	3,716	2,440
Other financial assets	IX.5	71,002	80,880
Other assets	IX.9	4,297	4,146
Cash and cash equivalents	IX.10	456,611	554,898
Total current assets		**1,091,309**	**1,147,607**
Total assets		**3,460,849**	**3,494,952**

EUR '000	Note no.	31 Dec. 2016	31 Dec. 2015
EQUITY AND LIABILITIES			
Equity attributable to the parent company			
Issued capital	IX.11ba	1,022	1,022
Reserves	IX.11bb	835,943	822,074
Consolidated profit	IX.11a	154,819	135,058
Non-controlling interests	IX.11bc	281,590	255,323
Total equity	**IX.11**	**1,273,374**	**1,213,477**
Non-current liabilities			
Trade payables	IX.14	12	377
Financial liabilities	IX.13	814,264	1,063,465
Finance lease liabilities	IX.17	12,770	13,519
Pensions and similar obligations	IX.18	268,295	227,232
Other provisions	IX.19	219,628	224,099
Deferred taxes	IX.21	33.423	32,953
Other financial liabilities	IX.15	80,051	87,811
Other liabilities	IX.16	9,156	6,675
Total non-current liabilities		**1,437,599**	**1,656,131**
Current liabilities			
Trade payables	IX.14	72,125	64,570
Financial liabilities	IX.13	166,605	87,321
Finance lease liabilities	IX.17	860	644
Pensions and similar obligations	IX.18	5,883	5,640
Other provisions	IX.19	98,120	92,862
Current income tax liabilities	IX.20	14,994	14,061
Other financial liabilities	IX.15	167,081	149,665
Other liabilities	IX.16	224,208	210,581
Total current liabilities		**749,876**	**625,344**
Total equity and liabilities		**3,460,849**	**3,494,952**

IFRS STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the financial year 2016

	Equity attributable to the parent company						
EUR '000	**Issued capital**	**Revenue reserve**	**Fair value reserve**	**Consolidated net profit**	**Total**	**Non-cotrolling interests**	**Equity**
As at 1 January 2015	**1,022**	**657,755**	**5,152**	**118,625**	**782,554**	**219,163**	**1,001,717**
Annual result	0	0	0	135,058	135,058	41,753	176,811
Other comprehensive income	0	-11,931	52,473	0	40,542	-4,643	35,899
Total comprehensive income	**0**	**-11,931**	**52,473**	**135,058**	**175,600**	**37,110**	**212,710**
Changes in the scope of consolidation	0	0	0	0	0	54	54
Compensation payment obligations	0	0	0	0	0	-787	-787
Change in shares in consolidated companies	0	0	0	0	0	-216	-216
Allocation to reserves	0	118,625	0	-118,625	0	0	0
Total transactions recognised directly in equity	**0**	**118,625**	**0**	**-118,625**	**0**	**-950**	**-950**
As at 31 Dec. 2015	**1,022**	**764,449**	**57,625**	**135,058**	**958,154**	**255,323**	**1,213,477**
As at 1 January 2016	**1,022**	**764,449**	**57,625**	**135,058**	**958,154**	**255,323**	**1,213,477**
Annual result	0	0	0	154,819	154,819	37,307	192,126
Other comprehensive income	0	-27,574	-23,590	0	-51,164	-10,464	-61,628
Total comprehensive income	**0**	**-27,574**	**-23,590**	**154,819**	**103,655**	**26,843**	**130,498**
Other changes	0	0	0	0	0	-330	-330
Effects from the spin-off of a subsidiary	0	-70,025	0	0	-70,025	0	-70,025
Change in shares in consolidated companies	0	0	0	0	0	-246	-246
Allocation to reserves	0	135,058	0	-135,058	0	0	0
Total transactions recognised directly in equity	**0**	**65,033**	**0**	**-135,058**	**-70,025**	**-576**	**-70,601**
As at 31 Dec. 2016	**1,022**	**801,908**	**34,035**	**154,819**	**991,784**	**281,590**	**1,273,374**

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I. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1 | GROUP STRUCTURE: PRINCIPLES AND BUSINESS SEGMENTS

The Company is named Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Rübenkamp 226, Hamburg, Germany (hereinafter also referred to as “AKG”, the “Group”, or the “Company”), and is entered in the commercial register at the Hamburg district court, HRB 98981. The company was formed on 19 June 1985.

Asklepios Kliniken Gesellschaft mit beschränkter Haftung and its subsidiaries operate primarily on the German market in the clinical acute care and rehabilitation sectors as well as, 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 mainly equity investments in the three sub-group financial statements of Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein (100% equity investment), Asklepios Kliniken Hamburg GmbH, Hamburg (74.9% equity investment), and MediClin AG, Offenburg (52.73% equity investment), included in the consolidated financial statements.

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 2016 were prepared applying Section 315a (1) HGB (Handelsgesetzbuch - German Commercial Code) in accordance with the International Financial Reporting Standards (IFRS) and the corresponding interpretations of the IASB (IFRIC), as adopted by the European Union in accordance with Regulation No. 1606 / 2002 of the European Parliament and of the Council. All those standards and interpretations subject to mandatory adoption for financial year 2016 were observed.

The consolidated financial statements are prepared on the basis of historical cost, restricted by the remeasurement of financial assets available for sale as well as by the measurement at fair value through profit or loss of financial assets and financial liabilities (derivative financial instruments). The preparation of the consolidated financial statements is based on the assumption that the enterprise is a going concern.

The Group is therefore exempt from the obligation to prepare consolidated financial statements in accordance with HGB. IFRS consolidated financial statements and the Group management report are published in the electronic Federal Gazette (elektronischer Bundesanzeiger).

As far as the individual consolidation, accounting and measurement methods used are concerned, please refer to the following comments in Section V.

2 NEW STANDARDS AND STANDARDS THAT HAVE TO BE ADOPTED FOR THE FIRST TIME

Accounting standards adopted for the first time

The accounting standards were revised and published 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 1	Presentation of Financial Statements
Amendments to IAS 27	Separate Financial Statements
Amendments to IFRS 11	Joint Arrangements
Amendments to IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets
Amendments to IAS 16 and IAS 41	Property, Plant and Equipment and Agriculture
Annual improvements to IFRS 2012 - 2014 cycle	Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

Amendments to IAS 1, IAS 27, IFRS 11, IAS 16 and IAS 38, IAS 16 and IAS 41, Annual Improve-ments to IFRSs (2012 – 2014 cycle), amendments to IFRS 10, IFRS 12 and IAS 28

Amendments to IAS 1 and IAS 27: Disclosure Initiative and Equity Method in Separate Financial Statements

The amendments to IAS 1 Presentation of Financial Statements that were published by the IASB on 18 December 2014 under the heading "Disclosure Initiative – Amendments to IAS 1" have been adopted by the European Union (EU).

The aim of the amendments is to improve disclosures and encourage entities to exercise judgement when applying IAS 1 to determine which disclosures are to be included in their financial statements. These amendments result in consequential amendments to IAS 34 and IFRS 7.

In the EU, the amendments must be applied at the latest for financial years beginning on or after 1 January 2016. Earlier application is permitted. The first-time application thus corresponds to the effective date resolved by the IASB.

The adoption of these amendments by the EU was announced in Commission Regulation (EU) 2015/2406 dated 18 December 2015.

In addition, the amendments to IAS 27 Separate Financial Statements that were published by the IASB on 12 August 2014 under the heading "Equity Method in Separate Financial Statements – Amendments to IAS 27" have been adopted by the EU. These amendments are intended to enable entities to account for investments in subsidiaries, joint ventures and associates in their separate financial statements according to the equity method presented in IAS 28 Investments in Associates and Joint Ventures.

These amendments result in consequential amendments to IAS 28 Investments in Associates and Joint Ventures, and IFRS 1 First-time Adoption of International Financial Reporting Standards.

In the EU, the amendments must be applied at the latest for financial years beginning on or after 1 January 2016. Earlier application is permitted. The first-time application thus corresponds to the effective date resolved by the IASB. In Germany, application relates to the publication of separate financial statements in accordance with Section 325 (2a) HGB.

The adoption of these amendments by the EU was announced in Commission Regulation (EU) 2015/2441 dated 18 December 2015.

The new regulations must be applied retrospectively.

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

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

In May 2014, the IASB published IFRS 11 Joint Arrangements. It clarifies that acquisitions of interests in joint operations that constitute a business under IFRS 3 Business Combinations must be accounted for using the same principles as when accounting for business combinations under IFRS 3 and other applicable IFRS, unless these conflict with the guidance of IFRS 11. This means that, when an interest is acquired in a joint operation,

- the acquired identifiable assets and liabilities must be measured at fair value on the transaction date, whereby on the acquisition of additional interests when joint control is maintained the interests already held are not remeasured,
- any goodwill or deferred taxes arising from the first-time recognition of assets and liabilities must be recognised,
- the cash-generating unit to which the goodwill was assigned must be tested for impairment at least once a year and when there are indications of existing impairment, under IAS 36 Impairment of Assets,
- transaction costs must be expensed, and
- the disclosures required under IFRS 3 and other standards relating to business combinations must be made.

The amendments do not apply if the reporting entity and the participating parties are under the common control of the same ultimate controlling entity.

The new regulations apply for acquisitions of interests occurring in reporting periods after the effective date, i.e. financial years beginning on or after 1 January 2016.

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 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

In May 2014, the IASB published amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets. The objective of these amendments is to clarify which methods are appropriate for the depreciation and amortisation of property, plant and equipment and intangible assets. In principle, property, plant and equipment and intangible assets must be depreciated and amortised such that they reflect the entity's expected consumption of the future economic benefit generated by the asset. In this regard, the IASB has now clarified that depreciation of property, plant and equipment on the basis of revenues from the goods they generate does not comply with this approach and is therefore inappropriate, as the revenues depend not only on the consumption of the asset, but also on other factors such as sales volume, price and inflation. This clarification is also included in principle in IAS 38 for the amortisation of intangible assets with limited useful lives. However, the IASB has also introduced a rebuttable presumption in this regard. Accordingly, revenue-based amortisation of intangible assets with limited useful lives is permissible in the following two exceptional cases:

- The "value" of the asset is directly expressed through the revenues generated or
- it can be demonstrated that revenues and the consumption of economic benefits of the intangible asset are highly correlated.

For both property, plant and equipment and for intangible assets, it is further clarified that a reduction in selling prices for goods and services produced with the assets could be indicative of their economic obsolescence and therefore a decline in the potential economic benefit of the assets required for production. These amendments must be applied prospectively for financial years beginning on or after 1 January 2016.

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 16 and IAS 41: Bearer Plants

In June 2014, the IASB published amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture on accounting for bearer plants. The term "bearer plants" covers plants

- that are used in the production of agricultural produce,
- whose useful lives extend to more than one period, and
- that are unlikely to be sold themselves as living plants or as agricultural produce.

The published amendments clarify that such plants must – like internally generated property, plant and equipment – be accounted for at cost until they reach maturity and thereafter according to the provisions of IAS 16 either using the cost or remeasurement model. Accounting in accordance with IAS 41 will no longer be permitted in future.

The standard is not relevant to the Asklepios Group.

Improvements to the International Financial Reporting Standards, 2012 - 2014 cycle

In September 2014, the IASB published the annual improvements to IFRS (2012 - 2014 cycle). The clarifications thus made relate to the following standards and topics:

- IFRS 5: Reclassification from "held for sale" to "held for distribution to owners
- IFRS 7: Concept of continuing involvement and disclosures on offsetting financial assets and financial liabilities in interim financial statements
- IAS 19: Assessing the depth of the market for high quality corporate bonds in connection with determining the applicable interest rate
- IAS 34: Disclosure of information "elsewhere in the financial report"

In the EU, some of the amendments must be applied prospectively and some retrospectively for financial years beginning on or after 1 January 2016.

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

Amendments to IFRS 10, IFRS 12, and IAS 28: Investment Entities: Applying the Consolidation Exception

This standard clarifies issues relating to the application of the consolidation exception for investment entities that instead account for their subsidiaries at fair value. The amendments relate to enquiries of the IFRS IC and are intended to prevent the emergence of varying practices.

The standard is applicable to financial years beginning on or after 1 January 2016, with voluntary early adoption being permitted.

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

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

Standard	Publication in Official Journal	Mandatory application
Endorsed:		
IFRS 9 Financial Instruments	November 2016	1 Jan. 2018
IFRS 15 Revenue from Contracts with Customers	October 2016	1 Jan. 2018

The IASB and the IFRIC have published the standards listed in the above table under "Endorsed", which have already been adopted by the EU in the comitology procedures, but whose adoption was not mandatory for the financial year 2016.

IFRS 9 Financial Instruments

IFRS 9 was published in its final version in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard includes in particular 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 the future, the classification and measurement of these instruments will depend on two essential 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 "held in order 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)? Due to the design of the cash flow characteristics test, only debt instruments, such as bonds from the creditor's perspective, can fulfil these requirements.

According to IFRS 9, the classification and (subsequent) measurement of an instrument will depend on the type of financial asset and the two criteria above.

In contrast, IFRS 9 barely alters the rules for classifying and measuring financial liabilities. Only in the case of 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 no longer only incurred losses (the former incurred loss model) but also expected losses (expected loss model) must be 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 on the reporting date, 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 (trade receivables or contract assets without a significant financing component) or may (trade receivables or contract assets with a significant financing component and lease receivables) be recognised on initial recognition.

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

IFRS 15 Revenue from Contracts with Customers

According to IFRS 15, revenues must be recognised when the customer gains control over the agreed goods and services and can draw benefits from them. The transfer of material opportunities and risks, as in the old regulations of IAS 18 "Revenue", is no longer decisive. The new model provides a fivestep model for determining revenue recognition, which stipulates that first the customer contract and the separate performance obligations included therein must 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 work and performance, instead establishing standard criteria for when performance is to be recognised over time or at a point in 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 mandatory effective date (1 January 2017) was postponed via an amendment issued in September 2015 to 1 January 2018.

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

Not yet endorsed:	Publication	Mandatory application
IFRS 14 Regulatory Deferral Accounts	January 2014	1 Jan. 2016
Amendments to IAS 28 and IFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Postponed indefinitely
IFRS 16 Leases	Januar 2016	1 Jan. 2019
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	January 2016	1 Jan. 2017
Amendments to IAS 7: Disclosure Initiative	January 2016	1 Jan. 2017
Clarifications to IFRS 15 Revenue from Contracts with Customers	April 2016	1 Jan. 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	June 2016	1 Jan. 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	September 2016	1 Jan. 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	December 2016	1 Jan. 2018
Amendments to IAS 40: Transfers of Investment Property	December 2016	1 Jan. 2018
Improvements to the International Financial Reporting Standards, 2014 - 2016 cycle	December 2016	1 Jan. 2018/ 1 Jan. 2017

IFRS 14 Regulatory Deferral Accounts
In January 2014, the IASB published IFRS 14 Regulatory Deferral Accounts. The standard's regulations will allow entities that are preparing IFRS financial statements for the first time in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards to retain the regulatory deferral accounts that they recognised in connection with rateregulated activities under their former national accounting standards and to continue accounting for them according to the previous accounting policies. In November 2015, EFRAG announced that the European Commission will not propose the adoption of IFRS 14 into EU law, because the group of users is highly limited.

The standard is not relevant to the Asklepios Group.

Amendments to IAS 28 and IFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
In September 2014, the IASB published amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. This rectifies a former inconsistency between the two standards. Namely, IFRS 10 currently requires the recognition of the full gain or loss resulting from the loss of control over a subsidiary contributed to a joint venture or associate. In contrast, IAS 28 stipulates that gains or losses on non-financial assets contributed to associates or joint ventures must only be recognised in the amount of unrelated investors' interests. According to the amendments now issued, full profit or loss recognition will always be required at an investor in future if the transaction (i.e. the contribution of a subsidiary to a joint venture or associate with loss of control over the subsidiary) relates to a business as defined by IFRS 3 Business Combinations. If this is not the case, only the proportional gain or loss (to the extent of unrelated investors' interests) must be 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.

IFRS 16 Leases
On 13 January 2016, the IASB published the new standard IFRS 16 Leases. IFRS 16 replaces the former 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 of the same date.

The new standard from the IASB on accounting for leases will result in a significant increase of the finance lease arrangements to be recognised in the Asklepios Group. We expect this to lead to an increase of non-current assets and standard market financial liabilities, which could considerably alter the Group's capital structure, and an increase in EBITDA because of the omission of rental expenditure. For information on the evaluation of the market conformity of property rents of MediClin AG, refer to Section IX.17 Finance lease liabilities.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
On 19 January 2016, the IASB issued an amendment to IAS 12, Income Taxes, which clarifies the recognition of deferred tax assets for unrealised losses from available-for-sale financial assets. Deferred tax assets must be recognised on deductible temporary differences resulting from available-for-sale financial assets in the form of debt instruments if the entity has the ability and intention to hold the instruments until their carrying amounts are recovered (potentially until maturity). It is further clarified that the question of the usability of deferred tax assets is to be based on positive taxable income before the reversal of the deductible differences, provided sufficiently adequate deferred tax liabilities are not available.

The amendments to IAS 12 must be applied for financial years beginning on or after 1 January 2017. Earlier application is permitted.

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

Amendments to IAS 7: Disclosure Initiative
On 29 January 2016, the IASB issued an amendment to IAS 7, Statement of Cash Flows, as part of its initiative to improve disclosure requirements (Disclosure Initiative). According to this amendment, a reconciliation must be included in the financial statements in the future showing the development of the liabilities in the statement of financial position during the reporting period whose cash changes in the cash flow from financing activities must be recognised in the statement of cash flows. The amendments must be applied for the first time for financial years beginning on or after 1 January 2017. Earlier application is permitted.

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

Clarifications to IFRS 15 Revenue from Contracts with Customers
In April 2016, the IASB issued clarifications to IFRS 15, which relate to the following topics:

- Identification of performance obligations and review of separability within the context of the contract
- Classification as principal or agent
- Revenue from licenses

Two additional practical expedients were also provided for the first-time application of the standard.
Voluntary early application of the standard is permitted. The published clarifications are to be adopted in the second half of 2017. The Asklepios Group is currently examining the precise impact of the new standard.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
The amendments to IFRS 2 include 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 because of modifications of the terms and conditions, the original liability recognised in respect of 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.

Amendments to IFRS 4:
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'

The amendments include a deferral of the regulations of IFRS 9 Financial Instruments for insurance companies. Without these amendments to IFRS 4, the different effective dates of IFRS 9 and the planned new insurance contracts standard, which according to the IASB's work schedule is to be adopted in 2017, would result in higher volatility in profit or loss, accounting mismatches and doubled conversion costs in a transitional period. The IASB has therefore incorporated two optional approaches – the overlay approach and the deferral approach – into the revised IFRS 4.

The standard is not relevant to the Asklepios Group.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

Due 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 shall be determined for the translation of transactions in foreign currencies that include the receipt or payment of advance consideration. According to IFRIC 22, the exchange rate for the underlying asset, income or expense shall be determined as of 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 the International Financial Reporting Standards, 2014 - 2016 cycle

The Annual Improvement Project 2014-2016 amended three standards:

- IFRS 1 First-time Adoption of IFRS: the amendment deletes the short-term exemptions in IFRS 1.Appendix E (IFRS 1.E3-E7) for first-time adopters.
- IFRS 12 Disclosure of Interests in Other Entities: the amendment clarifies that the disclosures also apply to interests falling under the scope of 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.

3 REPORTING AND RECLASSIFICATIONS

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 pursuant to the KHG (Krankenhausfinanzierungsgesetz - German Hospital Financing Act).

To provide a better insight into the results of operations, staff costs of EUR 48.5 million were offset against revenue of EUR 17.3 million and other operating income of EUR 31.2 million in the previous year, as these were assumed by third parties. The previous year's figures were therefore adjusted accordingly in line with IAS 8.41.

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.

4 FINANCIAL YEAR

The financial year is the calendar year.

5 APPROVAL OF THE FINANCIAL STATEMENTS

The management authorised the Company's consolidated financial statements for issue by signature.

III. *OPERATING SEGMENT REPORTING*

According to IFRS 8 Operating Segments, the segment information on operating segments must be presented in the way internal reporting is made to the chief operating decision maker (management approach).

An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity),
b. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
c. for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue, for example, start-up operations may be operating segments before earning revenue.

In our group, the management is the chief operating decision maker. This board makes strategic decisions for the Group and receives regular reports on the figures for the hospitals and entities. Based on our understanding of offering integrated healthcare services, we do not make a distinction in terms of control between services allocable to the inpatient or outpatient sector or rehabilitation or care sector as defined by the SGB (Sozialgesetzbuch - German Social Code). The operating units identified are reduced to the reportable segments. This is done mainly by combining homogeneous operating units if they display comparable economic characteristics. Based on the comparable opportunity and risk profile due to comparable structural conditions and comparable target EBITDA margins of our operating units, we still have one reportable operating segment.

All revenue for all of our activities is recorded in Germany and (with the exception of our service companies, which almost exclusively generate internal, consolidated revenue) with external customers or payers. For the breakdown of revenue by business segment, please refer to Section VII.

IV. *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).

V. CONSOLIDATION, ACCOUNTING AND MEASUREMENT METHODS

The financial statements of the entities included in the consolidated financial statements of the Company were all drawn up on the basis of uniform accounting policies. The financial statements of all entities included are prepared as at the cut-off date of the consolidated financial statements.

1 BASIS OF CONSOLIDATION

a) Subsidiaries
In addition to Asklepios Kliniken GmbH as the ultimate parent, the consolidated group also includes the subsidiaries over which Asklepios Kliniken GmbH exercises control, either directly or indirectly. 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 removed from the consolidated group as soon as 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 acquisition 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. Acquisition costs incurred are expensed and included in 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.

Any hidden reserves and hidden liabilities disclosed during initial consolidation in the course of the fair value measurement of assets and liabilities are carried forward, amortised or reversed in subsequent periods based on the development of the assets and liabilities. Goodwill is tested for impairment at least once a year in subsequent periods and, if impaired, is written down to its recoverable value.

If shares are acquired in stages, the difference between the acquisition 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 the fair value on the acquisition date and the gain or loss arising is recognised in profit and loss.

Intercompany expenses and income as well as receivables and liabilities between consolidated entities are eliminated. Intercompany profits and losses are eliminated if material. In the case of consolidation measures with an effect on income, the effects for income tax purposes are considered 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 share of the Group in 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 fully consolidated as subsidiaries (IFRS 10) nor consolidated as associates (IAS 28) are accounted for in accordance with the principles of IAS 39. The Group reports such equity investments as "available-for-sale financial assets". When recognised initially, they are measured at fair value. During initial recognition, transaction costs are regarded as part of the purchase price. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses being 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 disclosed separately in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of financial position. They are presented 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 acting 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 2016. Other supplementary information provided includes the amount of the interest (direct and indirect) and whether or not the respective entity made use of the exemption in Section 264 (3) HGB and Section 264b HGB not to prepare a management report or meet disclosure requirements.

Name, headquarters	Equity interest in %, 2016	Equity interest in %, 2015	Section 264 (3) HGB/ section 264b HGB
AKG Klinik Hohwald GmbH, Königstein	100.00	100.00	Yes
AKG Klinik Parchim GmbH, Königstein	100.00	100.00	Yes
AKG Kliniken GmbH, Königstein	100.00	100.00	Yes
Ambulantes Gesundheitszentrum Schwedt GmbH, Schwedt	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	100.00	No
Asklepios Connecting Health GmbH, Hamburg	100.00	100.00	Yes
Asklepios Dienstleistungsgesellschaft Hamburg mbH, Hamburg	100.00	100.00	No
Asklepios Dienstleistungsgesellschaft mbH, Königstein	100.00	100.00	Yes
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 Kötzting GmbH (formerly: MVZ Dr. Lemberger und Kollegen GmbH), Bad Kötzting	0.00	100.00	No
Asklepios Gesundheitszentrum Bad Tölz GmbH, Bad Tölz	100.00	100.00	Yes
Asklepios Gesundheitszentren Ostbayern GmbH (formerly: Asklepios Gesundheitszentrum Cham GmbH), Cham	100.00	100.00	Yes
Asklepios Gesundheitszentrum GmbH, Königstein	100.00	100.00	Yes
Asklepios Hamburg Beteiligungsgesellschaft mbH, Hamburg	0.00	100.00	n.a.
Asklepios Hamburg Personalservice GmbH, Hamburg	100.00	100.00	No
Asklepios Harzkliniken GmbH, Goslar	94.00	94.00	Yes
Aponova Home & Care GmbH, Lübeck	100.00	0.00	No
Asklepios Heimbereiche Brandenburg gGmbH, Brandenburg	100.00	100.00	No
Asklepios International Beteiligungsgesellschaft mbH, Königstein	100.00	100.00	No
Asklepios International GmbH, Königstein	100.00	100.00	No
Asklepios Klinik Alsbach GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Bad Griesbach GmbH & Cie OHG, Königstein	94.00	94.00	Yes
Asklepios Klinik Bad Salzungen GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Bad Wildungen GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Dr. Walb Homberg/ Ohm, GbR, Königstein	94.00	94.00	n.a.
Asklepios Klinik Fürstenhof Bad Wildungen GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Gauting GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Lenggries GmbH, Munich	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

Name, headquarters	Equity interest in %, 2016	Equity interest in %, 2015	Section 264 (3) HGB/ section 264b HGB
Asklepios Klinik Lindenlohe GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Pasewalk GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Sankt Augustin GmbH, Sankt Augustin	100.00	100.00	Yes
Asklepios Klinik Schaufling GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Sobernheim GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Wiesbaden GmbH, Königstein	99.00	99.00	Yes
Asklepios Kliniken Hamburg GmbH, Hamburg	74.90	74.90	No
Asklepios Kliniken Langen-Seligenstadt GmbH, Langen	94.00	94.00	Yes
Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein	100.00	100.00	No
Asklepios Kliniken Weißenfels – Hohenmölsen GmbH, Weißenfels	100.00	100.00	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 (formerly: MVZ Bad Oldesloe GmbH, Königstein)	100.00	100.00	Yes
Asklepios Lindau Beteiligungsgesellschaft mbH, Lindau	100.00	100.00	No
Asklepios Business Services Hamburg GmbH, (formerly: Asklepios medi top Pflegedienst & Service GmbH), Hamburg	100.00	100.00	No
Asklepios Medical Healthcare China Holding GmbH, Königstein	100.00	51.00	No
Asklepios Medical School GmbH, Hamburg	100.00	100.00	No
Asklepios MVZ Mitteldeutschland GmbH, Stadtroda	100.00	100.00	Yes
Asklepios MVZ Nord Schleswig Holstein GmbH, Hamburg	100.00	100.00	Yes
Asklepios MVZ Weißenfels GmbH, Weißenfels	100.00	100.00	Yes
Asklepios MVZ Nord GmbH, Hamburg	100.00	100.00	Yes
Asklepios Nordseeklinik Westerland GmbH, Königstein	99.00	99.00	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., Szczecin (Poland)	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	100.00	100.00	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 Hotellerie GmbH, Königstein	100.00	100.00	Yes
Asklepios Service IT GmbH, Königstein	100.00	100.00	No

Name, headquarters	Equity interest in %, 2016	Equity interest in %, 2015	Section 264 (3) HGB/ section 264b HGB
Asklepios IT-Services Hamburg GmbH (formerly: Asklepios Logistics Hamburg GmbH), Hamburg	100.00	100.00	No
Asklepios Service Einkauf und Versorgung GmbH (formerly: Asklepios Service Logistik GmbH), Königstein	100.00	100.00	Yes
Asklepios Einkauf und Versorgung Hamburg GmbH (formerly: Asklepios CardioClinic - Harburg GmbH), Hamburg	94.00	94.00	No
Asklepios Service Reinigung GmbH, Königstein	100.00	100.00	Yes
Asklepios Service Technik GmbH, Königstein	100.00	100.00	Yes
Asklepios Stadtklinik Bad Tölz GmbH, Königstein	100.00	100.00	Yes
Asklepios Stadtkrankenhaus Seesen GmbH, Seesen	100.00	100.00	No
Asklepios Südpfalzkliniken GmbH, Burglengenfeld	100.00	100.00	Yes
Asklepios Therapie GmbH, Königstein	100.00	100.00	No
Asklepios Weserbergland-Klinik GmbH, Höxter	100.00	100.00	Yes
Asklepios Westklinikum Hamburg GmbH, Hamburg	74.98	74.98	Yes
Atlantic Hotel Besitzgesellschaft mbH (formerly: Octavian Hotel Hamburg Besitzgesellschaft mbH, Friedberg)	88.00	88.00	No
Broermann Invest GmbH, Königstein	0.00	100.00	n.a.
Broermann Medical AG, Gottlieben (Switzerland)	0.00	100.00	n.a.
Cortex Software GmbH, Offenburg	100.00	100.00	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
GFB medi GmbH, Alsbach	100.00	100.00	No
GKB Klinikbetriebe GmbH, Königstein	99.00	99.00	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	No
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
MAH Medizinische Akademie Hamburg GmbH, Hamburg	51.00	51.00	No
MC Kliniken Geschäftsführungs-GmbH (formerly: Yvonne Mobilien-Leasing GmbH), Offenburg	94.49	94.49	No
MC Service GmbH, Offenburg	100.00	100.00	No

Name, headquarters	Equity interest in %, 2016	Equity interest in %, 2015	Section 264 (3) HGB/ section 264b HGB
MediClin à la Carte GmbH, Offenburg	100.00	100.00	No
MediClin AG, Offenburg	52.73	52.73	No
MediClin Dr. Hoefer-Janker GmbH & Co. Klinik KG, Bonn	100.00	100.00	Yes
MediClin Energie GmbH, Offenburg	100.00	100.00	No
MediClin Geschäftsführungs-GmbH, Offenburg	100.00	100.00	No
MediClin GmbH & Co. KG, Offenburg	100.00	100.00	Yes
MediClin Immobilien Verwaltung GmbH, Offenburg	100.00	100.00	No
MediClin Krankenhaus am Crivitzer See GmbH, Crivitz	100.00	100.00	No
MVZ MediClin Bonn GmbH, Bonn	100.00	100.00	No
MediClin Medizinisches Versorgungszentrum GmbH, Offenburg	100.00	100.00	Yes
MediClin Pflege GmbH, Offenburg	100.00	100.00	No
MediClin Betriebs GmbH (formerly: MediClin MVZ Südbaden GmbH), Offenburg	100.00	100.00	No
MediClin Therapie GmbH, Offenburg	100.00	100.00	No
MEDILYS Laborgesellschaft mbH, Hamburg	100.00	100.00	No
German health tv GmbH, Königstein (formerly: Asklepios Medienkommunikation und Marketing GmbH, Schwedt, and Medizinische Einrichtungs-Gesellschaft mbH)	100.00	100.00	No
MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig, Essen	100.00	100.00	No
MVZ Asklepios Klinik Seligenstadt GmbH, Seligenstadt	100.00	100.00	Yes
MVZ Hamburg-Ost HOG GmbH, Hamburg	100.00	100.00	No
MVZ Hanse Histologikum GmbH, Hamburg	51.00	51.00	No
MVZ Onkologie Barmbek GmbH, Hamburg	100.00	100.00	No
MVZ Vorpommern GmbH, Pasewalk	100.00	100.00	Yes
MVZ-Müritz GmbH, Waren	100.00	100.00	No
Nordseeklinik Neubau GmbH, Königstein	100.00	100.00	Yes
Personalagentur für Gesundheit GmbH, Alsbach	100.00	100.00	Yes
Poly Z Med GmbH, Königstein	100.00	0.00	Yes
ProCuraMed AG, Bern (Switzerland)	100.00	100.00	n.a.
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 Sankt Georg GmbH, Hamburg	51.00	51.00	No
Sächsische Schweiz Kliniken GmbH, Sebnitz	100.00	100.00	No
ZIT Zentralinstitut für Transfusionsmedizin GmbH, Hamburg	100.00	100.00	No

The following companies are accounted for at acquisition 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 in EUR thousand	Net profit for the year in EUR '000
4QD – Qualitätskliniken.de GmbH, Berlin**	20.000	888	-121
Bad Griesbacher Tunnelanlagen GmbH & Co. Betriebs – KG, Bad Griesbach**	15.500	2,038	-52
KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, Crivitz**	69.231	66	10
KVMed Beteiligungsgesellschaft mbH, Cologne**	10.000	113	-2,877
MediServ GmbH, Essen**	51.000	167	57
Medusplus GmbH, Essen**	51.000	52	-1
Müritz-Klinikum Service GmbH, Waren**	51.000	156	72
VR-LEASING ABYDOS GmbH & Co. Immobilien GmbH, Eschborn**	44.408	-86	47
Wir für Gesundheit GmbH, Berlin*	33.330	299	-1,939
Movival GmbH, Achern*/***	45.450	517	-260

*) Figures for 2016; **) Values for 2015, as no figures yet available for 2016 ***) Acquisition in 2016

The following companies are accounted for using the equity method:

Name, headquarters	Equity interest in %
Collm Klinik Oschatz gGmbH, Oschatz	25.00
Athens Medical Center S.A., Athen	36.48
Meierhofer AG, München	40.00
INI International Neuroscience Institute Hannover GmbH, Hannover	49.00

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 may be 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 - 10
Brands and customer bases	10 - 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 GOODWILL

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 reviewed for impairment annually, or more frequently using an impairment test if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, 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, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill has been allocated represents 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. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. If the impairment exceeds the carrying amount of the goodwill, the difference shall be 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 - 52 years
Land improvements	10 - 20 years
Plant and machinery	6 - 30 years
Other equipment, furniture and fixtures	3 - 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, are recognised in profit or loss.

Investment property is measured at amortised cost. Write-downs are recognised in line with the valuation of property, plant and equipment. The fair value corresponds to the amortised cost, as there were no significant changes in the price development compared to the previous year.

5 GOVERNMENT GRANTS

The Company receives government grants for different programs subsidised by the state. Government grants are recognised according to IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) only if it is reasonably certain that the conditions attached to the grants will be fulfilled and the grants actually awarded. 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 which are 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 leasing liability is recorded for 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 leasing liability at a constant level. The interest component of the leasing instalment is recorded in the income statement as expenditure so that a constant rate of interest is incurred over the term of the lease. The corresponding finance lease asset is depreciated over the term of the lease or, if shorter, the economic life of the leased property.

The new standard from the IASB on accounting for leases will result in a significant increase of the finance lease arrangements to be recognised in the Asklepios Group. We expect this to lead to an increase of non-current assets and standard market financial liabilities, which could considerably alter the Group's capital structure, and an increase in EBITDA because of the omission of rental expenditure.

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 prerequisites for recognition as an intangible asset pursuant to 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). In financial year 2016, borrowing costs of EUR 1.5 million (previous year: EUR 1.3 million) were capitalised in connection with construction projects. The capitalised amount was calculated as a surcharge rate from the capitalisation rate for loans taken out (7.84%).

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:

	2016	2015
Planning horizon	3 years	3 years
Growth rate including perpetuals	0.5%	0.5%
Discount rate before tax	3.4%	3.9%

The average revenue growth for the major goodwill-bearing companies is between 0.8% and 6.8% in the 2017 - 2019 planning period. The pre-tax discount rate is 4.0% (previous year: 4.6%).

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 recognised 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
Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the preceding categories. They are disclosed under non-current assets, unless the Group plans their disposal within twelve months of the end of the reporting period. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised in equity.

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 through 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 for hedging, derivative financial instruments are usually recognised at their fair value in profit or loss in accordance with IAS 39.

As at 31 December 2016, the Group holds derivative financial instruments in the form of interest caps (hedging) that must be measured at fair value. The present value of the premium payments for the interest caps is recognised under other financial liabilities at a carrying amount of EUR 238 thousand (previous year: EUR 1,009 thousand).

In future, interest rate hedges measured at fair value can be used to hedge against rising interest rates of financial liabilities with floating interest rates and the following volumes:

Financial year	Amount in EUR million
2017	10.3
2018	0.0
2019	0.0

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 recognised 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 financial 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 financial years 2015 and 2016, as the stock exchange price of the assets to be 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 category "financial liabilities measured at fair value through profit or loss" as at the end of the reporting period.

Financial liabilities, which are therefore all allocated to the category "financial liabilities measured at amortised cost", 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 set off if the Group has a right at the same time to set off the reported amounts against each other 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 (on this level, the Group's investments are reported at amortised cost, as no market price can be determined for them)

31 Dec. 2016 (EUR million)	Level 1	Level 2	Level 3	Net total
Financial assets	0.0	0.0	2.2	**2.2**
Available-for-sale financial assets	301.7	0.0	0.0	**301.7**
Financial liabilities	0.0	0.2	0.0	**0.2**

31 Dec. 2015 (EUR million)	Level 1	Level 2	Level 3	Net total
Financial assets	0.0	0.0	1.4	**1.4**
Available-for-sale financial assets	325.7	0.0	0.0	**325.7**
Financial liabilities	0.0	1.0	0.0	**1.0**

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 valuation technique. Fair value is thus estimated on the basis of the results of a valuation technique 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

EUR million	From interest results	Fair value	Impairment	2016	2015
Loans and receivables	0.6	-6.4	-8.7	-14.5	-12.8
Financial liabilities measured at amortised cost	-30.1	0.0	0.0	-30.1	-26.6
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	9.4	0.0	9.4	9.3

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 financial years 2015 and 2016, as the stock exchange price of the assets to be hedged was higher than the purchase offer by the related party.

Net profit from available-for-sale financial assets includes dividends in full, which are reported in the investment result.

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 deferred tax 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 based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. 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% assessed on the corporate income tax was used to determine deferred taxes as at 31 December 2016. 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 360 thousand (previous year: EUR -803 thousand) and the change in pension commitments of EUR 8,558 thousand (previous year: EUR 3,602 thousand).

Deferred tax assets and deferred tax liabilities are offset against each other when 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 V.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 generated mainly from the running of hospitals and therefore exclusively relates to revenue from the rendering of services. As with all other hospitals in Germany, our hospitals are subject to statutory remuneration rules (including the KHEntgG (Krankenhausentgeltgesetz- German Hospital Fees Act) and the BPflV (Bundespflegesatzverordnung - German National Hospital Rate Ordinance)). The offering of the hospitals and the prices charged to the payers (mainly 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 are not negotiated until the course of a financial year and some are not concluded until after 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 KHEntgG 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 pursuant to the BPflV or local provisions.

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

Dividend revenue is recognised on the date on which the right to receive the payment arises and is reported in the investment result. 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 generally 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 presented 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 PENSION PROVISIONS

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 as a personnel expense 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 existing 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 highquality corporate bonds with the same maturities as the pension obligation. The pension obligations are measured on the basis of actuarial appraisals, which 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 posted directly in the revenue reserves following first-time recognition 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 according to 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 multiemployer plan (IAS 19.8 (rev. 2011)), as the entities involved share both the credit risk and the biometric risk.

The ZVK pension is generally 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 financed primarily 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 employers of the ZVK. Therefore, the obligations are to be accounted for as a defined contribution plan. There are no agreements as defined by IAS 19.36 (rev. 2011), as a result of which 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 personnel expenses.

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 corporate boards.

19 ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires that assumptions or estimates be made which have an effect on the values stated in the Company's statement of financial position, the recognition of contingent liabilities and the disclosure of income and expenses.

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date 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 IX.).

- 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.

As at 31 December 2016, the carrying amount of goodwill was EUR 358,089 thousand (previous year: EUR 354,455 thousand).

Please refer to the explanations given in V.9) on carrying out 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 valuation techniques selected from a variety of methods. The assumptions used are mostly based on market conditions existing on the reporting date. 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 recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques 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 as at 31 December 2016 was EUR 14,042 thousand (previous year: EUR 14,045 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 Germany-wide coding. 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 Germany-wide average length of stay as well as 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 as at 31 December 2016 was EUR 54,538 thousand (previous year: EUR 52,704 thousand).
- Pensions and similar obligations: The amount of provisions for pensions depends on a large number of actuarial assumptions. These relate primarily to:
  - the discount rates
  - the future wage and salary increases

Due to the long-term nature of these provisions, such estimates are subject to significant uncertainty. Please refer to our explanations given in V.18) Provisions for pensions. The carrying amount as at 31 December 2016 was EUR 274,178 thousand (previous year: EUR 232,872 thousand).

- Taxes: The calculation of taxable income is based on the assessment of the matter pursuant to 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 incurred or recorded. Please refer to V. 11 Income taxes.
- 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 are not negotiated until the course of a financial year and some are not concluded until after 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 secure 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 as well as 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 as well as claims settlement expenses. Past experience has shown that the imprecision inherent in the estimate is immaterial. For the recognition of the provision, please refer to the statement of changes in provisions in Section VII. 19.

- 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.

VI. *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, including above all cash and cash equivalents, trade receivables and other receivables, which arise directly from its 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 cross-functional risk management and issues policies for specific areas including handling of interest and credit risk, the use of derivative and primary financial instruments as well as investment of liquidity surpluses.

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 control short-term liquidity risks and longer-term financing risks, and it employs a group-wide integrated cash management system for this purpose – with a focus on efficient control of short-term cash and cash equivalents.

Prudent liquidity management involves holding an adequate reserve of liquid 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.

Due to 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	31 Dec. 2016 Total	Up to 12 months	1 to 5 years	More than 5 years
Trade payables	72.1	72.1	0.0	0.0
Financial liabilities	1,023.1	171.9	220.5	630.7
Finance leases	18.3	1.4	5.0	11.9
Other financial liabilities (not including derivatives)	247.1	167.1	36.1	43.9

EUR million	31 Dec. 2015 Total	Up to 12 months	1 to 5 years	More than 5 years
Trade payables	65.0	64.6	0.4	0.0
Financial liabilities	1,311.3	106.7	491.3	713.3
Finance leases	19.0	1.3	4.8	12.9
Other financial liabilities (not including derivatives)	236.5	148.7	37.8	50.0

The subordinated capital matured on a date that was dependent on contractually defined terms and conditions. Asklepios fully repaid the subordinated capital in the financial year 2015.

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 mainly 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 2016. 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 may be incurred as a result of a change in market parameters that are relevant for 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.

The Group controls these risks centrally, also using derivative financial instruments. In doing so, we follow our financing principles, which prohibit in particular the conclusion of transactions for trading or speculative purposes and prioritise the efficient hedging of our variable interest expenses.

5 PRESENTATION OF THE INTEREST RISKS TO WHICH ASKLEPIOS IS EXPOSED

Interest rate sensitivities

The credit volumes are hedged against interest fluctuation risks, most of which in the long term. The Group uses cash flow hedges to hedge against the risk of increasing interest from long-term liabilities subject to floating rates of interest on the basis of interest caps with appropriate repayment and maturities. Their purpose is to hedge the cash flow interest rate risk arising from the Company's operations and its sources of finance.

For further details on the hedging instruments used, please refer to the notes on the derivative financial instruments. Only the intrinsic value of the interest cap is designated as the hedging instrument in each case, with recognition at fair value through profit or loss.

6 CASH FLOW INTEREST RATE RISK

In the case of 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 promissory note loan agreement are concluded with a fixed interest rate. However, the Group is inherently exposed to a cash flow interest rate risk relating to liabilities subject to floating rates of interest. These risks are hedged by the Group using interest caps. The Group has thus limited the change of interest rate risk.

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 Group uses cash flow hedges to secure liabilities that are subject to floating rates of interest. These affect both the hedge reserve in other comprehensive income and net interest and are therefore included in the sensitivity analysis.

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

	31 Dec. 2016		31 Dec. 2015	
EUR '000 **Alterable variable: interest rate**	**+100 basis points**	**-100 basis points**	**+100 basis points**	**-100 basis points**
Earnings before income taxes	2,137	-2,450	23	-352

7 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 2016, the equity ratio was 36.8% (previous year: 34.7%) and was thus considerably higher than the contractual requirements. The Company monitors its capital with reference to 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 guided primarily by the net debt/EBITDA ratio.

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

EUR million	2016	2015
Financial liabilities	980.9	1,150.8
Cash and cash equivalents	456.6	554.9
Net debt	524.3	595.9
EBITDA	390.4	374.0
Net debt/EBITDA	**1.3x**	**1.6x**

The performance indicator was therefore within the specified range in the financial year at 1.3x (previous year: 1.6x).

Compared with German industry as a whole and the relevant competitors within the industry, this leverage can be considered positively low. Furthermore, the interest coverage factor, in terms of EBITDA, (in the previous year including interest on participation capital) stands at 10.3x (previous year: 9.8x).

As at the end of the reporting period, the Group has cash reserves of EUR 456.6 million (previous year: EUR 554.9 million) in the form of cash and cash equivalents and undrawn lines of credit for a further EUR 460.5 million (previous year: EUR 462.1 million).

VII. NOTES TO THE INCOME STATEMENT

1 REVENUE

Revenue breaks down by business segment as follows:

EUR million	2016	2015
Clinical acute care	2,713.7	2,600.1
Post-acute and rehabilitation clinics	475.5	456.6
Social and welfare facilities	16.0	19.7
Miscellaneous	6.0	5.6
Total	**3,211.2**	**3,082.0**

In the financial year 2016, the Asklepios Group's facilities treated a total of 2,279,477 patients. Compared to the previous year (2,217,987 patients), this represents an increase of +2.8%. This development was once again driven by our range of medical services in line with demand, combined with high case numbers at certain centres for advanced medicine, known as Centres of Excellence, where Asklepios can optimally pool expertise and patient numbers. Growth in performance was attributable both to acute services and to post-acute and, in particular, psychiatric care. The rise in patient numbers resulted in slight revenue growth. This increased by 4.2% from EUR 3,082.0 million to EUR 3,211.2 million largely as a result of organic growth.

2 OTHER OPERATING INCOME

Other operating income is broken down as follows:

EUR million	2016	2015
Income from ancillary, additional and other operations	82.2	75.2
Income from operations	78.1	74.9
Income from cost reimbursements	24.7	22.8
Income from other grants	7.5	6.8
Miscellaneous	19.0	15.4
Total	**211.5**	**195.1**

The rise in income from ancillary, additional and other operations is attributable mainly to energy supply income, which increased to EUR 3.6 million in the year under review (previous year: EUR 0.6 million), as well as to optional non-medical services, which increased to EUR 12.0 million in the year under review (previous year: EUR 10.1 million), and to income from rental and lease agreements, which increased to EUR 17.0 million in the year under review (previous year: EUR 16.0 million).

3 COST OF MATERIALS

The ratio of the cost of materials to revenue in the Asklepios Group developed year on year at a considerably lower rate and amounted to 21.7% as at 31 December 2016 (previous year: 22.2%). In absolute terms, the cost of materials increased only very slightly by EUR 11.4 million year on year to EUR 695.9 million. This was attributable to the energy model established by Asklepios and the operation of combined heat and power plants, as well as to sustained cost management combined with the revenue increase of 4.2%. Management measures in the field of personnel leasing had a particular impact on the cost of materials. The energy procurement measures taken will also have a positive impact on earnings in the years to come.

4 PERSONNEL EXPENSES

Personnel expenses rose by EUR 102.8 million year on year to EUR 2,016.6 million. The headcount increased slightly from 34,690 full-time equivalents in the previous year to 34,887. The ratio of personnel expenses to revenue increased from 62.1 % to 62.8 % due to the disproportionately high increase in personnel expenses. The rise in absolute personnel expenses is attributable to the higher number of employees and to wage increases. To provide a better insight into the results of operations, personnel expenses of EUR 48.5 million were offset against revenue and other operating income in the previous year, as these were assumed by third parties. The previous year's figures have therefore been adjusted accordingly in line with IAS 8.41.

Personnel expenses include wages and salaries of EUR 1,689.4 million (previous year: EUR 1,604.0 million), social security expenses of EUR 293.6 million (previous year EUR 275.0). Contribution payments for pensions amounted to EUR 33.6 million in the 2016 financial year (previous year: EUR 34.7 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	2016	2015
Maintenance and servicing	94.8	91.0
Rental expenditure	54.6	53.3
Taxes, dues and insurance	38.7	35.4
Contributions, consulting and audit fees	31.0	30.1
Office supplies, postage and telephone charges	20.2	20.9
Other administrative and IT expenses	18.8	17.2
Advertising and travel expenses	17.1	15.5
Training expenses	14.0	13.9
Miscellaneous	30.6	27.5
Total	**319.8**	**304.8**

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 IX.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	2016	2015
Depreciation and impairment of financial assets and property, plant and equipment	113.9	115.4
Amortisation and impairment of intangible assets	12.7	9.5
Total amortisation/depreciation and impairment	**126.6**	**124.9**

7 NET INVESTMENT INCOME

The investment result breaks down as follows:

EUR million	2016	2015
Net investment income	9.3	9.3
Other investment loss/income	**9.3**	**9.3**

Net investment income includes dividend payments.

8 INTEREST RESULT

The interest result breaks down as follows:

EUR million	2016	2015
Interest income	3.4	1.4
Interest expenses	-41.4	-39.5
of which interest and expenses from subordinated loans	(0.0)	(-2.3)
Interest result	**-38.0**	**-38.1**

The Company received EUR 3.2 million of the interest income reported (previous year: EUR 1.1 million). The Company paid EUR 29.8 million of the interest expenses (previous year: EUR 34.5 million).

The Group has entered into some interest rate hedges to hedge against the interest risk of its floating-rate financial liabilities and part of its participation capital. Under the terms of the hedges, the Group receives compensation if a Euribor-based interest limit is exceeded.

Interest expenses break down as follows:

EUR million	2016	2015
Interest expense from the promissory note loan agreement	-16.5	-12.4
Bank loans and overdrafts	-10.9	-14.0
Interest expense from the bond	-6.3	-6.3
Interest expense for pension and similar obligations	-4.7	-3.5
Participation capital/subordinated loans	0.0	-2.3
Other finance costs	-3.0	-1.0
Interest expenses	**-41.4**	**-39.5**

The interest expenses include interest on finance leases of EUR 539 thousand (previous year: EUR 573 thousand).

Interest income breaks down as follows:

EUR million	2016	2015
Interest income from bank balances	2.7	1.5
Interest on receivables	0.6	0.0
Interest income	**3.3**	**1.5**

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 amounts recognised in the commercial accounts and the tax accounts and on recoverable loss carryforwards, which can generally be carried forward without any time limit, are also reported in this item in accordance with IAS 12.

Income taxes break down as follows:

EUR '000	2016	2015
Current income taxes	-39,730	-40,967
Deferred income taxes	-3,306	-2,640
Total	**-43,036**	**-43,607**

The taxes paid in the financial year amount to EUR 35.5 million (previous year: EUR 32.3 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	2016	2015
Earnings before income taxes	235,162	220,417
Imputed tax expense*	-37,214	-34,894
Capitalised and non-capitalised loss carryforwards	-1,112	-2,985
Trade tax	-3,799	-2,425
Tax refunds/back payments for previous years	-492	-2,031
Tax increases/decreases due to deviating tax rates	-487	-245
Tax increases/decreases due to recognition adjustments for deferred taxes	-937	-1,004
Tax increases/decreases due to compensation payments/non-deductible expenses as well as corporate income tax on compensation payments of non-deductible expenses as well as corporate income tax on compensation payments on non-controlling interests	-313	382
Dividend income, taxed at 5%	1,415	0
Miscellaneous	-97	-405
Tax expense of the current year	**-43,036**	**-43,607**

* Imputed tax rate for 2016 and 2015: 15.825%

The actual tax rate was 18.3% (previous year: 19.7%).

VIII. 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.

Compared to the previous year, cash and cash equivalents fell by EUR 98.3 million. Net cash from operating activities amounted to EUR 341.5 million (previous year: EUR 290.6 million). The change was a result of the increase in EBITDA as well as the fact that the health insurance funds are slower to pay. These receivables are expected to be paid in the following quarters. Net cash flow from operating activities is offset by cash flow from investing activities including investments in financial assets of EUR -171.7 million (previous year: EUR -264.9 million). The cash inflow from financing activities of EUR -268.0 million in the financial year (previous year: cash outflow of EUR 368.0 million) was attributable to the repayment of financial liabilities and the effects from the spin-off of a subsidiary.

IX. NOTES ON ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 BUSINESS COMBINATIONS USING THE PURCHASE METHOD

Medical-Wundmanagement Hamburg GmbH, which has since been renamed Aponova Home & Care GmbH, was acquired during the financial year. No expenses were incurred in relation to the acquisition. Net current assets of EUR -0.2 million were acquired. The purchase price amounted to EUR 1.0 million. Goodwill of EUR 1.7 million was determined in the final purchase price allocation. In the financial year, statutory health insurance physicians' offices were acquired for EUR 1.8 million. All of the effectiveness conditions for these offices were met in 2016, meaning that they were included in the consolidated financial statements in 2016. No expenses were incurred in relation to the acquisitions.

The revenue and annual results 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

2016 EUR '000	Goodwill	Other intangible assets	Advance payments on intangible assets	Total
Cost as at 1 Jan. 2016	**367,031**	**118,554**	**1,505**	**487,090**
Changes in consolidated group	0	-12	0	-12
Acquisitions	3,634	8,878	3,166	15,678
Disposals	0	-2,803	-462	-3,265
Reclassification	0	762	-157	605
As at 31 Dec. 2016	**370,665**	**125,379**	**4,052**	**500,096**
Accumulated amortisation and impairment as at 1 Jan. 2016	**-12,576**	**-63,538**	**0**	**-76,114**
Amortisation and impairment for the financial year	0	-12,654	0	-12,654
Reclassification	0	15	0	15
Amortisation and impairment on disposals	0	2,653	0	2,653
As at 31 Dec. 2016	**-12,576**	**-73,524**	**0**	**-86,100**
Residual carrying amounts as at 31 Dec. 2016	**358.089**	**51.855**	**4.052**	**413.966**

2015 EUR '000	Goodwill	Other intangible assets	Advance payments on intangible assets	Total
Cost as at 1 Jan. 2015	**366,923**	**86,722**	**15,471**	**469,116**
Acquisitions	2,108	9,896	652	12,656
Disposals	-2,000	-1,011	-221	-3,232
Reclassification	0	22,947	-14,397	8,550
As at 31 Dec. 2015	**367,031**	**118,554**	**1,505**	**487,090**
Cumulative amortisation as at 1 Jan. 2015	**-14.180**	**-53.422**	**0**	**-67.602**
Amortisation and impairment for the financial year	0	-9,517	0	-9,517
Reclassifications	0	-1,543	0	-1,543
Amortisation and impairment on disposals	1,604	945	0	2,549
As at 31 Dec. 2015	**-12,576**	**-63,538**	**0**	**-76,114**
Residual carrying amounts as at 31 Dec. 2015	**354,455**	**55,016**	**1,505**	**410,977**

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

Goodwill EUR thousand	2016	2015
MediClin AG, Offenburg	233,403	233,313
Asklepios Kliniken Hamburg Gesellschaft mit beschränkter Haftung, Hamburg	56,267	55,101
Asklepios Fachkliniken Brandenburg GmbH, Brandenburg	14,933	14,933
Asklepios Klinikum Uckermark GmbH, Schwedt	9,754	9,754
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	1,657	0
Asklepios Klinik Wiesbaden GmbH, Königstein, Klinik Birkenwerder	1,291	1,291
Miscellaneous	12,932	12,211
Total	**358,089**	**354,455**

The CGUs each constitute a business (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 via 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 changed 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

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	**1,621,766**	**128,665**	**489,991**	**89,227**	**2,329,649**
Additions	26,590	6,076	61,208	63,987	157,861
Disposals	-2,572	-2,947	-37,970	-1,301	-44,790
Reclassification	43,810	10,898	8,336	-63,648	-604
As at 31 Dec. 2016	**1,689,594**	**142,692**	**521,565**	**88,265**	**2,442,116**
Cumulative depreciation as at 1 Jan. 2016	**-514,980**	**-57,789**	**-299,011**	**0**	**-871,780**
Amortisation and impairment for the financial year	-51,925	-10,559	-51,423	0	-113,907
Amortisation and impairment on disposals	2,582	2,885	36,715	0	42,182
Reclassifications	19	-33	0	0	-14
As at 31 Dec. 2016	**-564,304**	**-65,496**	**-313,719**	**0**	**-943,519**
Residual carrying amounts as at 31 Dec. 2016	**1,125,290**	**77,196**	**207,846**	**88,265**	**1,498,597**

* inklusive als Finanzinvestition gehaltene Immobilien mit Zugängen von EUR 1 Mio. und AfA von EUR 1 Mio. sowie Restbuchwert von EUR 74 Mio.

2015 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. 2015	**1,504,624**	**117,892**	**460,401**	**46,742**	**2,129,659**
Additions/investments similar to acquisitions	109,093	6,129	51,283	76,472	242,977
Disposals	-10,546	-1,118	-19,887	-2,886	-34,437
Reclassification	18,595	5,762	-1,806	-31,101	-8,550
As at 31 Dec. 2015	**1,621,766**	**128,665**	**489,991**	**89,227**	**2,329,649**
Cumulative depreciation as at 1 Jan. 2015	**-465,455**	**-48,999**	**-269,501**	**0**	**-783,955**
Changes in consolidated group	0	0	-3	0	-3
Amortisation and impairment for the financial year	-55,310	-9,887	-50,180	0	-115,377
Amortisation and impairment on disposals	5,432	1,072	19,506	0	26,010
Reclassifications	353	25	1,167	0	1,545
As at 31 Dec. 2015	**-514,980**	**-57,789**	**-299,011**	**0**	**-871,780**
Residual carrying amounts as at 31 Dec. 2015	**1,106,786**	**70,876**	**190,980**	**89,227**	**1,457,869**

* including investment property with additions of EUR 75 million and depreciation for wear and tear of EUR 1 million as well as a residual carrying amount of EUR 74 million

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 13 Financial liabilities). The residual carrying amount is EUR 32.6 million (previous year: EUR 35.5 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 KHG (Krankenhausfinanzierungsgesetz - German Hospital Financing Act) with a residual carrying amount of EUR 1,095.7 million (previous year: EUR 1,102.3 million) as well as other government grants and third-party grants with a residual carrying amount of EUR 124.0 million (previous year: EUR 131.8 million). Grants issued in accordance with the KHG are repaid only 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 1,219.7 million (previous year: EUR 1,234.1 million).

Write-downs after reduction due to income from the reversal of special items of EUR 97.3 million (previous year: EUR 95.6 million) amount to EUR 126.6 million (previous year: EUR 124.9 million).

4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Shares developed as follows:

EUR '000	2016	2015
Beginning of the year	14,045	5,388
Purchase of further shares	96	8,657
Net investment income	-99	0
End of the year	**14,042**	**14,045**

The market capitalisation of the shares for which a publicly quoted market price exists (Athens Medical Center S.A.) is EUR 19.0 million (previous year: EUR 19.2 million) pro rata. The pro rata total comprehensive income (loss) for all entities accounted for using the equity method for the duration of their affiliation with the Group was EUR 0.1 million (previous year: EUR 0.9 million). There was no other comprehensive income to report.

5 FINANCIAL AND OTHER FINANCIAL ASSETS

EUR 367.6 million (previous year: EUR 394.4 million) of the financial assets and other financial assets are non-current and EUR 75.3 million (previous year: EUR 85.0 million) are current.

With respect to the marketable securities we hold and derivatives, please refer to our explanations under IX. 21 Financial instruments and V. 10d) Derivative financial instruments.

Receivables from grants of EUR 62.5 million (previous year: EUR 67.1 million) to finance a hospital in Hamburg are counterbalanced by a loan obligation. This obligation is reported under 14 Other financial liabilities.

Receivables pursuant to the KHG of EUR 10.7 million (previous year: EUR 11.7 million) relate to outstanding claims to state subsidies.

Receivables pursuant to the BPflV and KHEntgG of EUR 21.7 million (previous year: EUR 21.0 million) relate to compensation claims.

Investments of EUR 2.2 million (previous year: EUR 1.4 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 impaired in the amount of EUR 12,106 thousand as at the end of the reporting period (previous year: EUR 9,513 thousand). In financial year 2016, a total of EUR 2,593 thousand (previous year: EUR 3,488 thousand) attributable to the "loans and receivables" measurement category was recognised in profit or loss.

6 INVENTORIES

Inventories break down as follows:

EUR '000	31 Dec. 2016	31 Dec. 2015
Materials and supplies	47,848	47,917
Inpatients at end of reporting period (work in progress)	54,538	52,704
Finished goods and merchandise	724	668
Total	**103,110**	**101,289**

Materials and supplies include mainly medical supplies. Work in progress relates mainly to the cut-off of DRG inpatients as at the end of the reporting period. Impairment of EUR 0.1 million (previous year: EUR 0.1 million) was recognised on materials and supplies.

7 TRADE RECEIVABLES

EUR '000	31 Dec. 2016	31 Dec. 2015
Gross receivables	505,101	450,890
Less impairment	-52,462	-46,672
Net receivables	**452,639**	**404,218**
Of which non-current receivables	66	264
Of which current receivables	452,573	403,954

Trade receivables are valued at amortised cost. An amount of EUR 452,573 thousand (previous year: EUR 403,954 thousand) falls due in less than one year.

		Of which: not impaired as at end of the reporting period, but past due by						
EUR '000	Carrying amount	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. 2016							
Trade receivables	**452,639**	346,209	50,707	11,984	4,882	9,490	11,140	18,227
	As at 31 Dec. 2015							
Trade receivables	**404,218**	294,675	65,883	10,493	5,487	9,026	7,890	10,764

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

Impairment of trade receivables totalled EUR 52.5 million (previous year: EUR 46.7 million), whereby trade receivables in the amount of EUR 6.4 million (previous year: EUR 5.4 million) were derecognised during the financial year.

8 INCOME TAX ASSETS (NON-CURRENT AND CURRENT)

Non-current income tax assets relate mainly to discounted receivables from the payment of residual corporate tax credit that arose due to the change from the imputation system to the half-income system. The corporate tax credit is being paid over a disbursement period of 2009 to 2017. A discount rate of 4.25% was applied, as in the previous year.

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. 2016	31 Dec. 2015
Receivables from other taxes	112	8
Payments on account	135	130
Prepayments for expenses in the coming financial year	4,130	4,008
Other assets	**4,377**	**4,146**
Of which non-current	80	0
Of which current	4,297	4,146

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. 2016	31 Dec. 2015
Equity attributable to the parent company	991,784	958,154
Non-controlling interests	281,590	255,323
Total equity according to the statement of financial position	**1,273,374**	**1,213,477**

a) Components of equity
For the composition of equity, we refer to the separate consolidated statement of changes in Group equity.

ba) Issued capital
The issued capital corresponds to the liable capital of the parent under company law. It has been paid in full.

bb) Reserves
Reserves include revenue reserves and the fair value reserve. Revenue reserves consist of the retained earnings of the previous years.

In the financial year 2016, a total of EUR 135,058 thousand (previous year: EUR 118,625 thousand) was allocated to the revenue reserves.

The fair value reserve changed by EUR -23,590 thousand in the financial year, with a balance of EUR +34,035 thousand as at 31 December 2016 (previous year: EUR 57,625 thousand). The change in the fair value of cash flow hedges (31 December 2016: EUR 0 thousand, 31 December 2015: EUR 271 thousand) and the measurement of financial assets (31 December 2016: EUR -23,950 thousand, 31 December 2015: EUR 53,005 thousand) are recognised in this reserve.

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

Non-controlling interests of approximately 6% are attributable to the entities that operate clinics. Please refer to V.1 Basis of consolidation of the notes to the consolidated financial statements.

EUR 37,307 thousand of the consolidated net income for the year is attributable to non-controlling interests (previous year: EUR 41,753 thousand). Subject to board approval, a provisional EUR 20.1 million (previous year: EUR 16.6 million), and thus cumulatively EUR 135.9 million, of this net income for the year is attributable in 2016 to the non-controlling interests of Asklepios Kliniken Hamburg GmbH, with its main branch in Hamburg. Non-controlling interests hold a total of 25.1% of the voting rights in Asklepios Kliniken Hamburg GmbH. 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 377.1 million (previous year: EUR 277.6 million) in assets that can be liquidated at short notice (including cash and cash equivalents of EUR 126.1 million, which were up by EUR 94.1 million year on year, due chiefly to gross cash flow (EBITDA)) and EUR 773.9 million (previous year: EUR 768.0 million) in non-current assets available for generating future income (totalling EUR 1,249.7 million in 2016). Non-current liabilities of EUR 376.4 million (previous year: EUR 350.3 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 41.6 million (previous year: EUR 18.4 million) before deduction of deferred tax assets of EUR 7.8 million (previous year: EUR 3.1 million were included in the consolidated financial statements and charged to the non-controlling interests with no effect on income.

Subject to board approval, a provisional EUR 13.1 million of the net income for the year attributable to non-controlling interests, and thus cumulative equity of EUR 136.2 million, is attributable in 2016 to the non-controlling interests of MEDICLIN Aktiengesellschaft (MediClin AG), with its head office in Offenburg. Non-controlling interests hold a total of 47.27% of the voting rights in MEDICLIN Aktiengesellschaft. 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 127.7 million (previous year: EUR 112.0 million) in assets that can be liquidated at short notice (including cash and cash equivalents of EUR 41.6 million, which have increased by EUR 12.1 million year on year) and EUR 219.3 million (previous year: EUR 217.4 million) in non-current assets available for generating future income (totalling EUR 580.3 million in 2016). Non-current liabilities of EUR 106.4 million (previous year: EUR 103.8 million) were included in the consolidated financial statements for MEDICLIN Aktiengesellschaft. In connection with the measurement of non-current liabilities, actuarial losses of EUR 2.8 million (previous year: EUR 1.6 million) before deduction of deferred tax assets of EUR 0.4 million (previous year: EUR 0.3 million were included in the consolidated financial statements and charged to the non-controlling interests with no effect on income.

There were no material transactions with material non-controlling interests in 2015 or 2016.

bd) Development of other comprehensive income
Other comprehensive income includes both the development of actuarial losses from pension provisions of EUR -38.0 million (previous year: EUR -16.6 million) and the change in the fair value of available-for-sale securities of EUR -23.6 million (previous year: EUR 52.5 million including changes in the value of cash flow hedges).

EUR -10.5 million (previous year: EUR -4.6 million) of the actuarial losses from pension provisions relates to non-controlling interests.

12 FINANCIAL LIABILITIES

EUR '000	31 Dec. 2016	31 Dec. 2015
Current portion	166,605	87,321
Non-current portion	814,264	1,063,465
Total financial liabilities	**980,869**	**1,150,786**

In total, EUR 171.5 million was repaid in the financial year (previous year: EUR 125.7 million).

Non-current financial liabilities include a fixed-rate capital market bond with a volume of EUR 150.0 million. This has a term until 28 September 2017. The coupon is 4.0%. The interest is paid in arrears on an annual basis as at 28 September each year. In addition, in early November 2013 Asklepios placed a promissory note loan of EUR 300.0 million with an average term of more than 7.5 years, which is also included in non-current financial liabilities. During the financial year, Asklepios secured the Group's financing for the years to come. In August 2015, the Group placed a promissory note loan of EUR 580 million and thus successfully concluded one of the largest promissory note issues in the healthcare sector. The promissory note was placed with fixed and variable interest. The average term is eight years.

Other financial liabilities are generally subject to floating interest rates. These vary between 0.4% and 4.99% and are based on capital market rates (Euribor). The financial liabilities subject to floating interest rates 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 94.5 million) of the financial liabilities are secured by land charges.

The non-subsidised portion of a loan from the financing of a new build with a carrying amount of EUR 32.6 million (previous year: EUR 35.5 million) as at 31 December 2016 had a fair value of EUR 38.9 million (previous year: EUR 42.4 million) on 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
2018	4.3
2019	4.6
2020	4.7
2021	37.8
Subsequent years	762.9
Total	**814.3**

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

31 Dec. 2016 Remaining term EUR million	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Minimum obligation	172	220	631	1,023

31 Dec. 2015 Remaining term EUR million	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Minimum obligation	107	491	713	1,311

Credit facilities

The Group has freely available lines of credit of EUR 460.5 million as at the end of the reporting period (previous year: EUR 462.1 million). Of this, EUR 0.0 million (previous year: EUR 21.4 million) is secured by land charges. Drawings on these credit lines are subject to floating interest.

13 TRADE PAYABLES

There are trade payables due to third parties. An amount of EUR 72,125 thousand (previous year: EUR 64,570 thousand) falls due in less than one year.

14 OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise:

EUR '000	31 Dec. 2016	31 Dec. 2015
Subsidised loans	79,925	86,100
Liabilities pursuant to the KHG	56,946	45,586
Liabilities from outstanding invoices	48,662	43,352
Liabilities to shareholders	11,715	9,843
Purchase price commitments/liabilities to former payers	10,270	9,031
Investment subsidy liabilities	4,020	1,638
Liabilities from third-party funds	2,877	2,782
Liabilities for third-party obligations	2,832	4,245
Liabilities to Landeskrankenhausgesellschaft	1,975	2,125
Liabilities from investment grants	1,503	1,658
Liabilities to senior consultants	1,341	1,712
Liabilities to state authorities	1,161	1,108
Liabilities for social security	590	651
Liabilities to the pension guarantee association	538	494
Liabilities from interest cap	238	1,009
Miscellaneous other financial liabilities	22,539	26,142
Other financial liabilities	**247,132**	**237,476**
Of which non-current	80,051	87,811
Of which current	167,081	149,665

The subsidised loans amounting to EUR 79.9 million are financed in full by the respective states, affecting interest and repayment.

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

31 Dec. 2016 Remaining termEUR million	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Minimum obligation	11	45	39	**95**

31 Dec. 2015 Remaining termEUR million	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Minimum obligation	11	44	49	**104**

The interest component included in the minimum obligations amounts to EUR 14.6 million (previous year: EUR 18.1 million).

With respect to the liabilities according to the KHG, please refer to the explanations under IX. 5) Other financial assets.

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

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

Liabilities from grants concern money for investments obtained from sponsors, etc. that has not been used yet.

15 OTHER LIABILITIES

Other liabilities comprise:

EUR '000	31 Dec. 2016	31 Dec. 2015
Personnel liabilities	187,069	163,604
Tax liabilities (wage tax, VAT)	38,926	43,406
Payments on account	4,083	6,124
Miscellaneous	3,286	4,121
Other liabilities	**233,364**	**217,255**
Of which non-current	9,156	6,675
Of which current	224,208	210,580

Personnel liabilities relate mainly to obligations from performance-based compensation, obligations from accrued vacation and German phased retirement scheme liabilities. Personnel liabilities include termination benefits, especially in the form of German phased retirement scheme and severance obligations of EUR 18.0 million (previous year: EUR 13.4 million). The liabilities from phased retirement agreements of EUR 1.7 million (previous year: EUR 0.2 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. In the financial year, the asset values for securing the outstanding settlement amount of EUR 1,171 thousand (fair value) (previous year: EUR 1,334 thousand) are offset against the obligations.

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

Other non-financial liabilities comprise mainly subsidies which can be paid to clinics, depending on their individual earnings situation.

16 FINANCE LEASE LIABILITIES

Assets for which the Group has concluded finance leases are reported in property, plant and equipment. For a sale-and-leaseback arrangement with a total volume of EUR 7.6 million concluded in 2008, the lease payments for the first ten years are EUR 554 thousand per year. Thereafter, they are provisionally calculated at EUR 621 thousand. A financing rate of 5.85% per year was applied for the first ten years. The interest rates will be renegotiated after the fixed interest period expires.

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 at the end of the reporting period totalled EUR 11.2 million (previous year: EUR 11.6 million).

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

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, buildings)	**431**	**1,897**	**8,852**	**11,180**

31 Dec. 2015 Remaining term EUR '000	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Minimum lease obligation	828	3,358	11,844	16,030
Financing costs	**-411**	**-1,531**	**-2,462**	**-4,404**
Present value of minimum lease obligation (land, buildings)	**417**	**1,827**	**9,382**	**11,626**

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 underlying the leases vary between 2.6% and 7.7% per year according to the date the contract was signed, term and lease volume. The net carrying amounts at the end of the reporting period totalled EUR 2.4 million (previous year: EUR 2.5 million).

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

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**

31 Dec. 2015 Remaining term EUR '000	Up to 1 year	More than 1 year to 5 years	More than 5 years	Total
Minimum lease obligation	526	1,506	969	3,001
Financing costs	**-109**	**-276**	**-78**	**-463**
Present value of minimum lease obligation (operating and office equipment)	**417**	**1,230**	**891**	**2,538**

Property rents of MediClin AG

In the 2014 financial year, the Management Board of MediClin AG was presented with a lawyer's opinion holding that the rents paid by MediClin AG to the OIK fund for the hospitals contributed to the real estate fund and leased back between 1999 and 2002 were excessive. Furthermore, this legal opinion points to potential claims and the specific situation that shareholders of the fund are also simultaneously direct or indirect shareholders of MediClin AG (including ERGO Versicherungsgruppe AG - ERGO) or were until 2011 (Provinzial Rheinland Lebensversicherung AG - Provinzial).

In order to avoid disadvantages relating to limitation periods of the above claims, the Management Board of MediClin AG in coordination with the Supervisory Board took measures including asking the affected parties to submit waivers regarding the plea of the statute of limitations. Waivers up to 31 May 2016 were obtained. As a precaution, the Management Board of MediClin AG, likewise in coordination with the Supervisory Board, also reserved the right to reclaim the rent payments.

At its meeting on 9 September 2015, the Supervisory Board of MediClin AG resolved to establish a project group to closely monitor the process and any future negotiations regarding claims in connection with the rental agreements and to report to the Supervisory Board. The project group comprises a Management Board member, external lawyers and Supervisory Board members.

The findings currently available do not yet allow a conclusive assessment as to whether and to what extent rents are or were in line or not in line with the market. This matter does not necessitate 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:

	2016	2015
Discount rate	1.80%	2.30%
Expected salary increases	2.50%	2.00%
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 e.V. 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 bylaws 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 as at 31 December 2016 was EUR 426,661 thousand (87% 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 bylaws of the VBL is EUR 54,878 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 are increased by 1% each year.

As the payable benefits are lifelong pension payments, there is a longevity risk, which is largely hedged by the concluded pension liability insurance policies. 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 mortality tables published by Dr Klaus Heubeck were used as a biometric basis for calculation.

The amount of the provision breaks down as follows:

EUR '000	31 Dec. 2016	31 Dec. 2015
Present value of benefit obligation from funded pension commitments	453,794	411,589
Present value of unfunded benefit obligations funded by provisions	114,519	105,863
Total present values of pension obligation	**568,313**	**517,452**
Fair value of plan assets	-294,135	-284,580
Effect of the asset limit as at 31 December	0	0
Net provisions	**274,178**	**232,872**

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. 2016	31 Dec. 2015
Provision as at 1 January	232,872	215,995
Current service cost	6,126	6,088
Past service cost	0	0
Net interest cost/income	4,706	4,729
Benefits paid	-1,975	-2,109
Experience adjustments	-1,453	2,332
Employer contributions to plan assets	-14,147	-12,007
Actuarial losses from the change of financial assumptions	48,049	17,844
Provision as at 31 December	**274,178**	**232,872**

The present value of the pension obligations developed as follows:

EUR '000	31 Dec. 2016	31 Dec. 2015
Present value of the obligation as at 1 January	517,452	492,265
Service cost	6,126	6,088
Past service cost	0	0
Interest cost	11,274	11,640
Experience adjustments	-1,453	1,575
Actuarial losses from the change of financial assumptions	48,049	17,844
Benefits paid	-13,135	-11,960
Present value of the obligation as at 31 December	**568,313**	**517,452**
Of which unfunded benefit obligations funded by provisions	**114,519**	**105,863**
Present value of the funded benefit obligations	**453,794**	**411,589**

The fair value of plan assets developed as follows:

EUR '000	31 Dec. 2016	31 Dec. 2015
Fair value of plan assets as at 1 January	284,580	276,270
Expected return on plan assets	6,568	6,911
Benefits paid	-10,638	-9,853
Remeasurement of plan assets	-282	-755
Employer contributions to plan assets	13,907	12,007
Fair value of plan assets as at 31 December	**294,135**	**284,580**

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 limit developed as follows:

EUR '000	31 Dec. 2016	31 Dec. 2015
Effect of the asset limit as at 1 January	0	0
Profit recognised in other comprehensive income	0	0
Effect of the asset limit as at 31 December	**0**	**0**

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

EUR 13.2 million (previous year: EUR 11.7 million) was contributed to the Hamburg provident fund in financial year 2016. The amount paid in to plan assets for financial year 2017 is expected to be comparable to 2016.

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 9.60% (9.18%)
Actuarial interest rate	+0.50%	Decrease of 8.42% (8.47%)
Income trend	-0.50%	Decrease of 0.82% (8.06%)
Income trend	+0.50%	Increase of 0.87% (8.12%)

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 may differ in the actual impact of a factor.

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
2017	13,336
2018	14,060
2019	14,931
2020	15,891
2021	16,932
2022-2025	76,487
Total	**151,637**

The estimated employer contributions to plan assets for 2017 amount to EUR 13.2 million. Estimated benefit payments from pension provisions are EUR 3.0 million.

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

The weighted average duration of pension obligations is around 18 years (previous year: 17 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 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 6.63% of the pay subject to supplementary pension payments. As a result of the closure of the integrated scheme and the switch to the point 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 4.80% is levied.

In the following year, Asklepios is expecting a contribution/funding requirement for members of BVK Zusatzversorgung, Munich, of EUR 6.4 million (previous year: EUR 6.3 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 4.1 million).

In 2015, BVK Zusatzversorgung, Munich, had 5,750 members (previous year: 5,735) and managed assets of EUR 18.9 billion (previous year: EUR 17.5 billion). In 2015, 696,699 compulsorily insured employees and 651,915 non-contributory insurance contracts were registered via these members. Company pensions are paid to 255,169 compulsorily insured employees. In the financial year, Asklepios registered 3,267 employees entitled to supplementary pension provision. The Zusatzversorgungskasse der Gemeinden und Gemeindeverbände in Darmstadt has more than 640 members. 87,000 compulsorily insured employees, 86,100 non-contributory insured individuals and around 5,600 voluntarily insured individuals were registered via these members. Company pensions are paid to 46,400 former employees and their surviving dependants. In the financial year, Asklepios registered 1,563 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 are to 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 it may 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 is to 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.

18 OTHER PROVISIONS

Other provisions developed as follows in the financial year:

EUR '000	1 Jan. 2016	Accrued interest	Reversal	Additions	31 Dec. 2016
Contractual obligations	144,781	-16,779	0	0	128,002
Compensation payments/loss adjustment	89,739	-4,212	-1,132	21,992	106,387
Health insurers	47,063	-26,411	-139	27,942	48,455
Litigation risks	7,806	-4,083	0	0	3,723
Sundry other provisions	27,572	-7,465	-1,645	12,719	31,181
Total	**316,961**	**-58,950**	**-2,916**	**62,653**	**317.748**

Provisions break down according to term as follows:

EUR '000	31 Dec. 2016	31 Dec. 2015
Less than one year	98,120	92,862
More than one year	219,628	224,099
Other provisions, total	**317,748**	**316,961**

Contractual obligations mainly involve recognised provisions that are likely to be utilised for non-market rental obligations and the reduction of the maintenance backlog by 2021. EUR 16.0 million is expected to be utilised in 2017 and around EUR 112.0 million from 2018 to 2022.

The provisions for compensation payments/loss adjustment were calculated for medical liability damages based on actuarial methods by an external expert. 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. Of these provisions, EUR 8.1 million is expected to be utilised in 2017 and around EUR 29.8 million from 2018 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 verdict and litigation costs incurred by Asklepios are to be recognised in this item.

Sundry other provisions relate to operating activities.

The provisions are utilised steadily as in previous years and according to IAS 37.

19 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities of EUR 14,994 thousand (previous year: EUR 14,061 thousand) are for as yet unassessed corporate income tax and 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. 2016	31 Dec. 2015
Deferred tax assets		
Contractual obligations	**20,384**	**23,672**
Provisions for pensions	**44,421**	**33,253**
Unused tax losses	10,017	10,233
Miscellaneous	6,371	8,261
Total deferred tax assets	**81,193**	**75,419**
Offsetting	-6,043	-6,342
Deferred tax assets reflected in the statement of financial position	**75,150**	**69,077**
Deferred tax liabilities		
Variance in value of intangible assets and property, plant and equipment	38,884	37,720
Miscellaneous	582	1,575
Total deferred tax liabilities	**39,466**	**39,295**
Offsetting	-6,043	-6,342
Deferred tax liabilities reflected in the statement of financial position	**33,423**	**32,953**

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 2016, this concerned EUR 360 thousand (previous year: EUR -803 thousand) of deferred tax assets recognised in other comprehensive income due to temporary differences in the measurement of financial assets. Another EUR 8,558 thousand (previous year: EUR 3,602 thousand) of deferred tax assets was recognised in other comprehensive income due to temporary differences in provisions for pensions.

In the financial year 2016, no deferred tax assets were recognised on unused tax losses for corporate income tax purposes of EUR 60.2 million (previous year: EUR 69.4 million) and for commercial tax purposes of EUR 31.0 million (previous year: EUR 44.9 million), because it is unlikely that sufficient tax income will be generated for these amounts in the near future. EUR 5.6 million of deferred tax assets were recognised for unused commercial tax losses of EUR 40.3 million (previous year: EUR 47.9 million used tax losses with EUR 6.7 million deferred tax assets).

No deferred tax liabilities were recognised for temporary differences in connection with shares in subsidiaries amounting to EUR 7.3 million (previous year: EUR 7.8 million), because the differences are not expected to be reversed in the near future.

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)

			Amount recognised in statement of financial position under IAS 39					
EUR '000	Gory in accordance with IAS 39	Carrying amount 31 Dec. 2016	Amortised cost	Cost	Other comprehensive income	Fair value through profit or loss	Amount recognised in statement of financial position under IAS 17	Fair value 31 Dec. 2016
ASSETS		**1,347,862**	**1,046,116**	**0**	**301,746**	**0**	**0**	**1,347,862**
Cash and cash equivalents	LaR	456,611	456,611	0	0	0	0	456,611
Trade receivables	LaR	452,639	452,639	0	0	0	0	452,639
Other financial assets	AfS	301,746	0	0	301,746	0	0	301,746
Other financial assets (derivatives)	n. a.	0	0	0	0	0	0	0
Other financial assets	LaR	136,866	136,866	0	0	0	0	136,866
EQUITY AND LIABILITIES		**1,313,766**	**1,313,528**	**0**	**0**	**238**	**13,629**	**1,331,808**
Trade payables	FLAC	72,137	72,137	0	0	0	0	72,137
Financial liabilities	FLAC	980,869	980,869	0	0	0	0	987,107
Participation capital/ subordinated capital	FLAC	0	0	0	0	0	0	0
Finance lease liabilities	n. a.	13,629	13,629	0	0	0	13,629	13,629
Other financial liabilities (derivatives)	LaR	238	0	0	238	0	0	238
Other financial liabilities	FLAC	246,893	246,893	0	0	0	0	258,697
Of which: aggregated by measurement category in accordance with IAS 39:								
Loans and receivables	LaR	1,045,878	1,046,116	0	0	0	0	1,045,878
Available-for-sale financial assets	AfS	301.746	0	0	301.746	0	0	301.746
Financial liabilities at amortised cost	FLAC	1,299,899	1,299,899	0	0	0	0	1,317,941

			Amount recognised in statement of financial position under IAS 39					
EUR '000	Gory in accordance with IAS 39	Carrying amount 31 Dec. 2015	Amortised cost	Cost	Other comprehensive income	Fair value through profit or loss	Amount recognised in statement of financial position under IAS 17	Fair value 31 Dec. 2015
ASSETS		**1,434,390**	**1,108,694**	**0**	**325,696**	**0**	**0**	**1,434,390**
Cash and cash equivalents	LaR	554,898	554,898	0	0	0	0	554,898
Trade receivables	LaR	404,218	404,218	0	0	0	0	404,218
Other financial assets	AfS	325,696	0	0	325,696	0	0	325,696
Other financial assets (derivatives)	n. a.	0	0	0	0	0	0	0
Other financial assets	LaR	149,578	149,578	0	0	0	0	149,578
EQUITY AND LIABILITIES		**1,467,372**	**1,466,363**	**0**	**1,009**	**0**	**14,162**	**1,487,357**
Trade payables	FLAC	64,947	64,947	0	0	0	0	64,947
Financial liabilities	FLAC	1,150,786	1,150,786	0	0	0	0	1,157,697
Participation capital/ subordinated capital	FLAC	0	0	0	0	0	0	0
Finance lease liabilities	n. a.	14,162	14,162	0	0	0	14,162	14,162
Other financial liabilities (derivatives)	n. a.	1,009	0	0	1,009	0	0	1,009
Other financial liabilities	FLAC	236,468	236,468	0	0	0	0	249,542
Of which: aggregated by measurement category in accordance with IAS 39:								
Loans and receivables	LaR	1,108,694	1,108,694	0	0	0	0	1,108,694
Available-for-sale financial assets	AfS	325,696	0	0	325,696	0	0	325,696
Financial liabilities at amortised cost	FLAC	1,452,201	1,452,201	0	0	0	0	1,472,186

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.

X. OTHER NOTES

1 ANNUAL AVERAGE NUMBER OF FTES

The average number of employees in financial year 2016 was 34,887 (previous year: 34,690).

FTEs by group	2016	2015
Nursing service	11,731	11,523
Medical-technical service	5,553	5,565
Medical service	5,099	5,057
Functional service	3,802	3,793
Care service	3,496	3,533
Financial service	1,409	1,383
Administrative service	2,517	2,498
Miscellaneous	1,280	1,338
Total	**34,887**	**34,690**

2 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Other financial obligations relate mainly to capital commitments as well as rental and lease agreements and comprise the following:

EUR '000	2016	2015
Rental and lease agreements	489,266	511,565
Maintenance contracts	50,798	46,226
Purchase commitments	40,999	56,551
Sureties	35,393	36,972
Capital commitments	6,550	17,101
Insurance contracts	2,247	1,659
Miscellaneous	23,024	34,896
Total	**648,277**	**704,970**

The obligations arising from rental and lease agreements primarily relate to the real property of MediClin AG that is rented on a long-term basis, excluding obligations already recognised during 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	150,485
Between 2 and 5 years	198,638
More than 5 years	299,154
Total	**648,277**

The future payment obligations under operating leases broke down as follows as at 31 December 2016 and 31 December 2015:

EUR '000	31 Dec. 2016	31 Dec. 2015
Up to 1 year	82,748	40,515
Between 2 and 5 years	151,715	143,343
More than 5 years	254,803	327,707
Total	**489,266**	**511,565**

Please refer to Section 5) for information on contingent liabilities with related parties.

3 MANAGEMENT REMUNERATION

The members of the management in key positions constitute the managing directors of Asklepios Kliniken GmbH and the members of the Supervisory Board of Asklepios Kliniken Gesellschaft mit beschränkter Haftung.

Remuneration for the management of Asklepios Kliniken GmbH amounted to EUR 5.0 million in the financial year (previous year: EUR 4.4 million).

Remuneration for members of the Supervisory Board of Asklepios Kliniken Gesellschaft mit beschränkter Haftung amounted to EUR 1.3 million in financial year 2016 (previous year: EUR 1.1 million), including attendance fees of EUR 0.1 million (previous year: EUR 0.1 million).

4 GROUP AUDITOR FEES (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	2016	2015
Audits of financial statements	1,716	1,977
Other attestation services	159	80
Tax consulting services	430	613
Other services	815	561
Total	**3,120**	**3,231**

The other attestation services relate to reviewing activities.

5 RELATED PARTY DISCLOSURES

For Asklepios Kliniken Gesellschaft mit beschränkter Haftung, related parties within the meaning of IAS 24.9 include entities controlled by the Group and/or entities over which the Group has a significant influence and vice versa. In particular, subsidiaries and equity investments are therefore defined as related parties.

Related parties* EUR '000	2016	2015
Receivables	39,472	34,634
Liabilities	18,022	19,755
Income	8,438	8,437
Expenses	3,147	6,042

* Figures do not include fully consolidated subsidiaries

Of the receivables (liabilities) with related parties, EUR 0 thousand (EUR 85 thousand) (previous year: EUR 0 thousand (EUR 84 thousand)) are due from (to) associates. Approximately EUR 3.9 million was received from a related party from short-term leasing of land and buildings held as investment property.

Transactions between Asklepios Kliniken Gesellschaft mit beschränkter Haftung 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 Asklepios Kliniken Gesellschaft mit beschränkter Haftung.

By a loan purchase and transfer agreement of 22 January 2013, the loan agreements at standard market security and interest conditions of an indirect wholly-owned investment of Dr gr. Broermann based in the USA were fully transferred in their total amount of EUR 16.5 million (previous year: EUR 16.2 million) from Asklepios Kliniken Gesellschaft mit beschränkter Haftung to another related party as at 31 December 2012. In the financial year, the impairments made were increased by the interest receivables that originated in the amount of EUR 2.6 million.

In the year under review, Asklepios Kliniken Gesellschaft mit beschränkter Haftung transferred its shares in the subsidiary Broermann Invest GmbH, Königstein, to the newly established affiliate Broerman Beteiligungs GmbH, Königstein, by way of a spin-off. Please refer to the statement of changes in consolidated equity for more details.

There is a consulting contract in place between Asklepios Kliniken Gesellschaft mit beschränkter Haftung and the legal practice Dr. gr. Broermann. The legal consulting services are provided at market rates. In the financial year 2016, EUR 6 thousand was charged for legal consulting services (previous year: EUR 3 thousand).

Asklepios Kliniken Verwaltungsgesellschaft mbH has a lease agreement for various office spaces with a related party. The related expenses of EUR 394 thousand are reported in the consolidated income statement under other operating expenses.

There is a consolidated tax group for VAT purposes at the level of Asklepios Kliniken GmbH. This simplifies the intragroup transactions considerably and results in significant savings in the medium term. Standard intercompany agreements have been concluded between the Group entities in order to exchange services.

The Group has received purchase offers for financial assets held by the Company (level 1 available-for-sale financial assets of EUR 301.7 million) from a related party (a subsidiary wholly-owned by the share-holder of Asklepios Kliniken 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 is a standard market warranty deed in place between Asklepios Kliniken GmbH and Kurstift Bad Homburg gGmbH, whose shareholder is Dr Broermann Hotels & Residences GmbH. According to this deed, Asklepios Kliniken GmbH assumes the warranty for all claims against Kurstift Bad Homburg gGmbH to which ZVK Wiesbaden is or will be entitled in the event of termination of membership in accordance with Section 15 of the bylaws of ZVK Wiesbaden. The warranty is limited to a settlement amount of EUR 3.3 million. The warranty amount is reviewed every five years, starting on 1 January 2018.

There are no other transactions with related parties.

In the financial year, consulting services worth EUR 155 thousand were rendered by members of the Supervisory Board of Asklepios Kliniken Gesellschaft mit beschränkter Haftung or by parties related to them in accordance with the arm's length principle. The services are included under other operating expenses. The compensation paid to the employee representatives on the supervisory boards of the subgroups for the work they performed above and beyond their supervisory board activities amounted to EUR 0.5 million in 2015 (previous year: EUR 1.9 million), including attendance fees of EUR 0.1 million (previous year: EUR 0.1 million).

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 declaration of compliance in accordance with Section 161 AktG (Aktiengesetz - German Stock Corporation Act) of the listed company MediClin AG, which is included in the consolidated financial statements, has been and is made permanently available in the current version 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 SUBSEQUENT EVENTS

The Asklepios Group performed a debt pushdown in connection with the promissory note loan agreements from 2013 and 2015 and the syndicated loan from 2015. Asklepios Kliniken GmbH was replaced as the borrower by Asklepios Verwaltungsgesellschaft mbH. The 2015 promissory note loan agreement of EUR 580 million and the syndicated loan of EUR 365 million already had a debt pushdown clause in their loan documentation. An offer was made to the creditors of the 2013 promissory note to change the documentation to match that of the 2015 promissory note not including the debt pushdown clause, which was accepted by a large majority.

As a result of necessary restructuring, Asklepios Kliniken GmbH has no longer been acting as the operational 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 Verwaltungsgesellschaft mbH (Königstein im Taunus district court, HRB 6318). All Group departments and employees were transferred to Asklepios Kliniken Verwaltungsgesellschaft mbH as at 1 January 2017. Since 1 January 2017, Asklepios Kliniken GmbH has been acting solely as a holding and investment company.

As a result, starting from 1 January 2017 Asklepios Kliniken Verwaltungsgesellschaft mbH has assumed all of Asklepios Kliniken GmbH's legal positions and obligations from existing contracts.

In this context, Asklepios Kliniken GmbH transferred assets totalling EUR 510.1 million to Asklepios Kliniken Verwaltungsgesellschaft mbH, including cash and cash equivalents of EUR 228.8 million and receivables (including receivables from affiliates) of EUR 264.3 million as well as the 100% investments in all of the Group's internal service companies and the investments in 4QD- Qualitätskliniken.de GmbH, KVMed Beteiligungsgesellschaft mbH and Wir für Gesundheit GmbH and all tangible and intangible assets. Liabilities and provisions of EUR 691.3 million were transferred to Asklepios Kliniken Verwaltungsgesellschaft mbH. The values of some of the assets transferred are currently still being determined by experts, meaning that Asklepios Kliniken Verwaltungsgesellschaft mbH's provisional receivable of EUR 176.7 million from Asklepios Kliniken GmbH will be adjusted.

On 1 March 2017, Asklepios Kliniken Verwaltungsgesellschaft mbH exceeded the threshold of 20% of the investment in Rhön-Klinikum AG (31 December 2016: 17.6%) and held 13,508,243 shares at this date. The investments made for this purpose in 2017 amounted to a mid-eight-figure sum. As a result of the purchase, Asklepios Kliniken Verwaltungsgesellschaft mbH has significant influence over Rhön-Klinikum AG and will account for the shares in accordance with the equity method in future.

No other events took place after the reporting date that had a significant effect on the net assets, financial position and results of operations.

9 CORPORATE BOARDS OF ASKLEPIOS KLINIKEN GESELLSCHAFT MIT BESCHRÄNKTER HAFTUNG

SUPERVISORY BOARD

The members of the Supervisory Board of the Company are:

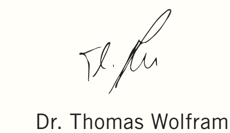
Dr Ulrich Wandschneider (from 13 May 2016)	Chairman of the Supervisory Board Business administration graduate, Hamburg
Dr Stephan Witteler (until 12 May 2016)	Chairman of the Supervisory Board Lawyer, Frankfurt am Main
Dominik Schirmer	Deputy Chairman of the Supervisory Board, trade union secretary/state-level department manager, Oberaudorf
Barbara Brosius	Managing Director, Kronberg
Dr Hans-Albert Gehle	Anaesthesiologist, Bochum
Dr Nicolai Jürs	Internal medicine specialist, angiology, Hamburg
Prof. Karsten Krakow	Senior consultant, Frankfurt am Main
Dr Hans-Otto Koderisch	Internal medicine specialist, Heidelberg
Rainer Laufs	Business consultant, Kronberg
Prof. Karl-Heinrich Link	Senior consultant for surgery, Wiesbaden
Stefan Murfeld	Employee, Königstein
Dirk Reischauer	Lawyer, Wiesbaden
Jochen Repp	Lawyer, Oberursel
Andreas Richter	Nurse, Nonnehorn
Katharina Ries-Heidtke	Employee, Hamburg
Dr Gertrud Schneider	Doctor, Frankfurt am Main
Frank Schwarzenau	HR manager, Hofheim
Martin Simon Schwärzel	Nurse, Griesheim
Hilke Stein	Trade union secretary, Hamburg
Andre Stüve	Architect, Damme
Stephan zu Höne	Managing director, Kassel

MANAGEMENT

Kai Hankeln Bad Bramstedt	State-certified business economist Chairman of the Management
Dr Thomas Wolfram Hamburg	Consultant for surgery and emergency surgery Health economics and MBA graduate Chairman of the Management
Hafid Rifi Friedberg (from 3 March 2016)	Economics graduate, tax consultant
Marco Walker Hamburg (from 1 July 2016)	Economics graduate
Dr Ulrich Wandschneider Hamburg (until 30 April 2016)	Business administration graduate Chairman of the Management
Stephan Leonhard Oberursel (until 31 January 2016)	Business administration graduate, tax consultant Deputy Chairman of the Management
Dr Andreas Hartung Nuremberg (until 30 June 2016)	Economics graduate

Hamburg, 14 March 2017

Kai Hankeln



Dr. Thomas Wolfram

Hafid Rifi

Marco Walker

AFFIRMATION OF THE LEGAL REPRESENTATIVES

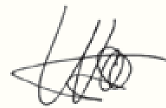
To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Hamburg, 14 March 2017

Kai Hankeln

Dr. Thomas Wolfram

Hafid Rifi



Marco Walker

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in group equity, the consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) Handelsgesetzbuch (HGB - German Commercial Code) is the responsibility of the parent company's Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements complies with legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 14 March 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Burkhart
Auditor

Lars Müller
Auditor

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of Asklepios Kliniken GmbH thoroughly performed the tasks required of it in accordance with the law, articles of association and rules of procedure in financial year 2016. Based on regular written and verbal reports provided by group management, the Supervisory Board fully addressed the business performance, position and planned operating policy of Asklepios Kliniken GmbH. 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 management on an ongoing basis.

During the 2016 financial year, the Supervisory Board held a total of seven meetings. At these meetings, the 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 management.

The consolidated financial statements, the annual financial statements as of 31 December 2016 as well as the group management report and the management report were examined by the auditors, PricewaterhouseCoopers AG 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 5 April 2017 and at the balance sheet meeting of the Supervisory Board on 11 April 2017.

In these two meetings, 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 took note of the annual financial statements and consolidated financial statements presented by the management.

The Supervisory Board recommends that the shareholder meeting adopts the 2016 annual financial statements of Asklepios Kliniken GmbH and approves the consolidated financial statements for 2016. The Supervisory Board endorses the proposal by the management to carry forward the annual result of Asklepios Kliniken GmbH.

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 2016.

Falkenstein, 12 April 2017

Dr Ulrich Wandschneider
Chairman of the Supervisory Board

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Content disclaimer
This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. These forward-looking statements are not to be understood as a guarantee of future developments and results referred to therein. On the contrary, future developments and results depend on a wide range of factors. These include various risks and uncertainties and are based on assumptions that may not be accurate. We do not assume any obligation to update the forward-looking statements contained in this report. This annual report does not constitute an offer to sell or a request to submit an offer to purchase bonds of Asklepios Kliniken GmbH.
The original German version of the annual report is definitive.

Financial calendar

27 APRIL 2017
Annual Report 2016

24 MAY 2017
Report on the first quarter

24 AUGUST 2017
Report on the first half of the year

23 NOVEMBER 2017
Report on the third quarter

ASKLEPIOS
Gesund werden. Gesund leben.