M1 Kliniken AG

ANNUAL REPORT 2019

M1 Kliniken AG Key Figures

Statement of comprehensive income according to IFRS (in EUR)

	Fiscal year 2019	Fiscal year 2018
Sales	77,216,857.40	65,208,587.83
EBT	12,744,578.81	8,094,793.03
Net profit	9,729,030.04	6,612,567.14

Balance sheet according to IFRS (in EUR)

	Fiscal year 2019	Fiscal year 2018
Short-term assets	59,316,679.24	44,627,180.70
Long-term assets	33,497,806.26	24,926,795.33
Total assets	92,814,485.50	69,553,976.03
Short-term liabilities	14,430,991.08	5,658,654.93
Long-term liabilities	10,161,823.85	152,680.57
Equity	68,221,670.57	63,742,640.53
Total liabilities and equity	92,814,485.50	69,553,976.03

Shares

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

Table of Contents

Dear Shareholders,

The completion of the 2019 annual report comes at a difficult time for all of us. The coronavirus pandemic has Germany - indeed the whole world - firmly in its grip and we had to temporarily close all our clinics and practices in the course of March 2020! This is certainly the most difficult time in the still young history of our company, but we are also experiencing extremely strong cohesion among the employees of our company. This leads us to the conviction that M1 will continue its mission in the future, strengthened and even more motivated.

However, the annual report is above all a milestone at which to look back and report on the results of the past financial year. And this view is very positive for M1!

With the guiding principle of "highest quality at the best price", M1 is THE brand for beauty medicine in Germany. At the same time, we have been able to implement important steps in the internationalization of our business model, so that our international activities will grow into a further pillar of M1 in the medium term.

In the 2019 financial year, the M1 Group increased its sales by 18% to EUR 77.2 million compared to the previous year. Sales in the beauty segment even grew at a much faster rate of 35% compared to the previous year.

Despite the start-up costs for setting up new locations and the training and further education of our now over 90 doctors in the "M1 Akademie", the M1 Group continued to grow profitably in 2019. The result from ordinary activities (EBT) increased by almost 50% to EUR 12.7 million, to which a strong financial result also contributed. The operating result (EBIT) also increased by more than 20% to EUR 7.9 million - and thus slightly stronger than sales. This development confirms the sustainability of our business model.

In the years from 2015 to 2018, we opened on average six new centres per year. In 2019, we were able to double this number and also mastered the greater complexity of internationalization. By the end of 2019, we were thus represented at 36 locations. Our initial conclusion is that the M1 success model can work in any beauty market, as we believe that market prices are way too high in most countries and that many interested people are thus effectively excluded from the range of beauty treatments.

As part of the continuous growth process, we have at the same time further optimised our business model in order to implement our strengths and market expertise even better. At the turn of the year, we have decided to focus dental treatments on a smaller number of locations. Space that becomes available will be used for other beauty treatments in the future.

Dear M1 shareholders, you can see that the foundation for the further growth of M1 is laid. We look very positively into the future. Even though we are currently going through challenging times that require to take special and never-before-seen paths, we firmly believe that the M1-story will be continued for a long time. Because one thing is certain, "Beauty doesn't have to be expensive."

Last but not as the laest, we would like to thank our employees for their outstanding performance in the past financial year. Without their daily passionate commitment, the success story of M1 would be unthinkable. Especially in the currently very difficult time, we see the special commitment and loyalty of our employees, who are one of the key success factors for our further development. Our very personal thanks to them once again.

Yours faithfully,

Patrick Brenske
(Management Board)

Dr. Walter von Horstig
(Management Board)

Supervisory Board Report

Monitoring and cooperation with the Management Board

In the 2019 fiscal year, the Supervisory Board of M1 Kliniken AG performed the duties according to the law and the articles of association with great care. The Management Board was advised in its activities by the Supervisory Board. The Supervisory Board was directly involved by the Management Board in all decisions of fundamental importance to the company at an early stage. The Management Board regularly informed the Supervisory Board orally, by telephone and in writing, promptly and comprehensively about the course of business, the economic situation of the company and the Group, significant business transactions, corporate planning including questions of business policy and risk management, the development of costs and earnings, liquidity and investment measures. The Supervisory Board was able to satisfy itself of the proper conduct of business. No committees were formed within the Supervisory Board to deal with specific topics.

Meetings, consultations and resolutions

The Supervisory Board held seven ordinary meetings in the 2019 financial year, two in the first half of the year (26.02. / 25.06.) and five in the second half year (09.07. / 22.08. / 23.08. / 10.10. / 17.12.). All Meetings were quorate.

The following topics were the centre of the meetings:

- Situation of the company
- Strategic development and its operational implementation
- Current competitive, organisational and personnel situation
- Implementation of the new data protection guidelines
- Short and medium-term investment planning
- Annual Report and Interim Report of the Company prior to the respective publication

Further informal meetings and telephone conferences were held between the Supervisory Board and the Management Board to discuss new business policy developments.

Annual fiscal statements

The Supervisory Board convinced itself of the proper conduct of business. The annual financial statements prepared by the Management Board, the consolidated financial statements and the Group management report of M1 Kliniken AG for the financial year ending 31.12.2019 have been audited, including the bookkeeping, by Harry Haseloff, Berlin, who was appointed as auditor by the Annual General Meeting and issued with an unconditional audit approval.

The prepared annual financial statements, the consolidated financial statements and the Group management report of M1 Kliniken AG were distributed to each member of the Supervisory Board in good time before the balance sheet meeting. The auditor reported on the main results of his audit at the balance sheet meeting on April 21, 2020 and was available to answer questions from the Supervisory Board members. We have audited the annual financial statements prepared by the Management Board and the consolidated financial statements for our part. At the Supervisory Board meeting on April 21, 2020, we approved the annual financial statements and consolidated financial statements prepared by the Management Board on the basis of our own audit. The annual financial statements are thus adopted.

Dependency report

M1 Kliniken AG prepared a dependent company report in accordance with § 312 AktG for its fiscal year ending December 31, 2019 .

The dependency report was audited by the auditor Harry Haseloff, Berlin, who was appointed as auditor by the Annual General Meeting in accordance with § 313 (1) AktG. The auditor issued a separate written report on the results of the audit. Since there were no objections to the report of the Management Board, the auditor's report was issued on April 7, 2020 in accordance with § 313 (3) AktG. At the balance sheet meeting on April 21, 2020, the auditor reported on the results of his audit and confirmed that the factual information in the dependent company report was correct, that the consideration paid by the company for business transactions listed in the report was not unreasonably high or that disadvantages had been compensated for and that there were no circumstances indicating that the measures listed in the report were of a different nature than those assessed by the Management Board.

The dependent company report was submitted to the Supervisory Board for review in good time prior to the balance sheet meeting in accordance with § 314 AktG. At its meeting on April 21, 2019, the Supervisory Board comprehensively reviewed the dependent company report for completeness and correctness. The Supervisory Board concluded that there were no objections to the declaration of the Management Board at the end of the report on relations with affiliated companies and approved the dependent company report.

Members of the Supervisory Board

In the period from January 1, 2019 to December 31, 2019, the Supervisory Board consisted of the Supervisory Board members Dr. Albert Wahl (Chairman), Mr. Uwe Zimdars (Deputy Chairman) and Prof. Dr. Dr. Sabine Meck (Member).

Other

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

Berlin, April 21, 2020

Wahl

Dr. Albert Wahl
(Chairman of the Supervisory Board)

Group Management Report of M1 Kliniken AG

1 Company Profile / Our Principles

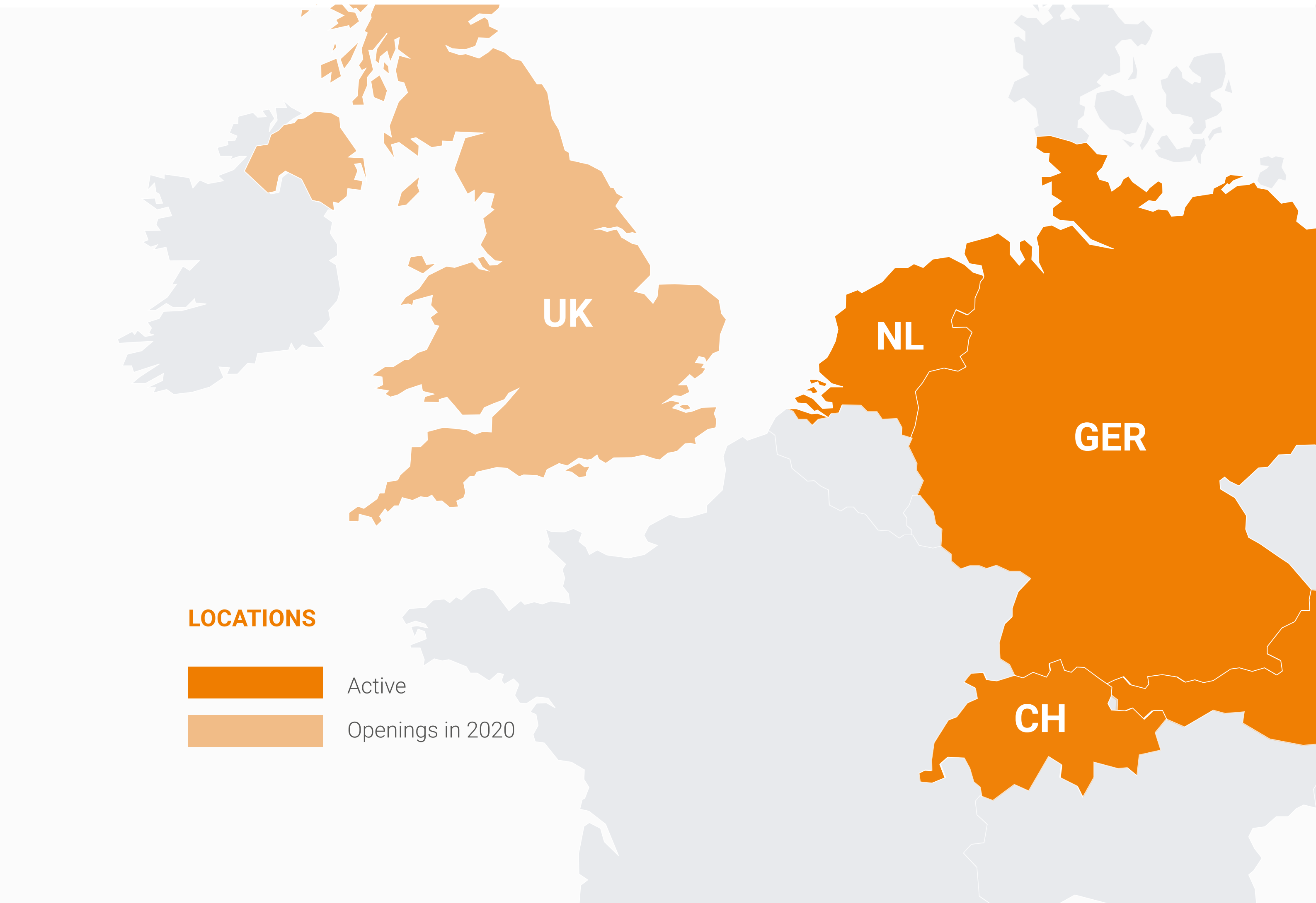
Top medicine through specialisation: this is our guiding principle. In just a few years we have grown into the leading provider of health services in the field of beauty medicine.

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

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

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

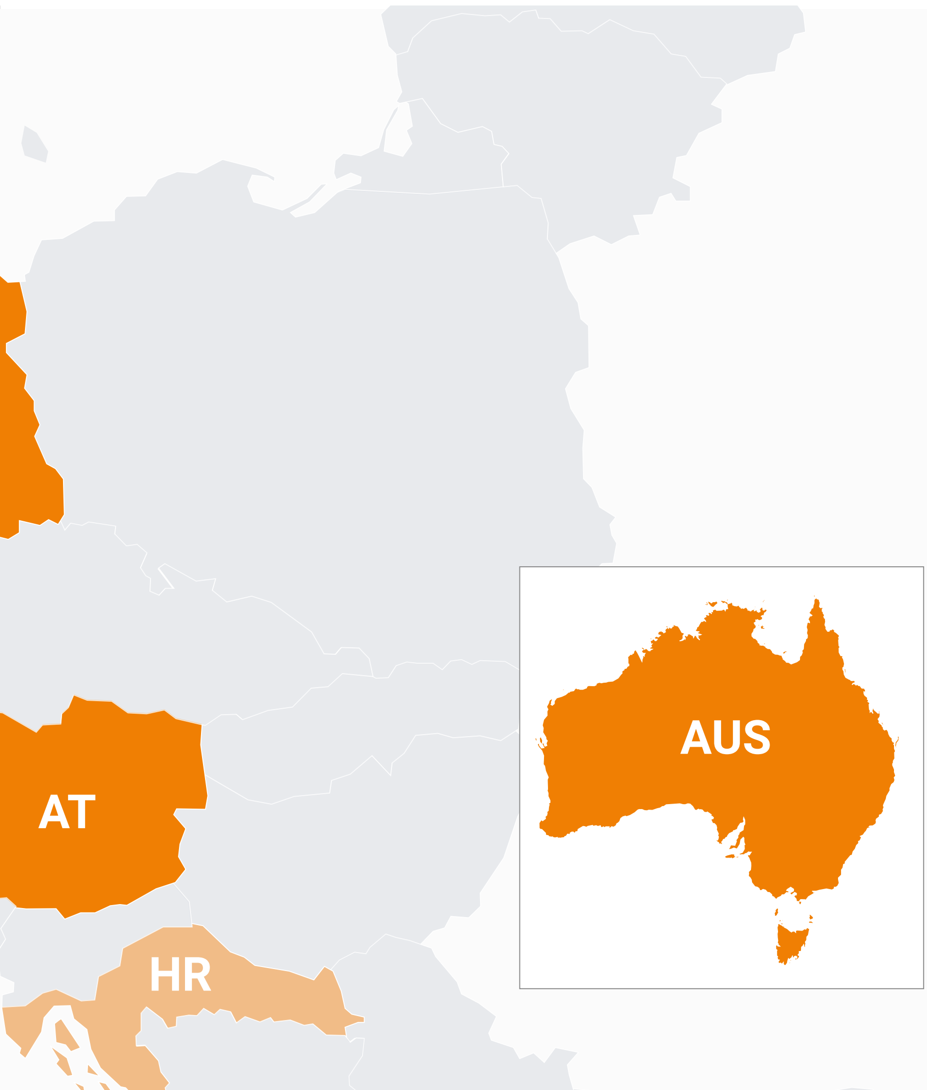
We do not conduct own research activities. On the other hand, the Group is active in the development of treatment products in order to be able to comprehensively serve the full value chain in the implementation of medical aesthetic treatments with products and services in the long term.



2 Organisation and Business Segments

In the 'Beauty segment', M1 operates a private clinic for plastic and aesthetic surgery (Schlossklinik in Berlin - Köpenick) as well as medical specialist centres for aesthetic and plastic medicine at locations throughout Germany and - since 2018 with an increasing number - also abroad. It also supplies these specialist centres with products. By the end of 2019, the network had grown from 24 (end of 2018) to 36 specialist centres, of which 27 are located in Germany. In these specialist centres, the doctors cover a focussed spectrum of aesthetic medical treatments of the highest quality and at fair prices. The number of customers treated is rising steadily. In 2019 alone, almost 240,000 medical treatments were carried out in the M1 specialist centres - an increase of almost 30% over the previous year.

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



EUROPE

Germany

Austria

Netherlands

Switzerland

United Kingdom

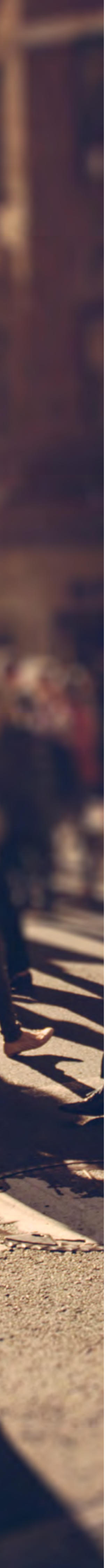
Croatia

AUSTRALIA

Melbourne

Sydney

Brisbane



3 Economic Report

3.1 Economic and industry-specific conditions

3.1.1 General economic conditions

The core market for our business activities in the past financial year was Germany, although the opening of foreign locations has picked up considerable momentum since the second half of 2019.

Domestic economic growth in 2019 was weak and slowed down due to further increasing risks and protectionist trade barriers. After a price-adjusted increase in gross domestic product (GDP) of 1.5% in 2018, price-adjusted GDP rose by only 0.6% in 2019.

The economic upturn was driven not only by the ongoing real estate boom and government consumer spending, but also by private consumer spending. Compared to previous years, imports rose stronger (+1.9%) than exports (+0.9%). This resulted from various trade conflicts and problems in the automotive industry.

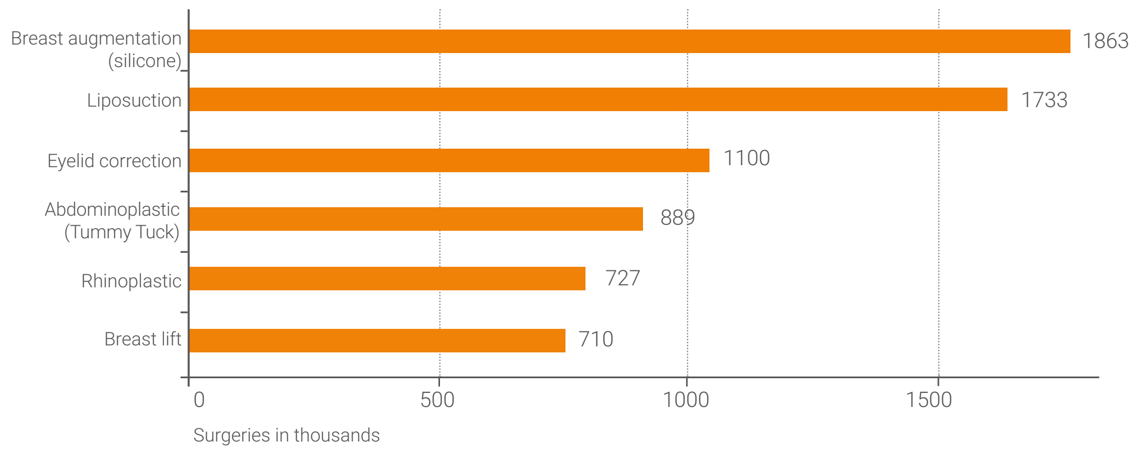
Outlook:

Various economic research institutes originally expected a slight improvement in the growth of the German economy in 2020. Most recently, the German government assumed a real growth rate of approximately +1.1%. However, these forecasts were completely overtaken by the massive distortions on all markets caused by the corona pandemic since March 2020. A reliable forecast of the actual development of the German and international economies can hardly be made and will depend to a large extent on the duration of the pandemic-related restrictions on public life.

3.1.2 Industry-specific conditions

The beauty market remained a clear growth market in 2019. More and more people have opted for cosmetic treatments for a variety of reasons. The proportion of aesthetic plastic treatments performed by qualified specialists continued to rise and confirmed the trend that has existed for several years.

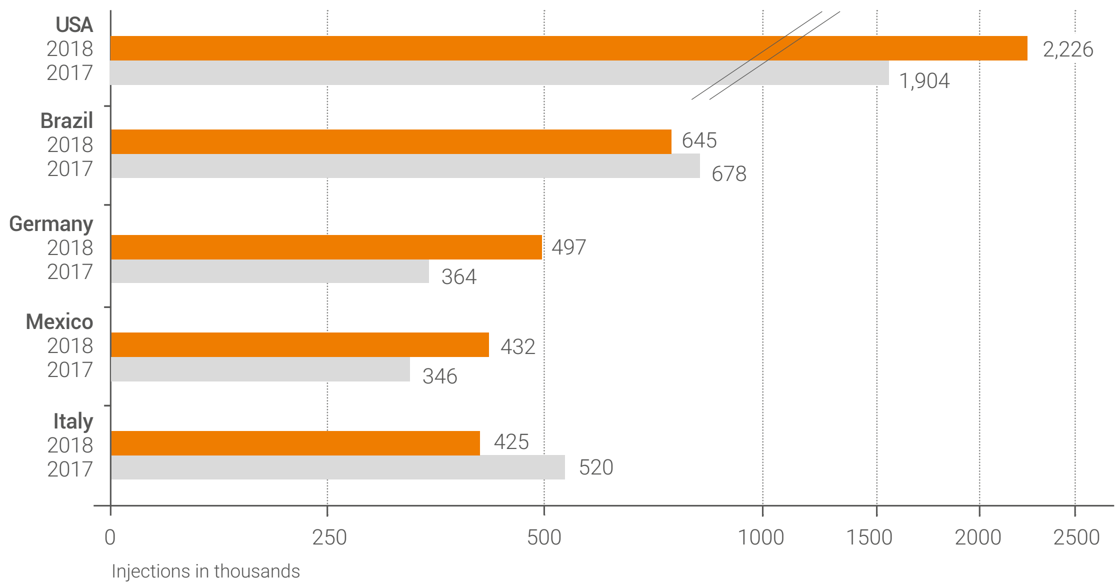
Most frequent cosmetic surgeries* worldwide



*Source: ISAPS 2019

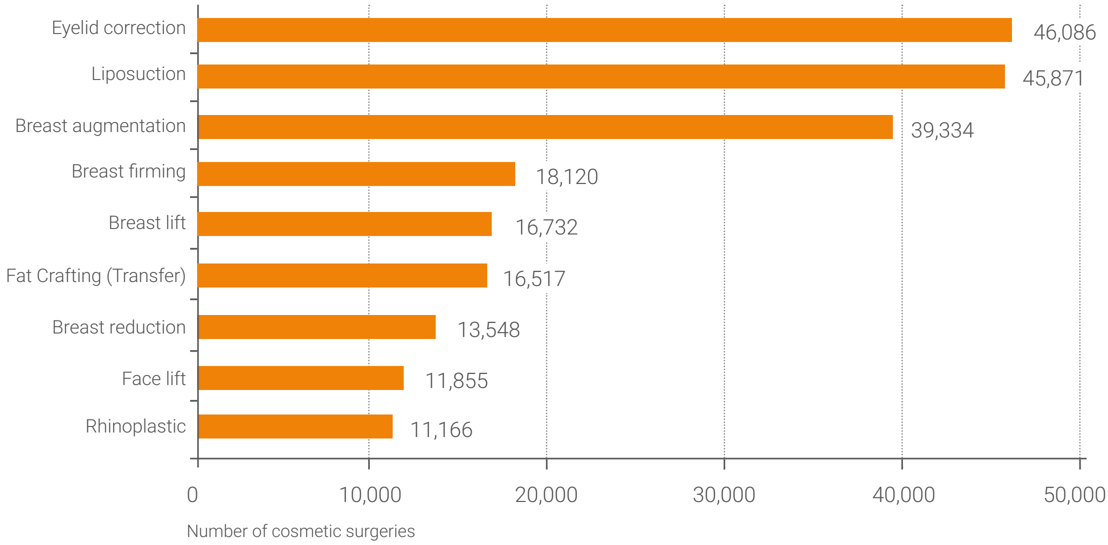
Based on ISAPS data, the number of worldwide surgical interventions stagnated at a high level in 2018, at 10.6 million. Meanwhile, the number of minimally invasive, non-surgical treatments increased significantly by more than 10% to more than 12.7 million treatments.

Number of injections worldwide compared to the previous year



*Source: ISAPS 2019

Most frequent cosmetic surgeries* in Germany



*Source: ISAPS 2019

In Germany, too, the trend of increasing numbers of medical beauty treatments continued in 2018, with the area of non-surgical applications in particular growing significantly. ISAPS reports for Germany show a growth of more than 20% in the number of treatments performed by specialists. This relates to more than 500,000 treatments. The actual market volume is likely to be considerably larger, but is not covered in detail by market surveys.

In the field of injection treatments, Germany is slowly catching up with other countries. While the German market in 2017 was in fifth place worldwide with 364 thousand injection treatments (ISAPS data), Germany has advanced to third place in 2018 with a total of 497 thousand treatments.

3.2 Business performance

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

Sales in 2019 rose to EUR 77.2 million (previous year: EUR 65.2 million). Sales growth amounted to 18%. Sales were primarily driven by the growth in the services sector ("Beauty" segment).

Net income in 2019 amounted to EUR 9.7 million (previous year: EUR 6.6 million), which corresponds to an increase of 47%.

The disproportionate increase is driven by a strong financial result, among other things. Due to a considerable increase in M1's service sector ("Beauty"), the average gross margin in 2019 also rose to 41% (previous year: 35%).

Despite considerable "investments" (mainly expenses for the establishment of the brand image and market awareness) as well as simultaneous expansion investments in several European countries, the EBIT margin of M1 Group grew to just under 10.3% (previous year: 9.9%).

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

3.3 Net assets, financial position and results of operations

3.3.1 Earnings position of the M1 Group (IFRS)

The situation of the company continues to be characterized by the growth of our operating business. The sales of the M1 Group were mainly generated in the field of aesthetic medicine. In the Beauty segment, sales rose from EUR 29.8 million (2018) to EUR 40.1 million in 2019 - a growth of almost 35% compared to the previous year. Sales growth in the trading segment was considerably lower, rising from EUR 35.4 million (2018) to EUR 37.1 million in 2019. This development was in line with M1 predictions and is expected to continue in the coming years.

The cost of materials as a percentage of sales fell to 59% in 2019 (previous year: 65%). This is primarily due to the relative development of the two business segments in relation to each other.

Personnel expenses rose by just under 34% from EUR 9.4 million (2018) to EUR 12.6 million and thus at a faster rate than sales, which is due to the larger share of the M1 Group's service business. As a result, the personnel cost ratio rose slightly year-on-year to 16.3% (previous year: 14.5 %).

Other operating expenses rose by 20% from EUR 6.5 million (2018) to EUR 7.9 million, so that the expense ratio increased from 10.0% to 10.2%. The main cost items are advertising and travel expenses, which rose from EUR 1.7 million (2018) to EUR 4.2 million, and external service costs, which increased from EUR 0.6 million to EUR 2.1 million. These include one-off costs in connection with the expansion and increased expenses for the use of inpatient clinics. The rental expenses fell from EUR 2.5 million to EUR 1.3 million due to IFRS 16.

The financial result developed particularly well in the past fiscal year to EUR 4.8 million and almost trippled compared to the previous year (EUR 1.6 million). The main driver was a write-up on financial assets, which the M1 Group realized by investing its liquidity.

The M1 Group's annual net profit rose from EUR 6.6 million (2018) to EUR 9.7 million (2019).

3.3.2 Financial position of the M1 Group (IFRS)

With liquid funds of EUR 9.1 million (previous year: EUR 25.4 million) and other short-term financial assets of EUR 23.4 million (previous year: EUR 0.7 million) at the end of the year, the financial position can be described as very stable. Financial management is geared to always settling debts and collecting receivables within the payment period.

Our capital structure is solid. Equity rose from EUR 63.7 million to EUR 68.2 million in 2019. The equity ratio fell notably to 73.5 % (previous year: 91.6 %), mainly due to the balance sheet extension resulting from the regulations of IFRS 16.

Bank liabilities play a minor role for M1. These amounted to only EUR 0.1 million at the end of 2019, compared to EUR 0.15 million at the end of 2018.

Long-term assets are 204% covered by equity (previous year: 256%). The significant reduction in this ratio is also due to the balance sheet extension in accordance with IFRS 16.

At EUR 9.1 million (previous year: EUR 25.4 million), our liquidity situation is still good. Parts of the liquidity were invested in 'cash-near' financial assets in order to avoid possible custodian fees from banks.

The cash flow led to a liquidity reduction of EUR 16.3 million (previous year: EUR + 10.7 million).

The M1 Group is planning investments primarily in the context of further expansion of the operating infrastructure of clinics and specialist centres and in the acquisition of treatment equipment. These investments will be in the low single-digit millions in 2020 and are to be financed selectively through liabilities (primarily leasing).

3.3.3 Net asset position of the M1 Group (IFRS)

The asset situation of M1 is good. Short-term assets rose from EUR 44.6 million in 2018 to EUR 59.3 million in 2019. These mainly include cash and bank balances (EUR 9.1 million; previous year: EUR 25.4 million), trade account receivables (EUR 22.2 million; previous year: EUR 16.7 million) and other short-term financial assets (EUR 23.4 million; previous year: EUR 0.7 million).

Inventories are only slightly higher than in the previous year at EUR 1.5 million (previous year: EUR 1.4 million).

Long-term assets amounted to EUR 33.5 million (previous year: EUR 24.9 million).These primarily include property, plant and equipment (including rights of use), which increased from EUR 5.5 million (2018) to EUR 16.0 million (including rights of use) due to the application of IFRS 16. Long-term financial assets decreased from EUR 11.1 million (2018) to EUR 9.0 million.

The overall economic situation can be described as good.

3.4 Financial performance indicators of the M1 Group (IFRS)

We use sales and EBT (earnings before taxes) as indicators for our internal corporate management. Sales in the reporting year rose to EUR 77.2 million (previous year: EUR 65.2 million) and thus by 18%. EBT amounted to EUR 12.7 million (previous year: EUR 8.1 million), EBITDA (earnings before interest, taxes, depreciation and amortization) to EUR 11.3 million (previous year: EUR 7.2 million).

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

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

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

4 Results after the Balance Sheet Date

The beginning of 2020 was marked in an outstanding degree by the global spread of the corona pandemic. Initially, it was assumed to be confined to the Asian continent, but from February 2020 (first in Italy and then in Europe as a whole) there was a dramatic increase in cases of illness. From mid-March 2020, this led to an extensive shutdown (in some cases with curfews) of public life in many European countries. In Germany, too, political decisions forced a restriction of contact intensity in daily life by closing schools, childcare facilities and many shops. The M1 Group was also affected by this. As of March 21, 2020 all practice operations had to be closed for an initial period of three weeks. Likewise, trading activities immediately declined significantly.

5 Forecast Report

We continue to evaluate the medium-term development of the M1 Group positive and expect a sustained continuation of the significant growth course in the coming years.

However, the conditions for business development in 2020 have deteriorated considerably, as the closure of clinic and practice operations from March 21, 2020 will bring the company's key sales and earnings 'motor' to a standstill. Parts of the fixed costs can be reduced directly by halting activities (e.g. marketing). For other expense items (mainly personnel costs), the optional short-time work compensation will be implemented.

With each week of clinic and practice closures, a share of approximately 2% of annual sales is affected. While the forecast of sales growth for the M1 Group for 2020 before the outbreak of the corona pandemic was still at approx. 20% compared to the previous year, this forecast must now be significantly reduced. The initially agreed closure period of three weeks alone represents a sales loss of 6% of the target annual sales and later catch-up effects are difficult to achieve due to high capacity utilisation rates. It is also unlikely that any catch-up in trading turnover will occur.

With this given situation, the company is expecting sales in 2020 to stagnate year-on-year or only grow by a single-digit percentage.

Following a 'normalisation' of the situation (which is difficult to assess in terms of time), the company expects to see further openings of practices. In addition, the existing locations are to be gradually expanded in their range of services to include laser treatment. Ultimately, the product trade sector will also return to normal as the aesthetics market resumes.

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

On the basis of the company's long-term growth strategy, we plan to continue our sales growth in the coming years. EBT is expected to continue to rise in the coming years.

6 Opportunity and Risk Report

6.1 Risk management system

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

The main objectives of the risk management system is to avoid financial losses, defaults or disruptions and to implement suitable countermeasures without delay. As part of this system, the Management Board and Supervisory Board are informed of risks at an early stage. Important mechanisms for early detection are the monitoring of liquidity and earnings development.

Controlling and quality management are responsible for monitoring business performance and determining deviations from budget. If necessary, the respective persons responsible in the specialist departments together with the respective management decide on the appropriate strategy and measures for controlling risks.

6.2 Risk report

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

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

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

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

6.2.1 Industry-specific risks

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

For some years now, there has been a shortage of specialists in the health care market, both in terms of nursing and medical functions. In recent years, the German government has developed various personnel recruitment strategies for this purpose, but these have not yet been able to sustainably compensate for the shortage of specialists. The shortage of personnel is also noticeable for M1 and is perceived as a limiting factor in achieving our growth targets. In addition, it must be ensured at all times that newly hired personnel meet the professional requirements of M1. Finally, we perceive pressure on personnel cost development at M1, as the labour market in the health care sector has already developed into a 'demand market' for applicants. In this respect, M1 is working on the high reputation of the company in the personnel market in order to be able to realize the highest possible, constant supply of manpower.

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

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

6.2.2 Reputational/quality risks

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

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

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

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

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

6.2.3 Earnings-related risks

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

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

General price increases and wage trends also have a negative impact on earnings.

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

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

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

Lastly, to cushion further earnings risks, the extensive insurance cover provided by the M1 Group should be highlighted. In addition to medical malpractice insurance, which covers financial risks from treatment errors, there is also a business interruption insurance, that covers costs in event of a property damage event, resulting in a business interruptions.

6.2.4 Financial risks

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

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

There are no significant currency risks that could influence the Company's net assets, financial position and results of operations, as M1 was only active to an insignificant extent in procurement markets outside the Euro Zone in the past financial year.

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

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

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

6.2.5 Infrastructural risks

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

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

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

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

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

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

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

6.2.6 Economic risks

The corona pandemic that has been spreading since February 2020 poses considerable challenges for the German and global economy. Supply chains are breaking down, and consumer behaviour is changing at a rapid and unpredictable rate. In addition, the government is intervening in public life with extensive measures aimed at reducing the extent of social contacts. The extent of the economic downturn cannot yet be quantified at the time of this report, but it is to be expected that spending behaviour in private consumption will be significantly affected. Thus, at least in the short term (but perhaps also in the medium term), the macroeconomic environment of the M1 Group's business development will be clearly negatively affected.

In the long term, Germany's economic outlook is positive. Private consumption in particular will support growth again in the future. This includes the services of market segments of M1. The demand for M1 services will continue to grow in the long term. According to management estimates, it is also independent of macroeconomic developments (e.g. the market for aesthetic treatments in Brazil has been growing for many years despite the economic difficulties).

6.3 Opportunities report

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

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

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

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

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

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

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

6.4 General statement

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

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

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

For the financial year 2020, we do not see any major changes in the opportunities and risk landscape for the M1 Group as a whole. Overall, we consider ourselves to be well protected against external and internal risks.

7 Risk Reporting on the Use of Financial Instruments

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

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

Liabilities are paid within the agreed payment periods.

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

8 Report on Branches

The Austrian branch established in 2018 was sold to the local Austian company in 2019. The company does not operate any other branches.

9 Final Declaration according to § 312 (3) sec (3) AktG

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

Berlin, March 19, 2020
M1 Kliniken AG

Patrick Brenske
(Management Board)

Dr. Walter von Horstig
(Management Board)


Financial Report
Annual Review
ANNUAL REPORT
ANNUAL REPORT & ACCOUNTS
AL REPORT AND ACCOUNTS
NTERIM REPORT

Group Financial Statement

Group - Profit and Loss Statement

as of December 31, 2019*

		2019 in EUR	2018 in EUR
Sales	5.1.1	77,216,857.40	65,208,587.83
Other operating income	5.1.2	283,388.36	177,540.27
Cost of purchased goods and services	5.1.3	-45,611,449.51	-42,260,599.58
Personnel expenses	5.1.4		
Wages and salaries		-10,597,016.96	-7,915,037.26
Social security, pensions and other employee benefits		-2,024,935.45	-1,524,798.41
		-12,621,952.41	-9,439,835.67
Other operating expenses	5.1.6	-7,913,130.37	-6,517,858.10
Other taxes		-19,246.63	3,357.44
Operating result before depreciation | EBITDA		11,334,466.84	7,171,192.19
Depreciation	5.1.5	-3,402,080.81	-710,775.45
Operating result | EBIT		7,932,386.03	6,460,416.74
Other interest and similar income		80,876.03	158,035.53
Income from investments		1,767,892.00	1,484,584.80
Interest and similar expenses		-342,343.05	-8,244.04
Income from the revaluation of financial assets		3,305,767.80	-
Financial result	5.2	4,812,192.78	1,634,376.29
Earnings before taxes | EBT		12,744,578.81	8,094,793.03
Taxes on income and earnings	5.3	-3,015,548.77	-1,482,225.89
Net result for the year / Total income for the reporting period		9,729,030.04	6,612,567.14
Earnings per share (in EUR)	5.4	0.56	0.39

* accounting according to IFRS

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

Group - Balance Sheet - Assets

as of December 31, 2019*

		2019 in EUR	2018 in EUR
Cash and cash equivalents	6.1.1	9,098,035.34	25,383,992.68
Trade account receivables	6.1.2	22,242,645.43	16,738,922.91
Inventories	6.1.3	1,519,596.66	1,404,126.31
Other short-term financial assets		23,393,970.44	726,043.78
Other short-term non-financial assets		232,019.08	361,192.62
Income tax assets		2,830,412.29	12,902.40
Short-term assets		59,316,679.24	44,627,180.70

Intangible assets excluding goodwill	6.1.5	426,329.60	258,291.60
Goodwill	6.1.4	8,028,736.90	8,028,736.90
Fixed assets	6.1.6	15,990,102.79	5,488,775.27
Other long-term financial assets	6.1.7	8,972,272.12	11,056,024.43
Other long-term non-financial assets	6.1.8	80,364.85	94,967.13
Long-term assets		33,497,806.26	24,926,795.33

TOTAL ASSETS		92,814,485.50	69,553,976.03

* accounting according to IFRS

Group - Balance Sheet - Liabilities/Equity

as of December 31, 2019*

		2019 in EUR	2018 in EUR
Short-term provisions	6.2.1	1,074,995.53	654,000.78
Liabilities from income taxes		864,860.77	1,698,571.30
Trade account payables		7,777,026.33	907,663.64
Short-term leasing liabilities		2,226,212.78	-
Other short-term financial liabilities		150,424.80	81,968.25
Other short-term non-financial liabilities		1,707,918.81	1,800,774.66
Advance payments received		629,552.06	515,676.30
Short-term liabilities	6.2	14,430,991.08	5,658,654.93
Long-term leasing liabilities		9,084,641.53	-
Other long-term financial liabilities		84,295.12	149,546.44
Deferred tax liabilities	6.2.3	992,887.20	3,134.13
Long-term liabilities	6.2	10,161,823.85	152,680.57
Subscribed capital		17,500,000.00	17,500,000.00
Capital reserve		28,044,731.01	28,044,731.01
Retained earnings		22,676,939.56	18,197,909.52
Equity share of the holding company		50,721,670.57	46,242,640.53
Equity	6.2.4	68,221,670.57	63,742,640.53
TOTAL LIABILITIES		92,814,485.50	69,553,976.03

* accounting according to IFRS

Group - Cash Flow Statement (7)

as of December 31, 2019*

	2019 in EUR	2018 in EUR
Net result for the period	9,729,030.04	6,612,567.14
Depreciation of assets	3,402,080.81	710,775.45
Increase / decrease in short-term provisions	420,994.75	377,060.41
Increase / decrease due to fair value measurement	-	-5,933.50
Increase / decrease in inventories	-115,470.35	6,013.39
Increase / decrease in trade account receivables and other assets	-19,298,710.96	-5,409,248.68
Increase / decrease in trade account payables and other liabilities	6,958,839.15	1,227,311.71
Profit / loss from the disposal of assets	-2,298,870.33	-7,073.61
Interest expenses / income	261,467.02	-149,791.49
Other investment income	-1,767,892.00	-1,484,584.80
Income tax expense / income	3,015,548.77	1,482,225.89
Income tax payments	-5,677,016.12	-498,403.82
Cash flow from operating activities	-5,369,999.22	2,860,918.09
Payments for investments in intangible assets	-281,556.59	-231,938.96
Proceeds from disposal of property, plant and equipment / Investment properties	528,185.23	7,074.61
Payments for investments in property, plant and equipment / Investment properties	-1,063,971.46	-2,096,409.99
Proceeds/ payments from changes in financial assets	-4,171,648.80	-1,261,970.25
Payments from the acquisition of consolidated companies and other business units	-194,857.29	-
Interest income	80,876.03	158,035.53
Income from investments	1,767,892.00	1,484,584.80
Cash flow from investing activities	-3,335,080.88	-1,940,624.26
Proceeds from additions to shareholders' equity	-	14,799,792.38
Change in bank liabilities	-65,251.32	-65,251.32
Interest expenses	-3,080.05	-8,244.04
Payments to company owners and minority shareholders	-5,250,000.00	-4,950,000.00
Redemption of rights of use	-2,262,545.87	-
Cash flow from financing activities	-7,580,877.24	9,776,297.02
Cash Flow	-16,285,957.34	10,696,590.85
Cash and cash equivalents on 01.01.2019 / previous year	25,383,992.68	14,687,401.83
Cash and cash equivalents on 31.12.2019 / previous year	9,098,035.34	25,383,992.68
Change in cash and cash equivalents	-16,285,957.34	10,696,590.85

* accounting according to IFRS

Group - Statement of Changes in Equity

as of December 31, 2019*

	Subscribed capital in EUR	Capital reserve in EUR	Retained earnings in EUR	Total equity in EUR
As of 01.01.2018	16,500,000.00	14,244,938.63	16,535,342.38	47,280,281.01
Net result / total income for the period*	-	-	6,612,567.14	6,612,567.14
Capital increase / reduction	1,000,000.00	-	-	1,000,000.00
Disposal / release of reserves	-	13,799,792.38	-	13,799,792.38
Dividends	-	-	-4,950,000.00	-4,950,000.00
As of 01.01.2019	17,500,000.00	28,044,731.01	18,197,909.52	63,742,640.53
Net result / total income for the period*	-	-	9,729,030.04	9,729,030.04
Dividends	-	-	-5,250,000.00	-5,250,000.00
As of 31.12.2019	17,500,000.00	28,044,731.01	22,676,939.56	68,221,670.57

* accounting according to IFRS

Group - Fixed Assets

as of December 31, 2019*

	Acquisition and production costs					Accumulated depreciation / appreciations				Book value	
	01.01.2019	Accurals in EUR	Disposals in EUR	Transfer in EUR	As of 31.12.2018 in EUR	As of 01.01.2019 in EUR	Depreciations in EUR	Appreciations in EUR	As of 31.12.2019 in EUR	As of 31.12.2019 in EUR	As of 01.01.2019 in EUR
Concessions, industrial property rights and similar rights and assets as well as licenses in such rights and assets	560,065.32	281,556.59	-	-	841,621.91	-301,773.72	-113,518.59	-	-415,292.31	426,329.60	258,291.60
Goodwill	8,028,736.90	-	-	-	8,028,736.90	-	-	-	-	8,028,736.90	8,028,736.90
Intangible assets	8,588,802.22	281,556.59	-	-	8,870,358.81	-301,773.72	-113,518.59	-	-415,292.31	8,455,066.50	8,287,028.50
Land, leasehold rights and buildings, including buildings and buildings on third-party land	739,200.84	-15,288.54	-	1,684,333.11	2,408,245.41	133,194.86	-456,728.81	-	-323,533.95	2,084,711.46	872,395.70
Technical equipment and machinery	138,999.50	700.00	-	-	139,699.50	-77,122.50	-21,569.00	-	-98,691.50	41,008.00	61,877.00
Other equipment, factory and office equipment	4,154,061.07	1,063,271.46	-572,567.25	-	4,644,765.28	-1,268,603.07	-791,975.28	52,626.07	-2,007,952.28	2,636,813.00	2,885,458.00
Rights of use	-	13,247,257.22	-1,397.76	-	13,245,859.46	-	-2,018,289.13	-	-2,018,289.13	11,227,570.33	-
Payments on account and assets under construction	1,669,044.57	15,288.54	-	-1,684,333.11	-	-	-	-	-	-	1,669,044.57
Fixed assets	6,701,305.98	14,311,228.68	-573,965.01	-	20,438,569.65	-1,212,530.71	-3,288,562.22	52,626.07	-4,448,466.86	15,990,102.79	5,488,775.27
Financial assets	6,393,284.98	194,857.29	-2,268,223.09	-	4,319,919.18	4,662,739.45	-	-10,386.51	4,652,352.94	8,972,272.12	11,056,024.43
TOTAL	21,683,393.18	14,787,642.56	-2,842,188.10	-	33,628,847.64	3,148,435.02	-3,402,080.81	42,239.56	-211,406.23	33,417,441.41	24,831,828.20

* accounting according to IFRS

Group Annex/Notes

1 General Information

1.1 Reporting company

The parent company, M1 Kliniken AG, was founded in 2007. The company is chartered in the Commercial Register of the Berlin-Charlottenburg Local Court under HRB 107637 B and has its registered office at Grünauer Strasse 5, 12557 Berlin, Germany. The M1 Kliniken Group is active in aesthetic medicine. The Group's business is mainly focused on the provision of medical services in the field of aesthetic medicine, services for physicians, medical practices and medical companies active in plastic and aesthetic medicine as well as trading of drugs and medical products. Independent research and development activities within the scope of IAS 38 are not conducted.

1.2 Basis of preparation of the financial statements

M1 Kliniken AG, headquartered in Berlin, Germany, is listed on the Basic Board (Freiverkehr) of the Frankfurt Stock Exchange. In the fiscal year of 2017, voluntary consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union. Since the 2018 financial year, M1 Kliniken AG has exceeded two size criteria of § 293 HGB (German Commercial Code) on two consecutive reporting dates and is therefore obliged to prepare consolidated financial statements in accordance with the requirements of German commercial law.

The consolidated financial statements of M1 Kliniken AG for the period from January 1 to December 31, 2019 were prepared in accordance with § 315e (1) HGB in conjunction with § 315e (1) HGB. The consolidated financial statements of M1 Kliniken AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union. In addition, the notes to the consolidated financial statements pursuant to § 315e (1) HGB and contain certain details on provisions of the HGB.

Unless otherwise indicated, the figures for the financial year and the previous year are shown in EUR. Apart from subsidiaries of M1 Kliniken AG in Great Britain, Croatia, Switzerland and Australia - which have not yet been fully consolidated for reasons of materiality - the EUR also corresponds to the functional currency of the other companies included in the consolidated financial statements.

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

Accounting and valuation were based on the going concern principle.

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

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

With the exception of the new standards applied for the first time (in particular IFRS 16), the accounting and valuation methods applied are basically the same as those applied in the previous year.

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

1.3 New standards and interpretations

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

Standard/ interpretation	Title
IFRS 16	Leasing agreements
Mandatory application of amended IFRS	**Title**
Annual improvements	Cycle 2014-2017
IFRS 3	Transfer from a joint activity to a subsidiary
IFRS 9	Prepayment regulations with negative compensation
IFRS 11	Acquisition of joint control over a jointly controlled entity through the purchase of additional shares
IAS 12	Income tax consequences of dividend payments on equity instruments
IAS 19	Plan amendments, reductions or settlements
IAS 23	Treatment of borrowing costs from project financing after completion of the qualifying asset
IAS 28	Long-term investments in associated companies and joint ventures
Standard/ interpretation	**Title**
IFRIC 23	Uncertainties regarding the income tax position

The effects of the first-time application of IFRS 16 is described in detail below. The other standards and interpretations to be applied for the first time in the year under review and their amendments have no material impact on the consolidated financial statements.

IFRS 16 Leases

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

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

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

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

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

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

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

The transition to IFRS 16 resulted in a balance sheet extension of EUR 11.2 million as of the balance sheet date of December 31, 2019. The increase in the balance sheet total results from the capitalization of rights of use in long-term assets on the one hand and the capitalization of leasing liabilities on the other, which leads to an increase of the dept-equity ratio. There is no significant impact on equity at the transition date, but the calculated equity ratio declines.

2 Discretionary Decisions, Estimates and Assumptions

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

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

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

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

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

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

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

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

3 Scope of Consolidation and Consolidation Principles

3.1 Scope of consolidation

The consolidated financial statements of M1 Kliniken AG, Berlin, for the year ended December 31, 2019, include not only M1 Kliniken AG but fully consolidate the following subsidiaries.

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

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

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

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

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

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

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

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

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

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

Other subsidiaries:

M1 Med Beauty Australia Pty Ltd. was founded on August 2, 2018 as a subsidiary of M1 Kliniken AG. The subscribed capital of the company amounts to AUS$ 100. As the company has not developed any significant influence on the 2019 financial year statements, no consolidation is performed in the context of the preparation of the financial statements.

M1 Med Beauty UK Ltd. was founded on October 22, 2018 as a subsidiary of M1 Kliniken AG. The company's subscribed capital amounts to GBP 10,000. As the company has not developed any significant business activities in the 2019 financial year, no consolidation is performed in the context of the preparation of the financial statements.

M1 Med Beauty Austria GmbH was founded on December 20, 2018 as a subsidiary of M1 Kliniken AG. The company's subscribed capital amounts to EUR 35,000. As the company has not developed any significant influence on the 2019 financial year statements, no consolidation is performed in the context of the preparation of the financial statements.

M1 Med Beauty Netherlands B.V. was founded on December 21, 2018 as a subsidiary of M1 Kliniken AG. The company's subscribed capital amounts to EUR 10,000. As the company has not developed any significant influence on the 2019 financial year statements, no consolidation is performed in the context of the preparation of the financial statements.

M1 Med Beauty Croatia d.o.o. was founded on August 20, 2019 as a subsidiary of M1 Kliniken AG. The company's subscribed capital amounts to 50,000 Kuna. As the company has not developed any significant business activities in the 2019 financial year, no consolidation is performed in the context of the preparation of the financial statements.

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

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

* indirect holding

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

3.2 Principles of consolidation

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

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

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

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

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

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

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

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

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

4 Disclosures on accounting and Valuation Methods

4.1 Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable.

Provision of medical services

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

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

As of January 1, 2019, advance payments made by customers for medical services amounted to EUR 515,676 and were recognized in sales in the year under review. As of January 1, 2018, advance payments made by customers amounted to EUR 450,988 and were recognized in sales in the course of fiscal year 2018.

As of December 31, 2019, customer advance payments totaled EUR 629,552 which will probably be recognized in sales in the course of fiscal year 2020.

Trade of goods

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

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

Dividends and interest income

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

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

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

4.2 Income tax expense

Tax expense

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

Deferred taxes

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

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which they can be utilized.Deferred tax liabilities in connection with temporary differences in investments in subsidiaries are generally recognized unless the timing of the reversal of the temporary differences is not probable in the foreseeable future.

4.3 Foreign currency conversion

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

4.4 Earnings per share

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

4.5 Financial instruments

The Group's financial instruments are fully measured in accordance with IFRS 9.

4.5.1 Cash and cash equivalents

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

4.5.2 Financial assets

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

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

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

- Financial assets measured at amortized cost
- Financial assets measured at fair value through profit or loss affecting net income
- Financial assets measured profit-neutral at fair value

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

Financial assets are measured at fair value through profit or loss if the financial asset is either held for trading or if an obligatory measurement at fair value is intended. This applies to all financial assets that do not meet the cash flow criterion or are subject to the "sell" business model. Financial assets held for trading purposes are not held.

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

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

4.5.3 Financial liabilities

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

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

4.5.4 Recognition / Impairment

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

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

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

Expected credit losses are generally recognized in three stages. In the M1 Kliniken Group, however, the impairment provisions mainly relate to trade account receivables. In accordance with IFRS 9.5.5.15, a simplified approach is provided for these, where level 1 of the recognition of expected credit losses is not applied. Instead, trade acount receivables are written down in accordance with either Level 2 or Level 3. At Level 2, all trade account receivables are recognised without any indication of impaired creditworthiness. To determine the expected credit losses, updated observed historical default rates are used at each reporting date, adjusted for any necessary future-related components. Where possible, external sources are also used to determine the probabilities of default. The expected credit losses are calculated as the product of the expected default probabilities with the loss in the event of default, which is recognised at 100% of the amount of the receivable.

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

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

4.5.5 Offsetting of receivables and payables

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

4.5.6 Fair value

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

The fair value of financial instruments that are not traded on an active market (Level 3) is determined using the discounted cash flow method and the requirements of IFRS 13.

The valuation methods include the use of the most recent business transactions between knowledgeable, willing and independent business partners, the comparison with the current fair value of another, essentially identical financial instrument and the use of discounted cash flow methods and other valuation models.
For further details on the determination of the fair values of significant investments, see section 6.1.7.

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

4.6 Inventories

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

4.7 Fixed assets

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

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

Scheduled depreciation is calculated using the straight-line method. Depreciation corresponds to the course of consumption of future economic benefits. Property, plant and equipment are depreciated using the straight-line method over different life cycles (three to 15 years).

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

If the carrying amount exceeds the estimated recoverable amount of an item of property, plant and equipment, an impairment loss is recognized in accordance with IAS 36. The recoverable amount is determined on the basis of the net sales proceeds or - if higher - the present value of the estimated future cash flow from the use of the asset. An extraordinary depreciation of EUR 456,729 was made on a real estate property held as a fixed asset in the past fiscal year. The property was sold at the book value at the end of January 2020. There will be no further charges in fiscal year 2020 from the sale of the property.

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

In addition to the depreciation of intangible and fixed assets, scheduled depreciation and amortisation from the 2019 financial year (and onwards) also include the impairment of rights of use capitalised in accordance with IFRS 16. This change in presentation in particular results in an increase in depreciation and amortization in the past fiscal year to EUR 3,402,081 (previous year: EUR 710,775). The changes in presentation and the first-time application of the regulations of IFRS 16 resulted in an amount of EUR 2,018,289 in the past fiscal year.

4.8 Leases

The Group's strategy is to rent or lease some of the important assets required to operate the business. In addition to some company cars, this includes the clinic in Berlin-Köpenick and the rental space of the practice network. The space is rented at suitable locations and tied to long-term rental agreements. An initial rental period of five years is regularly agreed, which can be extended once or several times. Rental and leasing obligations were recognised for the first time in 2019 on the basis of the provisions of IFRS 16. In this context, when the rental and lease relationship is established, the expected future rental and lease payments are capitalised and a corresponding rental and lease liability is recognised. The expenses from the rental and leasing relationships are taken into account in the item "depreciation and amortisation".

4.9 Intangible Assets

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

Software

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

Goodwill

The goodwill is initially measured at cost, which is the excess of the total consideration transferred and the identifiable assets and liabilities acquired by the Group.

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

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

4.10 Impairment of long-term assets

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

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

If the carrying amount of an asset exceeds the recoverable amount, an impairment loss is recognized for property, plant and equipment and intangible assets that are recognized at cost. The recoverable amount is the higher of fair value less costs to sell and value in use.
The fair value less costs to sell corresponds to the amount recoverable from the sale of the asset in a transaction between knowledgeable parties.
Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its life cycle. The recoverable amount is estimated for each individual asset or, if this is not possible, for the smallest identifiable cash-generating unit.

4.11 Equity

The company is listed on the Basic Board of the Frankfurt Stock Exchange. At the end of the year, the Company's share capital amounted to EUR 17,500,000 (previous year: EUR 17,500,000), divided into 17,500,000 shares (previous year: 17,500,000 shares) with a nominal value of EUR 1.00 each. In September 2018, there was a capital increase of 1,000,000 shares, which were issued at a gross price of EUR 15.30 per share. The issue amount exceeding the nominal value (premium) of the shares was booked to the capital reserve. This includes the premiums from the capital increase in October 2017 and September 2018.

4.12 Provisions and Contingent Liabilities

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

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

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

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

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

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

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

5 Notes to the Consolidated Income Statement

5.1 Operating result

5.1.1 Sales

Sales totalling EUR 77,216,857 (previous year: EUR 65,208,588) mainly relate to revenues from the sale of pharmaceuticals and medical products as well as medical services in the field of aesthetic medicine and the provision of infrastructure services. In the year under review, 27.2% of sales were generated with customers outside Germany, mainly from the Netherlands (previous year: 27.4%). The regional allocation is based on the customer's place of residence or place of business.

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

5.1.2 Other operating income

Other operating income amounted to EUR 283,388 (previous year: EUR 177,540).

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

	2019 in EUR	2018 in EUR
Other operating income	**283,388**	**177,540**
Income from the release of accruals	78,383	66,518
Income from currency conversions	51,446	-
Benefits from vehicles supply	50,759	31,462
Income relating to other periods	171	3,108
Insurance compensations and indemnities	67,899	62,694
Other operating income	34,731	13,758

5.1.3 Cost of purchased goods and services

Costs of purchased goods and services, which total EUR 45,611,450 (previous year: EUR 42,260,600), mainly include expenses related to the purchase of drugs and medical devices. This position also includes expenses for purchased services (mainly service fees) in the field of aesthetic medicine.

5.1.4 Personnel expenses

Personnel expenses rose to a total of EUR 12,621,952 (previous year: EUR 9,439,836) as a result of the expansion. Of this amount, EUR 10,597,017 relates to wages and salaries (previous year: EUR 7,915,037) and EUR 2,024,935 to social security and pension costs (previous year: EUR 1,524,798). This includes state defined contribution plans in the form of employer contributions to statutory old-age security amounting to EUR 888,931 (previous year: EUR 588,538).

The M1 Kliniken Group had an average of 236 employees in the reporting period (previous year: 181 employees). Of these 185 were full-time employees (previous year: 137) and 50 part-time employees (previous year: 43). There are no industrial or managerial employees ('leitende Angestellte'). One trainee was employed.

5.1.5 Depreciation

Depreciation includes scheduled depreciation on fixed assets and intangible assets of EUR 3,402,081 (previous year: EUR 710,775). EUR 2,018,289 was attributable to the scheduled amortization of rights of use capitalized in accordance with IFRS 16 (previous year: EUR 0).

Fixed assets and intangible assets are depreciated on a straight-line basis.

	2019 in EUR	2018 in EUR
Depreciation of intangible assets	110,476	141,612
Depreciation of fixed assets	1,273,316	569,163
Depreciation on rights of use	2,018,289	-

5.1.6 Other operating expenses

Other operating expenses, which total EUR 7,913,130 (previous year: EUR 6,517,858), are spread over a large number of individual items, such as rent, advertising and travel expenses, packaging material, freight costs, insurance premiums, third-party work, legal and consulting costs as well as audit costs.

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

	2019 in EUR	2018 in EUR
Other operating expenses	**7,913,130**	**6,517,858**
Advertising and travel expenses	4,202,021	1,737,622
Third party services	2,077,547	568,945
Space Costs	1,300,515	2,465,004
Others	333,048	1,746,286

Third party services include higher consultancy costs and one-off expenses in connection with the expansion. Rental costs no longer relate to the expenses reported in this item.

5.2 Financial result

Interest and similar income includes interest income totalling EUR 80,876 (previous year: EUR 158,036). The interest results from the granting of loans and the investment of cash and cash equivalents with German banks.

Income from participating interests consists of the guaranteed dividend of HC Grundbesitz GmbH and other dividends amounting to EUR 1,767,892 (previous year: EUR 1,484,585).

Interest and similar expenses totalling EUR 342,343 (previous year: EUR 8,244) mainly relate to the discounting of capitalized lease liabilities in accordance with IFRS 16.

5.3 Income taxes

Income taxes amount to EUR 3,015,549 (previous year: EUR 1,482,226).

	2019 in EUR	2018 in EUR
Taxes on income and earnings	**3,015,549**	**1,482,226**
Corporate tax	1,134,066	743,675
Solidarity surcharge on corporate tax	50,704	23,649
Trade tax	761,901	479,693
Capital gains tax	75,000	17,253
Solidarity surcharge on capital gains tax	4,125	-
Deferred taxes	989,753	217,956

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

Effective tax rate for companies located in	in %
Berlin	30.175
Schönefeld	24.225

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

	2019		2018	
Tax reconciliation	**in kEUR**	**in %**	**in kEUR**	**in %**
EBT	**12,745**		**8,095**	
Tax rate	30.175 %		30.175 %	
Expected tax expense and tax rate	**3,846**	**30.2**	**2,443**	**30.2**
Tax reductions due to tax-free income	-533	-4.2	-448	-5.5
Use of loss carryforwards, previously without deferred taxes	-	-	-387	-4.8
Non-deductible allowances	28	0.2	68	0.8
Tax rate differences	-216	-1.7	-266	-3.3
Other tax effects	-109	-0.9	72	0.9
Reported tax expense and effective tax rate	**3,016**	**23.7**	**1,482**	**18.3**

5.4 Earnings per share

In the capital increase carried out in September 2018, 1,000,000 new shares were issued at a nominal value of EUR 1.00 per share.

The earnings per share are calculated as follows:

	2019 in EUR	2018 in EUR
Net income attributable to equity holders of the parent company	9,729,030	6,612,567
Number of shares (weighted average)	17,500,000	16,812,329
Earnings per share	0.56	0.39

6 Notes to the Consolidated Balance Sheet

6.1 Assets

6.1.1 Cash and cash equivalents

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

	31.12.2019 in EUR	31.12.2018 in EUR
Cash registers	1,036	18,072
Bank deposits	9,097,000	25,365,920

6.1.2 Trade account receivables

Trade account receivables totaling EUR 22,242,645 (prior year: EUR 16,738,923) are measured at amortized cost less any impairment losses. The so-called model of expected credit losses has been used for this purpose, although this has not had any significant effects. Impairment losses are initially recognised in value adjustment accounts, unless it can immediately be assumed that the debt will be wholly or partly irrecoverable. In these cases, a direct impairment of the gross value of the receivable is recognised in profit or loss.

In the 2019 financial year, impairments amounted to EUR 2,269 (previous year: EUR 840). As in the previous year, there were no indications of impaired creditworthiness of the debtors at the reporting date.

Trade account receivables include trade account receivables from affiliated companies amounting to EUR 2,760,343 (previous year: EUR 1,515,222). Trade account receivables are due within one year.

		remaining period	
Maturity	**31.12.2019 in EUR**	**up to 1 year in EUR**	**more than 1 year**
Trade account receivables from deliveries and services	22,242,645	22,242,645	-
Trade account receivables from affiliated companies	2,760,343	2,760,343	-

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

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

6.1.3 Inventories

Inventories primarily consist of goods held for sale in the ordinary course of business or treatment materials used for medical treatments. As in the previous year, there was no need for depreciation or appreciation within the means of IAS 2.28 - 2.33 in the financial year of 2019.

	2019 in EUR	2018 in EUR
Inventories	**1,519,597**	**1,404,126**
Commodities	1,495,805	1,358,735
Advance payments on inventories	23,791	45,391

6.1.4 Goodwill

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

If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is first allocated to the unit's carrying amount of goodwill and then proportionately to the other assets. Any impairment loss on goodwill is recognised directly in the income statement. An impairment loss recognised for goodwill shall not be reversed in future periods.

The goodwill of EUR 8,028,737 reported in the consolidated balance sheet was allocated at EUR 115,723 to M1 Med Beauty Berlin GmbH and at EUR 7,913,014 to M1 Aesthetics GmbH as a cash-generating unit. As in the 2018 financial year, there were no changes compared with the previous year.

in EUR	Acquisition and production costs			Value adjustments			Book value
	01.01.2019	**Accurals/ disposals**	**31.12.2019**	**01.01. 2019**	**Depreciation/ attribution**	**31.12. 2019**	**31.12.2019**
Goodwill	**8,028,737**	**-**	**8,028,737**	**-**	**-**	**-**	**8,028,737**
M1 Aesthetics GmbH	7,913,014		7,913,014	-		-	7,913,014
M1 Med Beauty Berlin GmbH	115,723		115,723	-		-	115,723
	01.01.2018	**Accurals/ disposals**	**31.12.2018**	**01.01. 2018**	**Depreciation/ attribution**	**31.12. 2018**	**31.12.2018**
Goodwill	**8,028,737**	**-**	**8,028,737**	**-**	**-**	**-**	**8,028,737**
M1 Aesthetics GmbH	7,913,014		7,913,014	-		-	7,913,014
M1 Med Beauty Berlin GmbH	115,723		115,723	-		-	115,723

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

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

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

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

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

6.1.5 Intangible assets excluding goodwill

Intangible assets excluding goodwill primarily relate to investments in software.

in EUR	Acquisition and production costs			Value adjustments			Book value
	01.01. 2019	**Accurals**	**31.12. 2019**	**01.01. 2019**	**Current depreciations**	**31.12. 2019**	**31.12. 2019**
Concessions, industrial property rights and similar rights	**560,065**	**281,557**	**841,622**	**-301,774**	**-113,519**	**-415,292**	**426,330**
Concessions	17,540	6,552	24,092	-3,652	-3,043	-6,695	17,397
Industrial property rights	5,760	-	5,760	-5,759	-	-5,759	1
Computer software	533,774	275,005	808,778	-292,363	-110,476	-402,838	405,940
Similar rights and values	2,992	-	2,992	-	-	-	2,992
	01.01. 2018	**Accurals**	**31.12. 2018**	**01.01. 2018**	**Current depreciations**	**31.12. 2018**	**31.12. 2018**
Concessions, industrial property rights and similar rights	**328,126**	**231,940**	**560,066**	**-160,161**	**-141,613**	**-301,774**	**258,292**
Concessions	4,720	12,820	17,540	-1,299	-2,353	-3,652	13,888
Industrial property rights	5,760	-	5,760	-5,759	-	-5,759	1
Computer software	317,646	216,128	533,774	-153,103	-139,260	-292,363	241,411
Similar rights and values	-	2,992	2,992	-	-	-	2,992

6.1.6 Fixed assets

	Acquisition and production costs in EUR					Value adjustments in EUR				Book value in EUR
	01.01.2019	Accurals	Disposals	Transfers	31.12.2019	01.01.2019	Depreciation	Disposals	31.12.2019	31.12.2019
Fixed assets	**6,701,306**	**14,325,119**	**-587,856**	**-**	**20,438,570**	**-1,212,531**	**-3,288,562**	**52,626**	**-4,448,467**	**15,990,103**
Properties	**739,201**	**-**	**-15,289**	**1,684,333**	**2,408,245**	**133,195**	**-456,729**	**-**	**-323,534**	**2,084,711**
Technical equipment and machinery	**139,000**	**700**	**-**	**-**	**139,700**	**-77,123**	**-21,569**	**-**	**-98,692**	**41,008**
Technical equipment	134,476	700	-	-	135,176	-72,600	-21,569	-	-94,169	41,007
Operating facilities	4,523	-	-	-	4,523	-4,522	-	-	-4,522	1
Operating and office equipment	**4,154,061**	**1,063,271**	**-572,567**	**-**	**4,644,765**	**-1,268,603**	**-791,975**	**52,626**	**-2,007,952**	**2,636,813**
Facility equipment	2,929,049	866,378	-572,115	-	3,223,311	-608,871	-471,354	52,224	-1,028,000	2,195,311
Business equipment	658,044	-	-	-	658,044	-204,606	-116,554	-	-321,160	336,884
Office furnishings	144,464	-	-	-	144,464	-97,325	-13,670	-	-110,995	33,469
Low-value assets	304,316	170,224	-	-	474,541	-304,316	-170,224	-	-474,541	-
Other operating and office equipment	118,188	26,669	-452	-	144,405	-53,485	-20,173	402	-73,256	71,149
Rights of use	**-**	**13,245,859**	**-**	**-**	**13,245,859**	**-**	**-2,018,289**	**-**	**-2,018,289**	**11,227,570**
Advance payments on business premises	**1,669,045**	**15,289**	**-**	**-1,684,333**	**-**	**-**	**-**	**-**	**-**	**-**
	01.01.2018	Accurals	Disposals		31.12.2018	01.01.2018	Depreciation	Disposals	31.12.2018	31.12.2018
Fixed assets	**4,624,644**	**2,096,410**	**-19,748**	**-**	**6,701,306**	**-663,115**	**-569,163**	**19,747**	**-1,212,531**	**5,488,775**
Properties	**737,782**	**1,419**	**-**	**-**	**739,201**	**133,195**	**-**	**-**	**-**	**872,396**
Technical equipment and machinery	**139,000**	**-**	**-**	**-**	**139,000**	**-55,590**	**-21,533**	**-**	**-77,122**	**61,877**
Technical equipment	134,476	-	-	-	134,476	-51,067	-21,533	-	-72,600	61,876
Operating facilities	4,523	-	-	-	4,523	-4,522	-	-	-4,522	1
Operating and office equipment	**2,079,667**	**2,094,142**	**-19,748**	**-**	**4,154,061**	**-740,720**	**-547,630**	**19,747**	**-1,268,603**	**2,885,458**
Facility equipment	1,299,170	1,629,879	-	-	2,929,049	-306,423,60	-302,446,91	-	-608,871	2,320,178
Business equipment	357,133	300,911	-	-	658,044	-112,746,16	-91,860,02	-	-204,606	453,438
Office furnishings	144,464	-	-	-	144,464	-81,186,86	-16,138,00	-	-97,325	47,139
Low-value assets	179,847	124,469	-	-	304,316	-179,847,60	-124,468,75	-	-304,316	-
Other operating and office equipment	99,053	38,883	-19,748	-	118,188	-60,516	-12,716	19,747	-53,485	64,703
Advance payments on business premises	**1,668,195**	**849**	**-**	**-**	**1,669,045**	**-**	**-**	**-**	**-**	**1,669,045**

6.1.7 Long-term financial assets

Long-term financial assets include the shares in HC Grundbesitz GmbH as well as the foreign (non-consolidated) subsidiaries founded in 2018 and 2019.

Name of company	Location	Amount of participation in share capital	Total amount of share capital in EUR	Annual turnover in EUR	Profit 2019 in EUR
HC Grundbesitz GmbH	Berlin	22.3%	1,000,000	-	-
M1 Med Beauty* Australia Pty Ltd.	Melbourne/ Australien	100%	62	333,877	-85,616
M1 Med Beauty Austria GmbH	Wien/ Österreich	100%	35,000	379,279	-258,954
M1 Med Beauty** Croatia d.o.o.	Zagreb/ Croatia	100%	6,830	-	-2,003
M1 Med Beauty Netherlands BV	Venlo/ Netherlands	100%	10,000	151,443	-190,165
M1 Med Beauty*** Swiss GmbH	Zurich/ Switzerland	100%	176,429	-	-280,411
M1 Med Beauty**** UK Ltd.	London/ UK	100%	11,598	-	-224,229

* 1 EUR = 1,60 AUS Dollar
** 1 EUR = 7,45 Kuna
*** 1 EUR = 1,09 Swiss Franken
**** 1 EUR = 0,85 GBP

The investments held as long-term financial assets are measured at fair value through profit or loss. The results from this category are recognized in other operating income. There were no effects on earnings in 2019.

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

The valuation model distinguishes between phase A (2019 - 2020) and phase B (from 2021 - without end date). In phase A, the guaranteed dividend of EUR 1,483,049 can be reliably planned, as there is a payment guarantee from the company controlling HC Grundbesitz to pay the dividend. In phase B, it must generally be assumed that the PTA can be terminated annually, whereby it is assumed that the guaranteed dividend mentioned above will be paid in each year of the PTA's term. Based on the qualitative estimates of the company, the probability of termination is assumed to be less than 20% and included in the valuation.

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

	Acquisition and production costs in EUR				Value adjustments in EUR				Book value in EUR
	01.01.2019	Accurals	Trans-fers	31.12.2019	01.01.2019	Trans-fers	Depre-ciation	31.12.2019	31.12.2019
Shares in affiliated companies	**6,393,285**	**194,857**	**-2,268,223**	**4,319,919**	**4,662,739**	**-10,387**	**-**	**4,652,353**	**8,972,272**
Shares in aff. companies (HC Grund-besitz GmbH)	4,080,000	-	-	4,080,000	4,652,353	-	-	4,652,353	8,732,353
Shares in aff. companies (CR Capital Real Estate AG)	2,268,223	-	-2,268,223	-	10,387	-10,387	-	-	-
Shares in aff. companies (M1 Med Beauty Austria GmbH, Australia GmbH, NL B.V.)	45,062	194,857	-	239,919	-	-	-	-	239,919
	01.01.2018	**Accurals**	**Trans-fers**	**31.12.2018**	**01.01.2018**	**Trans-fers**	**Depre-ciation**	**31.12.2018**	**31.12.2018**
Shares in affiliated companies	**4,106,015**	**2,287,270**	**-**	**6,393,285**	**4,656,806**	**-**	**5,934**	**4,662,739**	**11,056,024**
Shares in aff. companies (HC Grund-besitz GmbH)	4,080,000	-	-	4,080,000	4,652,353	-	-	4,652,353	8,732,353
Shares in aff. companies (CR Capital Real Estate AG)	26,015	2,242,208	-	2,268,223	4,453	-	5,934	10,387	2,278,610
Shares in aff. companies (M1 Med Beauty Austria GmbH, Australia GmbH, NL B.V.)	-	45,062	-	45,062	-	-	-	-	45,062

6.1.8 Other financial and non-financial assets

Other financial and non-financial assets in the 2019 financial year consisted mainly of receivables from a customer and securities included in short-term assets.

	31.12.2019 in EUR	31.12.2018 in EUR
Other short-term financial assets	**23,393,970**	**726,044**
Receivables from affiliated companies	11,140,065	-
Other assets	232,978	10,347
Bonds	12,020,928	-
Loans with a remaining term of up to 1 year	-	715,697
Other short-term assets	**232,019**	**361,193**
Receivables from sales tax credits	121,125	221,634
Receivables from personnel	2,571	11,633
Accruals and deferred income	57,956	74,073
Further assets	50,366	53,852
Other long-term assets	**80,365**	**94,967**
Deposits	92,087	94,967
Prepaid expenses (Leasing)	-11,722	-

6.2 Liabilities and equity

6.2.1 Short-term provisions

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

Provisions	01.01.2019 in EUR	Consumption in EUR	Liquidation in EUR	Increase in EUR	31.12.2019 in EUR
Audit and year-end closing costs	40,030	175,700	-	165,700	30,030
Personnel / holiday entitlements	354,341	274,775	78,383	483,905	485,088
Retention of records	21,500	-	-	1,421	22,921
Other	238,131	115,174	-	414,000	536,957
Total	**654,001**	**565,649**	**78,383**	**1,065,026**	**1,074,996**

6.2.2 Liabilities

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

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

	31.12.2019 in EUR	31.12.2018 in EUR
Trade accounts payable	**7,777,026**	**907,664**
Trade accounts payable	7,776,015	907,664
Trade accounts payable to affiliated companies	1,012	-
Advance payments received	**629,552**	**515,676**
Liabilities from income taxes	**864,861**	**1,698,571**
Other short-term financial liabilities	**150,425**	**81,968**
Credit card statement	53,056	70,215
Liabilities towards affiliated companies	91,941	-
Other liabilities with a remaining term of less than one year up to 1 year	5,428	11,753
Other short-term non-financial liabilities	**1,707,919**	**1,800,775**
Tax liabilities	1,512,646	1,621,006
Tax and service payables	1,318,750	-
Liabilities from wage and church tax	192,727	155,621
Liabilities from sales tax	1,169	1,465,385
Social security liabilities	22,546	20,170
Miscellaneous other liabilities	172,727	159,599
Other long-term financial liabilities	**84,295**	**149,546**
Liabilities to banks	84,295	149,546

6.2.3 Deferred tax liabilities

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

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

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

In connection with the fair value measurement of existing financial instruments, it was necessary to recognize deferred taxes as liabilities. The amount by which the IFRS carrying amounts measured at fair value exceed the tax base amounts to EUR 3,305,768 (previous year: EUR 10,387). Using the effective tax rate of 30.175% and other components, the deferred tax liability amounts to EUR 992,887 (previous year: EUR 3,134). This deferred tax relates in full to the balance sheet item "Other short-term financial assets".

6.2.4 Equity

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

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

In fiscal year 2019, a dividend of EUR 0.30 per share (previous year: EUR 0.30 per share) was paid in accordance with the resolution of the Annual General Meeting of M1 Kliniken AG on August 23, 2019. The new shares issued in September 2018 from the capital increase were fully entitled to dividends.

The Management Board plans to propose to the Annual General Meeting that the net profit for the 2019 financial year shall be carried forward in full to new account.

7 Notes to the Consolidated Cash Flow Statement

The cash flow statement shows how the cash and cash equivalents of the M1 Kliniken Group have changed in the course of the reporting years due to cash inflows and outflows. In this cash flow statement, cash flows are broken down into operating, investing and financing activities. Cash flows from investing and financing activities are presented using the direct method. Cash flows from operating activities, on the other hand, are presented using the indirect method. Cash and cash equivalents include immediately available cash and cash equivalents of EUR 9,098,035 (previous year: EUR 25,383,993).

The cash flow from 'operating activities', comprises the 'result for the period' amounting to EUR 9,729,030 (previous year: EUR 6,612,567), the 'increase in trade account receivables and other assets' amounting to EUR 19,368,692 (previous year: EUR 5,409,249) and the 'increase in trade payables and other liabilities' amounting to EUR 6,958,839 (previous year: EUR 1,227,312). The increase in 'other assets' is due to the transfer of a financial asset from long-term financial assets to short-term financial assets (EUR 12,020,928).

The cash flow from investing activities is characterized by net cash payments into financial assets amounting to EUR 4,487,533 (prior year: EUR 1,261,970), investments in fixed assets amounting to EUR 1,063,971 (prior year: EUR 2,096,410) and income from investments amounting to EUR 1,767,892 (prior year: EUR 1,484,585).

The cash flow from financing activities in the past fiscal year is characterized by the payment of the dividend in the amount of EUR 5,250,000 (previous year: EUR 4,950,000) and for the first time amortizations from capitalized rights of use totalling to EUR 2,262,546 (previous year: EUR 0). In the previous year, there was a net inflow of funds of EUR 14,799,792 from the capital increase in September 2018.

8 Segment Reporting

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

- Beauty and
- Trade.

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

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

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

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

There were no changes in the segmentation or allocation of activities to the segments in the 2019 financial year.

	2019 in EUR		2018 in EUR	
Group sales	**77,216,857**		**65,208,588**	
Trade	37,093,565	48.0%	35,431,651	54.3%
Beauty	40,123,292	52.0%	29,776,937	45.7%

As a result of the business model and the specific accounting modalities in the business segments, the Group generates a relatively high proportion of its sales with only a few customers (customers who each account for more than 10% of Group sales). In 2019, 80.0% (EUR 61,719,471) of sales were generated with three customers.

In 2018, 60.6% of sales (EUR 39,525,650) were generated with three customers. Each accounted for more than 10% of total sales.

9 Further Disclosures on Financial Instruments

9.1 Capital risk management

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

At the respective balance sheet dates the equity capital amounts to:

	31.12.2019 in EUR	31.12.2018 in EUR
Equity	68,221,671	63,742,641
Balance sheet total	92,814,486	69,553,976
Equity ratio	73.5%	91.6%

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

In the reporting period, liabilities to banks decreased from EUR 149.546 to a total of EUR 84.295. Due to the small amount of liabilities to banks and the low level of interest rates, we currently see only limited interest rate risks.

9.2 Categories of financial instruments

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

Book values	**31.12.2019 in EUR**	**31.12.2018 in EUR**
Financial assets measured at amortized cost	**42,712,187**	**42,848,964**
Trade account receivables	22,242,645	16,738,923
Other short-term financial assets	11,370,898	726,048
Cash and cash equivalents	9,098,643	25,383,993
Financial assets at fair value through profit or loss	**20,993,200**	**13,334,634**
Other short-term financial assets	12,020,928	2,278,610
Other long-term financial assets	8,972,272	11,056,024
Book values total	**63,705,387**	**56,183,598**
Trade account payables and other liabilities		
Trade account payables	7,777,026	907,664
Other short-term financial liabilities	150,425	81,968
Other long-term financial liabilities to banks	84,295	149,546
Book values total	**8,011,746**	**1,139,178**

As in the previous year, the net gains on financial assets measured at amortized cost essentially correspond to the interest income described in Note 5.2. As in the previous year, the net losses from financial liabilities essentially correspond to the interest expenses described therein. The net gain on financial assets measured at fair value is composed of income from investments and changes in fair value.

9.3 Risk management policy and hedging measures

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

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

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

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

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

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

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

9.3.2 Liquidity risk

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

The following tables show the expected cash flows of financial liabilities as of December 31, 2019 and December 31, 2018. Interest payments were not taken into account. Liabilities with a term of more than one year were not discounted:

Financial liabilities measured at depreciated expense	Book value 31.12.2019 in EUR	Cashflow up to 1 year in EUR	Cashflow > 1 year to 5 years in EUR	Cashflow > 5 years in EUR
Other long-term financial liabilities	84,295	57,099	27,196	-
Trade account payables	7,777,026	7,777,026	-	-
Other short-term financial liabilities	150,425	150,425	-	-
Other short-term liabilities and advance payments received	2,337,471	2,337,471	-	-

Financial liabilities measured at depreciated expense	Book value 31.12.2018 in EUR	Cashflow up to 1 year in EUR	Cashflow > 1 year to 5 years in EUR	Cashflow > 5 years in EUR
Other long-term financial liabilities	149,546	65,251	84,295	-
Trade account payables	907,664	907,664	-	-
Other short-term financial liabilities	81,968	81,968	-	-
Other short-term liabilities and advance payments received	2,316,451	2,316,451	-	-

EUR 7,777,026 (previous year: EUR 907,664) of non-interest-bearing financial liabilities is attributable to trade account payables and EUR 150,425 (previous year: EUR 81,968) to other current financial liabilities.

9.3.3 Other price risks

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

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

10 Other Disclosures

10.1 Guarantees, contingent liabilities and other financial commitments

There are no contingent liabilities. Other financial obligations are in line with normal business transactions. At the end of 2019, rental and lease agreements amounted to EUR 11,227,570 (previous year: EUR 0), of which EUR 9,084,642 relates to long-term liabilities and EUR 2,226,213 to short-term liabilities.

In the 2019 financial year, lease payments of EUR 2,340,558 were recognised as rental and leasing expenses (previous year: EUR 1,793,803).

10.2 Related companies and persons

Related companies and persons with regard to "IAS 24 Related Party Disclosures" are members of the Management Board and the Supervisory Board, their close family members and all companies belonging to the investment group of the parent company of M1 Kliniken AG, MPH Health Care AG (Schönefeld) and Magnum AG (Schönefeld), which controls MPH Health Care AG. Since MPH Health Care AG, as an investment entity under IFRS 10, does not prepare consolidated financial statements, M1 Kliniken AG is not included in any further consolidated financial statements of a parent company.

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

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

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

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

Management Board

Family name	First name	Function/ Profession	Power of representation
Brenske	Patrick	Merchant	Sole power of representation
Dr. von Horstig	Walter	Merchant	Collaborative; Sole power of representation since 17.12.2019

Board of Supervisors

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

The following transactions were conducted with related parties:

Transactions with related parties and persons	31.12.2019 in EUR	31.12.2018 in EUR
Deliveries and services rendered	**15,596,352**	**14,679,978**
Of undertakings controlled by majority shareholders To majority shareholders To supervisory board members	15,596,352 - -	14,679,978 - -
Deliveries and services received	**1,969,256**	**5,940,640**
Of undertakings controlled by majority shareholders Of supervisory board members	1,969,256 -	5,940,640 -
Other operating expenses	**-**	**-**
Of undertakings controlled by majority shareholders To majority shareholders To supervisory board members	- - -	- - -

The total remuneration of the Supervisory Board and the Management Board amounted to EUR 442,212 in fiscal year 2019 (previous year: EUR 301.351). The Supervisory Board accounted for a total of EUR 30,000 (previous year: EUR 32,500). The Management Board accounted for EUR 412,212 (previous year: EUR 268,851). This includes variable payments to the Management Board of M1 Kliniken AG (based on target criteria for the 2018 financial year) in the amount of EUR 107,825 (previous year: EUR 74,000). The Supervisory Board did not receive any variable remuneration components. The Management Board and Supervisory Board do not receive any pension entitlements.

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

There were no other business relationships with related parties in the 2019 financial year.

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

10.3 Auditors' fee

The fees charged by the auditor for the past financial year totalled EUR 30,000 (previous year: EUR 178,250).

10.4 Events after the balance sheet date

The beginning of 2020 was marked in an outstanding degree by the global spread of the corona pandemic. Initially, it was assumed to be confined to the Asian continent, but from February 2020 (first in Italy and then in Europe as a whole) there was a dramatic increase in cases of illness. From mid-March 2020, this led to an extensive shutdown (in some cases with curfews) of public life in many European countries. In Germany, too, political decisions forced a downsizing of contact intensity in daily life by closing schools, childcare facilities and many shops. The M1 Group was also affected by this. As of March 21, 2020 all practice operations will be closed for an initial period of three weeks. Likewise, trading activities immediately declined significantly.

11 Approval by the Management Board for the Publication of the 2019 Consolidated Financial Statements in accordance with IAS 10.17

These consolidated financial statements take into account all events known to the Management Board up to March 19, 2020

Berlin, March 19, 2020

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

Independent Auditor's Report

To the Management Board of M1 Kliniken AG, Berlin

Audit opinions

I have audited the consolidated financial statements of M1 Kliniken AG which comprise the consolidated balance sheet as of December 31, 2019, the statement of comprehensive income for the period from January 1, 2019 to December 31, 2019, the consolidated cash flow statement for the period from January 1, 2019 to December 31, 2019, the statement of changes in equity for the period from January 1, 2019 to December 31, 2019, the development of consolidated fixed assets as of December 31, 2019, the notes to the consolidated financial statements for the period from January 1, 2019 to December 31, 2019 and the group management report.

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

- the accompanying consolidated financial statements comply in all material respects with IFRS and the German commercial law provisions applicable to corporations and give a true and fair view of the net assets and financial position of the Group as of December 31, 2019 and of its results of operations for the fiscal year from January 1, 2019 to December 31, 2019 in accordance with German principles of proper accounting, and

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

In accordance with § 322 III 1 HGB, I hereby declare that my audit has not led to any objections to the correctness of the consolidated annual financial statements and the Group management report.

Basis for the audit opinions

I conducted my audit of the consolidated financial statements and the Group management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements as established by the Institut der Wirtschaftsprüfer (IDW). My responsibility under these rules and principles is described in more detail in the section "Responsibility of the auditor for the audit of the annual financial statements and the management report" in my audit opinion. I am independent of the Company in accordance with German commercial and professional law and have fulfilled my other German professional duties in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion on the consolidated financial statements and the Group management report.

Management's Responsibility for the Consolidated Financial Statements and for the Group Management Report

The legal representatives are responsible for the preparation of the consolidated annual financial statements, which comply in all material respects with IFRS and the German commercial law provisions applicable to corporations, and for ensuring that the consolidated annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. Furthermore, the legal representatives are responsible for the internal controls which they have determined, in accordance with German generally accepted accounting principles, to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they are responsible for disclosing matters relating to the continuing operation of the entity, if relevant. They are also responsible for accounting policies used in the preparation of the financial statements that are consistent with the going concern principle, except where there are facts and circumstances that prevent this.

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

Auditor's responsibility for the audit of the financial statements and the management report

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

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

During the audit, I exercise due discretion and maintain my critical basic attitude.

Beyond that:

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

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

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

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

- I assess the overall presentation, structure and content of the consolidated annual financial statements, including the disclosures and whether the consolidated annual financial statements present the underlying transactions and events in such a way that the consolidated annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS and German generally accepted accounting principles.

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

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

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

Berlin, April 14, 2020

Dipl.-Kfm. Harry Haseloff
Auditor

DIPL.-KFM. HARRY HASELOFF
WIRTSCHAFTS-PRÜFER
SIEGEL
BERLIN

Glossary

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

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

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

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

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

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

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

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

Imprint

M1 Kliniken AG

Grünauer Straße 5
D-12557 Berlin

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

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

Management Board:
Patrick Brenske
Dr. Walter von Horstig

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

Registry court:
Amtsgericht Charlottenburg

Registry number:
HRB 107637 B

Concept, design and realisation:
M1 Kliniken AG
Investor Relations

Photos:
M1 Kliniken AG
iStock
Fotolia

M1 Kliniken AG

Grünauer Straße 5
D-12557 Berlin

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

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