HEALTH HEALTH HEALTH HEALTH HEALTH HEALTH TOGETHER

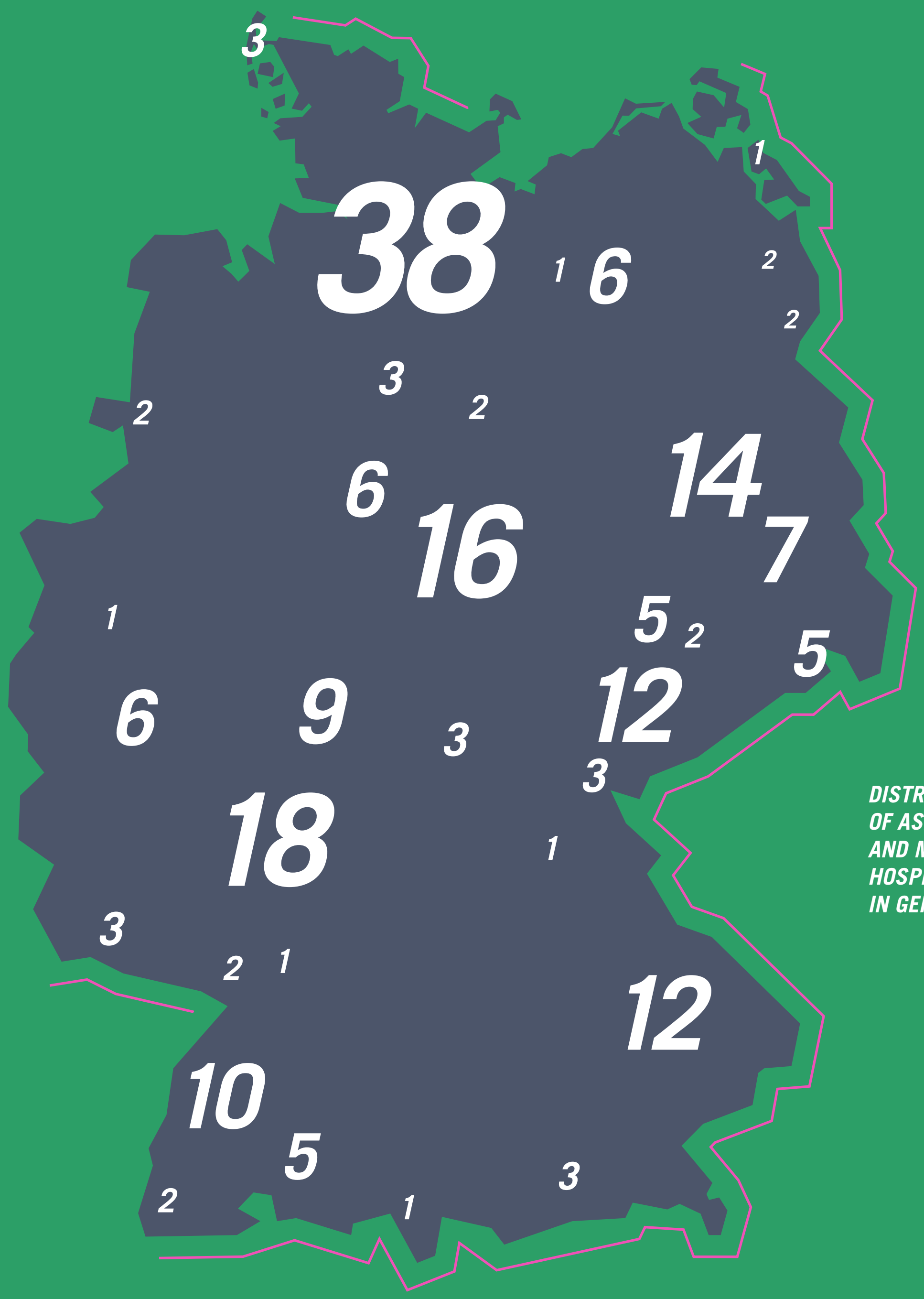
ASKLEPIOS
Gesund werden. Gesund leben.

ANNUAL REPORT 2019


NEVER
WALK
ALONE

Health.
Together.

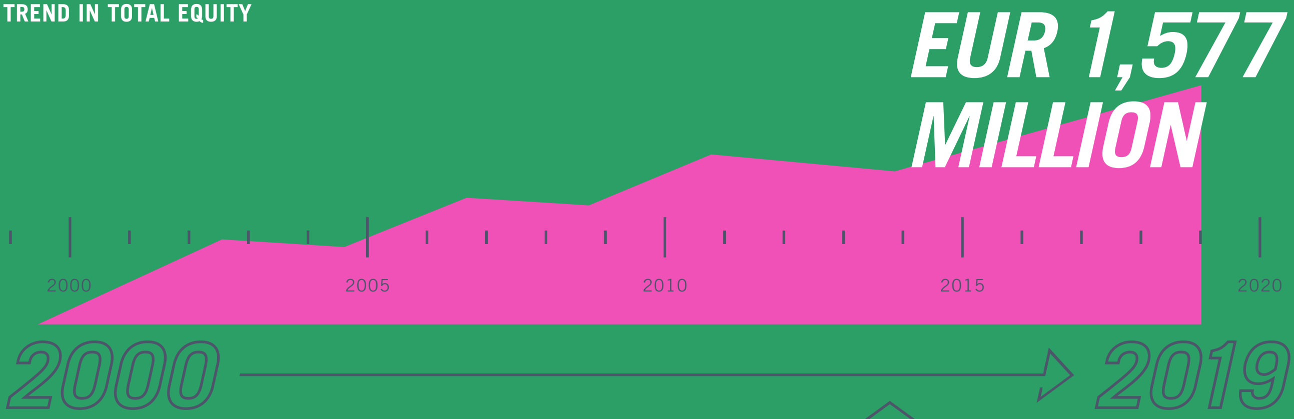
The complexity of health can be addressed only by collective endeavour. Through interaction between dedicated healthcare workers and patients. „Become well. Live well.“ is not a solo effort – Never walk alone.



DISTRIBUTION OF ASKLEPIOS AND MEDICLIN HOSPITALS IN GERMANY

Asklepios was established in 1985 and is now one of the largest private hospital operators in Germany with around 160 healthcare facilities. Our business activities have always been geared towards top-quality, future-oriented medical care for all our patients. Across our wide range of services, we provide our 49,000 employees with wide-ranging tasks and exciting challenges. We have medical facilities in 14 federal states in Germany.

TREND IN TOTAL EQUITY



EMPLOYEES

>49,000

PATIENTS TREATED ANNUALLY

AROUND 2,500,000

160 HEALTHCARE FACILITIES

PERSONNEL DEVELOPMENT

800 NEW FULL-TIME EQUIVALENTS

200 NURSES FROM OUTSIDE THE EU INTEGRATED

> 5,000 DOCTORS

GROUP STRUCTURE

ASKLEPIOS KLINIKEN GMBH & CO. KGAA, HAMBURG („AKG“)

- ASKLEPIOS KLINIKEN
- ASKLEPIOS KLINIKEN HAMBURG GMBH, HAMBURG
- MEDICLIN AG, OFFENBURG
- RHÖN-KLINIKUM AG, BAD NEUSTADT A.D. SAALE*
- ATHENS MEDICAL CENTER SA, ATHEN*

as at 31 December 2019 *Accounting At-equity

’19

/ Kai Hankeln,
Chief Executive Officer (CEO)

BUS DEV INV

Ladies and Gentlemen,

We treated more than 2.5 million patients in the past financial year.

A healthcare provider with around 160 facilities can deliver this level of service only if everyone pulls together. I would like to take this opportunity to extend my personal thanks to our employees: Only by working together with you can we overcome the challenges in our industry. I would also like to thank you on behalf of my colleagues on the Management Board for your tireless and outstanding dedication. It is for this reason that the guiding theme of this year's annual report, "COHESION", is particularly important to me.

Tireless cohesion was also the foundation of our business development in 2019. Despite even stricter regulatory interventions, we have succeeded in growing our revenues. Outpatient services and new business segments accounted for a greater share than in the previous year. One thing is clear: Just like all stakeholders in healthcare, the core business of Asklepios is increasingly influenced by legislators. The consequence of these well-intentioned but frequently impractical regulatory requirements are encountered daily on the ground in hospitals. The most prominent example is the looming threat of gaps in care personnel due to the new lower limits, which is putting the operation of entire departments at risk especially in smaller hospitals.

Asklepios recognized this challenged early on and has put sensible measures in place. In the past financial year, we hired almost 800 new employees for the medical service and are therefore well equipped to meet new requirements. At the same time, we are healthcare pioneers and trailblazers campaigning for the valuable and sensible migration of international nurses and have been in contact with leading politicians many times in relation to this.

SINESS VELOPMENT VESTMENTS

We have not only invested in our personnel, but also in our hospitals, in cutting-edge equipment and innovative technologies. We are also helped in this regard by the increasing momentum behind the digitalisation of our processes. With digital solutions along the entire value-added chain such as the patient-friendly provision of medical services via samedi, the digital hospital based on the M-KIS platform, or optimum aftercare provided by the Care-Bridge discharge management system, we are progressively reducing the administrative workload for doctors and nurses. This is freeing up more of their time, which they can devote to patients. At the same time, the digital transformation makes it possible to open up entirely new business segments. In short: Asklepios is progressively transforming itself into an integrated healthcare provider that supports its patients throughout the treatment cycle from prevention to medical treatment and all the way to aftercare.

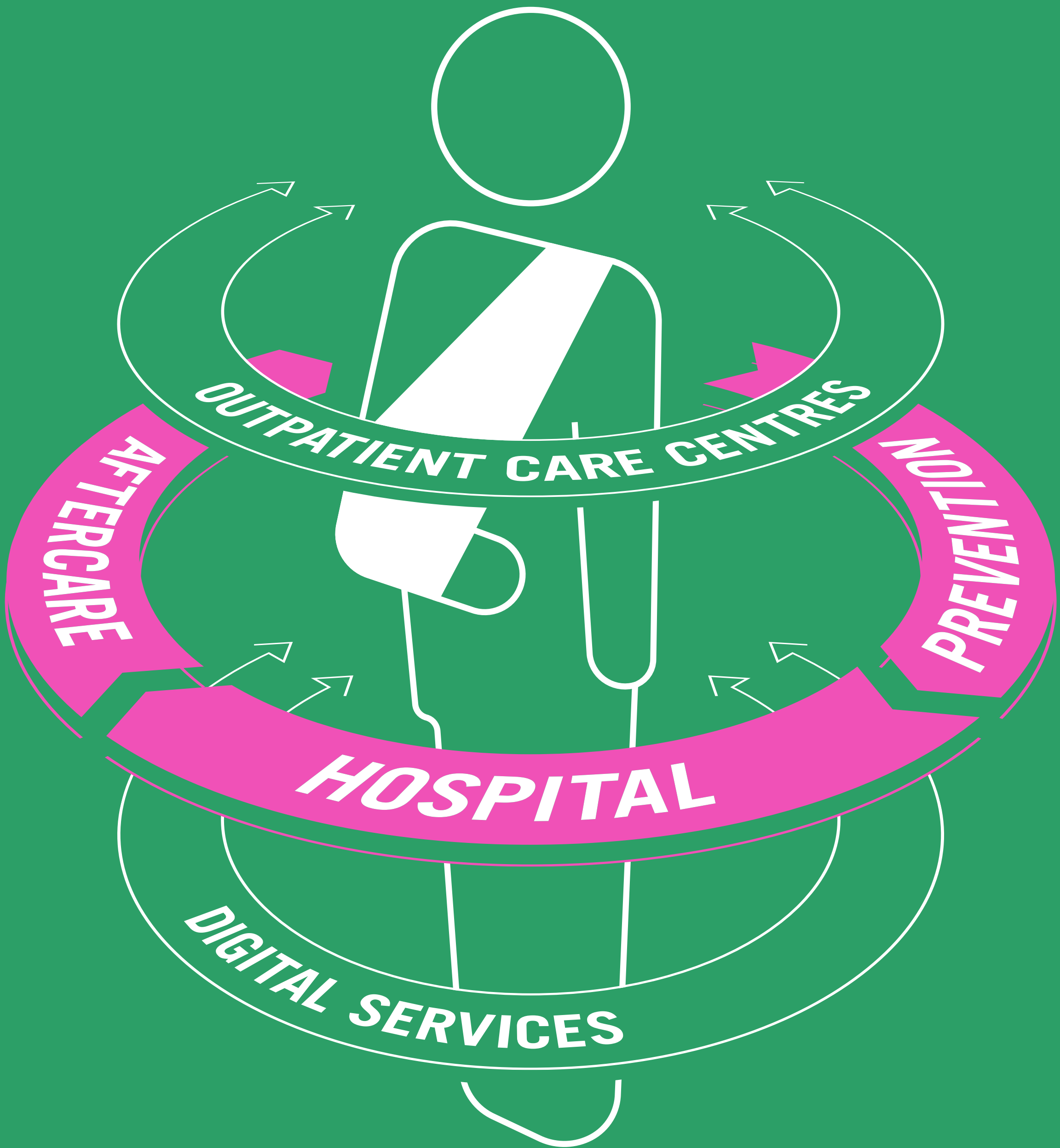
Cohesion is also the guiding principle behind the ongoing development of our investment in the RHÖN hospitals. At the end of February, we reached an agreement with RHÖN founder Eugen Münch to bundle the respective interests in a joint venture, thereby pooling strengths of both companies directly. Our goal once the transaction is complete is to influence the further development RHÖN from a majority shareholding position. We firmly believe that we can continue to expand the potential of RHÖN in the interests of patients and employees.

There is good reason to consider the new type of Asklepios healthcare. We want to continue to continue to grow profitably and are taking a solution-driven approach to our preparations for the impending changes in our sector. Driven by population growth and demographic change, health is and will remain a robust growth market. At the same time, there are unmistakable shifts in the hospital market: advances in technology and the expansion of outpatient treatments are fundamentally changing the character of medical care. It is foreseeable that ever-stricter regulatory requirements will lead to further consolidation in the healthcare sector. This presents new opportunities for strong and forward-looking players.

Asklepios will also continue to develop consistently in the interests of patients in the financial year 2020, and will initiate measures to sustain our medical excellence, innovative strength and profitability into the future.

Best regards

Kai Hankeln
Chief Executive Officer (CEO)


OUTPATIENT CARE CENTRES
AFTERCARE
PREVENTION
HOSPITAL
DIGITAL SERVICES

ASKLEPIOS *ISN'T A* HOSPITAL.

From top left
Kai Hankeln (CEO), Joachim Gemmel (COO), Hafid Rifi (CFO)
Marco Walker (COO), Prof. Christoph U. Herborn (CMO)

IT'S A HEALTH *CLUB.*

BACK

Together

To the benefit of patients for a future-oriented business model

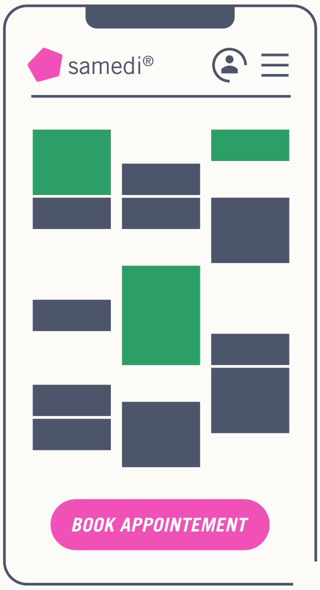
Asklepios is known in Germany and further afield for its advanced medicine. However, we are not content to rest on our laurels. For many years, the company has been driving its transformation from an operator of hospitals to an integrated, digital healthcare group. This further development has produced various innovative services that are now part of everyday life for patients. What specific services are these? How do they support patients and other participants in healthcare? And how do they contribute to healthcare that is better networked overall in Germany?

THE ASKLEPIOS APPROACH: PATIENT LIFE CYCLE VALUE

We outline our modern approach to patient care based on a fictional patient history corresponding more or less to the type encountered daily in the Asklepios hospitals.

1 The illness symptoms

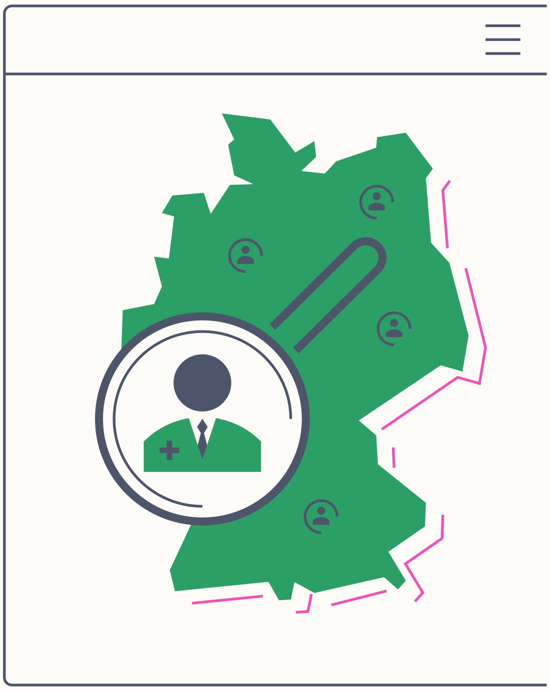
Fourteen-year-old Larissa has been complaining of headaches for some time. Examinations by the ophthalmologist and the ENT specialist reveal do not indicate that anything is amiss. One possible cause, according to the doctors, could be the onset of puberty and an associated growth spurt. However, when regular back pain starts to occur after frequent standing or long school days, Larissa's mother Claudia becomes concerned. Using the samedi app, Claudia arranges an appointment with an orthopaedic specialist for Larissa quickly and easily.



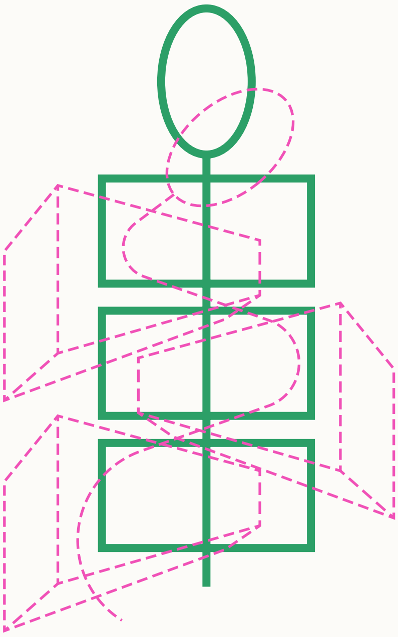
Digital applications such as samedi are at the heart of the Asklepios growth strategy. The digital extension of the value-added chain has been successfully initiated thanks to these types of services and is gaining momentum. Asklepios is also pressing ahead with greater vertical integration across the entire patient treatment cycle: patient-friendly provision of medical services using the samedi app, the digital hospital using the technologically leading hospital information system M-KIS and optimum aftercare provided as part of discharge management using the Care Bridge platform solution.

2 The specialist search

The orthopaedic specialist examines Larissa thoroughly and diagnoses mild early-stage scoliosis. Scoliosis refers to a three-dimensional lateral deviation of the spinal column. In this case, the vertebrae rotate about their own axis, which can quickly lead to back pain when people are standing or seated for long periods. The growth spurts that occur particularly during puberty can exacerbate scoliosis. Nevertheless, the orthopaedic specialist is confident that Larissa's condition can be successfully treated at her age. He recommends four weeks of rehabilitation at a specialized hospital, to which Larissa and her mother agree. But how to find a suitable hospital? The orthopaedic specialist takes out his tablet and opens the samedi app. The doctor now navigates a list of colleagues and, by selecting the appropriate filters, soon finds suitable experts to treat his patient. There is a wide selection of hospitals from which to choose because there is a network of Asklepios hospitals that offer specialist treatment of scoliosis. Finally, they decide on the Asklepios Katharina-Schroth-Klinik in Bad Sobernheim, which has impressed all three of them. That is because Larissa can receive intensive scoliosis treatment there that is unavailable elsewhere in the world. The pension insurance scheme quickly approves the application for the facility in Rhineland-Pfalz.



In addition to expanding its digital services, the Asklepios hospital group is working every day to deliver the highest standards of medicine to patients. Methods that are unique worldwide, such as the intensive scoliosis treatment in Bad Sobernheim, make it possible to provide patients with the best possible care. To ensure these standards in the long term, Asklepios relies on a closely integrated quality management system. Thanks to modern technologies and processes, Asklepios is one of the quality leaders in the healthcare market.



With regard to the scoliosis, the doctors identified several areas of muscular weakness resulting from the lateral displacement and rotation of the individual sections of the torso.

The expertise at Asklepios is not only reflected by the Sanomed orthopaedic technology in Bad Sobernheim – this strategy of excellence is put into practice by our workforce of approximately 49,000 employees across all locations. After all, the sustainable growth trajectory at Asklepios is founded on a strong organisation with proven implementation strength and operational excellence. To safeguard the performance of our hospitals in the long term, for example, Asklepios also recruits and qualifies specialist staff from other countries such as the Philippines. Together, we ensure that our patients will also receive the best possible care in the future.

3 Care in the Asklepios hospital

A couple of days before the start of the stay, Claudia is astonished to find that Larissa is unexpectedly looking forward to the weeks she will spend in hospital. She tells her mother that she has already found all the information about her arrival date via the Instagram channel “asklepiosklinikbadsobernheim”. While reading the FAQs, Larissa paid particular attention to the advice to get to know new people quickly. On arrival at the hospital, Larissa’s details concerning her treatment are recorded by a friendly nurse who is originally from the Philippines, as she explains. As it happens, Larissa makes two new friends on her very first day. Like her, the two girls also have scoliosis. During the days that follow, Larissa enjoys the variety of individual and group sessions. The physiotherapy based on Katharina Schroth’s principles, the occupational therapy, the individual therapy as well as the exercise pools are completely new experiences for her. She is also required to keep up with her school work during the four-week stay. With the classes for patients designed to bridge the gap, the young students need not worry about falling behind her normal school work at home. With her new friends, Larissa often finds it difficult to decide whether they should spend their free time in the craft room, playing beach volleyball or swimming. Larissa had been worried beforehand about having to wear a corset. However, the experts here made certain that the corset specially designed by Sanomed Orthopädietechnik was a perfect fit. Naturally, wearing it is not particularly comfortable, but nobody in the hospital is left to suffer on their own. The fact that the young people can share their experiences contributes to their acceptance of the corset and the therapy.

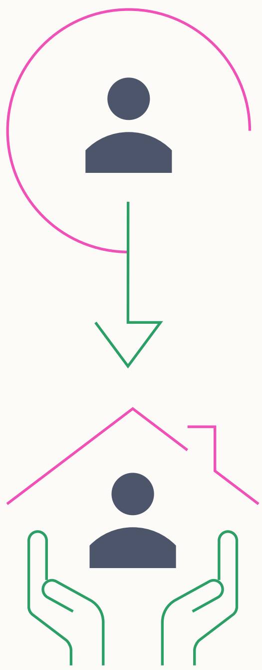
4 Discharging and aftercare

The time spent in Bad Sobernheim passes more quickly than expected for the fourteen-year-old. Larissa talks about the individual patient exercises and explains what she must now pay particular attention to in her everyday life. The Time4Schroth app – a physiotherapy app developed specially by the hospital in Bad Sobernheim – provides Larissa with helpful support when it comes to doing the exercises at home. The programme of regular training will halt the long-term effects of the scoliosis.

In addition, Larissa will now also attend regular physiotherapy sessions. Asklepios trains outpatient physiotherapists in the treatment methods of Katharina Schroth and therefore operates a nationwide network for the provision of post-discharge further care. Naturally, the choice of physiotherapist is up to Larissa and her mother, who are provided with all relevant information.

Next year, Larissa may have to return to Bad Sobernheim for a couple of weeks. However, this is of no concern to Larissa since she is now very familiar with the set-up there. Of course, Claudia is proud of her daughter, who is coping so well with her scoliosis. The mother is grateful that Larissa was in such good hands at the Asklepios Katharina-Schroth-Klinik in Bad Sobernheim – and that all procedures and appointments were arranged so smoothly.

Asklepios will continue to work hard to deliver ultra-modern medical care to its patients before, during and after a hospital stay. The Care-Bridge platform developed by Asklepios to provide continued support after an in-patient spell in hospital will be further established in the healthcare facilities. For this purpose, we want to collaborate even more closely with other stakeholders in the healthcare sector – for the benefit of patients.



MY COLLEAGUES HAVE BECOME MY SECOND FAMILY.

Asklepios is not just countering the shortage in qualified staff with additional nursing schools. The company is also recruiting qualified nursing staff from abroad, who are very keen to work in Germany.

WORKING WHERE OTHERS SPEND THEIR HOLIDAYS.

The neurological hospital in the Hessian spa town of Bad Salzhausen is idyllically situated in natural surroundings between the Vogelsberg and Wetterau areas. Asklepios employees approximately 450 people here. Almost 40 of these are nurses from the Philippines. Irish Mae Balanon (27), Florezcel Abelanes Mendoza (27), and Mark Jovith Pagulayan (28) have also left their home country and discovered a new home here at Asklepios, as they explain during a conversation.

Ms Balanon, Mr Mendoza, Mr Pagulayan – all of you speak fluent German. When did you learn the language?

Pagulayan We attended a German course for five hours every day over a period of eight months in the Philippines. Asklepios arranged that for us. During this time, we also took professional examinations, had our documents translated and applied for the visa.

How long did this preparation phase last before you could get started?

Balanon t took around eleven months. It was relatively quick. I think that is because Asklepios is very well organised. Friends of mine had to wait more than two years with other employers.

How did the contact with Asklepios come about?

Balanon After qualifying and completing some initial work experience, I really wanted to work abroad, ideally in Germany. I sent my curriculum vitae to the Philippine Overseas Employment Administration. I was then informed that Asklepios wished to invite me to a Skype interview.

Why did you choose Germany and Asklepios?

Mendoza I was looking at Australia and Germany. After doing some research, I discovered that there are more opportunities here.

Pagulayan Asklepios was also attractive in that it was already providing us with financial support during the preparation phase. Not all employers offer this.

How did you feel when everything finally came together?

Balanon I was very happy and highly motivated. I had found my dream job and was on the way to the place where I dreamed of living and working.

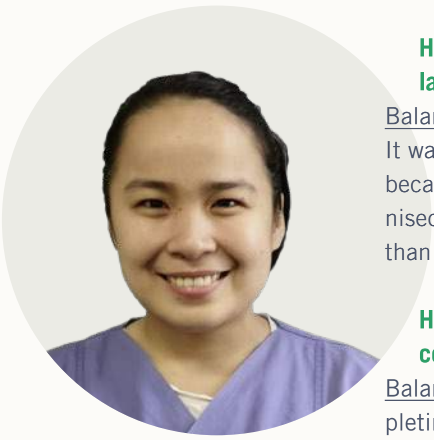
Mendoza I was very excited and very nervous about what was waiting for me. And I was also looking forward to earning more money.

So, the higher wages were certainly an important factor in your decision?

Pagulayan Yes, we are much better paid here than in the Philippines and can use the money to help our families. That is very important to all of us.

Balanon The working conditions are also better here. Back home in the Philippines, we had to work for 16 hours a day. We had only five days of holidays per year. And you couldn't call in sick

"At Asklepios, I can continuously improve my knowledge and skills."



/ Irish Mae Balanon, 27 years of age, with a bachelor's degree in nursing, working in Bad Salzhausen since December 2018, in the early rehabilitation area because there was no-one to take your place. I had to go to work even if I had a fever.

How was your arrival in Germany?

Pagulayan I was collected at the airport and driven to the new training centre in Darmstadt. I stayed there for a month because I still had to complete my oral examination.

Balanon I remember a long and exciting journey. When we arrived in Frankfurt, we were shown around the city to begin with. We went out for dinner in the evening – to an Asian restaurant. (laughs)

How was the initial period at the hospital in Bad Salzhausen?

Mendoza I was a little nervous when I arrived. I had this image of loud, aggressive Germans in my head. Fortunately, I was completely wrong. The people here are all so nice. They are perhaps a little more stressed at times than in the Philippines. (laughs)

> **Asklepios was already supporting us financially during the preparation phase in the Philippines.**

/ Mark Jovith Pagulayan, 28 years of age, with a bachelor's degree in nursing, working in Bad Salzhausen since June 2019, in the early rehabilitation area

Balanon I found it hard in the beginning. I had to get used to the weather, the different culture and especially the food. But my colleagues were very supportive.

Could you see yourself staying here, or do you plan to return home in a couple of years?

Balanon I definitely want to stay! I think it's great that I can undergo further training at Asklepios to continuously improve my knowledge and skills. For example, I will soon take a course in surgical positioning of patients.

Mendoza I think everyone wants to stay. It is a dream come true for all of us. We all feel very much at home here. This year, I received a place in the specialist course in intensive care and anaesthesia – I am very proud of that.

> **We all feel very much at home here.**

/ Florezcel Abelanes Mendoza, 27 years of age, with a bachelor's degree in nursing, working in Germany since July 2018, in the intensive care area

What have you experienced apart from your work? What do you do in your free time?

Pagulayan In the summer, we had a big summer party. I really enjoyed that. We sometimes also visited the bathing lake during the summer or met for barbecues in the evenings.

Mendoza Last winter, I saw snow for the first time! We went sledding with colleagues, and I made a small snowman. There are many other Filipinos here, but I also have German friends.

Balanon I'm looking forward to celebrating Women's Carnival Day again soon with my colleagues. We had such fun last year.

So, there is a strong sense of cohesion among the colleagues?

Mendoza Yes, absolutely. Irish and I both live in a shared apartment in Nidda, which means we can save money for our families. However, Nidda is five kilometres away, and there is no public transport. Our colleagues pick us up and drive us back home. They always tell us that we just need to let them know. They are very kind.

Balanon Thanks to my colleagues, I have never felt like I am away from home. They have become my second family. I no longer feel homesick.

THE PATH TO GERMANY

The shortage of qualified staff in Germany cannot be overcome without the help of qualified nurses from abroad. However, bureaucratic hurdles remain high, and it takes a long time to secure recognition of professional qualifications. The waiting time for a visa can take several months.

A Filipino qualified nurse will generally have completed four years of university studies and achieved a bachelor's degree. The degree is either recognised directly, or a professional examination must be completed. This is decided by the German authorities. Possible criteria include professional experience or the field of activity.

"Cohesion" can hardly be more impressively demonstrated than in numbers: revenues of EUR 3,537 million, around 160 healthcare facilities and almost 2.5 million patients treated at Asklepios in the 2019 financial year. This type of performance can be achieved only by collective effort. Hafid Rifi, CFO and Deputy CEO of Asklepios, is responsible together with his team for controlling and optimising the financial key figures across the Group. In the interview, he talks about how this complex task can be overcome, the importance of agility in the area of finance and what trends are currently motivating equity investors as well as debt investors in particular.

Mr Rifi, how does one exert financial control over around 160 facilities dispersed throughout Germany?

It is not an easy task. Since our hospital network extends from Lindau on Lake Constance to the island of Sylt in the North Sea, there are very different regulatory requirements and rules that apply within the regions. For this reason, we rely on an approach that has proven itself in the past: In 14 federal states, we have regional managers who are each experts in their respective area. They are supported by our central areas such as controlling, accounting and bookkeeping. This combination of regional responsibility and inter-state coordination has worked extremely well for us for many years.

Different gears are meshing in this case.

Precisely. We have a policy of very close cooperation between the functions that are mutually dependent and require one another. An example: The Finance department organises the financing framework in close consultation with the Treasury department. Treasury in turn then operates within this financing framework. In the meantime, the Investor Relations department ensures transparent communication with stakeholders, thereby supporting our colleagues. Regular exchanges between all areas of the Group on current issues is a decisive factor here. The kind of silo mentality that is unfortunately so prevalent in many groups has become a taboo for us in recent times.

BACK

TOGETHER

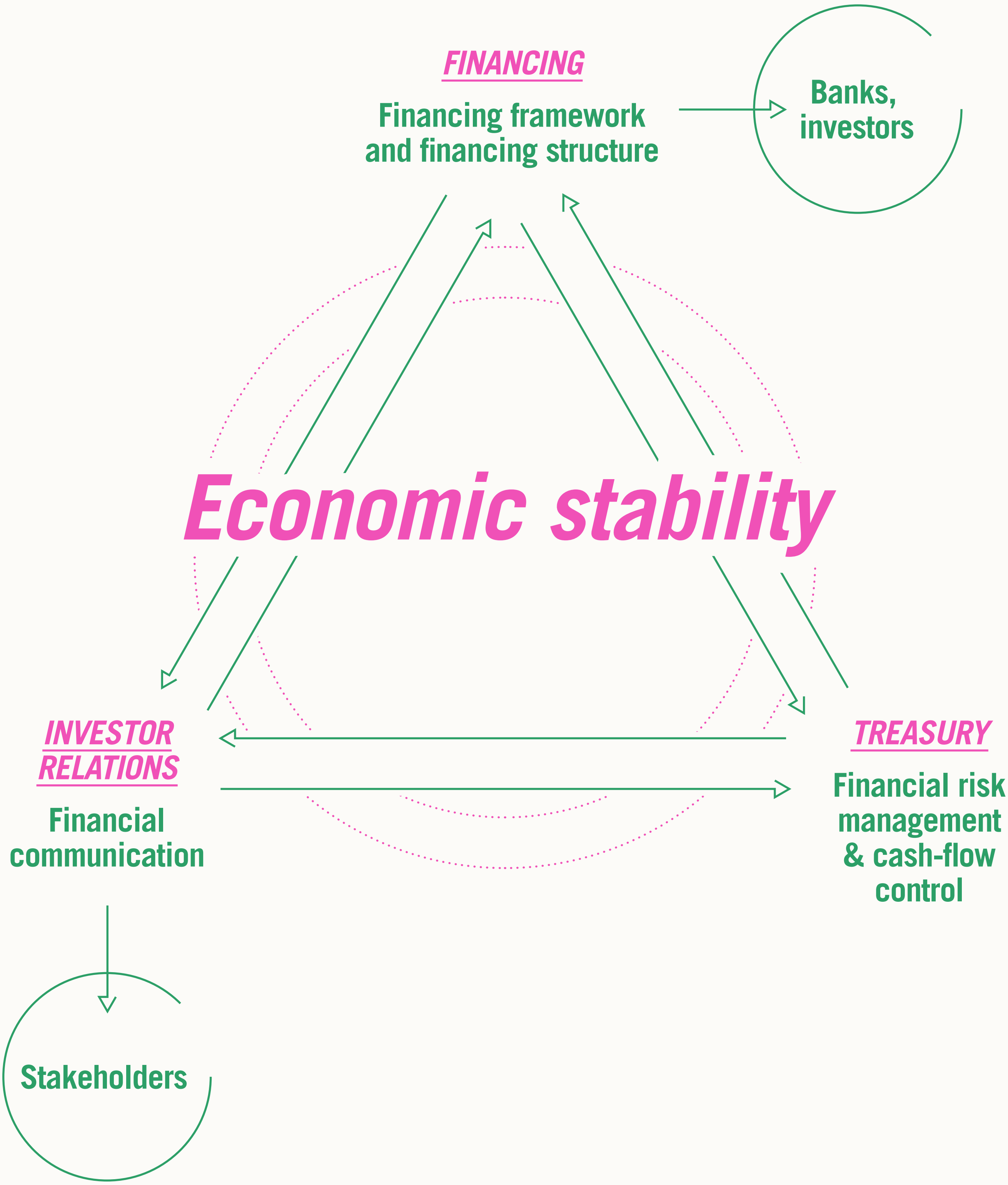
Controlling

Corporate Finance

Bookkeeping

Accounting

COHESION OF THE FINANCIAL DEPARTMENTS



Does this working approach also contribute to the company's financial success?

Yes. The concept of "agility" will no doubt be familiar to many people. This approach is practised throughout Asklepios, where we have put in place agile structures to allow successful innovations and income opportunities to be implemented and scaled up rapidly across all hospitals. This is a key competitive advantage that helps us optimise our working capital and drive the success of our company.

Can you share an example of this?

There are numerous examples at Asklepios. For instance, we have established a billing process in our hospitals that aims to ensure that open receivables are settled more quickly. We have standardised the central emergency department, enabling us to achieve economies of scale and ensure the highest quality standards at all hospital across the group. And with S.A.V.E. → P. 48 in the area of obstetrics, for instance, we have implemented a Group-wide program that improves the standard of care provided to mothers and infants while reducing liability risks. In a nutshell: the operating business of Asklepios is very well positioned.

As a healthcare group, Asklepios operates in a strictly regulated market. Is that another reason why agility is important?

Correct. Our ability to respond quickly to regulatory changes or to anticipate them well in advance is essential. After all, the regulatory framework has a direct impact on our liquidity and on our financing requirements. In addition, it is becoming increasingly apparent to us that the dual financing system whereby the federal states pay for investments and the health insurance funds bear the costs of medical services is rapidly approaching its limits. We are having to step into the breach more and more frequently and are funding mainly investments in the future of healthcare from our own resources.

The voluntary public takeover offer for the RHÖN hospitals that you announced at the end of February also involves not insubstantial financial resources. Why is that a good investment?

Our agreement with company founder Eugen Münch as well as our joint venture gives RHÖN the clarity it requires concerning its long-term strategic orientation. The completion of the transaction will provide the company with a secure framework for action that will enable it to accelerate its ongoing commercial development and underpin its earning power and performance capabilities collectively with Asklepios. The solution to the roadblocks put up by the owners will pay dividends for everyone – the patients, the employees and, naturally, the investors.

In addition to the current conflicting priorities of security, profitability and flexibility comes an additional component that has become increasingly important in recent years: sustainability. How is the finance area positioned in this regard?

Sustainability is a central concern for us, and well follow the trends in this regard very closely. Global investment in sustainability has increased from USD 13.3 trillion in 2012 to USD 30.7 trillion in 2018 – the signs of the times are unmistakeable. Looking ahead, this will enable us to secure new investors and tap into new sources of capital. The prerequisite for this is a transparent CSR reporting. Asklepios is also well positioned in this regard. For the 2019 financial year, we have published our second sustainability report, which has been very positively received by the investors. This year, it will also be audited by PricewaterhouseCoopers (PwC) for the first time. With regard to sustainability, we set a good example and are happy to submit our efforts to be audited.

As an unlisted company, how transparent does Asklepios actually want to be?

When it comes to transparency, we deliberately set the bar high. Even though we are a family-owned company, we offer virtually the same levels of governance, controlling and reporting as listed groups. This builds trust for today and for the future. In particular, we want to offer greater openness to investors, for whom sustainable and social aspects are important. And this is only possible if one is transparent regarding these issues.

> **We have put in place agile structures to allow successful innovations and income opportunities to be implemented and scaled up rapidly across all hospitals.**

Letter from the shareholder

We can look back on yet another successful year. With a clear focus on the highest standards of medical quality, ongoing innovations and social responsibility, Asklepios has not only achieved economic success, but has also created value for all its stakeholders.

Most importantly, the last few months have seen Asklepios make excellent progress with its strategic transformation to become an integrated healthcare companion. We continue to invest in preventative and aftercare measures. Early detection and optimum treatment of disease are now and will remain our core activity. We also believe that helping people to remain healthy is an equally important responsibility.

Yet despite all the successes and positive developments, we must also address the major challenges facing the German healthcare system. We are also engaging very intensively with issues such as the nursing crisis and the shortage of qualified staff, cost pressure and inadequate hospital planning.

As a family-run company, Asklepios has pursued a policy of cohesion based on partnership for many years. We foster dialogue between our hospitals, between specialist disciplines and between the professional groups within a hospital. Skills are integrated in a logical manner, and cooperation between interdisciplinary teams is continuously honed, also across locations. This is the fundamental prerequisite for our success.

> A hospital can function only if everyone pulls together

A hospital can function only if everyone pulls together. This same also applies on a larger scale for the healthcare system itself. The fact that Asklepios is also willing to explore new approaches here is clearly reflected by our close alliance with Rhön founder Eugen Münch, which sees the coming together of two visionary companies and pioneers of healthcare, both of which have made important contributions in the past to opening up and modernising the German hospital landscape.

We also look forward to pressing ahead in the future with advanced medicine as well as innovative care models in Germany. As one of Germany's largest private hospital operators, Asklepios is already making an important contribution to addressing the challenges in healthcare. However, we could achieve substantially more were the underlying conditions to be improved. According to estimates by the German Hospital Federation, there are currently some 15,000 vacant positions throughout the hospital sector – and this gap will widen further in the coming years. With this in mind, Asklepios is creating new services and bolstering its training facilities for nursing staff. We are currently investigating ways to make the work more appealing. For instance, we are planning to provide our employees with subsidised accommodation due to the prohibitive costs of living in specific regions.

We are recruiting new nurses from around the world, teaching them German, investing in their seamless integration and supporting them in their battles with German bureaucracy. This is a laborious and sometimes difficult path – but we firmly believe that every additional nurse is a victory for our patients in Germany.

I would like to express my sincere thanks to all employees of Asklepios for doing their very best for the health of our patients on a daily basis in a challenging environment. I am also particularly grateful to all the patients and partners who have placed their trust in Asklepios over the past year.

I very much look forward to our continued partnership and cohesion in 2020.

Dr Bernard große Broermann

During the 2019 financial year, we progressed on the implementation of systematic sustainability management and continuous reporting, and this annual report coincides with the publication of our second sustainability report. To boost transparency, we expanded our data management system and submitted our report for inspection by an auditor for the first time. Over the course of various projects and workshops, our employees and managers engaged with the issue of sustainability at Asklepios. Asklepios remains focussed on the action areas of patients, employees, society, environment and compliance. We hope you enjoy reading this annual report.

AVOIDING MISTAKES TOGETHER

Together
Between patient and care

Maintaining a positive and open culture in dealing with mistakes and errors is a top priority at Asklepios: The most important question is "What happened?" rather than "Who is to blame?". To identify mistakes and errors as early as possible, Asklepios uses the reporting and learning system "CIRS". Reiner Heuzeroth from the Quality division (KBQ) is a clinical risk manager, technical expert and patient safety manager at Asklepios. Together with his team colleagues, he has set up a comprehensive system of clinical risk management based around the flagship CIRS solution.

„It is certainly no exaggeration to say that we are now extremely well networked nationwide", reports Heuzeroth, who is involved in various national expert groups focusing on the issue of patient safety. The successful roll-out of CIRS across the Group has seen Asklepios embrace innovative approaches. The interest from our hospitals in the innovative model from the Quality division has continued unabated since then. Heuzeroth confirms the intensive engagement with specialist colleagues in his assessment: "Asklepios is regarded by expert groups in many respects as a pioneer in the area of patient safety." In 2015, the "Asklepios CIRS Network" was even awarded the German Prize for Patient Safety by the German Coalition for Patient Safety.

> **Anyone can submit a report via CIRS in complete confidence and without fear of personal consequences**

/ Reiner Heuzeroth
Quality division

REPORTING ERRORS – YET REMAINING ANONYMOUS

But how does CIRS work exactly? The easiest way to explain it is to use an example: a patient is to be moved from the ward to the operating theatre. Since he is not wearing a patient wristband and is not asked to give his name, the wrong patient is collected. Fortunately, the error with potentially grave consequences is noticed in time during the surgical admittance procedure. But how could this happen in the first place? How can this type of confusion be avoided in future?

"It is important that errors are highlighted as soon as possible so that the causes can be eliminated in structural terms," says Reiner Heuzeroth. This is where CIRS is ideal as it allows every employee to submit a CIRS report using a web-based reporting form from every PC in his or her work area. All they need to do is to click on the relevant link and answer three questions: What happened? What led to the incident? How could the incident be avoided in future?

The report can then be sent completely anonymously – it is not possible to trace the source of the information. "It is essential to protect the employees," adds Reiner Heuzeroth. "What is at stake here is not sanctioning errors, but finding out where something is not being done correctly and could put the safety of patients at risk."

9,000 MEASURES FOR GREATER PATIENT SAFETY

In the almost ten years during which the system has now been used, Asklepios employees have reported around 13,000 cases from which more than 9,000 measures have been derived. In other words: The CIRS system and the active involvement of all Asklepios employees in the medical area have already ensured several thousand times that something could be improved by these reports. A remarkable success. And new measures are being added daily.

With regard to issues of relevance to safety and insights from CIRS cases, the Quality division (KBQ) sends safety warnings entitled “Safety first” to all Asklepios employees several times per year. The cases prepared by technical experts contain specific recommended actions that can be implemented immediately in all areas.

A good example of a measure with an extremely useful benefit is the prevention project "Stop-Inject Check". The name spells out the procedure, which requires employees to stop briefly before injecting a medication and asking themselves: "Am I really sure? Is this right patient, the right medication, and the correct dosage?" The medication should be injected only if these questions can be answered positively. Heuzeroth knows only too well that "the two-second pause saves lives". In fact, as part of an initial evaluation conducted following the introduction, more than 20 percent of those surveyed reported having been confronted at least once with incorrect medication or almost incorrect medication that the "Stop-Inject Check" could have prevented. The procedure takes only a couple of seconds but can prevent thousands of potentially serious medication errors each year.

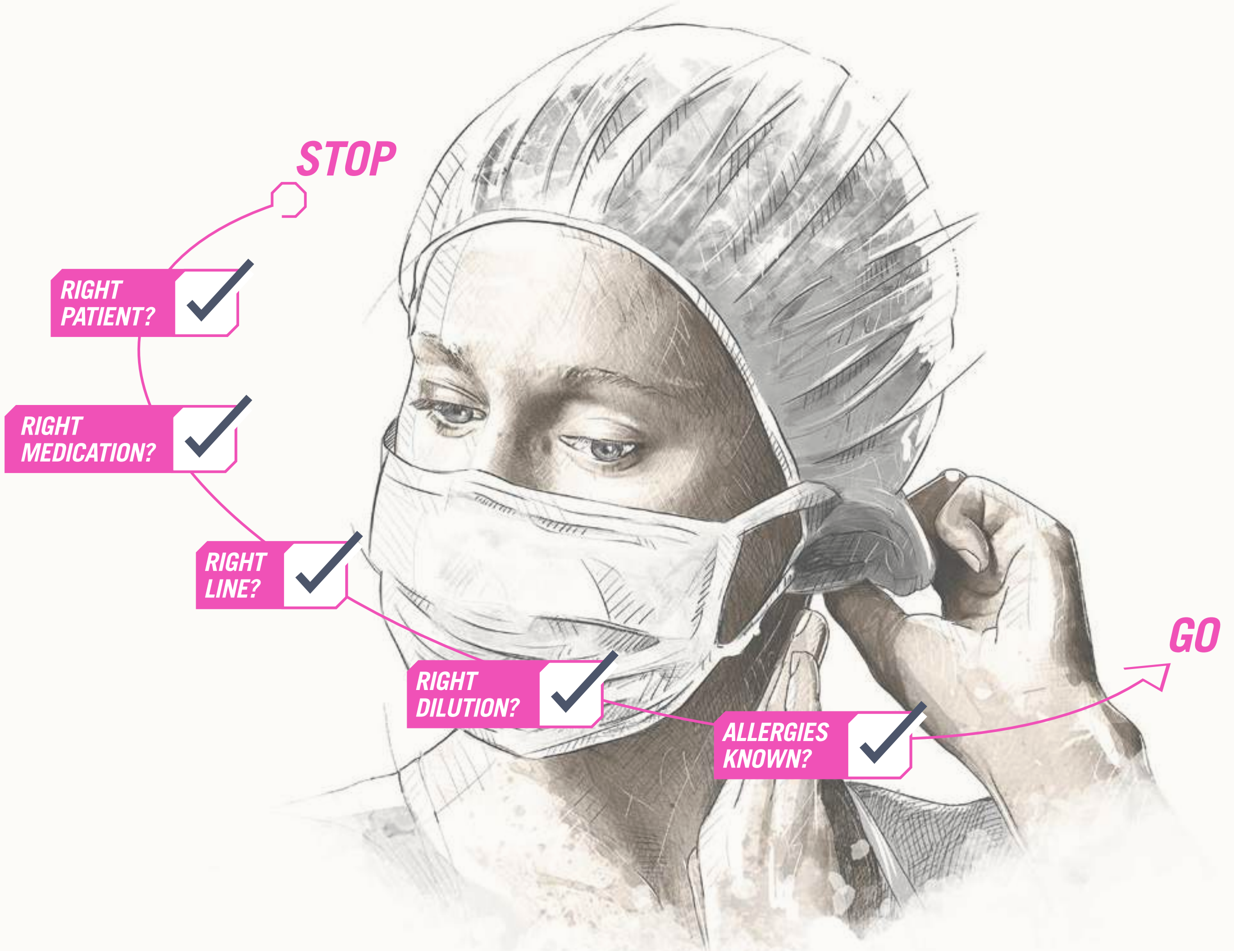
"A two-second pause saves lives."

/ Reiner Heuzeroth
Quality division

PATIENT SAFETY WILL ALSO BE CONTINUOUSLY IMPROVED IN THE FUTURE

Attention is drawn to "Stop-Inject Check" throughout Asklepios with the help of signs and adhesive labels in the hospitals. The creation of safety standards, instructional material, videos, brochures as well as continuous training are essential elements of the work by Reiner Heuzeroth and the team from the Quality division. The "Asklepios Programme for Patient Safety" developed back in 2008 contains numerous methods for identifying risks, informing and involving patients and qualifying employees. These include special risk audits in particularly critical areas such as surgery, the emergency department, obstetrics and intensive care wards. If an incident giving rise to a claim has occurred, Quality employees carry out a "systematic case analysis". The focus is on carrying out an in-depth analysis of the event and the mistakes that were made.

Patient safety will also be one of the key Group objectives at Asklepios going forward. "Our long-term goal is to bring together the results and risk analyses from the various sources both at Group as well as at hospital and department levels so that we can take action even more quickly," says Heuzeroth. "This will allow us to continue increasing the level of safety of our patients."



STOP INJECT

AVOIDS MEDICATION ERRORS

CHECK

TO ADMINISTER MEDICATION SAFELY!

Together → Between employees

“We all share a common objective: to cure the patient.” That is a key insight of the participants at the “Change of Perspective” workshop. Doctors get together with management trainees for the first time to exchange ideas. The aim is to break down prejudices and foster mutual understanding.

Antonia Schenk Gräfin von Stauffenberg (31), , management trainee until July 2019 and currently a hospital manager at Asklepios, and Dr. Philipp Schwaab (38), Fspecialist for oral, jaw and facial surgery and specialist dentist for oral surgery, discuss their impressions of the change in perspective.

MANAGEMENT

Antonia Schenk Gräfin von Stauffenberg (31)

MEETS MEDICINE

Dr Philipp Schwaab (38)

Gräfin von Stauffenberg, why do you feel the workshop was so important?

Von Stauffenberg Very different groups of professions work together in a hospital – nursing staff, doctors and administrators. This can result in barriers and misunderstandings that are not helpful. Whereas nurses and physicians work directly with patients, we managers are often somewhat removed from that. Other professional groups often perceive us as "that crowd upstairs".

Do you mean as numbers people who have no interest in patients?

Von Stauffenberg Exactly. People quickly form the preconception that we are overly fixated with key figures, have no understanding of medical aspects and are simply too far removed from the patient. I should point out that our clearly stated primary objective is to ensure that patients return home satisfied and in good health.

Dr Schwaab, from your perspective, what leads to conflicts between medical personnel and management?

Dr. Schwaab For me, it's very clear: insufficient communication, resulting in a lack of understanding of the needs on either side. In the day-to-day running of a hospital, the medical and economic or administrative requirements are frequently met only after a certain delay. However, both approaches must ultimately come together. The necessary degree of coordination can be ensured only through greater communication at various levels. The course was really a very useful stepping stone in that direction.

BACK

Do you believe that doctors understand the need for a hospital to operate economically?

Dr. Schwaab Of course. Adopting an economic mindset is also part of our everyday work. A sense of proportion and economic efficiency are basic principles for us along with good patient care. It is important that we deploy the available resources in a medically effective manner. One example of effective communication in this regard is the process of coding cases. As doctors, we monitor the medical care we provide to patients and discuss this regularly with our case managers, who verify that the coding is complete and consistent. By operating in this way, we can identify and solve pitfalls together during daily consultations.This also enables us to address recent problems, such as the current legislation to reform the Medical Review Board of the Statutory Health Insurance (MDK, Medizinischer Dienst der Krankenversicherung).

And from your perspective, would you describe the management as being indifferent to patients, Gräfin von Stauffenberg?

Von Stauffenberg Absolutely not! The delivery of high-quality medicine to our patients is the top priority for those involved in the management of every hospital. During the workshop, it also became apparent that many of the management trainees very deliberately chose the hospital as their place of work. They want to play their part in delivering improved patient care in Germany.

> We must talk to one another and collaborate to find ways to deal with challenges such as cost pressure and staff shortages.

You too made a conscious decision to work in a hospital. How do you think the challenges in the German healthcare system can be countered?

Von Stauffenberg It is very clear that we can counter them only if we all pull together. Prejudices and barriers help nobody. We must talk to one another and collaborate to find ways to deal with challenges such as cost pressure and personnel shortages. For these very reasons, we must always deliver the highest standard of medicine to our patients and protect the health of our employees.

Was the workshop really helpful for this, Dr Schwaab?

Dr. Schwaab Yes, it was an important first step. If we want to tackle challenges together, we must start by encouraging mutual understanding. The workshop showed that we have more things in common than differences. The goal of both professional groups is to ensure that patients are treated in a functioning environment. We just go about this in different ways. Would you agree, Gräfin von Stauffenberg?

Would you agree, Gräfin von Stauffenberg?

Von Stauffenberg Very much so. Doctors and administrators ultimately have distinct functions in the hospital – and both are essential for operating a hospital successfully. A hospital can function only if all professional groups cooperate.

Let us return to the subject of communication, which was an important topic of the workshop – what insights did you gain?

Dr. Schwaab Personal communication is the key to success in a functioning hospital – particularly between work areas that do not see each other yet must work closely together.

How will things continue now after the workshop?

Dr. Schwaab I will try to integrate these insights into my everyday work. Getting to know one another personally already makes it easier to solve problems because we can immediately communicate in a different way.

Are there other initiatives at Asklepios aimed at promoting internal dialogue?

Von Stauffenberg Yes. Just last October, for example, we introduced a new social intranet. It is called "ASKME", and it operates along similar lines to large public social networks. The newsfeed provides information of relevance to each employee, you can chat with other people and build networks. Following the test at several clinics, the tool is due to be rolled out across the company. Here at Asklepios, optimising internal communication is a very important topic for us.

Cross-location collaboration in virtual expert groups, news, wikis, blog articles and chat functions in real time – ASKME, the new mobile social intranet at Asklepios, makes it all possible. Using either a PC, a smartphone or a tablet, all employees can access the intranet, exchange ideas, provide feedback and thereby communicate and cooperate with one another easily and at any time.

100 days after the launch at the end of September 2019, almost 280 groups had already been formed, and more than 550 blog articles had been published. Employees communicate with one another in more than 1,500 chats daily. Maike Gräf, project manager since 2015 in the area of on-line communication at Asklepios and ASKME project manager, is proud of what Asklepios has achieved here: "ASKME is an intranet for everyone."

EMPLOYEES' NEEDS WERE IDENTIFIED IN PILOT CLINICS

We take a look back. The on-line platform is the result of intensive work, numerous challenges and a great deal of passion. Gräf still clearly remembers the two-year preparation phase: "We quickly reached a consensus: an intranet that is open to all and compatible with mobile devices. But is that also what our employees want? Our team was very preoccupied with this question. We conducted a requirements analysis, ran workshops and surveys to find an answer." We needed to define all requests in a structured manner. With the help of a 360-degree analysis, all professional groups were considered for the catalogue of requirements – with the seven-strong project team focusing at all times on a user-centric approach.

Along with employees in the medical area, colleagues from administrative areas such as IT experts and local communicators were involved in decisions. There were a total of nine, of which five were in the pilot hospitals, one workshop with managers, one with the Group works council, one workshop with IT and one with selected communicators from the hospitals in Hamburg, Wiesbaden and Langen. Throughout all processes – especially around the issue of data protection – the Group works council was always involved. At the end of 2017, it was clear that the Asklepios employees wanted greater networking opportunities and needed a new intranet.

COHESION IS GREATLY STRENGTHENED IN THE SOCIAL INTRANET

All participants also had a major say in the search for a suitable partner to supply the software for the platform. The decision ultimately fell in favour of the most user-friendly tool: COYO. The detailed design was a lengthy process that reached an important milestone on 30 September 2019, when ASKME went on-line. The pilot hospitals already had their own hospital pages when the new intranet was launched. In addition, all employees were granted access from the outset to the "Asklepios-Aktuell" channel and the Group management page. Other functions and content were added on a phased basis. The topic of data protection was also a top priority from day one. Both in the virtual expert work groups as well as in the chats, employees can rest assured that everything is securely protected.

"Thanks to the intensive interaction of our employees, who are liking, commenting on and sharing the articles, the intranet has only now come to life," says project manager Gräf. Conversely, ASKME has a positive influence on the sense of unity. Cohesion at Asklepios is enormously strengthened by the social intranet.


"ASK ME"

We want to further strengthen the feeling of cohesion in our company.

/ Maike Gräf
On-line communication at Asklepios

"THE MOST MODERN FORM OF COMMUNICATION"

JEveryone can customise ASKME. In addition to their own hospital page, all employees are permanently subscribed to the "Asklepios Aktuell" channel, the Group management page, the Hamburg management page and to the separate compliance page as well as a general page about ASKME.

For example, service and holiday schedules can be agreed online – employees without a work mobile phone can download the app to their own devices.

This was a deliberate decision by the project team: "With ASKME, we can be out and about more quickly and in a more interconnected way. As the most modern form of communication, the social intranet enables our employees not only to share information and expertise, but also to cooperate closely with other people in our company at our various locations," explains Gräf. Even if the Asklepios hospitals are situated far apart, the employees are often dealing with the same issues. The hospital on Sylt may already have gathered experience that can benefit the colleagues in Munich. What is clear is that ASKME could scarcely be more suitable for an increasingly integrated, digitally networked healthcare provider such as Asklepios.

The new intranet was designed as an open platform in which everyone can participate using their real name. "We made a very conscious decision against anonymity. After all, our primary goal is to further strengthen the feeling of cohesion in our company," says Gräf.

ALWAYS ANOTHER REASON TO CELEBRATE: A NEW HOSPITAL PAGE GOES ONLINE ON ASKME

With regard to the handling of the intranet, the project team explored new horizons: there is one centralised editorial team, which also feeds the "Asklepios Aktuell" channel. In addition, each location will have at least one designated editor with the freedom to create a design for the specific facility.

The editors at the locations are the contact partners for the intranet. To coincide with the introduction, they are provided with a handbook of defined standards and a step-by-step manual for their own hospital. With the communication package – posters and flyers – the editors can ensure that every employee hears about ASKME.

Once preparations for the new hospital page are complete, the editor reports to the head office. Apart from the pilot hospitals, more than 20 locations have already created their own page in the new intranet. All others are in process, and the divisions are also gradually supplying content. As soon as an editor reports to the head office that the hospital page is ready to go on-line, the launch of the page is widely celebrated on ASKME and in the hospital itself.

What's next for ASKME? "Before the project is after the project. User feedback is only starting to arrive now, and that is very valuable for us. We have now arrived where we wanted to be and are well positioned to continue our work," adds Gräf. For example, the team is now looking at further expanding the applications for everyday hospital use, making the events even more user-friendly and is excited to receive suggestions for improvement and ideas from the employees.

After all, a digital communication channel that opens entirely new opportunities for employee cohesion is never silent.


ASKME
5
HOSPITAL PAGES
4
BLOG ENTRIES
2
CHATS
Team Intranet
Max Meyer
Schaut mal...ich habe einen neuen Gruppenchat eingerichtet
jetzt können wir uns austauschen
Freu mich auf Euer Feedback
Veronica Winter
Klasse Idee Max!
Heute
Hilke Schmidt
Kannst Du noch John einladen?
3
EXPERT GROUP ARTICLES
Doc Slam
1
ASKLEPIOS AKTUELL

CONNECTED


EMERGENCY SERVICE
MEDICAL SPECIALISTS
PHARMACISTS
CARE
OBSTETRICS

Together → Between skills

At Asklepios, a total of 49,000 employees in 160 hospitals bring their experience and expertise to bear each day for the health of our patients. This wealth of expertise presents us with unique opportunities and sets us the important task of effectively networking the diverse capabilities and expertise and optimising their interaction – both in the individual hospitals as well as across locations and with external partners, such as doctors providing treatment or emergency services. Only through a concerted policy of cohesion can we deliver the best possible treatment to our patients and maximise the effectiveness of our investments.

Networking between locations – using the successful example of a tumour conference

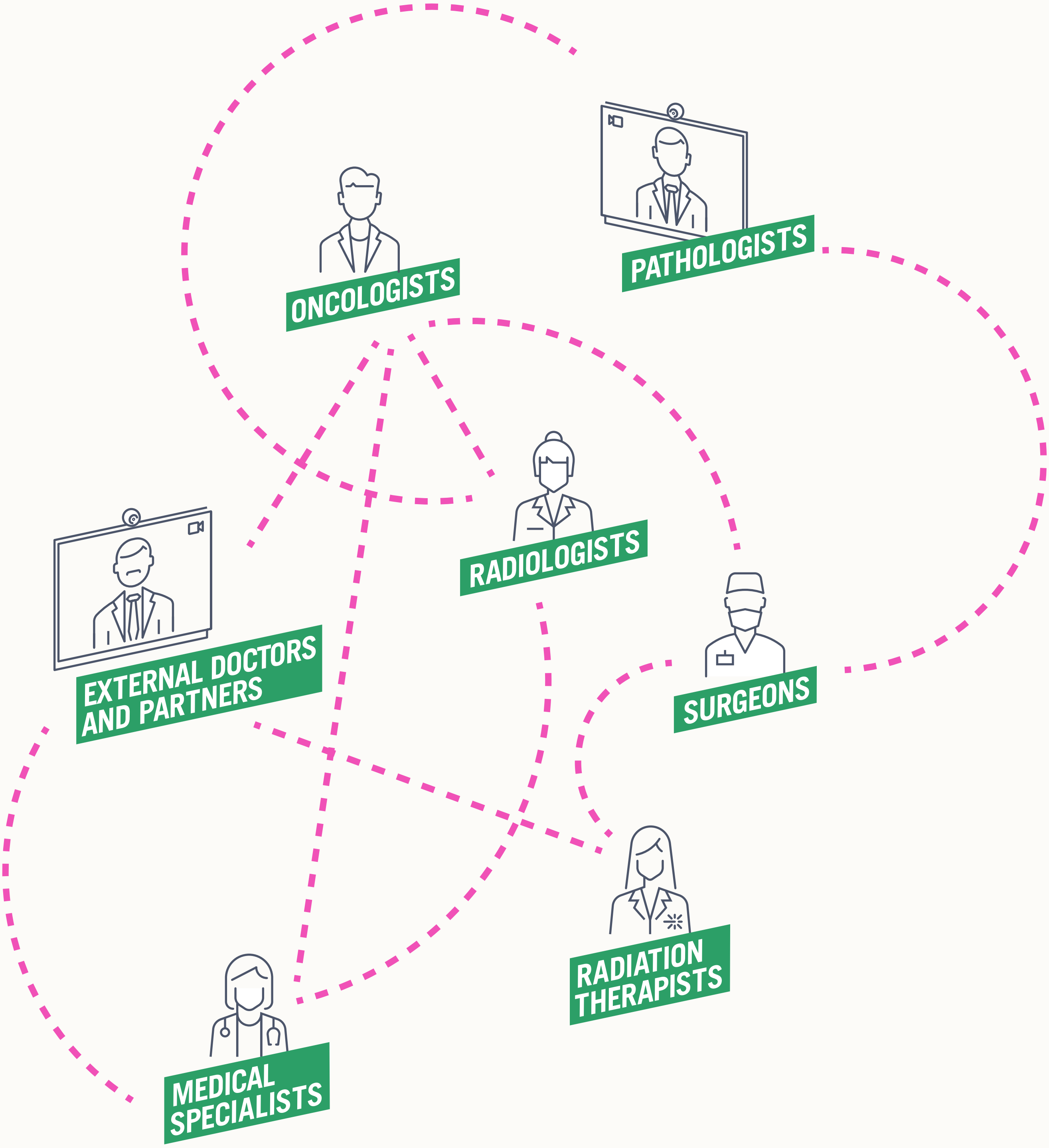
We want our patients to benefit from the accumulated knowledge of the finest experts in all relevant disciplines. The valuable expertise of employees should not be confined to single workplace. The focus at Asklepios is therefore on networking hospitals and expanding cross-location cooperation. The best example of this is the tumour conference.

"In the case of tumour diseases, the well-coordinated interdisciplinary cooperation of all related fields plays a decisive role in addition to early detection," says Prof. Dirk Arnold, Medical Management Board of the Asklepios tumour centre in Hamburg, explaining the background. At the hospitals and outpatient facilities grouped under the auspices of this centre, the entire spectrum of medical cancer treatment options is available. All this expertise is pooled in the tumour conference for the benefit of patients and ensures a comprehensive overview of the disease incidence.

Since 2017, some 200 specialists from seven Hamburg hospitals and six outpatient treatment facilities have joined forces in the fight against even the most complex tumour cases.Every week, more than twenty tumour conferences take place, each attended by ten to twenty experts: oncologists, radiologists, surgeons, radiation therapists, pathologists as well as specialists from the disciplines concerned (such as gynaecology, urology, gastroenterology, ENT, neurology and neurosurgery). Resident doctors and other partners and experts are consulted when necessary. Together, they consider each individual patient, discuss and record in writing the best treatment path and the optimum treatment sequence.

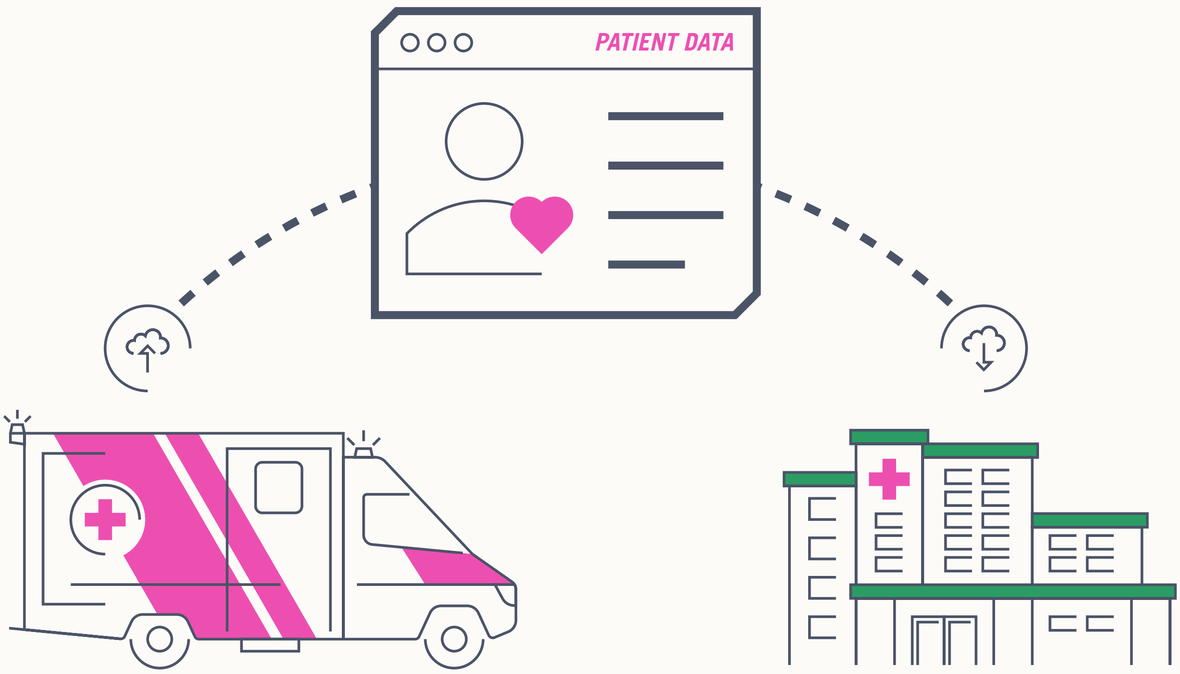
Since 2019, this forum has taken place with the help of a web-based platform. Experts at the various locations and resident doctors can now participate via video conference. This allows all conference participants to share the presentation of X-rays, laboratory results and surgical records and be directly involved in the discussion. "The required specialist can now participate in real time from any location, for example, if the radiologist scrolls through a series of MRT images and evaluates them for the other attendees, the gastroenterologist shows an endoscopy or the pathologist demonstrates and comments on his slides," explains Prof. Roman Fischbach, Senior Consultant Radiologist at the Asklepios Hospital in Altona. With the help of these networking possibilities, Asklepios is even better able to provide patients with tailored treatment plans that have been agreed across multiple disciplines and within a very short period.

Thanks to these new technologies, the Asklepios Tumour Centre in Hamburg is developing in to the largest oncology network in the Hamburg metropolitan region.



Every week, more than twenty tumour conferences take place, each attended by ten to twenty experts.

Digital networking with external interfaces – connection to emergency services



All important patient information is transmitted before the ambulance even arrives at the hospital.

/ Oliver Heggblum
Head of department for medical specialist systems

New technologies for networking expertise are also changing the quality of medical treatment in other areas. Asklepios is now the first hospital operator to introduce a system that can feed patient records from the emergency services directly into the digital patient records in the M-KIS hospital information system.

The M-KIS hospital information system has been in operation at Asklepios since 2016. In the system, data is structured into digital patient records, stored in a legally *compliant manner, and the treatment process is transparently documented. Doctors and nurses can access all current patient information quickly, easily and from any location. Gone are the days of "paperwork" when paper records had to be passed around, which made the processes more difficult and slowed them down.

The ability to network M-KIS with the new program NIDA, which was introduced in 2019, represents the consistent continuation of digitalisation – at a highly relevant interface: the transfer of a patient from emergency services to the hospital. Speed is of the essence in an emergency. However, a great deal of essential information must be handed over during the transfer, especially the patient record. It contains, for example, measurement such as blood pressure and pulse, information about the disease or injury as well as about any emergency treatment already administered.

Up to now, patient records were written out by hand. Spidery handwriting, imprecisely placed X-marks, crumpled paper – all these factors made the work more difficult and took up precious time. Since May 2019, the entire Hamburg fire service uses the NIDA system for digital deployment documentation for emergency services, and for the Asklepios IT division, it was immediately obvious: what is already recorded in digital form, we must also accept and further process in digital form.

"NIDA and the connection to M-KIS not only enables the digital transfer of the patient record," explains Oliver Heggblum, head of department for medical specialist systems. "The advance registration in the hospital also runs via the interface. ECG results, photos and other important information – all of this is available in the hospital before the ambulance even arrives." Consequently, doctors and nurses are fully informed in advance and can assist the patient more quickly and effectively.

Asklepios plays a pioneering role in the connection of NIDA to the hospital information system. Almost all Asklepios hospitals in Hamburg are already linked to NIDA. Jens Bode, who heads up strategic project management in the IT division, also sees major potential beyond Hamburg: "If all emergency services were to work with NIDA, we could use the connection to our hospital information system throughout Germany."

Interdisciplinary networking – Interaction and strengthening of expertise – S.A.V.E. Training for obstetrics

For us, ensuring optimum interaction within the expert teams in our hospitals and further strengthening their expertise is every bit as important as the networking of our locations and with our partners. The relevance is illustrated particularly clearly based on the example of obstetrics. In the delivery room, gynaecologists, midwives and sometimes anaesthetists and neonatologists encounter one another. In case of an emergency, they must be able to provide swift and safe medical care to the mother and child. This is also relevant to avoid liability cases. To ensure that all doctors and midwives working in the delivery room are fully prepared for every emergency situation, Asklepios introduced the S.A.V.E. programme. "The name stands for Sicher Arbeiten – Vertrauen Erhalten (work safely, maintain trust), explains area manager Dr Cornelia Süfke from the Medical Law, Insurance & Compliance Division, who initiated the medical law format and is responsible for it at national level. "The training program links various disciplines and departments together. Our goal is that all those involved work seamlessly together in the event of an emergency."

All Asklepios obstetricians in Germany attend a central S.A.V.E. skills training course in Hamburg. The trainer team consists of obstetricians, midwives, anaesthetists, neonatologists and lawyers. The main emphasis of the skills training is on the provision of theoretical knowledge, new medical insights, manual skills and legal requirements. During S.A.V.E. team training, emergency situations are ultimately tested individually in every hospital. "The training sessions, which are always interdisciplinary in nature, are precisely tailored to the respective teams and local conditions because the requirements in each case are very different. Each training session also includes a legal workshop," explains project manager Nicola Scharf. In this respect, S.A.V.E. also differs significantly from other training courses that have been offered up to now. Different scenarios are played out for an entire day. The training is supported by the use of high-quality simulation dolls incorporating the latest technologies and the staging of realistic cases. Every employee from the relevant specialist departments will also attend a training course once annually in the future.

S.A.V.E. was developed from the analysis of records of critical births with the goal of ensuring safe procedures at all times for dealing with obstetric emergencies and legal requirements. S.A.V.E. has also been registered as a brand.

Thanks to the networking of our locations using formats such as the tumour conference, investments in relevant interfaces with external partners, such as the connection of NIDA to M-KIS, and the strengthening of expertise and teams through programmes such as S.A.V.E., Asklepios is managing the transition from a hospital network to a networked healthcare companion.

TRAINING S.A.V.E.s LIVES

TEAMWORK

EMERGENCY TRAINING

LOCAL CHARACTERISTICS

LEGAL WORKSHOPS

2019 MORE THAN

2,500

PARTICIPANTS IN S.A.V.E. TEAM TRAINING

Asklepios Kliniken GmbH & Co. KGaA, Hamburg

GROUP MANAGEMENT REPORT

for the 2019 financial year

PAGE

A Key figures of the Asklepios Group

GROUP KEY FIGURES		2019	2018	CHANGE IN %
Number of patients		2,497,095	2,265,603	+10.2
Cost weights		570,935	567,271	+0.6
Number of beds		27,090	26,651	+1.6
Employees (full-time equivalents)		36,265	35,327	+2.7
Net cash from operating activities	EUR million	260.8	293.8	–11.3
Revenue	EUR million	3,537.3	3,407.9	+3.8
EBITDA	EUR million	462.8	397.6	+16.4
EBITDA margin in %		*13.1*	*11.7*	
EBIT	EUR million	240.8	244.2	–1.4
EBIT margin in %		*6.8*	*7.2*	
EAT	EUR million	172.3	171.1	+0.7
EAT margin in %		*4.9*	*5.0*	
Investments in property, plant and equipment and intangible assets (own funds) [1]	EUR million	242.6	251.6	–3.6
Own funds ratio in %		74.5	73.6	
Total assets	EUR million	4,702.0	4,050.3	+16.1
Equity	EUR million	1,577.3	1,494.5	+5.5
Equity ratio in %		*33.5*	*36.9*	
Financial liabilities	EUR million	1,384.1	1,378.7	+0.4
Cash and cash equivalents	EUR million	265.0	351.6	–24.6
Net debt	EUR million	1,119.0	1,027.0	+9.0
Net debt ratio [2]		2.8x	2.6x	
Interest coverage factor (EBITDA/net interest income)		10.8x	10.3x	

[1] In relation to investments at hospital locations
[2] Adjusted for IFRS 16 effects

B Regulatory changes have big impact in 2019 financial year

The 2019 financial year was impacted by the tightening regulations in the healthcare sector, which Asklepios Kliniken GmbH & Co. KGaA had already been anticipating in previous years and preparing for by putting in place appropriate measures. One trend that Asklepios identified early on and positioned itself for accordingly is outpatient treatment. In the past financial year, the 36,265 Asklepios employees cared for 2,497,095 patients at approximately 160 healthcare facilities – this figure is up 10.2% on the previous year (2,265,603). The Group reported particularly strong growth in outpatients, the number of which rose by 14.6% to 1,822,406. Consolidated revenue also increased accordingly by 3.8% to EUR 3,537.3 million.

Regulatory interventions, such as the German Nursing Staff Reinforcement Act (Pflegepersonalstärkungsgesetz), the German regulation on the threshold of nursing staff (Pflegepersonaluntergrenzen-Verordnung) and the flat-rate fee system for psychiatry and psychosomatics, had a significant impact on Asklepios' business performance. The company prepared for this in the 2019 financial year by hiring additional nursing staff in the medical and nursing areas. The resulting increase in staff costs impacted earnings performance. Consolidated net profit (EAT) amounted to EUR 172.3 million (previous year: EUR 171.1 million). EBITDA improved by 16.4% to EUR 462.8 million, while the EBITDA margin totalled 13.1%. EBITDA is not directly comparable with the previous year due to the new accounting standard IFRS 16 Leases, which has been applied since 1 January 2019. Equity in absolute terms was EUR 1,577.3 million as at 31 December 2019, higher than the figure as at 31 December 2018 (EUR 1,494.5 million). The equity ratio, on the other hand, was lower than in the previous year at 33.5% due to the changed accounting standards (31 December 2018: 36.9%).

Asklepios is well-positioned on the healthcare market with state-of-the-art facilities and highly qualified staff for both inpatient and outpatient treatment, and is well-prepared for the regulatory requirements. Starting from the basis of its strong hospital network encompassing approximately 160 healthcare facilities, Asklepios works continuously on developing new services and treatments to expand its value chain for the long term. Prevention and aftercare continue to be prioritised as key strategic areas for the future to make the best possible use of business model versatility. Well-considered investments in digitalisation of healthcare extend the value chain to benefit from new revenue streams. Asklepios is actively driving forward the transformation of the Group to be one of the pioneers of integrated, digitalised healthcare.

C Basis of the Group

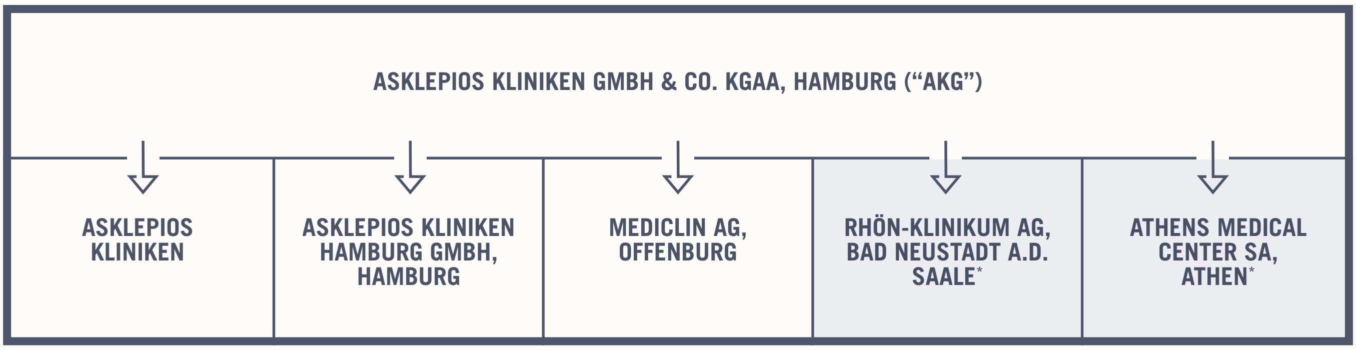
1. BUSINESS MODEL OF THE GROUP

For 35 years, the healthcare group Asklepios has epitomised the company values of quality, innovation and social responsibility. Asklepios is a leading private hospital operator in Germany with approximately 160 healthcare facilities in 14 German states. The close-knit network of hospitals and healthcare facilities allows for integrated treatment chains and the establishment of medical clusters. This enables Asklepios to cover the entire range of medical care services, with specialist hospitals with specific specialities operating far beyond their own regions in addition to maximum, basic, standard and priority care. As an operator of rehabilitation clinics, we are able to guarantee full inpatient care from a single source and take top positions throughout Germany. Our patients find outpatient support in our medical centres.

The Group focuses on the non-cyclical acute market. Roughly 84% of the business volume related to acute care hospitals and 16% to the rehabilitation sector and other medical facilities. The Asklepios healthcare facilities treated 2,497,095 patients in the financial year (previous year: 2,265,603). The Group employed 36,265 full-time equivalents in the past financial year (previous year: 35,327).

The structure of the Group as at 31 December 2019:

Asklepios Kliniken GmbH & Co. KGaA acts as the management company of the Asklepios Group. The operating entities Asklepios Kliniken, Asklepios Kliniken Hamburg GmbH and MediClin AG are fully consolidated subsidiaries. Rhön-Klinikum AG and Athens Medical Center SA are accounted for using the equity method. Asklepios Kliniken GmbH & Co. KGaA is responsible for the areas of Group development and strategy and financing as well as for monitoring, management and controlling functions. In addition, Asklepios leverages functional synergies, for example in the areas of accounting, taxes and controlling, financing, insurance, quality management, medicine and science, procurement, care and information technology. Standard intercompany agreements on the exchange of services and cooperation agreements have been entered into between the Group entities.



* Accounted for using the equity method

2. OBJECTIVES AND STRATEGIES

Asklepios operates with due care and vision in a challenging regulatory environment. Its aim is to achieve sustained profitable growth in the 2020 financial year and beyond. Achieving this aim will require, on the one hand, continuous investment from own funds in the expansion of standards of medical quality and care in the interests of our patients. Technological advances in digitalisation in particular have the potential to lead Asklepios and the healthcare sector in general into a successful future, in spite of the increasingly challenging demographic situation. On the other hand, Asklepios will strive to maintain a balanced business, and to monitor and adjust productivity and efficiency in non-patient-centred areas.

As an established healthcare group, Asklepios provides the highest levels of patient prevention, care and aftercare – in both analogue and digital formats – and will continue to achieve strong business results in future.

3. MANAGEMENT SYSTEM

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

Asklepios establishes a centralised organisational approach, transferring operational responsibility for achieving targets to the regional units, which also look after the patients in organisational terms. The organisational structure is based on the central functions of purchasing & supply, information technology, revenue management, architecture & construction, finance, financing, treasury & investor relations, medical law, insurance & compliance, human resources, care, and corporate communications & marketing.

In order to manage the Group's performance with regard to Asklepios' corporate targets, consolidated net profit and earnings after taxes (EAT) is used as a key performance indicator in the area of finance. This provides information on Asklepios' profitability. EAT describes the operating performance after capital expenditure expense and taxes and represents a significant, control-related financial performance indicator.

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

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

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

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

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

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

4. QUALITY MANAGEMENT, INNOVATION AND ENVIRONMENTAL ASPECTS

There are a number of legal requirements and guidelines on quality management and quality assurance that apply to hospitals. Quality is of paramount importance to Asklepios. There is a structured quality management system in place at all Asklepios hospitals, which is continuously developed and adapted to current legal requirements, independently of the targets of individual certification procedures.

The Asklepios QM system focuses on legally required QM tools in accordance with QM guidelines set out by the Federal Joint Committee and the standards the Group has outlined for improving patient safety. These requirements are the minimum standard for all hospitals.

In addition to quality management and quality assurance, there is also a clinical risk management system set up across Asklepios hospitals. Group standards for improving patient safety are implemented across all hospitals. These include the use of WHO operating safety checklists, patient armbands, prevention of procedural mix-ups, secure patient identification and measures to enhance safety during medical treatment. In all of these areas, the Group takes into account the recommendations for action issued by the German Coalition for Patient Safety. An error reporting system (CIRS) is in place across all Asklepios hospitals and ensures that any lessons learned from errors are applied throughout the Group.

The internal Asklepios audit programme developed by the Quality department has replaced external certifications. The programme includes an annual audit of all hospitals conducted by the Quality department, in addition to individual hospital audits and risk audits on priority issues.

In 2019, the Quality department also conducted 8 hygiene audits and 23 peer reviews in the acute care hospitals. Peer reviews serve the purpose of examining whether a medical department is functioning properly, particularly with regard to adequate patient care. The focus is on the department’s medical care processes and an external analysis of selected patient records by a trained specialist auditor from another Asklepios hospital. These audits include a critical analysis of whether the treatment is in line with the current scientific knowledge and is provided in accordance with guidelines.

A standard patient survey is used across all Asklepios hospitals to determine customer requirements. The results are used to continuously improve the quality of hospital treatment.

All Asklepios rehabilitation clinics are certified in accordance with the IQMP-kompakt certification procedure recognised by the Federal Association for Rehabilitation.

D Economic report

1. GENERAL ECONOMIC AND SECTOR-SPECIFIC CONDITIONS

General economic conditions

According to the Federal Ministry for Economic Affairs and Energy, the German economy is back on course for growth for what will be the tenth year in a row. The German government is anticipating growth in price-adjusted gross domestic product of 0.6% in 2019 – followed by growth of 1.1% in 2020.[1]

General sector conditions

As reported by the Federal Ministry of Health,[2] the healthcare industry continues to be of significant economic importance for Germany. Gross value added in the core healthcare industry was nearly EUR 370 billion in 2018, representing more than 12% of GDP and over EUR 1 billion a day. The healthcare industry is thus still very much a growth industry on an expansion trajectory. In the last ten years, the sector has grown at a much stronger rate than GDP with growth of 4.1% a year.

A general distinction and separation can be made within the healthcare industry between the two key groups: the core healthcare industry and the extended healthcare industry. Both the core healthcare industry and the extended healthcare industry have reported steady growth in gross value added in recent years. The core healthcare industry accounts for the far larger share of total gross value added in the healthcare industry with a recent figure of EUR 269 billion and 72.7% in 2018.

Inpatient and outpatient care contributed to value added and employment in the healthcare industry to different extents, and are together responsible for nearly 53% of gross value added and around 64% of jobs across the entire healthcare industry. The employment figures in medical care have grown by 2.5% a year since 2007. In 2018 and again in 2019, a decline in inpatient cases is expected in favour of a growing number of services in outpatient care. There are diverse reasons for this including MDK examinations with a large number of cases lost, pressure for outpatient treatment by those paying the bill and acute staff shortages. The current trend towards outpatient operating centres is set to continue in the coming years.

Looking back, growth momentum in inpatient services has slowed nationwide; this is also reflected in the services, which – seen across all states – have fallen by 0.2% from 2018 to 2019 in the agreements at state base rate level.

Service improvements are currently being achieved through structural measures in the form of new specialist departments, building extensions, joint management of several specialist departments by a senior consultant and innovative hospital concepts. Summer 2019, for example, saw the opening of the Blomenburg am Selenter See, a private hospital specialising in stress-related illnesses with cutting-edge treatment methods and a hotel feel. Consolidations and further digitalisation processes will likewise help to improve Asklepios' market position. The centralisation of the purchasing & supply sector is a prime example of how Group-wide consolidation projects can be implemented successfully. As it has in previous years, Asklepios will continue to operate in the extended healthcare industry as well and systematically implement its digitalisation strategy. E-health products such as Minddistrict, Talingo and INSITE have enabled the Group to broaden its offering across the value chain and expand its market share in the telemedicine segment.

We are currently experiencing the most extensive series of adjustments by legislators in inpatient care since the DRG system was introduced, which is resulting in widespread intervention in existing healthcare structures. Since the entry into force of the German Nursing Staff Reinforcement Act (PpSG) in 2019 and the German regulation on the threshold of nursing staff (PpUGV) in 2020, competition for qualified nursing staff has become fiercer. Any hospitals that do not comply with the PpUGV in departments where intensive nursing care is provided will risk hefty financial sanctions in future. 2020 will see nursing staff thresholds applied in intensive care, geriatrics, traumatology, cardiology, cardiac surgery, neurology, stroke unit and neurological early rehabilitation. Only paediatric fields are excluded. There are also plans from 2020 onwards to exclude nursing staff costs from the DRG system. A care budget is being established, which will provide comprehensive funding of individual hospital staff costs for bedside care. The plans also target care improvements in rural areas. Around EUR 50 million is being set aside for hospitals where there is the greatest need, which satisfy the basic requirements of the agreement on extra funds to help rural hospitals secure patient care.

The benchmark for the maximum increase in base rates at state level is the rate of change, which is 3.66% for 2020

[1] https://www.bmwi.de/Redaktion/DE/Dossier/wirtschaftliche-entwicklung.html – 14/02/2020
[2] https://www.bundesgesundheitsministerium.de/themen/gesundheitswesen/gesundheitswirtschaft/bedeutung-der-gesundheitswirtschaft.html – 12/03/2020

(2019: 2.65%). At 2.99%, the target for 2020 published by the Federal Statistical Office on 30 September 2019 is below the 2020 basic wage rate of 3.66%. The sub-targets are 3.89% for staff costs and 1.68% for operating costs.

The German Medical Service of the Health Insurance Funds (MDK) Reform Act aims to make the health insurance funds' process of verifying hospital bills more transparent and standardised and to improve the quality of billing. In addition to bill reductions following MDK verifications, from 2020 there will also be fines of up to 10% of the difference between the original and the reduced bill amounts, or a minimum of EUR 300 per case. From 2020, the health insurance funds are expected to verify as many as 12.5% of bills; from 2021 the verification quota will be between 5% and 15% depending on the percentage of correctly issued bills.

Additional information on the German regulation on the threshold of nursing staff

The German regulation on the threshold of nursing staff for 2020 has just been published. From 2020 onwards, added to the areas already listed – such as geriatrics, cardiology, traumatology and intensive care – will be cardiac surgery, neurology, neurological early rehabilitation and stroke treatment.

The system for identifying relevant hospitals is being expanded considerably, so that more hospitals with more wards will be subject to the nursing staff thresholds in the somatic field. An initial internal assessment has indicated that 39 of Asklepios' 47 locations will be affected by this; the reports by the Institute for the Hospital Remuneration System (InEK) had to be submitted by 15 November 2019.

Additional information on the German Medical Service of the Health Insurance Funds (MDK) Reform Act

Starting in 2022, the current catalogue for outpatient operations and inpatient-alternative procedures (section 115b SGB V) will be expanded significantly. A uniform benchmark will be created for hospitals and registered doctors with remuneration dependent on level of severity. As many as 20% of current inpatient treatments are expected to fall under this catalogue. For hospitals themselves, this means a major conversion of processes to allow them to treat patients in an outpatient setting.

Additional information on the care budget

Provisions were made for the introduction of care budgets along with the German Nursing Staff Reinforcement Act. From 2020, costs for care will be excluded from the DRGs and will be remunerated separately. Hospitals will receive 100% remuneration of all care costs. The corresponding national agreements have now been concluded and the new DRG catalogue (with exclusions) featuring daily care cost weights per DRG has also been published. This care fee schedule serves only as a deduction instrument for care costs.

On the whole, it is becoming apparent that politicians are making more and more regulatory interventions and significantly raising requirements for healthcare structures, which smaller hospitals in particular are finding it hard to meet for a number of reasons including qualified staff shortages. This indicates the clear intention of politicians to reduce the number of hospitals in Germany.

E Net assets, financial position and results of operations

1. BUSINESS PERFORMANCE AND RESULTS OF OPERATIONS

	2019		2018	
	EUR MILLION	%	EUR MILLION	%
Revenue	3,537.3	100.0	3,407.9	100.0
Other operating income	259.1	7.3	235.8	6.9
Cost of materials	–737.7	–20.9	–724.3	–21.3
Staff costs	–2,270.2	–64.2	–2,167.4	–63.6
Other operating expenses	–325.6	–9.2	–354.4	–10.4
EBITDA	**462.8**	**13.1**	**397.6**	**11.7**
Depreciation, amortisation and impairment	–222.0	–6.3	–153.4	–4.5
EBIT	**240.8**	**6.8**	**244.2**	**7.2**
Net investment income	16.7	0.5	10.4	0.3
Net interest income	–42.7	–1.2	–38.6	–1.1
Income taxes	–42.5	–1.2	–45.0	–1.3
Net income for the year (EAT)	**172.3**	**4.9**	**171.1**	**5.0**

The Asklepios Group’s consolidated revenue rose by 3.8% year-on-year to EUR 3,537.3 million in the financial year (previous year: EUR 3,407.9 million). This growth was predominantly organic. We are therefore at the upper end of the revenue increase of 2.5% to 3.0% forecast in the previous year. 82.4% (previous year: 82.7%) of revenue was generated in acute care hospitals, 16.3% (previous year: 16.3%) in rehabilitation clinics and 1.3% (previous year: 1.0%) in social welfare facilities and other facilities.

Other operating income of EUR 259.1 million (previous year: EUR 235.8 million) includes income from additional services, rental and leasing, insurance claims, income from granting rights of use and income from clinical studies and research projects.

DEVELOPMENT OF CASE NUMBERS	2019	2018	ABSOLUTE CHANGE	RELATIVE CHANGE
No. of inpatient cases	674,689	675,226	–537	–0.1%
No. of outpatient cases	1,822,406	1,590,377	+232,029	+14.6%
Number of patients	**2,497,095**	**2,265,603**	**+231,492**	**+10.2%**
Number of cost weights	570,935	567,271	+3,664	+0.6%
Number of beds	27,090	26,651	+439	+1.6%

A total of 2,497,095 patients visited the Asklepios Group's facilities in the 2019 financial year. This was a large increase on the previous year (2,265,603 patients). The number of inpatient cases was on a par with the previous year at 674,689 (previous year: 675,226). As expected, there was a significant increase in outpatient case numbers (31 December 2019: 1,822,406; 31 December 2018: 1,590,377). The number of cost weights increased slightly to 570,935 (previous year: 567,271). As a non-financial performance indicator, cost weights were therefore within the forecast we issued on 31 December 2018. Average inpatient care case income rose from EUR 4,532.8 to EUR 4,658.66 (up 2.8%).

Asklepios concluded pay negotiations for approximately 60% of its hospital locations in the 2019 financial year. At hospitals for which no agreement had been reached with providers of social services, the deduction for the cost degression of fixed costs introduced in 2017 was used where agreements had not yet been reached in negotiations with payers. This negative price effect from the deduction for the cost degression of fixed costs affected growth in our performance.

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

	2019 %	2018 %
Cost of materials ratio	20.9	21.3
Staff costs ratio	64.2	63.6
Other expenses ratio	9.2	10.4
EBITDA	**13.1**	**11.7**
Depreciation and amortisation expense ratio	6.3	4.5
EBIT	**6.8**	**7.2**
EAT	**4.9**	**5.0**

Absolute cost of materials rose at a slower rate than revenue, increasing by EUR 13.4 million from EUR 724.3 million to EUR 737.7 million. The cost of materials ratio changed by 0.4 percentage points year-on-year to 20.9% (previous year: 21.3%).

Absolute staff costs climbed by EUR 102.8 million to EUR 2,270.2 million. The staff costs ratio went up from 63.6% to 64.2% as a result of the rise in our full-time equivalents by 938 in total.

Other operating expenses fell by EUR 28.8 million or 8.1% in absolute terms to EUR 325.6 million (previous year: EUR 354.4 million). The ratio was 9.2% (previous year: 10.4%).

Operating EBITDA was stable in the financial year and, at EUR 462.8 million, was higher than in the previous year (EUR 397.6 million). The margin was 13.1% in the 2019 financial year (previous year: 11.7%). As a key financial performance indicator, EBITDA is in line with the forecast set out in the consolidated financial statements as at 31 December 2018. Starting in the 2019 financial year, Asklepios is using consolidated net profit (EAT) as a key performance indicator to manage its operating performance.

The depreciation and amortisation expense ratio was 6.3% in the past financial year and thus higher than the previous year's level (4.5%).

The new standard IFRS 16 "Leases" was applied for the first time starting in the 2019 financial year. The effects are resulting in a shift within the income statement between other operating expenses on the one hand and depreciation and amortisation and interest expense on the other. This limits comparability with the previous year's figures.

The EBIT of EUR 240.8 million generated in 2019 meant a margin of 6.8% (previous year: EUR 244.2 million and 7.2%).

Net investment income was up 60.6% year-on-year at EUR 16.7 million (previous year: EUR 10.4 million).

Negative net interest income amounted to EUR 42.7 million (previous year: EUR 38.6 million). Interest income increased to EUR 2.0 million (previous year: EUR 0.8 million). Interest expenses rose by EUR 5.3 million to EUR 44.7 million in the financial year (previous year: EUR 39.4 million).

At EUR 42.5 million, net interest income was down on the previous year's figure of EUR 45.0 million.

Overall, consolidated net profit (EAT) increased from EUR 171.1 million year-on-year to EUR 172.3 million in the reporting period. The EAT margin totalled 4.9% in the 2019 financial year (previous year: 5.0%).

2. OVERALL MANAGEMENT STATEMENT

The steady rise in patient numbers over all four quarters brought a substantial increase in consolidated revenue in the 2019 financial year and generated growth of 3.8% year-on-year. However, 2019 was dominated by increasing regulatory conditions on the whole, which impacted expense items and thereby the Group's earnings margins. As expected, the development between rising costs as a result of our healthcare facilities' additional services at the same time as capped remuneration for the services provided remained challenging in the 2019 financial year.

Revenue performance was above our forecast for the financial year, which specified organic revenue growth of between 2.5% and 3.0%. At EUR 462.8 million, EBITDA was higher than in the previous year (EUR 397.6 million), and the margin was 13.1% (previous year: 11.7%). Revenue rose by 3.8% from EUR 3,407.9 million to EUR 3,537.3 million and resulted largely from organic growth. The equity ratio was 33.5% (31 December 2018: 36.9%). At 570,935, the number of cost weights was within our forecast as at 31 December 2018 (previous year: cost weights of 567,271).

3. FINANCIAL POSITION AND NET ASSETS

As a conservative company in terms of finance, the Group's financing structure is long-term in nature.

In addition to cash and cash equivalents of EUR 265.0 million, the Group has unutilised credit facilities of around EUR 435.2 million available (previous year: EUR 450.7 million). The high internal financing power and the relatively moderate level of net debt protect the Group from further financial market risks.

Pure financial liabilities amounted to EUR 1,384.1 million (previous year: EUR 1,378.7 million). The financial liabilities essentially comprise the 2013 and 2015 schuldschein loan agreements and the schuldschein with a volume of EUR 780.0 million issued on 6 November 2017.

The Group uses the net debt ratio (net financial debt to EBITDA) as a key performance indicator to assess creditworthiness. The figure – adjusted for effects from the application of IFRS 16 Leases, acquisitions and expansion investments – should not exceed 3.5x.

The following table illustrates how this performance indicator was calculated in the financial year:

EUR MILLION	2019	2019*	2018
Financial liabilities	1,869.5	1,384.1	1,378.7
Cash and cash equivalents	265.0	265.0	351.6
Net financial debt	1,604.5	1,119.1	1,027.1
EBITDA	462.8	402.1	397.6
Net debt ratio	**3.5x**	**2.8x**	**2.6x**

* Excluding effects from the application of IFRS 16 Leases

The net debt ratio, adjusted for effects from the application of IFRS 16 Leases, acquisitions and expansion investments, is 2.8x (previous year: 2.6x) and meets the target set internally. The interest coverage factor (EBITDA/net interest income) is 10.8x (previous year: 10.3x).

SUMMARISED STATEMENT OF FINANCIAL POSITION	2019		2018	
	EUR MILLION	%	EUR MILLION	%
Non-current assets	3,536.2	75.2	2,921.1	72.1
Current assets	1,165.8	24.8	1,129.1	27.9
ASSETS	**4,702.0**	**100.0**	**4,050.3**	**100.0**
Equity	1,577.3	33.5	1,494.5	36.9
Non-current liabilities and provisions	2,380.7	50.6	1,938.2	47.9
Current liabilities and provisions	744.1	15.9	617.6	15.2
EQUITY AND LIABILITIES	**4,702.0**	**100.0**	**4,050.3**	**100.0**

The Group's accounting and financing structures are sound. As in the previous year, non-current assets are financed at a rate of over 100% with matching maturities by equity or long-term borrowings. Total assets increased from EUR 4,050.3 million in the previous year to EUR 4,702.0 million.

Non-current assets increased by EUR 615.1 million year-on-year to EUR 3,536.2 million, with the increase chiefly due to the recognition of right-of-use assets (IFRS 16 effect). This item also includes equity investments in non-consolidated companies.

Equity amounted to EUR 1,577.3 million and was thus above its level as at 31 December 2018 (EUR 1,494.5 million). As a result of IFRS 16 effects and the absolute increase in total assets, the equity ratio as at 31 December 2019 was below the previous year's figure at 33.5% (31 December 2018: 36.9%). Asklepios has permanent interest-free and redemption-free access to subsidies of around EUR 1,110.2 million (31 December 2018: EUR 1,195.0 million). As these subsidies will fall due for repayment only in the hypothetical event of no longer being included in the hospital plan, these funds are in effect similar to equity.

Days sales outstanding (trade receivables turnover rate x 365 days/total revenue) are at a relatively high level of 59.9 days (previous year: 55.9 days) on account of changes in the billing procedures used by payers and short-term migration effects. Adjusted for MDK provisions, DSO were 55.4 days (previous year: 52.6 days).

Non-current liabilities amounted to EUR 2,380.7 million (31 December 2018: EUR 1,938.2 million). These comprise pension provisions, other non-current provisions, financial liabilities and other liabilities due in more than one year, and deferred taxes. Non-current financial liabilities include schuldschein loan agreements from 2013, 2015 and 2017.

In addition to cash and cash equivalents of EUR 265.0 million, the Group has unutilised credit facilities of EUR 435.2 million. This means that the Group has financial reserves available at short notice of EUR 700.2 million.

Internal financing capability is still at a good level. Cash flow from operating activities was influenced by the EBITDA figure of EUR 462.8 million (previous year: EUR 397.6 million) and the health insurance funds' payment performance. Capital expenditure on equipment and new buildings for our hospitals was financed by cash flow from operating activities.

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

EUR MILLION	2019	2018
EBITDA	462.8	397.6
Cash flow from operating activities	260.8	293.8
Cash flow from investing activities	–265.4	–320.9
Cash flow from financing activities	82.0	233.6
Change in cash and cash equivalents	**–86.6**	**–260.7**
Cash and cash equivalents on 1 January	351.6	612.3
Cash and cash equivalents on 31 December	**265.0**	**351.6**

Cash and cash equivalents changed by EUR -86.6 million to EUR 265.0 million in 2019. Operating cash flow amounted to EUR 260.8 million (previous year: EUR 293.8 million).

The operating cash flow is offset by a cash outflow from investing activities of EUR 265.4 million (previous year: cash outflow of EUR 320.9 million). Payments for investing activities mainly comprise investments in fixed assets and in financial assets.

Financing activities resulted in a cash outflow of EUR 82.0 million (previous year: cash outflow of EUR 233.6 million).

4. CAPITAL EXPENDITURE

Investments in our healthcare facilities on a regular basis are the foundation for long-term healthy growth. Since the state investment subsidy does not cover the entire investment requirements of modern hospitals, the difference is financed from the Group's own funds. Asklepios is able, thanks to its internal financing power, to compensate for the loss of subsidies. Forward-looking business transactions and a stable cash flow again enabled the Asklepios Group to use its own funds averaging 7% to 9% of revenue for maintenance and capital expenditure in the 2019 financial year. As anticipated, at 74.5% the internal financing ratio continued to rise (previous year: 73.6%).

Capital expenditure was as follows in the 2019 financial year:

	CAPITAL EXPENDITURE IN 2019		
	TOTAL EUR MILLION	OF WHICH SUBSIDISED	INTERNAL FINANCING RATIO
Intangible assets	49.9	1.3	97.3%
Land and buildings	66.3	10.1	84.8%
Technical equipment	12.5	2.5	80.3%
Operating and office equipment	103.4	40.6	60.7%
Assets under construction	93.8	28.8	69.3%
Total	**325.8**	**83.2**	**74.5%**

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

LOCATION	CAPITAL EXPENDITURE EUR MILLION
Blomenburg (Selent)	18.7
Weserbergland-Klinik (Höxter)	13.5
Klinik Langen	8.1
Südpfalzkliniken (Burglengenfeld)	6.2
Klinik Altona (Hamburg)	6.0
Harzklinken (Goslar)	6.0
Klinik Sobernheim	5.3
Klinik Seligenstadt	4.7
Klinik St. Georg (Hamburg)	4.0
Klinik Nord (Hamburg)	3.7

After deducting subsidised capital expenditure, net capital expenditure amounted to EUR 242.6 million (previous year: EUR 251.6 million) or 6.9% of revenue (previous year: 7.4%). Capital expenditure is fully financed by cash flow from operating activities. Without deducting subsidies, capital expenditure amounted to EUR 325.8 million (previous year: EUR 341.9 million). At EUR 111.3 million in total, expenditure for maintenance and servicing was up on the previous year (EUR 103.6 million). Expressed as a percentage of revenue, 3.1% was invested in ongoing maintenance (previous year: 3.0%). This means that Asklepios used 10.0% (previous year: 10.4%) of revenue for internally financed capital expenditure and maintenance work.

F Forecast and report on risks and opportunities

1. FORECAST

In 2020, Asklepios expects its revenue growth and business performance to be determined by the ongoing regulatory conditions. It will continue to direct its efforts at making sustainable investments in its healthcare facilities to secure its mandate to supply services in the future. Asklepios makes investments in buildings and medical equipment on a regular basis at all its locations. The share of own funds in total capital expenditure will again be at a high level in 2020. Training its employees is a high priority for Asklepios on a long-term basis.

Overall management statement

Our business goals for 2020 include organic revenue growth in a range of around 3.0% to 4.0% and a slight but sustained increase in EAT year-on-year. Furthermore, Asklepios expects that its earnings margins will continue to be impacted by the German regulation on the threshold of nursing staff in hospital departments where intensive nursing care is provided. On the basis of these targets, the development in our equity ratio will remain stable year-on-year in the 2020 financial year. In addition to financial figures, we also take account of the number of cost weights as a non-financial performance indicator when managing the company. We expect a stable development compared with the previous year.

2. RISKS AND OPPORTUNITIES

a) Risk and opportunity management report

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

Risk and opportunity management system process

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

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

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

Internal control system with regard to the Group financial reporting process

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

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

b) Risks

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

IT risks and cyber risks

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

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

Personnel risks

On the healthcare market, there are always HR risks that can lead to a deterioration of the results of operations, financial position and net assets. The introduction of the German regulation for the threshold for nursing staff is a key challenge for the entire healthcare market. The most significant individual risks include the shortage of qualified staff, the migration of key personnel and the development of staff costs.

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

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

Income, documentation and budget risks

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

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

Credit and counterparty risks

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

Investment risks

Asklepios understands investment risks as the risk that unimplemented or unprofitable investments result in an ageing infrastructure or one that is not fit for purpose and prevent the utilisation of new market potential. As a result, income targets could be missed (because, for example, use permits expire), market share could be lost to competitors and there is the risk of penalties if purchase contract obligations are not fulfilled. We are presently also observing that the effects of climate change – particularly for hospitals and facilities in exposed geographic locations – can lead to greater investment requirements for compensatory measures in the long term. Management is seeing steadily decreasing subsidy ratios, with corresponding consequences for investing activities. Asklepios is not dependent on the development of subsidies to the same extent as the majority of the competition thanks to its relatively high internal financing power.

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

Financing and liquidity risks

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

Construction risks

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

Performance risks

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

The audit procedure agreement for audits by the MDK was concluded in July 2014. At present, the German Hospital Federation (DKG) and the GKV have yet to issue joint guidance on the interpretation of the audit procedure agreement, meaning that uncertainties concerning the agreed procedure will remain. While it is assumed that the audit procedure will be accelerated, our view is that retrospective coding and, in particular, recoding within the audit procedure will be significantly impaired, while the previous flat-rate expenses of the health insurance funds for unsuccessful MDK examinations at hospitals will become less important. The agreement was terminated by the DKG in June 2015 effective 31 January 2015. A follow-up agreement for 2016 onwards which, overall, contains improvements benefiting hospitals, was signed in 2015. The main elements took effect as at 1 October 2016 and 1 January 2017 and required extensive IT changes beforehand. The transition to a flat-rate fee system for psychiatric and psychosomatic facilities (PEPP) in inpatient acute care will also have an impact on our results of operations. The transition to PEPP is intended to be mandatory from 2018 but is designed to be budget-neutral until 2019. We are currently adjusting our internal processes to reflect these new requirements. The precise impact on our results of operations is expected to be low, although the corresponding empirical data will become more stable over the coming months and years. Other risks include delays in the completion of patient records and the implementation of case coding.

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

Risks from competition

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

Reputation risks

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

Liability and legal risks

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

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

Hygiene and infection risks

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

The Asklepios Group is not expecting the potential spread of the novel coronavirus to have a material impact on its net assets, financial position and results of operations. Although supply bottlenecks are being reported, particularly for personal protective equipment, disinfectants and hygiene products. If the coronavirus spreads further, the Group also anticipates that its employees will be affected. However, for the time being our healthcare facilities are relatively untouched and isolated cases have not been confirmed. Asklepios hospitals are well-equipped to care for patients with infectious diseases and also diseases requiring patients to be quarantined. Our employees – particularly those working in emergency departments – are trained in line with the guidelines of the Robert Koch Institute and by our hygiene staff. We are also in constant communication with the relevant authorities.

Quality risks

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

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

Risks from acquisition and integration

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

Compliance risks

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

Governance risks

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

c) Opportunities

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

Opportunities from the market and environment

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

Strategic opportunities

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

Opportunities from financial activities

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

Opportunities from operating activities

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

Infrastructural opportunities

Infrastructural opportunities are all the issues that have a positive effect on our service provision, but are not located directly in operating activities. In particular, these include the qualification and motivation of our employees, the intelligent use of modern information technology and the technical equipment of our hospitals. By ensuring optimum training of our employees, we guarantee high innovation potential and forward-looking processes – not just in the field of advanced medicine. At the same time, we can acquire highly motivated personnel thanks to our strong brand as an employer. The homogenisation of our IT landscape reduces costs and increases the effectiveness and efficiency of the systems used. With targeted investments, we can respond flexibly to changes in patient demands and thus distinguish ourselves from the competition. Our modern hospitals guarantee high-level care in terms of quality and technology, which also offers opportunities for future performance growth.

OVERALL MANAGEMENT STATEMENT: SUMMARY AND OUTLOOK

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

Hamburg, 13 March 2020

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CONSOLIDATED FINANCIAL STATEMENTS

for the 2019 financial year

PAGE

IFRS consolidated income statement

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

EUR '000	NOTE NO.	2019	2018
Revenue	VI.1	3,537,341	3,407,903
Other operating income	VI.2	259,081	235,760
		3,796,422	**3,643,663**
Cost of materials	VI.3	737,728	724,271
Staff costs	VI.4	2,270,247	2,167,374
Other operating expenses	VI.5	325,644	354,409
Operating result / EBITDA [1]		**462,802**	**397,609**
Depreciation, amortisation and impairment			
Depreciation, amortisation and impairment of intangible assets and depreciation and impairment of financial assets, property, plant and equipment, and right-of-use assets	VI.6	222,045	153,421
Operating result / EBIT [2]		**240,757**	**244,188**
Net investment income		16,726	10,394
Net investment income	**VI.7**	**16,726**	**10,394**
Interest and similar income	VI.8	2,028	804
Interest and similar expenses	VI.8	–44,701	–39,360
Net interest income	**VI.8**	**–42,673**	**–38,556**
Net finance costs		**–25,947**	**–28,161**
Earnings before income taxes		**214,810**	**216,026**
Income taxes	VI.9	–42,512	–44,953
Consolidated net profit		**172,298**	**171,073**
of which attributable to the parent company		*140,431*	*137,818*
of which attributable to non-controlling interests		*31,867*	*33,255*

[1] Operating earnings before interest, taxes and depreciation and amortisation
[2] Operating earnings before interest and taxes

IFRS consolidated statement of comprehensive income

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

EUR '000	2019	2018
Consolidated net profit	**172,298**	**171,073**
Share in OCI of an associate accounted for using the equity method	413	19
Total changes in value reclassified to profit or loss	**413**	**19**
Change in actuarial gains (+)/losses (–) from defined benefit pension commitments and similar obligations	–102,113	5,136
Income taxes	16,126	–858
Total changes in value not reclassified to profit or loss	**–85,987**	**4,278**
Other comprehensive income (net of tax)	**–85,574**	**4,297**
Total comprehensive income	**86,724**	**175,370**
of which attributable to the parent company	*54,900*	*140,872*
of which attributable to non-controlling interests	*31,824*	*34,498*

IFRS consolidated statement of cash flows

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

EUR '000	NOTE NO.	2019	2018
Consolidated net profit		**172,298**	**171,073**
Income taxes	VI.9	42,512	44,953
Net interest income	VI.8	42,673	38,556
Net investment income	VI.7	–16,726	–10,394
Amortisation of intangible assets and financial assets and depreciation of property, plant and equipment and right-of-use assets	VI.6	222,045	153,421
Gross cash flow (EBITDA)		**462,802**	**397,609**
Other non-cash transactions		11,084	15,638
Changes in inventories, receivables and other assets	VIII.7, 8, 9, 10	–180,903	–34,674
Changes in liabilities, provisions and other liabilities	VIII.14, 15, 16, 17, 18, 20	–7,494	–45,739
Dividends received	VI.7	5,571	3,698
Interest income	VI.8	1,051	914
Income taxes paid	VI.9	–31,353	–43,630
Cash flow from operating activities/net cash flow		**260,758**	**293,816**
Investments in property, plant and equipment and intangible assets	VIII.2,3	–325,771	–340,180
Inflows from grants for the financing of fixed assets		83,144	88,513
Proceeds from the disposal of non-current assets		2,621	16,578
Acquisitions of subsidiaries net of cash and cash equivalents acquired	VIII.1, 5, 6	–14,067	–43,299
Investments in other financial assets and equity investments		–11,305	–42,508
Cash flow from investing activities		**–265,378**	**–320,896**
Proceeds from borrowings	VIII.13	86,000	50,000
Proceeds from the repayment of financial liabilities		–101,484	–154,911
Other interest expenses	VI.8	–3,594	–27,577
Repayment of financial liabilities from right-of-use assets		–52,154	0
Interest expenses from right-of-use assets		–9,521	0
Withdrawal		0	–100,000
Distributions		–1,206	–1,139
Cash flow from financing activities		**–81,959**	**–233,627**
Change in cash and cash equivalents		–86,579	–260,707
Cash and cash equivalents as at 1 January		351,626	612,333
Cash and cash equivalents as at 31 December	**VIII.11**	**265,047**	**351,626**

IFRS consolidated statement of financial position

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

EUR '000	NOTE NO.	31 DEC. 2019	31 DEC. 2018
ASSETS			
Non-current assets			
Intangible assets	VIII.2	762,045	706,007
Property, plant and equipment	VIII.3	1,643,956	1,608,745
Right-of-use assets	VIII.4	475,832	0
Investments accounted for using the equity method	VIII.5	496,706	474,544
Financial assets	VIII.6	4,340	3,847
Other financial assets	VIII.6	65,752	59,821
Trade receivables	VIII.8	637	202
Other assets	VIII.10	6	12
Deferred taxes	VIII.21	86,952	67,954
Total non-current assets		**3,536,224**	**2,921,131**
Current assets			
Inventories	VIII.7	128,477	117,422
Trade receivables	VIII.8	579,693	521,985
Current income tax assets	VIII.9	2,194	2,780
Other financial assets	VIII.6	177,150	124,177
Other assets	VIII.10	13,247	11,140
Cash and cash equivalents	VIII.11	265,047	351,626
Total current assets		**1,165,807**	**1,129,129**
Total assets		**4,702,031**	**4,050,260**

EUR '000	NOTE NO.	31 DEC. 2019	31 DEC. 2018
EQUITY AND LIABILITIES			
Equity attributable to the parent company			
Issued capital	VIII.12a	101	101
Reserves	VIII.12b	1,047,351	995,988
Consolidated net profit	VIII.12	140,431	137,818
Non-controlling interests	VIII.12c	389,370	360,636
Total equity	**VIII.12**	**1,577,253**	**1,494,543**
Non-current liabilities			
Trade payables	VIII.14	124	153
Financial liabilities	VIII.13	1,269,663	1,331,588
Finance lease liabilities		0	5,411
Liabilities from leasing*	VIII.15	431,693	0
Pensions and similar obligations	VIII.18	341,661	268,337
Other provisions	VIII.19	217,408	217,126
Deferred taxes	VIII.21	54,318	47,569
Other financial liabilities	VIII.16	57,679	60,568
Other liabilities	VIII.17	8,109	7,410
Total non-current liabilities		**2,380,656**	**1,938,163**
Current liabilities			
Trade payables	VIII.14	87,122	90,806
Financial liabilities	VIII.12	114,398	47,077
Finance lease liabilities		0	616
Liabilities from leasing*	VIII.15	53,709	0
Pensions and similar obligations	VIII.18	8,698	6,324
Other provisions	VIII.19	85,082	78,408
Current income tax liabilities	VIII.20	12,264	14,093
Other financial liabilities	VIII.16	185,287	174,230
Other liabilities	VIII.17	197,561	206,001
Total current liabilities		**744,122**	**617,555**
Total equity and liabilities		**4,702,031**	**4,050,260**

* Including EUR 5,398 thousand of amortised finance lease liabilities

FRS consolidated statement of changes in equity

FOR THE 2019 FINANCIAL YEAR

	EQUITY ATTRIBUTABLE TO THE PARENT COMPANY						
EUR '000	ISSUED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	CONSOLI-DATED NET PROFIT	TOTAL	NON-CONTROLLING INTERESTS	EQUITY
As at 1 January 2018	**101**	**243,162**	**695,934**	**153,965**	**1,093,162**	**323,418**	**1,416,580**
Net income	0	0	0	137,818	137,818	33,255	171,073
Other comprehensive income	0	0	3,054	0	3,054	1,243	4,297
Total comprehensive income	**0**	**0**	**3,054**	**137,818**	**140,872**	**34,498**	**175,370**
Withdrawal	0	0	–100,000	0	–100,000	0	–100,000
Payment obligations and distributions	0	0	0	0	0	–1,372	–1,372
Changes in the consolidated group	0	0	0	0	0	4,341	4,341
Change in equity interests in consolidated companies	0	0	16	0	16	0	16
Allocation to reserves	0	0	153,965	–153,965	0	0	0
Other changes	0	0	–143	0	–143	–249	–392
Total transactions recognised directly in equity	**0**	**0**	**53,838**	**–153,965**	**–100,127**	**2,720**	**–97,407**
As at 31 Dec. 2018	**101**	**243,162**	**752,826**	**137,818**	**1,133,907**	**360,636**	**1,494,543**
As at 1 January 2019	**101**	**243,162**	**752,826**	**137,818**	**0**	**360,636**	**1,494,543**
Net income	0	0	0	140,431	140,431	31,867	172,298
Other comprehensive income	0	0	–85,531	0	–85,531	–43	–85,574
Total comprehensive income	**0**	**0**	**–85,531**	**140,431**	**54,900**	**31,824**	**86,724**
Payment obligations and distributions	0	0	0	0	0	–1,866	–1,866
Changes in the consolidated group	0	0	–278	0	–278	–104	–382
Allocation to reserves	0	0	137,818	–137,818	0	0	0
Other changes	0	0	–646	0	–646	–1,119	–1,765
Total transactions recognised directly in equity	**0**	**0**	**136,894**	**–137,818**	**–924**	**–3,090**	**–4,014**
As at 31 Dec. 2019	**101**	**243,162**	**804,189**	**140,431**	**1,187,883**	**389,370**	**1,577,253**

Asklepios Kliniken GmbH & Co. KGaA, Hamburg

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the 2019 financial year
in accordance with International Financial Reporting Standards

I Basis of the consolidated financial statements

1. GROUP STRUCTURE: PRINCIPLES AND BUSINESS SEGMENTS

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

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

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

With the "corporate health" business segment established in 2019, Asklepios is focusing on setting up Employee Assistance Programmes (EAPs) at external companies. Asklepios is expanding its operations in other European countries with the addition of Belgian company Pulso Europe B.V. alongside Fürstenberg Institut GmbH, INSITE Interventions GmbH, TALINGO EAP GmbH and Asklepios Connecting Health. All these companies focus on different areas from psychological counselling and direct telephone support all the way through to short-term therapy.

The Group also has selected foreign operations. They relate almost exclusively to the investment in Greece (Athens Medical Center S.A.) and to Mind District Holding BV in the Netherlands, which operates in the e-mental health sector.

II Accounting principles

1. REGULATIONS APPLIED

The consolidated financial statements of the company and its subsidiaries as at 31 December 2019 were prepared in accordance with the requirements of section 315e (3) of the German Commercial Code (HGB), the International Financial Reporting Standards (IFRS) and the related interpretations of the IASB (IFRIC), as applicable in the European Union as per Regulation (EC) No. 1606/2002 of the European Parliament and of the Council. All standards and interpretations that are mandatory for the 2019 financial year were applied.

The consolidated financial statements were prepared on the basis of historical cost. The consolidated financial statements were prepared on a going concern basis.

The Group therefore did not to prepare any consolidated financial statements in accordance with the German Commercial Code (HGB). The IFRS consolidated financial statements and the Group management report for the smallest group of companies were published in the German Federal Gazette (Bundesanzeiger). Asklepios Kliniken GmbH & Co. KGaA was included in the IFRS consolidated financial statements of Broermann Holding GmbH, Königstein im Taunus, which prepares the consolidated financial statements for the largest group of companies. These consolidated financial statements and Group management report were published in the German Federal Gazette (Bundesanzeiger).

For detailed information on the consolidation and accounting policies applied, please refer to the notes in section IV "Consolidation and accounting policies" below.

2. NEW STANDARDS AND STANDARDS TO BE APPLIED FOR THE FIRST TIME

Financial reporting standards applied for the first time

The IASB has revised and published the financial reporting standards. The standards replace all or part of earlier versions of these standards/interpretations, or are entirely new standards/interpretations. The Group applied the following standards in full or the relevant amended requirements for the first time in accordance with the relevant transition provisions and – where required – adjusted the comparative information in line with the new financial reporting standards:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Improvements to IFRSs	Improvements to International Financial Reporting Standards, 2015–2017 cycle

Effects of IFRS 16 Leases

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

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information on the effects of leases.

IFRS 16.9 defines a lease as an agreement whereby the lessor conveys to the lessee the right to use an identified asset for a certain period of time in exchange for consideration.

Unlike IAS 17, IFRS 16 no longer makes a distinction between a finance and an operating lease where the lessee is concerned. In future, the lessee has to recognise all leases as a right-of-use asset and a corresponding lease liability in the statement of financial position on the basis of the present value of the lease payments. The right-of-use asset is accounted for at cost and is depreciated over the shorter of the lease term and the economic life of the asset. The right-of-use asset is recognised against a lease liability under equity and liabilities in the statement of financial position. The asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives. The discounted amount of all future lease payments is included in the measurement of the lease liability. Lessors continue to classify leases as operating or finance leases.

A lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

- Short-term leases with a lease term of twelve months or less
- Leases for which the underlying asset is of low value (low-value asset)

This standard has significantly increased the leases recognised by the Asklepios Group. There were no adjustments made for prior periods under the transition method we selected in accordance with IFRS 16. The item "Right-of-use assets in property, plant and equipment" was included under non-current assets, and the item "Liabilities from leasing" was included under both non-current and current liabilities. The items "Repayment of financial liabilities from right-of-use assets" and "Interest expenses from right-of-use assets" were included under cash flow from financing activities in the statement of cash flows. With the first-time application of IFRS 16, the Asklepios Group recognised lease liabilities for leases that were previously classified as operating leases under IAS 17. The liabilities were remeasured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019.

The Group exercises the option of recognising short-term leases with a lease term of twelve months or less and containing no purchase options and leases for which the underlying asset is of low value (low-value assets) as an expense in the income statement. VAT is not part of the lease payments and is not included in the calculation of the lease liabilities.

Practical expedients applied in the Asklepios Group:
Asklepios applied the following practical expedients when adopting IFRS 16:

- Reliance on previous assessments of whether a lease is onerous as an alternative to performing impairment tests – Asklepios had no onerous contracts as at 1 January 2019.
- Accounting for leases with a remaining term of less than twelve months as at 1 January 2019 as short-term leases.
- Exclusion of initial direct costs from the measurement of right-of-use assets at the date of initial application.

The Group decided not to reassess leases concluded before 1 January 2019 to determine whether a contract is or contains a lease at the date of adoption of IFRS 16, but instead to retain the previous assessment in accordance with IAS 17 and IFRIC 4.

The reconciliation of operating leases as at 31 December 2018 to the opening balance of lease liabilities as at 1 January 2019 was as follows:

EUR '000	
Obligations from operating leases as at 31 December 2018	**593,191**
– Short-term leases (less than 12 months)	–696
– Leases for low-value assets (under EUR 5,000)	–1,787
+/– Other	59
Gross lease liabilities as at 1 January 2019	**590,767**
Discounting	–72,589
Net lease liabilities as at 1 January 2019	**518,178**
+ Recognised finance lease liabilities as at 31 December 2018	6,099
Lease liabilities recognised as at 1 January 2019	**524,277**
Of which:	
Current lease liabilities	**52,866**
Non-current lease liabilities	**471,411**

Right-of-use assets in property, plant and equipment amounted to EUR 519,222 thousand as at 1 January 2019. The lease liabilities were discounted applying maturity-matched average borrowing rates. For properties of the MediClin sub-group, these were 1.728% (remaining term of 9 years) and 2.589% (remaining term of 29 years). Interest reference rates were derived from corporate bond yields (EUR Europa composite BBB) taking account of MediClin AG's credit rating to determine the incremental borrowing rate. For the rest of the Group, relevant interest reference rates were derived from existing schuldschein loans and interpolated as the Group uses them for financing. The average incremental borrowing rate was 1.3%.

The leased hospital properties of MediClin AG, which were treated as operating leases up until the end of 2018, have a significant impact on the Group's future net assets, financial position and results of operations. There are still other longer-term lease agreements for other property, plant and equipment. There is a further change to note in the statement of cash flows. Payments for operating leases were previously reported under cash flow from operating activities. As a result of the application of IFRS 16, repayments of financial liabilities from right-of-use assets and interest expenses will now be reported under cash flow from financing activities. This means that cash flow from operating activities will improve by the amount of the operating lease payments to the detriment of cash flow from financing activities.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

On 12 October 2017, the International Accounting Standards Board (IASB) issued Amendments to IFRS 9 Prepayment Features with Negative Compensation to clarify the classification of financial assets with negative compensation prepayment features. The amendments to IFRS 9 shall be applied for reporting periods beginning on or after 1 January 2019.

The new requirement amended the existing provisions of IFRS 9 on termination rights to allow measurement at amortised cost for negative compensation. The amendments to IFRS 9 also clarify that the carrying amounts of financial liabilities should be recognised directly in profit or loss after restructuring.

These requirements had no impact on the Asklepios Group's net assets, financial position and results of operations.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation IFRIC 23 Uncertainty over Income Tax Treatments was issued on 7 June 2017. This interpretation shall be applied for the first time for annual periods beginning on or after 1 January 2019.

The interpretation applies to taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when tax treatments involve uncertainty that affects the application of IAS 12.

An entity must determine whether to assess each uncertain tax treatment separately or together with one or more other uncertain tax treatments. It should select the approach that allows it to predict the resolution of the uncertainty.

These requirements had no impact on the Asklepios Group's net assets, financial position and results of operations.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

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

These requirements had no impact on the Asklepios Group's net assets, financial position and results of operations.

Improvements to International Financial Reporting Standards, 2015–2017 cycle

On 12 December 2017, the IASB published Annual Improvements to IFRSs 2015–2017 Cycle, which makes amendments to four standards:

- IFRS 3 Business Combinations: The amendment to IFRS 3 clarifies that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- IFRS 11 Joint Arrangements: The amendment to IFRS 11 clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes: The amendment clarifies that all income tax consequences of dividends (distribution of profits) are to be recognised in operating earnings.
- IAS 23 Borrowing Costs: The amendment clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

These requirements had no impact on the Asklepios Group's net assets, financial position and results of operations.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
On 7 February 2018, the International Accounting Standards Board (IASB) published the Amendments to IAS 19 Plan Amendment, Curtailment or Settlement. An entity shall apply these amendments on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

The amendments stipulate that if a plan amendment, curtailment or settlement occurs during the year, the current service cost and the net interest for the remainder of the period should be recalculated. The recalculation must be based on actuarial assumptions that are valid at the time of the plan change.

These requirements had no impact on the Asklepios Group's net assets, financial position and results of operations.

The table below shows IFRS standards and interpretations that are to be applied in subsequent years:

ENDORSED:	PUBLISHED IN OFFICIAL JOURNAL	EFFECTIVE DATE
Amendments to the Conceptual Framework – Comprehensive IASB Project	March 2018	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 2019	1 January 2020
Amendments to IAS 1 and IAS 8 – Definition of Material	October 2018	1 January 2020

The IASB and the IFRIC have published the standards listed under "Endorsed" in the above table, which have already been endorsed in EU law under the comitology procedure but were not yet effective in the 2019 financial year.

Amendments to the Conceptual Framework — Comprehensive IASB Project
On 29 March 2018, the International Accounting Standards Board (IASB) issued the revised conceptual framework, which addresses topics that were not yet covered or that showed obvious shortcomings.

The revised conceptual framework includes clearer definitions of assets, liabilities, equity, income and expenses. New guidance on measurement and derecognition, presentation and disclosure was also added to the conceptual framework.

The Asklepios Group does not expect these requirements to have a significant impact on its net assets, financial position and results of operations.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
On 26 September 2019, the International Accounting Standards Board (IASB) issued Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures.

They are designed to provide relief from potential effects that the IBOR (interbank offered rates) reform is expected to have on financial reporting. The amendments aim to allow recognised hedging relationships (hedge accounting) to continue or to remain designated as such despite the expected phasing out of interest-rate benchmarks.

An entity shall apply these amendments on or after the beginning of the first annual reporting period that begins on or after 1 January 2020.

The Asklepios Group does not expect these amendments to have an impact on its net assets, financial position and results of operations.

Amendments to IAS 1 and IAS 8 – Definition of Material

On 31 October 2018, the International Accounting Standards Board (IASB) issued Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding the definition of materiality. The amendments seek to clarify the definition of material, but do not alter the concept of materiality.

According to the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements make.

The Asklepios Group does not expect this clarified definition to have a significant impact on its net assets, financial position and results of operations.

NOT YET ENDORSED:	PUBLICATION	EFFECTIVE DATE
IFRS 17 Insurance Contracts	May 2017	1 January 2021
Amendments to IFRS 3 Business Combinations	October 2018	1 January 2020
Amendments to IAS 1 Classification of Liabilities	January 2020	1 January 2022

IFRS 17 Insurance Contracts

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

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The standard contains three central approaches for the accounting treatment of insurance contracts:

- The Building Block Approach (BBA) is the general model for the accounting treatment of insurance contracts. It is applicable for all insurance contracts within the scope of IFRS 17, unless one of the following exceptions is applied.
- The Premium Allocation Approach (PAA) is a simplification of the Building Block Approach, which may be applied to contracts provided that measurement of these contracts using the PAA does not result in any material deviations compared with the BBA or if they are of a short-term nature.
- The Variable Fee Approach (VFA) is another variation of the Building Block Approach for insurance contracts whose payments are contractually linked to income deriving from certain reference values (direct participating features).

The standard is irrelevant for the Asklepios Group.

Amendments to IFRS 3 Business Combinations

On 22 October 2018, the International Accounting Standards Board (IASB) published an amendment to IFRS 3 Business Combinations regarding the definition of a business. The amendment aims to make a distinction between a business and a group of assets within the scope of an acquisition.

Subject to the pending endorsement, Asklepios does not expect the clarified definitions and revised guidance to have any impact on the Group for acquisitions taking place on or after 1 January 2020.

Amendments to IAS 1 Classification of Liabilities

On 23 January 2020, the International Accounting Standards Board (IASB) issued an amendment to IAS 1 regarding the classification of liabilities, which sets out criteria for the classification of liabilities as current or non-current. An entity shall apply the amendments retrospectively for annual periods beginning on or after 1 January 2022.

The amendments to the classification of liabilities as current or non-current affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items.

The Asklepios Group is currently examining the precise impact of the amendments.

3. PRESENTATION AND RECLASSIFICATIONS

Assets and liabilities and expenses and income have been offset in accordance with IAS 1.33 when offsetting reflects the substance of the transaction.

The consolidated income statement, which is presented as a separate component of the consolidated financial statements pursuant to the option under IAS 1 (rev. 2011), was prepared in line with the nature of expense method.

If no other currency unit is specified, all amounts in the consolidated financial statements are shown in thousands of euro (EUR thousand) or millions of euro (EUR million).

4. FINANCIAL YEAR

The financial year is the calendar year.

5. APPROVAL OF THE FINANCIAL STATEMENTS

The company's consolidated financial statements were approved for publication by management signature.

III Currency translation

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

The financial statements of all Group companies whose functional currency is not the euro are translated into the reporting currency as follows:

- Assets and liabilities are translated at the reporting date of each statement of financial position presented.
- Income and expenses are translated at the average exchange rate for each statement presenting profit or loss and other comprehensive income (except where it is a reasonable approximation of the cumulative effect of a translation on the transaction dates; in this case, income and expenses are translated at the exchange rates applicable at the transaction date).
- All gains and losses from currency translation are recognised in other comprehensive income.

All exchange differences relating to the translation of net investments in foreign operations are recognised in other comprehensive income. On the disposal of a foreign operation, the exchange differences recognised in equity are reclassified to the consolidated income statement.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Gains and losses resulting from the settlement of such transactions or from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate prevailing on the reporting date are recognised in the consolidated income statement, unless they are to be recognised in equity (other comprehensive income) as qualifying cash flow hedges and qualifying net investment hedges.

IV Consolidation and accounting policies

The annual financial statements of companies included in the consolidated financial statements of the company were prepared using uniform accounting policies. The financial statements of all the companies included in consolidation were prepared at the same date as the consolidated financial statements.

1. BASIS OF CONSOLIDATION

a) Subsidiaries

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

In the event of loss of control over a subsidiary, the assets and liabilities of the former subsidiary are derecognised and any investment retained is recognised at its fair value. The investment and any amounts the former subsidiary owes to the Group or that the Group owes to the former subsidiary are subsequently accounted for in accordance with relevant IFRSs. The fair value shall be regarded as the fair value on initial recognition of a financial asset or, where applicable, the cost on initial recognition of an investment in an associate or joint venture. Gains and losses from the loss of control are recognised in the income statement. This also applies to amounts that were previously accounted for in the statement of comprehensive income.

Business combinations are accounted for using the acquisition method. The cost of a company acquisition is calculated as the sum total of the transferred consideration, measured at its fair value at the acquisition date, and the non-controlling interests in the acquired company. For each business combination, the acquirer measures the non-controlling interests in the acquired company either at fair value or on the basis of the proportionate share of the identifiable net assets of the acquired company. Costs incurred in connection with the business combination are recognised as expense and are reported as administrative costs.

The agreed contingent consideration is recognised at fair value at the date of the acquisition. Subsequent changes to the fair value of a contingent consideration representing an asset or a liability are measured at fair value in accordance with IFRS 9 and recognised through profit or loss in the income statement. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.

In subsequent periods, unrecognised gains and losses identified upon the fair value measurement of assets and liabilities during first-time consolidation are remeasured, amortised or reversed in line with the changes in the assets and liabilities. In subsequent periods, goodwill is tested for impairment at least once a year and, if impairment is identified, written down to the lower recoverable amount.

If interests are acquired in stages, the difference between the purchase cost and the share of equity is recognised as goodwill. In this case, the equity interest previously held by the acquirer shall be remeasured at its acquisition-date fair value and the resulting gain or loss shall be recognised in profit or loss.

Intragroup expenses and income and receivables and liabilities between consolidated companies were eliminated as part of the consolidation of debt, expenses and income. Intercompany profits and losses are eliminated, where material. For consolidation measures affecting profit or loss, income tax effects are recognised and deferred taxes are reported.

b) Associates

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

The Group's share of the profits and losses of associates is recognised in the consolidated income statement at the date of acquisition, and the share of the changes in reserves of associates are recognised in the Group reserves. The cumulative changes after acquisition are recognised against the carrying amount of the investment. Dividend payments are deducted from the amount recognised in equity, accordingly. If the Group's share of the loss in an associate is equal to or greater than the Group's interest in this entity, including other unsecured receivables, the Group does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits is greater than the share of losses not recognised.

Unrealised profits arising from transactions between Group companies and associates are eliminated in accordance with the Group's interest in the associate. Unrealised losses are also eliminated, unless the transaction indicates impairment of the transferred asset. The accounting policies of associates were changed, where necessary, to ensure the application of uniform policies throughout the Group.

c) Other investments

The Group's other investments, which are neither fully consolidated subsidiaries (IFRS 10) nor consolidated associates (IAS 28), are carried at amortised cost if they are of minor significance. They are measured at cost on initial recognition. Transaction costs were considered as part of the purchase price on initial recognition.

d) Transactions with non-controlling interests

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

If there are changes to the Group's ownership interest in a subsidiary and the Group does not lose control over the subsidiary, these transactions are treated as equity transactions. This relates to transactions with owners in their capacity as owners.

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

e) Basis of consolidation

The following companies were part of the group of consolidated companies as at 31 December 2019. Also presented are the amount of the interest (direct or indirect) and the extent to which the company is exempt from the obligation to prepare a management report and disclose information under section 264 (3) and section 264b HGB.

NAME, REGISTERED OFFICE	INTEREST HELD IN % 2019	INTEREST HELD IN % 2018	SECTION 264 (3) AND SECTION 264B HGB
AKG Klinik Hohwald GmbH, Königstein	100.00	100.00	Yes
AKG Klinik Parchim GmbH, Königstein	94.00	94.00	Yes
AKG Kliniken GmbH, Königstein	100.00	100.00	Yes
Ambulantes Gesundheitszentrum Schwedt GmbH, Schwedt	100.00	100.00	Yes
Angiologikum GmbH, Hamburg	100.00	100.00	No
Aponova Home & Care GmbH, Hamburg	100.00	100.00	No
Asklepios - ASB Krankenhaus Radeberg GmbH, Radeberg	94.00	94.00	No
Asklepios Aponova GmbH, Hamburg	100.00	100.00	No
Asklepios Business Services GmbH, Königstein	100.00	100.00	Yes
Asklepios Business Services Hamburg GmbH, Hamburg	100.00	100.00	Yes
Asklepios Connecting Health Hamburg GmbH, Hamburg	100.00	100.00	Yes
Asklepios Connecting Health Deutschland GmbH, Königstein	100.00	100.00	Yes
Asklepios Dienstleistungsgesellschaft Hamburg mbH, Hamburg	100.00	100.00	No
Asklepios Dienstleistungsgesellschaft mbH, Gauting	100.00	100.00	Yes
Asklepios Einkauf und Versorgung Hamburg GmbH, Hamburg	94.00	94.00	Yes
Asklepios Fachkliniken Brandenburg GmbH, Brandenburg	100.00	100.00	Yes
Asklepios Fachklinikum Stadtroda GmbH, Stadtroda	94.00	94.00	Yes
Asklepios Facility Services Hamburg GmbH, Hamburg	100.00	100.00	No
Asklepios Gesundheitszentrum Bad Tölz GmbH, Bad Tölz	100.00	100.00	Yes
Asklepios Gesundheitszentrum GmbH, Königstein	100.00	100.00	Yes
Asklepios Hamburg Personalservice GmbH, Hamburg	100.00	100.00	No
Asklepios Harzkliniken GmbH, Goslar	94.00	94.00	Yes
Asklepios International Beteiligungsgesellschaft mbH, Königstein	100.00	100.00	No
Asklepios International GmbH, Königstein	100.00	100.00	No
Asklepios IT-Services Hamburg GmbH, Hamburg	100.00	100.00	No
Asklepios Klinik Alsbach GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Bad Griesbach GmbH & Cie OHG, Königstein	94.00	94.00	Yes
Asklepios Klinik Bad Salzungen GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Bad Wildungen GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Dr. Walb, Homberg/Ohm	94.00	94.00	No
Asklepios Klinik Fürstenhof Bad Wildungen GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Gauting GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Lenggries GmbH, Lenggries	100.00	100.00	No
Asklepios Klinik Lich GmbH, Lich	94.00	94.00	Yes

NAME, REGISTERED OFFICE	INTEREST HELD IN % 2019	INTEREST HELD IN % 2018	SECTION 264 (3) AND SECTION 264B HGB
Asklepios Klinik Lindau GmbH, Lindau	100.00	100.00	No
Asklepios Klinik Lindenlohe GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Pasewalk GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Sankt Augustin GmbH, Sankt Augustin	94.00	94.00	Yes
Asklepios Klinik Schaufling GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Sobernheim GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Wiesbaden GmbH, Königstein	94.00	94.00	Yes
Asklepios Kliniken Hamburg GmbH, Hamburg	74.90	74.90	No
Asklepios Kliniken Langen-Seligenstadt GmbH, Langen	94.00	94.00	Yes
Asklepios Kliniken Weißenfels GmbH (formerly: Asklepios Kliniken Weißenfels-Hohenmölsen GmbH), Weißenfels	94.00	94.00	Yes
Asklepios Klinikum Bad Abbach GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinikum Uckermark GmbH, Schwedt	94.00	94.00	Yes
Asklepios Krankenpflegeschulen gGmbH, Königstein	95.00	95.00	No
Asklepios Lindau Beteiligungs GmbH, Lindau	100.00	100.00	No
Asklepios Medical Healthcare China Holding GmbH, Königstein	100.00	100.00	No
Asklepios Medical School GmbH, Hamburg	100.00	100.00	No
Asklepios MVZ Bayern GmbH, Cham	100.00	100.00	Yes
Asklepios MVZ Brandenburg GmbH, Brandenburg	100.00	100.00	Yes
Asklepios MVZ Hessen GmbH, Seligenstadt	100.00	100.00	Yes
Asklepios MVZ Mitteldeutschland GmbH, Stadtroda	100.00	100.00	Yes
Asklepios MVZ Nord GmbH, Hamburg	100.00	100.00	Yes
Asklepios MVZ Nord SH GmbH, Hamburg	100.00	100.00	Yes
Asklepios MVZ Niedersachsen GmbH, Goslar	100.00	100.00	Yes
Asklepios MVZ Sachsen-Anhalt GmbH, Weißenfels	100.00	100.00	Yes
Asklepios MVZ Schleswig-Holstein GmbH (formerly: Asklepios Kurhaus GmbH), Königstein	100.00	100.00	Yes
Asklepios Nordseeklinik Westerland GmbH, Königstein	93.00	93.00	Yes
Asklepios Objektbetreuung Hamburg GmbH, Hamburg	100.00	100.00	No
Asklepios Pflegeheim Weserblick GmbH, Königstein	100.00	100.00	Yes
Asklepios Poland sp. z o.o., Szczecin (Poland)	100.00	100.00	N/A
Asklepios Privita GmbH, Hamburg	100.00	100.00	No
Asklepios Psychiatrie Langen GmbH, Langen	100.00	100.00	Yes
Asklepios Psychiatrie Niedersachsen GmbH, Göttingen	100.00	100.00	Yes
Asklepios Rehaklinik Bad Oldesloe GmbH, Königstein	100.00	100.00	Yes

NAME, REGISTERED OFFICE	INTEREST HELD IN % 2019	INTEREST HELD IN % 2018	SECTION 264 (3) AND SECTION 264B HGB
Asklepios Reha - Klinik Bad Schwartau GmbH, Königstein	94.00	94.00	Yes
Asklepios Schwalm-Eder-Kliniken Dienstleistungs-GmbH, Schwalmstadt	100.00	100.00	No
Asklepios Schwalm-Eder-Kliniken GmbH, Schwalmstadt	94.00	94.00	No
Asklepios Service Einkauf und Versorgung GmbH, Königstein	100.00	100.00	Yes
Asklepios Service Entlassmanagement GmbH, Königstein	100.00	100.00	Yes
Asklepios Service Hotellerie GmbH, Königstein	100.00	100.00	Yes
Asklepios Service IT GmbH, Königstein	100.00	100.00	Yes
Asklepios Service Reinigung GmbH, Königstein	100.00	100.00	Yes
Asklepios Service Technik GmbH, Königstein	100.00	100.00	Yes
Asklepios Stadtklinik Bad Tölz GmbH, Königstein	94.00	94.00	Yes
Asklepios Stadtkrankenhaus Seesen GmbH, Seesen	100.00	100.00	No
Asklepios Südpfalzkliniken GmbH, Burglengenfeld	94.00	94.00	Yes
Asklepios Therapie GmbH, Königstein	100.00	100.00	No
Asklepios Verwaltungs- und Management-GmbH, Königstein (formerly: Personalagentur für Gesundheit GmbH, Alsbach)	100.00	100.00	No
Asklepios Weserbergland-Klinik GmbH, Höxter	94.00	94.00	Yes
Asklepios Westklinikum Hamburg GmbH, Hamburg	74.98	74.98	Yes
Beteiligungsgesellschaft Prof. Mathey, Prof. Schofer GmbH, Hamburg	100.00	100.00	No
Blomenburg Holding GmbH, Kiel	94.00	94.00	Yes
Care-Bridge GmbH, Königstein	100.00	0.00	No
DHZ Deutsches Herzklappenzentrum GmbH, Hamburg	100.00	100.00	No
Digital Infusion GmbH, Berlin	100.00	100.00	No
Dr. Hoefer-Janker GmbH & Co. Klinik KG, Bonn	100.00	100.00	Yes
Fachklinik Rhein/Ruhr für Herz/ Kreislauf- und Bewegungssystem GmbH & Co. Kommanditgesellschaft, Essen	100.00	100.00	Yes
Fachklinik Rhein/Ruhr für Herz/ Kreislauf- und Bewegungssystem Verwaltungs-Gesellschaft mit beschränkter Haftung, Essen	100.00	100.00	Yes
Fachklinikum Wiesen GmbH, Königstein	100.00	100.00	Yes
Fachklinik Zwieselberg GmbH, Freudenstadt	100.00	100.00	Yes
Fürstenberg Institut GmbH, Hamburg	80.00	0.00	No
German health tv GmbH, Königstein	100.00	100.00	Yes
GFB medi GmbH, Alsbach	100.00	100.00	No
GKB Klinikbetriebe GmbH, Königstein	94.00	94.00	Yes
HDG-Harzkliniken Dienste GmbH, Goslar	100.00	100.00	Yes
Health Care Concept GmbH, Hamburg	100.00	0.00	No
Herzzentrum Lahr/Baden GmbH & Co. KG, Bad Rappenau	94.80	94.80	Yes

NAME, REGISTERED OFFICE	INTEREST HELD IN % 2019	INTEREST HELD IN % 2018	SECTION 264 (3) AND SECTION 264B HGB
HKW Hamburger Krankenhauswäscherei GmbH, Hamburg	51.00	51.00	No
INSITE-Interventions GmbH, Frankfurt am Main	100.00	100.00	No
KB Krankenhausbeteiligungsgesellschaft mbH & Co. KG, Essen	100.00	100.00	Yes
KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH, Essen	100.00	100.00	Yes
KLS – Facility Management GmbH, Langen	100.00	100.00	No
Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau	94.80	94.80	No
Kraichgau-Klinik Bad Rappenau GmbH & Co. KG, Bad Rappenau	94.80	94.80	Yes
Lungenpraxis am Wördemannsweg GmbH, Hamburg	100.00	100.00	No
MAH Medizinische Akademie Hamburg GmbH, Hamburg	100.00	100.00	No
MC Kliniken Geschäftsführungs GmbH, Offenburg	94.80	94.80	No
MC Service GmbH, Offenburg	100.00	100.00	Yes
MediClin à la Carte GmbH, Offenburg	100.00	100.00	Yes
MediClin AG, Offenburg	52.73	52.73	No
MediClin Betriebs GmbH, Offenburg	100.00	100.00	Yes
MediClin Energie GmbH, Offenburg	100.00	100.00	Yes
MediClin Fachklinik Rhein / Ruhr Therapie & Pflege GmbH, Essen	100.00	100.00	Yes
MediClin Geschäftsführungs-GmbH, Offenburg	100.00	100.00	No
MediClin GmbH & Co. KG, Offenburg	100.00	100.00	Yes
MediClin Immobilien Verwaltung GmbH, Offenburg	100.00	100.00	Yes
MediClin-IT GmbH, Offenburg	100.00	100.00	Yes
MediClin Krankenhaus am Crivitzer See GmbH, Crivitz	100.00	100.00	No
MediClin Medizinisches Versorgungszentrum GmbH, Offenburg	100.00	100.00	Yes
MediClin MVZ Achern GmbH, Achern	100.00	100.00	Yes
MediClin Pflege GmbH, Offenburg	100.00	100.00	Yes
MediClin Therapie GmbH, Offenburg	100.00	100.00	Yes
medicum Hamburg MVZ GmbH, Hamburg	100.00	100.00	No
MEDILYS Laborgesellschaft mbH, Hamburg	100.00	100.00	No
Medizinisches Versorgungszentrum Prof. Mathey, Prof. Schofer GmbH, Hamburg	100.00	100.00	No
Minddistrict B.V., Amsterdam (Netherlands)	100.00	0.00	N/A
Minddistrict Development B.V., Amsterdam (Netherlands)	100.00	0.00	N/A
Minddistrict GmbH, Berlin	100.00	0.00	No
Mind District Holding B.V., Amsterdam (Netherlands)	100.00	0.00	N/A
Minddistrict LTD, London (England)	100.00	0.00	N/A
MVZ Hamburg-Ost HOG GmbH, Hamburg	100.00	100.00	No

NAME, REGISTERED OFFICE	INTEREST HELD IN % 2019	INTEREST HELD IN % 2018	SECTION 264 (3) AND SECTION 264B HGB
MVZ Hanse Histologikum GmbH, Hamburg	51.00	51.00	No
MVZ MediClin Bonn GmbH, Bonn	100.00	100.00	No
MVZ Onkologie Barmbek GmbH, Hamburg	100.00	100.00	No
MVZ Sobernheim GmbH, Bad Sobernheim	100.00	100.00	Yes
MVZ Vorpommern GmbH, Pasewalk	100.00	100.00	Yes
Norddeutsches Herz- und Gefäßzentrum Hamburg GmbH, Hamburg	100.00	100.00	No
Nordseeklinik Neubau GmbH, Königstein	100.00	100.00	Yes
OT-Rhein-Main GmbH, Föhren	100.00	100.00	No
PMD Präventivum GmbH, Hamburg	100.00	100.00	No
Poly Z Med GmbH, Königstein	100.00	100.00	Yes
ProCuraMed AG, Bern (Switzerland)	100.00	100.00	N/A
Prof. Mathey, Prof. Schofer Vermietungsgesellschaft mbH & Co. KG, Hamburg	100.00	100.00	No
ProFuß GmbH, Föhren	80.00	80.00	No
PROMEDIG gemeinnützige Gesellschaft für medizinische Innovation mbH, Hamburg	100.00	100.00	No
PULSO EUROPE BV, Leuven (Belgium)	80.00	0.00	N/A
Pulso Europe LDA, Lisbon (Portugal)	60.00	0.00	N/A
Pulso South East Europe P.C., Athens (Greece)	55.00	0.00	N/A
Reha - Klinik Schildautal Investgesellschaft mbH, Königstein	99.00	99.00	Yes
Rehabilitationszentrum Gernsbach/ Schwarzwald GmbH & Co. KG, Bad Rappenau	94.80	94.80	Yes
Rückenzentrum St. Georg GmbH, Hamburg	100.00	100.00	No
Sächsische Schweiz Kliniken GmbH, Sebnitz	100.00	100.00	No
Samedi GmbH, Berlin	100.00	100.00	No
Sanomed Sanitätshaus für Orthopädie und Rehabilitationstechnik GmbH, Bad Sobernheim	75.10	75.10	No
ZIT Zentralinstitut für Transfusionsmedizin GmbH, Hamburg	100.00	100.00	No

The following companies, which are of minor importance, are carried at cost because their fair values cannot be reliably determined:

NAME, REGISTERED OFFICE	INTEREST HELD IN %	EQUITY IN EUR THOUSAND	NET PROFIT/LOSS IN EUR HOUSAND
4QD – Qualitätskliniken.de GmbH, Berlin*	25.10	989	–131
Bad Griesbacher Tunnelanlagen GmbH & Co. Betriebs – KG, Bad Griesbach*	38.42	1,572	–150
KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, Crivitz*	69.23	56	1
Movival GmbH, Achern	45.45	219	–55
Müritz-Klinikum Service GmbH, Waren*	51.00	258	107
Wir für Gesundheit GmbH, Berlin*	50.00	269	–1,595

* Figures for 2018

The following companies are accounted for using the equity method:

NAME, REGISTERED OFFICE	INTEREST HELD IN %
Athens Medical Center S.A., Athens	36.48
Collm Klinik Oschatz GmbH, Oschatz	25.00
Meierhofer AG, Munich	40.00
Rhön-Klinikum AG, Bad Neustadt a.d. Saale	28.69

Assets held for sale

As at 31 December 2019, the assets and liabilities of KBG Kraftstrom-Bezugsgenossenschaft Homberg e.G., Homberg (Efze) were reclassified to the “held for sale” category. Total assets held for sale and liabilities held for sale is EUR 0, and is not shown in the table for reasons of simplicity.

2. INTANGIBLE ASSETS

Intangible assets are measured at cost on initial recognition. The cost of an intangible asset acquired in a business combination corresponds to its fair value at the acquisition date.

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

Entities shall first assess whether the intangible assets have a finite or indefinite useful life.

Intangible assets with finite useful lives are amortised on a straight-line basis over their economic useful lives and are examined for possible impairment if there is any indication that the intangible asset might be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. If there has been a change in the expected useful life of the asset or the expected pattern of consumption of the future economic benefits embodied in the asset, another amortisation period or amortisation method is selected. Such changes are treated as changes in estimates.

	USEFUL LIFE IN YEARS
Software and licences	3–10
Customer bases	10–20

Impairment is recognised in the income statement under "Amortisation of intangible assets and depreciation of property, plant and equipment".

Intangible assets with indefinite useful lives are tested for impairment once a year or if there are indications of impairment, if facts or changes in circumstances indicate that the carrying amount may be impaired. The Group recognises a brand with an indefinite useful life. For information on the underlying parameters of impairment testing, please refer to the notes in IV. 3) Goodwill.

3. GOODWILL

Goodwill from business combinations is initially measured at cost, which is calculated as the excess of the cost of the business combination over the Group's interest in the fair value of the acquired identifiable assets, liabilities and contingent liabilities. After initial recognition, the goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at least once a year or if there are indications of impairment, if facts or changes in circumstances indicate that the carrying amount may be impaired.

For the purposes of impairment testing, starting from the acquisition date the goodwill acquired in a business combination is allocated to the cash-generating units (CGUs) or groups of cash-generating units that benefit from synergy effects from the business combination. This applies irrespective of whether other assets or liabilities of the acquirer are allocated to these cash-generating units or groups of cash-generating units. A cash-generating unit or group of cash-generating units to which goodwill is allocated is the lowest level (medical facility or group of facilities) within the entity at which the goodwill is monitored for internal management purposes.

The impairment is determined by establishing the recoverable amount of the cash-generating unit (group of cash-generating units) to which that goodwill relates. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. If the recoverable amount of the cash-generating unit (group of cash-generating units) is below its carrying amount, impairment is recognised. If impairment is higher than the carrying amount of goodwill, the difference shall be distributed proportionally to the assets within the CGU. If the reasons for impairment no longer apply, goodwill is not reversed. Impairment is recognised in the income statement under "Amortisation of intangible assets and depreciation of property, plant and equipment".

The changes in goodwill result from approximate values acquired or sold and already accounted for in the separate financial statements.

The following parameters were used for all CGUs when testing for impairment:

	2019	2018
Planning horizon	3 years	3 years
Growth reduction including perpetuals	0.25%	0.5%
Risk-free interest rate	0.10%	1.0%
Market risk premium	6.75%	6.50%
Beta factor (derived from peer group)	0.72	0.76
Equity ratio	67.65%	72.12%
Debt ratio	32.35%	27.88%
Pre-tax borrowing costs	2.06%	2.93%
Post-tax borrowing costs	1.73%	2.47%
Pre-tax discount rate	4.0	5.1
Post-tax discount rate (WACC)	3.9	5.0

Where the CGU under consideration is significantly affected by the accounting effects of IFRS 16, this was taken into account by way of an adjustment to the impairment model and the effects of IFRS 16 were included in the budget planning, the carrying amount of the CGU and WACC (3.35%). This did not change the impairment of the affected CGU.

The average revenue growth for the key companies to which goodwill has been assigned is between 1.1% and 6.4% in the 2020 to 2022 planning period.

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

The calculation of the value in use (= recoverable amount) includes our strategic orientation, our past experience and general developments in the industry.

The sensitivity analysis we carried out assumed a change in the pre-tax discount rate of +0.5% or –0.5%. The change in EBIT was also +10% or –10% on the current assumption. Revenue and costs are heavily influenced by regulatory conditions. If EBIT were to deteriorate by 10% and the discount rate were to change by 0.5%, the impairment loss for the Group as a whole would be EUR 3.4 million. All other scenarios would not result in impairment losses on goodwill.

4. PROPERTY, PLANT AND EQUIPMENT

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

	USEFUL LIFE IN YEARS
Right-of-use assets for land	60 years
Residential and operational buildings	20–52 years
Exterior installations	10–20 years
Machinery	6–30 years
Other equipment, operating and office equipment	3–15 years

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

Property, plant and equipment is either derecognised at the time of disposal or when no further economic benefit is expected to arise from the further use or sale of the asset. Gains or losses resulting from derecognition of the asset are determined as the difference between the net amounts realised and the carrying amount, and are recognised through profit or loss in the consolidated income statement in the period in which the item is derecognised.

Residual amounts of the assets, useful lives and depreciation methods are reviewed at the end of each financial year and adjusted where necessary.

Costs of repairs to property, plant and equipment, such as ongoing maintenance expenses, are recognised in profit or loss.

5. GOVERNMENT GRANTS

The company receives government grants for various government subsidy programmes. Government grants are accounted for in accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) only if there is reasonable assurance that the conditions attached to them will be met and that the grants will be received. Where government grants were issued for the procurement of property, plant and equipment, they are offset against the cost of the asset in line with IAS 20.24. Furthermore, the company receives grants that are earmarked for financing ongoing expenses. These grants are recognised in profit or loss and deducted from the relevant expenses on an accrual basis.

Assistance that companies of the Group have been provided in the form of an interest rate advantage for the granting of non-interest-bearing or low-interest-bearing loans is measured at the time it is granted and likewise deducted from the cost of the subsidised assets.

6. LEASES

A lease exists when the lessor contractually conveys to the lessee the right to control the use of an identifiable asset for an agreed period of time and the lessor receives consideration from the lessee in exchange.

Accounting by the lessee
The lessee recognises a right-of-use asset and a lease liability at the inception date of the lease. The right-of-use asset is accounted for at cost and is depreciated over the shorter of the lease term and the economic life of the asset. The asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, for payments on or before the inception of the lease, and for restoration and similar obligations. The right-of-use asset is recognised against a lease liability under equity and liabilities in the statement of financial position. The present value of all future lease payments is included in the measurement of the lease liability. These payments are discounted using the interest rate implicit in the lease (if it can be determined reliably). If it cannot be determined, the incremental borrowing rate is used instead.

Variable lease payments that depend on an index or rate are initially included in the measurement of the lease liability. They are initially measured using the index or rate as at the commencement date. Residual value guarantees are also included. Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss during the period.

A lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

- Short-term leases with a lease term of twelve months or less and containing no purchase options
- Leases for which the underlying asset is of low value (low-value asset)

The lease liability is remeasured to reflect changes to the lease payments: a) if there is a change in the lease term; b) if there is a change in the assessment of an option; c) if there is a change in theexpected payments in connection with residual value guarantees; d) or if there is a change in future lease payments resulting from a change in an index or a rate.

Accounting by the lessor
Lessors distinguish between finance and operating leases for each lease.

Leases for which a significant share of the risks and rewards of ownership of the leased asset remain with the lessor are classified as operating leases. In this case, payments made are recognised on a straight-line basis over the lease term and reported in the income statement.

Leases for which the Group bears the significant risks and rewards of ownership of the leased asset are classified as finance leases.

For information on the effects of the new standard on the consolidated statement of financial position and the consolidated income statement, please refer to II. 2) New standards and standards to be applied for the first time

7. RESEARCH AND DEVELOPMENT COSTS

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the technical and commercial implementation of research findings. Research costs are recognised as an expense when they occur. The portion of the development costs for which the requirements for capitalisation as intangible assets under IAS 38 (Intangible Assets) are fully met is recognised as an intangible asset.

There were no capitalised development costs in either the financial year or the previous year. Research costs are subsidised and are therefore recognised in other comprehensive income.

8. BORROWING COST

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset (IAS 23.11). Borrowing costs of EUR 0.4 million (previous year: EUR 1.1 million) were capitalised in connection with construction projects in the 2019 financial year. The capitalised amount was calculated as a surcharge rate from the capitalisation rate for loans taken out (6.85%).

All other borrowing costs are expensed in the period in which they are incurred (IAS 23.8).

9. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

10. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments recognised as financial assets or as financial liabilities are presented separately. Financial instruments are recognised when a Group company becomes party to a contract for the financial instrument. Financial instruments are initially measured at fair value. Transaction costs (except transaction costs for financial assets measured at fair value through profit or loss) are considered as part of the purchase price on initial recognition. The classification of financial assets on initial measurement is dependent on the characteristics of the contractual cash flows of the financial assets and on the business model.

A distinction is made between the business models “hold”, “hold and sell” and “other”. Financial assets that contain interest and principal payments as described in IFRS 9 where the objective is to collect the contractual cash flows are assigned to the “hold” business model. Financial assets that are held in order to collect contractual cash flows but also to be sold are assigned to the “hold and sell” business model. Financial assets that are held with trading intent or that do not meet the criteria of “hold” or “hold and sell” are assigned to the “other” business model.

For purposes of subsequent measurement, financial assets are classified in four categories as specified in IFRS 9:

- Financial assets measured at amortised cost (debt instruments)
- Financial assets measured at fair value through other comprehensive income (debt instruments)
- Financial assets measured at fair value through other comprehensive income (equity instruments)
- Financial assets measured at fair value through profit or loss

Financial assets are derecognised if the rights to the payments expire or are transferred and the Group has transferred substantially all the risks and rewards incidental to ownership.

a) Financial assets measured at amortised cost (debt instruments)
Financial assets shall be measured at amortised cost if both of the following conditions are met:

- the financial assets are held within a business model whose objective is to hold financial assets to collect contractual cash flows, and
- the contractual terms of the financial asset result in cash flows at specified dates that are only repayments of portions of the nominal amount and interest on those portions of the nominal amount that have not yet been repaid.

Financial assets measured at amortised cost are subsequently measured using the effective interest method and are tested for impairment. Gains and losses are recognised in consolidated profit or loss when the asset becomes impaired, is modified or is derecognised. Interest rate effects from using the effective interest method are also recognised in profit or loss.

b) Financial assets measured at fair value through other comprehensive income (debt instruments)
Financial assets are to be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset result in cash flows at specified dates that are only repayments of portions of the nominal amount and interest on those portions of the nominal amount that have not yet been repaid.

In the case of debt instruments measured at fair value through other comprehensive income, interest income, remeasurements of gains and losses on currency translation, and impairment losses or reversals are recognised in the consolidated income statement. Other changes in fair value are recognised in equity. When a financial asset is derecognised, the cumulative gain or loss from changes in fair value recognised in other comprehensive income is reclassified to the consolidated income statement.

The Group defines the classification of its financial assets upon initial recognition and reviews it at the end of each financial year, where permitted and appropriate.

The carrying amount of cash and cash equivalents, receivables and current liabilities is approximately equivalent to the fair value given the short-term nature of these instruments. The fair value of investments in equity instruments that are traded on organised markets is determined by the quoted market price at the end of the reporting period.

c) Financial assets measured at fair value through other comprehensive income (equity instruments)
On initial measurement, an entity shall decide whether to classify its equity instruments as equity instruments measured at fair value through other comprehensive income if they satisfy the definition of equity in IAS 32 and are not held for trading. Gains and losses from these financial assets are not reclassified to the consolidated income statement. Dividends are recognised in the consolidated income statement under other income. Equity instruments measured at fair value through other comprehensive income are not tested for impairment.

d) Financial assets measured at fair value through profit or loss

inancial assets measured at fair value through profit or loss include financial assets held for trading, financial assets designated at fair value through profit or loss on initial recognition and financial assets that must be measured at fair value. Financial assets such as shares or interest-bearing securities are classified as held for trading if they are held with the intention of sale in the short term. As specified by the provisions of IFRS 9, derivative financial instruments are generally measured at fair value through profit or loss if they are not used as hedging instruments in hedge accounting. Examples of derivative financial instruments include options, futures and forwards, and interest rate swaps. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss regardless of the business model. Gains and losses from these financial assets are recognised in profit or loss. One exception to this is financial instruments designated for hedge accounting; gains and losses resulting therefrom are reported under equity in other comprehensive income.

e) Financial liabilities

Financial liabilities as defined in IFRS 9 are classified as financial liabilities measured at fair value through profit or loss or as other financial liabilities.

The Group defines the classification of its financial liabilities upon initial recognition and reviews it at the end of each financial year, where permitted and appropriate.

Financial liabilities measured at fair value through profit or loss are recognised at fair value upon initial recognition. Gains and losses from changes in fair value are recognised in profit or loss as incurred. There was no classification of financial liabilities as “financial liabilities measured at fair value through profit or loss” within the Group at the end of the reporting period, as was the case in the previous year.

Each financial liability that is assigned to the category of “financial liabilities measured at amortised cost” is initially measured at the fair value of the consideration received less any transaction costs attributable to borrowing. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. They are reported under other financial liabilities.

A financial liability is derecognised if the underlying obligation relating to the liability is discharged, cancelled or expires.

f) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset if there is a currently enforceable legal right for the Group to offset the recognised amounts, and if the Group intends to settle the financial assets and financial liabilities on a net basis or to realise the asset and settle the liability simultaneously. The legal right must not be contingent on a future event and must be enforceable in the normal course of business.

g) Determination of fair value

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

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

31 DEC. 2019 (EUR MILLION)	LEVEL 1	LEVEL 2	LEVEL 3	NET TOTAL
Financial assets	0.0	0.0	3,5	**3.5**
Financial liabilities	0.0	0.0	0.0	**0.0**

31 DEC. 2018 (EUR MILLION)	LEVEL 1	LEVEL 2	LEVEL 3	NET TOTAL
Financial assets	0.0	0.0	2.9	**2.9**
Financial liabilities	0.0	0.0	0.0	**0.0**

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

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

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

h) Net results by measurement category

	FROM SUBSEQUENT MEASUREMENT				
EUR MILLION	FROM NET INTEREST INCOME	DEPRECIATION AND AMORTISATION	IMPAIRMENT	2019	2018
Financial assets at amortised cost	0.1	–5.2	–0.8	–6.0	0.6
Financial liabilities at amortised cost	–1.5	0.0	0.0	–1.5	–7.7

The net result from the subsequent measurement of financial assets measured at amortised cost comprises income and expenses from loss allowances on trade receivables.

11. INCOME TAXES

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

b) Deferred taxes
Deferred taxes are recognised using the asset and liability method for all temporary differences at the end of the reporting period between the carrying amount of an asset or liability in the consolidated statement of financial position and the tax base. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which an asset is realised or a liability is settled. This is based on the tax rates (and tax laws) applicable at the end of the reporting period. Future changes in the tax rates must be taken into account at the end of the reporting period if the material conditions for effectiveness in a legislative process are fulfilled.

Deferred tax assets are recognised for deductible temporary differences and unused tax loss carryforwards to the extent that it is likely that there will be sufficient taxable income against which the deductible temporary differences and unused tax loss carryforwards can be utilised.

The carrying amount of deferred tax assets is tested at the end of each reporting period and reduced to the extent that it is no longer likely that sufficient taxable income will be available against which the deferred tax asset can be at least partly utilised. Unrecognised deferred tax assets are tested at the end of each reporting period and recognised to the extent that it has become likely that future taxable income will allow the realisation of deferred tax assets.

The calculation of deferred taxes as at 31 December 2019 is again subject, as it was in the previous year, to a corporate income tax rate of 15% plus a solidarity surcharge of 5.5% on corporate income tax. The operating clinics are generally exempt from trade tax.

Income taxes that relate to items of other comprehensive income are also recognised in other comprehensive income and not in the consolidated income statement. This related to the change in pension commitments of EUR 16,126 thousand in the financial year (previous year: EUR -858 thousand).

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable claim to set off actual tax assets and liabilities and these relate to income taxes levied on the same taxable entity by the same tax authority. Deferred taxes are not discounted.

12. INVENTORIES

As specified in IAS 2, inventories are measured at the lower of cost and net realisable value, with weighted average costs used as a simplified measurement method. All discernible risks in inventories arising from longer storage periods and reduced utility are appropriately accounted for with write-downs.

Work in progress relates to inpatients as at the end of the reporting period. This is the industry term used for patients whose treatment is not yet complete as at the end of the reporting period. We do not report any partial profits from the measurement of inpatients as at the end of the reporting period (zero profit method); please refer to the estimates and assumptions in IV.19. The Group makes an inventory of the number of patients in hospital as at the end of the reporting period. If at the end of the reporting period we are to assume that contract costs will exceed contract revenue, we initially write down the estimated contract costs. Where required, we also recognise provisions for onerous contracts.

13. TRADE RECEIVABLES

Receivables are not secured and there is a risk that all or some of them will default. Specific loan loss allowances are recognised in a separate impairment account if all or some of the receivables are uncollectible or are likely to be uncollectible, where the impairment loss must be determined to a sufficiently accurate extent. Receivables are derecognised directly if the receivable is definitively classified as uncollectible.

Impairment losses take into account all discernible risks on the basis of individual risk assessments and historical credit loss experience.

14. RECOGNITION OF REVENUE

Revenue mainly results from hospital operations and therefore solely constitutes revenue from the provision of services. Like all hospitals in the Federal Republic of Germany, our hospitals are subject to legally imposed fee schedules (including the German Hospital Fees Act (KHEntgG) and the German National Hospital Rate Ordinance (BPflV)). The hospital services provided and the prices charged to payers (predominantly health insurance funds) are governed by a number of laws and regulations at national and state level Inpatient hospital services should be remunerated through budgets negotiated prospectively with the statutory health insurance funds. However, budget negotiations do not actually take place until mid-way through a financial year and some of these negotiations are not concluded until after the end of a financial year. In these instances, there is uncertainty over the agreed service volumes and/or remuneration amounts, which we offset with reasonable estimates. Health insurance fund payments for patients are usually collected after the relevant service has been provided.

The majority of our revenue results from billing flat-rate payments per case, DRGs as per the German Hospital Fees Act in our acute care hospitals, and the flat-rate fee system for psychiatric and psychosomatic facilities (PEPP) as per the German National Hospital Rate Ordinance in our psychiatric care facilities. In some departments, remuneration is determined by negotiated budgets based on daily nursing rates in line with state regulations.

The negotiated budgets, which are generally capped, are based on the total of service volume and price. The budgets are negotiated between our hospitals and the payers. If at the end of the financial year the service volume billed by a hospital (number, severity or type of service) is not consistent with the budget negotiated for this year, there will be overruns or shortfalls in revenue. These are offset by the health insurance funds deducting an additional amount from or paying an additional amount to the hospital in question. If a hospital provides services over or below the agreed overall budget, for the higher or lower service volumes provided only the variable flat-rate costs additionally incurred or not incurred are paid or deducted. The resulting receivables or liabilities are recognised in the consolidated statement of financial position and the revenue is adjusted accordingly.

The coded revenue is also subject to regular audits by the German Medical Service of the Health Insurance Funds (MDK). If the MDK reduces revenue, there will be changes to the transaction price. The measurement of trade receivables and revenue from hospital services provided takes into account estimates regarding the MDK complaints quota, and relevant revenue adjustments are made based on historical experience. The MDK risk for receivables already paid is covered by a provision. The final outcome of the MDK audits in turn influences the payment or deduction of amounts for the respective financial year.

Dividend income is recognised at the time the right to receipt or payment arises and is reported in net investment income. Interest income is recognised using the effective interest method.

15. OTHER RECEIVABLES AND OTHER ASSETS

Other receivables and other assets are carried at amortised cost. Appropriate specific loan loss allowances are made for high-risk items.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents shown in the statement of financial position comprise short-term, highly liquid money market investments with an original term of less than three months from the date of acquisition. Cash and cash equivalents are consistent with the cash and cash equivalents item in the consolidated statement of cash flows.

17. OTHER PROVISIONS

A provision is recognised if the Group has a current (legal, contractual or constructive) obligation arising from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation is possible. The expense from recognising the provision is reported in the consolidated income statement net of the highest probable amount recognised for a reimbursement.

Non-current provisions are discounted. If provisions are discounted, the increase in the provision that is required over time is recognised as interest expense.

18. PENSION PROVISIONS

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

A defined contribution plan is a pension plan for which the Group makes fixed contributions to an independent company (insurance company or pension fund).

In the case of defined contribution plans, the Group pays contributions to public or private pension insurance schemes as a result of a contractual or statutory obligation. Apart from the obligation to pay the contributions, the Group has no further payment obligations. The contributions are recognised in staff costs when they become due.

A defined benefit plan is a pension plan that does not fall under the definition of a defined contribution plan. It is typically characterised by the fact that it prescribes a pension benefit amount that an employee will receive upon retirement the level of which typically depends on one or several factors such as age, length of service and salary.

The provision for defined benefit plans reported in the statement of financial position corresponds to the present value of the defined benefit obligation (DBO) on the reporting date less the plan assets held to cover the obligation.

The DBO is calculated annually by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting the estimated future cash outflows using the interest rate for corporate bonds with high credit ratings with a maturity matching that of the pension obligation. Pension obligations are measured on the basis of actuarial pension reports taking into account the assets held to cover these obligations.

Actuarial gains and losses, which are based on experience-based adjustments and changes in actuarial assumptions, are recognised immediately. They are reported as components of comprehensive income outside the consolidated income statement in the statement of comprehensive income, and after initial recognition in comprehensive income are transferred immediately to retained earnings; they are no longer recognised in profit or loss in subsequent periods.

IAS 19 (rev. 2011) introduced the concept of net interest expense (income). Net interest expense (income) is calculated by multiplying the net defined benefit liability (asset) by the discount rate. The calculation of net interest expense (income) as per IAS 19 (rev. 2011) also applies the discount rate implicitly to plan assets. The difference between (expected) net interest expense (income) and actual expense (income) is recognised under remeasurements in other comprehensive income.

As a result of collectively agreed regulations, the Group pays contributions to a public-sector pension scheme (supplementary pension fund for municipalities, ZVK) for a certain number of employees. The contributions are collected using a pay-as-you-go system. This scheme is a multi-employer scheme (IAS 19.8 (rev. 2011)) in which the participating companies share both the credit risk and the biometric risk.

The ZVK pension scheme is to be classified as a defined benefit plan (IAS 19.30 (rev. 2011)). Because the information required for a detailed calculation of the share of future payment obligations attributable to the Group is not available, the requirements of IAS 19.34 (rev. 2011) apply. Funding for the ZVK scheme is based on a pay-as-you-go system, whereby the contribution rate for a certain coverage period is determined for the entire pool of insured companies and not for each individual insured risk. This means that Asklepios is also exposed to the risks (biometric, investment) borne by the other ZVK sponsoring employers. The obligations are therefore to be accounted for as defined contribution plans. There are no agreements as defined by IAS 19.36 (rev. 2011), which means that no corresponding assets or liabilities are recognised. The recognition of any liability item in the statement of financial position is subordinate to warrantor obligations of public-sector entities. Ongoing contributions to ZVK are recognised as pension expenses for the respective years and are reported as post-employment benefit obligations under staff costs.

Pension provisions also include indirect obligations covered by provident funds, where Asklepios Kliniken GmbH & Co. KgaA or its subsidiaries meet the obligations by paying corresponding contributions to the pension providers. The obligations are accounted for by deducting the provident fund plan asset. There are also commitments to civil servants of the city of Hamburg and individual contractual obligations to retired tax groups.

19. ESTIMATES AND ASSUMPTIONS

When preparing the consolidated financial statements, certain assumptions or estimates must be made for the measurement of items in the statement of financial position, the reporting of contingent liabilities, and the recognition of income and expenses.

The main forward-looking assumptions and other main sources of estimation uncertainties as at the reporting date that entail a considerable risk that significant adjustments will have to be made to the carrying amounts of assets and liabilities within the next financial year are explained below (for the carrying amounts of receivables and liabilities and more detailed explanations, please refer to the information in VIII. "Notes on items of the consolidated statement of financial position").

- Acquisitions: Assumptions and estimates have an impact on acquisitions as part of purchase price allocation. Contingent purchase price liabilities are carried at fair value as part of purchase price allocation.
- Goodwill impairment: The Group tests goodwill for impairment once a year. This requires an estimate of the value in use of the cash-generating units to which the goodwill is allocated. To determine the value in use, the Group has to estimate the expected future cash flows of the cash-generating unit and the discount rates to calculate the present value of these cash flows.

As at 31 December 2019, the carrying amount of goodwill was EUR 575.7 million (previous year: EUR 543.1 million).

For more information on this, please refer to the notes on goodwill and impairment testing under IV.3) Goodwill.

Fair value of derivative and other financial instruments: The fair value of financial instruments that are not traded on an active market is calculated using suitable measurement methods, which are selected from a number of methods. The assumptions applied are largely based on prevailing market conditions on the reporting date.

- Fair value of investments accounted for using the equity method: If the fair value of financial assets recognised in the statement of financial position cannot be determined using data from an active market, it is determined using measurement parameters including the discounted cash flow method. The input parameters included in the model are based as far as possible on observable market data and on assumptions of growth rates and interest rates. The carrying amount of investments accounted for using the equity method was EUR 496.7 million as at 31 December 2019 (previous year: EUR 474.5 million).
- Inpatients at end of reporting period (work in progress): As part of our patient billing process, we receive fixed fees based on the respective DRGs, which are calculated using the standard base rates for the respective German state and the national coding system. The Group makes an inventory of the number of patients in hospital as at the end of the reporting period. This is based on the milestones 'length of stay' in relation to the national average length of stay and the date of the operation. As the costs per inpatient at the end of the reporting period cannot be reliably determined due to the difficulty of identifying patient numbers and projecting the development of the course of treatment for these patients, the Group calculates the costs per inpatient at the end of the reporting period using the fixed fees that Asklepios receives. Given the unreliable estimate of costs per inpatient at the end of the reporting period, the Group does not report any partial profits from the measurement of inpatients as at the end of the reporting period. Asklepios reports revenue only in the amount of the estimated contract costs incurred (zero profit method) by applying a discount to the estimated costs per inpatient at the end of the reporting period. The carrying amount was EUR 68.1 million as at 31 December 2019 (previous year: EUR 64.4 million).
- Pensions and other obligations: The amount of pension provisions depends on a number of actuarial assumptions. These mainly relate to:
  - discount rates
  - future salary increases

Due to the long-term nature of these provisions, such estimates are subject to significant uncertainty. Please refer to our explanations under VIII.18) Provisions for pensions and similar obligations. The carrying amount was EUR 350.4 million as at 31 December 2019 (previous year: EUR 274.7 million).

- Taxes: Taxable profits are calculated on the basis of an assessment of the circumstances based on applicable legal standards and interpretations thereof. Amounts recognised as tax expense, tax liabilities and tax receivables are based on the assumptions made. The capitalisation of tax loss carryforwards in particular requires estimates regarding the amount of existing loss carryforwards and the taxable income that will be available in the future to offset these loss carryforwards. There is uncertainty primarily in the interpretation of these complex tax regulations. Differences from the assumptions that occur at a later stage are recognised in the period in which they occur. Expenses and income from such differences are recognised in the period in which they occur. Please refer to VI.9) Income taxes.
- Recognition of revenue: Our inpatient hospital services should be remunerated through budgets negotiated prospectively with the statutory health insurance funds. However, budget negotiations do not actually take place until mid-way through a financial year and some of these negotiations are not concluded until after the end of a financial year. In these instances, there is uncertainty over the agreed service volumes and/or remuneration amounts, which Asklepios offsets with reasonable estimates. Past experience shows that the intrinsic inaccuracy of each estimate in this case is insignificant in relation to revenue.

- Other provisions: Estimates of amount, probability of occurrence and timing are required for provisions.

A number of Group companies are responsible for covering and managing the loss events that have occurred and are expected to occur up to a specified level of loss. If this level is exceeded, other external insurance policies come into play. The provisions recognised in the financial year are estimates of future payments for reported loss events and for losses that have been incurred but have not yet been reported. The estimates are based on historical experience and current claims behaviour. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts. Obligations for payment of compensation were calculated on the basis of actuarial methods by an external actuary.

The amount of the provisions recognised is determined in particular by specified actuarial parameters, the level of loss in the individual case and the timing of the required payments arising from the loss events. The provision includes both individual losses and claims adjustment expenses. Past experience shows that the intrinsic inaccuracy of the estimate is insignificant. For more information on the presentation of provisions, please refer to the statement of provisions in VIII.19) Other provisions.

- Trade receivables: Identifiable risks are accounted for by impairment losses. They are measured by the probability of default based on past experience and maturity structure as a percentage according to the time they have been outstanding and the risk of non-recognition.

V Disclosures on financial risk management

1. FINANCIAL RISK MANAGEMENT SYSTEM

Financial risks are defined as risks that originate from a company's investing and financing activities and its interactions with financial markets. The Group has various financial assets, essentially comprising cash and cash equivalents, trade receivables and other receivables, which arise directly from its operating activities. The financial liabilities reported by the Group essentially comprise trade payables, liabilities to banks and lease liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operating activities.

The main risks arising from the company's operating activities can be divided into the following three risk clusters:

1. Liquidity risks
2. Interest rate risks
3. Credit risks

Group-wide financial risk management aims to minimise potential adverse effects of developments on the financial markets on the financial position of the Group.

As risk management is a central management function, the company's management has set relevant targets and strategies that apply globally to the whole company. Management identifies, assesses, manages and controls financial risks in close cooperation with the Group's operating units and risk managers. In this regard, the company's management issues guidance for both general risk management and management of certain types of risk, such as the handling of interest rate and credit risk, the use of derivative and non-derivative financial instruments, and the investment of excess liquidity.

2. LIQUIDITY RISKS

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

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

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

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

EUR MILLION	31 DEC. 2019 TOTAL	UP TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS
Trade payables	87.2	87.1	0.1	0.0
Financial liabilities	1,384.1	114.4	966.5	303.2
Liabilities from leasing	533.0	54.0	204.1	274.9
Other financial liabilities (not including derivatives)	243.0	185.3	40.3	17.4

EUR MILLION	31 DEC. 2018 TOTAL	UP TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS
Trade payables	91.0	90.8	0.2	0.0
Financial liabilities	1,378.7	47.1	594.3	737.3
Liabilities from leasing	6.6	0.7	2.5	3.4
Other financial liabilities (not including derivatives)	234.8	174.2	34.2	26.4

3. CREDIT RISKS

Credit risks (including customer or customer default risk) arise when a debtor fails to meet all or some of its contractual obligations.

Asklepios is exposed to only a low level of risk from an unexpected loss of cash or income. Firstly, Asklepios has a low del credere risk thanks to the high share of debtors that are German (statutory) health insurance companies, supplemented with a smaller share of public welfare authorities and some private patients. Secondly, financial contracts are entered into only selectively and are distributed over a broad group of banks with a good credit rating. The cash investment policy, which is largely short term, follows the principle of "security over yield" and spreads excess Group liquidity across different banks from the three major German deposit protection systems with a limit for each individual institution. By contrast, the growing influence of the economic crisis on the earnings situation of the social insurance schemes results in the risk of delayed payment of trade receivables, which in turn leads to a risk of more capital being tied up in current assets. There is also a risk that individual receivables will not be recognised after audits are conducted by the MDK. Impairment losses as defined in IFRS 9 are not recognised for this risk of non-recognition. Instead, revenue adjustments are made, which are measured by management on the basis of past experience, and the value of receivables expected to be uncollectible is adjusted accordingly. The revenue adjustments after the end of the reporting period, which are made based on audits by the MDK, are recognised by way of corresponding adjustments to trade receivables, provided these have not yet been settled by the payers. The MDK risk for receivables already paid is covered by a provision.

Loss allowances are recognised as soon as there is the expectation that at least some of the receivables are uncollectible.

As in the previous year, there are no significant concentrations of risk as at 31 December 2019. With respect to the other financial assets held by the Group, the maximum exposure to credit risk arising from default of the counterparty is equal to the carrying amount of the corresponding instruments.

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

4. INTEREST RATE RISKS

Fluctuations in market interest rates affect future interest payments for floating-interest liabilities. Material increases in the base interest rate or the bank margin can therefore impair the Group's profitability, liquidity and financial position. The same applies to the foreign currency risks, which are very limited.

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

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

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

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

	31 DEC. 2019		31 DEC. 2018	
EUR '000 VARIABLE: INTEREST RATE	+100 BASIS POINTS	-100 BASIS POINTS	+100 BASIS POINTS	-100 BASIS POINTS
Earnings before income taxes	–316	–2,948	2,556	–2,849

5. CAPITAL MANAGEMENT

The top priority for the Group in terms of capital management is to support and secure its operating activities. The foundation for this is a stable equity ratio and a good credit rating, which are indicators of the Group's financial and economic stability.

As at 31 December 2019, the equity ratio was 33.5% (previous year: 36.9%) and was thus kept stable at around the previous year's level.

The Group uses the net debt ratio (net financial liabilities to EBITDA) as a means of assessing credit rating, and this figure – adjusted for effects from the application of IFRS 16 Leases, acquisitions and expansion investments – should not exceed 3.5x.

The following table illustrates how this ratio was calculated in the financial year:

EUR MILLION	2019	2019*	2018
Financial liabilities	1,869.5	1,384.1	1,378.7
Cash and cash equivalents	265.0	265.0	351.6
Net financial liabilities	1,604.5	1,119.1	1,027.1
EBITDA	462.8	402.1	397.6
Net debt ratio	**3.5x**	**2.8x**	**2.6x**

* Excluding effects from the application of IFRS 16 Leases

At 2.8x (not taking into account the effects of IFRS 16) in the financial year (previous year: 2.6x), the ratio was still within the internally specified range.

As at the end of the reporting period, the Group has cash reserves of EUR 265.0 million (previous year: EUR 351.6 million) in the form of cash and cash equivalents and unutilised lines of credit for a further EUR 435.2 million (previous year: EUR 450.7 million).

VI Notes to the consolidated income statement

1. REVENUE

Revenue breaks down by business segment as follows:

EUR MILLION	2019	2018
Clinical acute care	2,914.5	2,817.3
Post-acute and rehabilitation clinics	578.2	554.4
Social and welfare facilities	15.3	15.5
Miscellaneous	29.4	20.7
Total	**3,537.3**	**3,407.9**

The Asklepios Group facilities treated a total of 2,497,095 patients in the 2019 financial year. This represents a considerable increase of 10.2% year-on-year (previous year: 2,265,603 patients). While the number of inpatient cases decreased slightly by 0.1% to 674,689 (previous year: 675,226), the number of outpatient cases increased by 14.6% to 1,822,406 (previous year: 1,590,377). The rise in patient numbers resulted in growth in revenue of 3.8% from EUR 3,407.9 million to EUR 3,537.3 million, largely from organic growth.

2. OTHER OPERATING INCOME

Other operating income breaks down as follows:

EUR MILLION	2019	2018
Income from services	91.0	87.9
Income from ancillary, additional and other operations	71.6	73.0
Income from cost reimbursements	28.0	26.5
Income from other grants	10.7	9.2
Miscellaneous	57.8	39.2
Total	**259.1**	**235.8**

Income from services can be attributed primarily to income from pharmacy sales, which increased to EUR 63.8 million in the reporting year (previous year: EUR 56.7 million), and to other own work capitalised, which rose to EUR 14.7 million in the reporting year (previous year: EUR 11.7 million). The decrease in income from ancillary, additional and other operations is due mainly to slightly lower income from cafeteria and canteen operations. Miscellaneous income includes the reversal of a provision for EUR 22.9 million in the reporting year, which explains the increase in this item.

3. COST OF MATERIALS

The Asklepios Group's cost of materials ratio in relation to revenue went down slightly year-on-year to 20.9% as at 31 December 2019 (previous year: 21.3%). In absolute terms, cost of materials increased by EUR 13.5 million to EUR 737.7 million year-on-year. The main reasons for this were an increase of EUR 11.9 million in medical product expenses to EUR 129.6 million and an increase of EUR 4.7 million in expenses for consumable supplies for doctors and nurses to EUR 56.6 million. This was offset by a decrease of EUR 12.7 million in expenses for external laboratory testing to EUR 33.4 million.

4. STAFF COSTS

Staff costs increased by EUR 102.9 million to EUR 2,270.2 million year-on-year. The number of employees went up from 35,327 full-time equivalents in the previous year to 36,265 full-time equivalents. The staff costs ratio in relation to revenue increased from 63.6% to 64.2% due to the slightly higher rise in staff costs. This can be accounted for by the increased headcount.

Staff costs comprise wages and salaries of EUR 1,886.2 million (previous year: EUR 1,809.3 million), social security expenses of EUR 344.4 million (previous year: EUR 320.5 million), and contributions and additions to pension provisions of EUR 39.7 million (previous year: EUR 37.5 million).

Pension expenses include Asklepios Group benefits from defined contribution and defined benefit pension commitments and similar pension obligations. Pension schemes for (former) employees include both pension provisions and claims with supplementary pension funds (ZVK), the Pension Institution of the Federal Republic and the Federal States (VBL), and direct insurance policies. Employees are also covered by the statutory pension scheme.

Ongoing contributions to VBL/ZVK are recognised as pension expenses in operating earnings.

Employer contributions to pension insurance schemes are also classified as defined contribution plan benefits.

5. OTHER OPERATING EXPENSES

Other operating expenses relate to:

EUR MILLION	2019	2018
Maintenance and servicing	111.3	103.6
Rental expenditure	9.6	59.1
Taxes, dues and insurance	42.7	38.3
Contributions, consulting and audit fees	34.7	34.9
Advertising and travel expenses	24.5	23.4
Office supplies, postage and telephone charges	21.5	20.5
Other administrative and IT expenses	24.6	17.6
Training expenses	15.8	14.4
Miscellaneous	41.0	42.5
Total	**325.6**	**354.4**

Contributions, consulting and audit fees include expenses for acquisitions, IT projects, annual financial statement audits and other consulting projects. Miscellaneous expenses relate to various items for current business operations

6. DEPRECIATION AND AMORTISATION

Depreciation and amortisation breaks down as follows:

EUR MILLION	2019	2018
Amortisation of financial assets and depreciation of property, plant and equipment	140.8	133.5
Amortisation of intangible assets	24.7	19.9
Depreciation of right-of-use assets	56.5	0.0
Total depreciation and amortisation	**222.0**	**153.4**

7. NET INVESTMENT INCOME

Net investment income breaks down as follows:

EUR MILLION	2019	2018
Income from equity investments	16.7	10.4
Net investment income	**16.7**	**10.4**

Income from equity investments includes dividend payments and shares of investments accounted for using the equity method.

8. NET INTEREST INCOME

Net interest income breaks down as follows:

EUR MILLION	2019	2018
Interest income	2.0	0.8
Interest expenses	–44.7	–39.4
Net interest income	**–42.7**	**–38.6**

The Group received EUR 1.1 million (previous year: EUR 0.9 million) from reported interest income. The Group paid EUR 13.1 million (previous year: EUR 27.6 million) in interest expenses.

Interest expenses break down as follows:

EUR MILLION	2019	2018
Interest expenses from schuldschein loan agreements	–23.4	–22.4
Interest expenses from IFRS 16	–9.5	0.0
Interest expenses from pensions and similar obligations	–5.0	–4.5
Loans and overdraft facilities	–3.9	–4.7
Other financial expenses	–2.9	–7.8
Interest expenses	**–44.7**	**–39.4**

Interest income breaks down as follows:

EUR MILLION	2019	2018
Interest income from default interest	0.9	0.5
Interest income from discounting provisions	0.7	0.0
Other financial income	0.4	0.3
Interest income	**2.0**	**0.8**

9. INCOME TAXES

Income taxes relate to current and deferred taxes on income. Corporate income tax plus the solidarity surcharge is recognised under income taxes. This item also includes deferred taxes, as per IAS 12, on differences in the tax base between the IFRS and tax accounts and on realisable tax loss carryforwards, which can usually be carried forward indefinitely.

Income taxes break down as follows:

EUR '000	2019	2018
Current income taxes	–36,715	–39,166
Deferred income taxes	–5,797	–5,787
Total	**–42,512**	**–44,953**

Taxes paid in the financial year amounted to EUR 31.4 million (previous year: EUR 43.6 million).

Reconciliation between actual tax expenses and the amount taking account of the German corporate income tax rate on earnings before income taxes is as follows:

EUR '000	2019	2018
Earnings before income taxes	214,810	216,026
Calculated tax expense*	–33,994	–34,186
Capitalised and non-capitalised loss carryforwards	–1,119	–1,397
Trade tax	–9,769	–8,536
Tax refunds/back payments for previous years	–701	–587
Tax increase/reduction due to differing tax rates	4,686	1,032
Tax increase/reduction due to adjustments of deferred taxes	610	–1,869
Tax increases/reductions due to settlements/non-tax-deductible expenses, corporate income tax on settlements/non-tax-deductible expenses and corporate income tax on settlements of non-controlling interests	–3,075	–28
Dividend income, taxed at 5%	951	674
Miscellaneous	-101	–56
Tax expense for the current year	**–42,512**	**–44,953**

*Tax rate calculated for 2019 and 2018: 15.825%

The actual tax rate was 19.8% (previous year: 20.8%).

VII Notes to the consolidated statement of cash flows

The statement of cash flows is classified by cash flows from operating, investing and financing activities as per IAS 7. Cash flow from operating activities is calculated using the indirect method. Cash and cash equivalents comprise cash and balances with banks.

Cash and cash equivalents decreased by EUR 86.6 million to EUR 265.0 million year-on-year. Cash flow from operating activities amounted to EUR 260.8 million (previous year: EUR 293.8 million) and was influenced by the health insurance funds' payment performance. Payments for these receivables are expected to be collected in subsequent quarters.

The operating cash flow is offset by a cash outflow from investing activities of EUR 265.4 million (previous year: EUR 320.9 million). Payments for investing activities mainly comprise investments in fixed assets and in new subsidiaries and other equity investments.

Financing activities resulted in a cash outflow of EUR 82.0 million (previous year: cash outflow of EUR 233.6 million). Cash flow from financing activities was influenced mainly by the borrowings of MediClin AG in the amount of EUR 86.0 million. This was offset by repayments of financial liabilities for MediClin AG in the amount of EUR 62.1 million, the repayment of a credit line taken out in 2018 (EUR 20.0 million) and the repayment of financial liabilities from right-of-use assets (EUR 52.2 million).

VIII Notes on items of the consolidated statement of financial position

1. BUSINESS COMBINATIONS ACCOUNTED FOR USING THE ACQUISITION METHOD

Acquisitions in 2019

In January 2019, Asklepios Kliniken GmbH & Co. KGaA acquired Mind District Holding B.V., Amsterdam, Netherlands. The Minddistrict Group is represented in the Netherlands, Germany and the UK. The company owns an e-health platform that provides technical support for personalised treatment pathways, from prevention through to aftercare. Minddistrict's e-health platform is primarily used in mental healthcare, otherwise known as e-mental health. E-mental health combines face-to-face therapy sessions with online treatment aspects.

In June 2019, we acquired an 80% stake in Belgian company Pulso Europe BV. The company's main key area is setting up Employee Assistance Programmes (EAPs) at external companies. This company is represented in Belgium, Greece and Portugal.

On 1 July 2019, Asklepios Kliniken GmbH & Co. KGaA acquired an 80% stake in Fürstenberg Institut GmbH headquartered in Hamburg, Germany's largest EAP provider and an expert in the provision of services that promote health and performance in the workplace.

The purchase price allocations as defined in IFRS 3 are presented to the extent that it was possible to obtain information and are classed as provisional with regard to goodwill within the meaning of IFRS 3.45 et seq.

Remeasurement of acquired assets and liabilities at the acquisition date

The starting point is a systematic identification process, which assess all potential assets and liabilities not yet recognised for their eligibility to be recognised in purchase price allocation on the basis of due diligence. An assessment of the fair values of all identified assets and liabilities is also required. The costs recognised as the carrying amount of the investments in the separate financial statements of the Asklepios parent companies are to be replaced by the assets and liabilities of the acquired companies (notion of separate purchase). In applying the acquisition method, the identifiable assets acquired and liabilities assumed can be recognised only if they meet the definitions of assets and liabilities in the IFRS Conceptual Framework at the acquisition date (IFRS 3.11).

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

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

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

EUR '000	ACQUISITION-DATE FAIR VALUES
Assets	
Non-current assets	2,985
Cash and cash equivalents	1,443
Current assets	13,465
Total assets	**17,893**
Liabilities	
Non-current liabilities	2,318
Current liabilities	14,254
Total liabilities	**16,572**
Total identifiable net assets at fair value	**1,321**
Non-controlling interests measured at fair value	–103
Goodwill from the acquisition attributable to the parent company	26,904
Consideration	**28,328**

Non-current assets mainly include intangible assets and property, plant and equipment, and current assets relate to trade receivables. Non-current and current liabilities mainly comprise trade payables and provisions.

The business combinations also resulted in goodwill of EUR 29.7 million altogether. Goodwill mainly represents the expected future earnings power that will result from leveraging synergy effects with the newly acquired entities. It is assumed that the goodwill is non-tax-deductible.

With respect to income taxes, the acquirer shall recognise and measure a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination in accordance with IAS 12 (IFRS 3.24). It shall account in particular for the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition in accordance with IAS 12 (IFRS 3.24).

The consideration already affected cash in 2018 in an amount of EUR 15.0 million.

The measurement difference arising from the assets recognised in connection with the business combination pursuant to IFRS 3 results in deferred tax assets of EUR 0.6 million and deferred tax liabilities of EUR 0.2 million (previous year: none).

Since the acquisition date, the company acquisitions have contributed a total of EUR 13.6 million to revenue and EUR 1.6 million to consolidated net income. Had the business combinations taken place at the beginning of the year, the newly acquired companies would have contributed EUR 19.9 million to revenue and EUR 2.1 million to consolidated net income.

2. INTANGIBLE ASSETS

2019 EUR '000	GOODWILL	OTHER INTANGIBLE ASSETS	PREPAYMENTS FOR INTANGIBLE ASSETS	TOTAL
Cost **As at 1 Jan. 2019**	**557,915**	**252,540**	**18,242**	**828,697**
Changes in consolidated group	26,904	3,035	0	29,939
Additions/investments similar to acquisitions	6,737	29,027	12,802	48,567
Disposals	–1,273	–1,052	–4	–2,329
Reclassification	782	5,148	–1,048	4,881
As at 31 Dec. 2019	**591,066**	**288,697**	**29,992**	**909,755**
Cumulative amortisation and impairment **As at 1 Jan. 2019**	**–14,772**	**–107,919**	**0**	**–122,691**
Changes in consolidated group	0	–533	0	–533
Amortisation and impairment for the financial year	–291	–24,423	0	–24,714
Reclassifications	–285	–13	0	–297
Amortisation and impairment on disposals	0	524	0	524
As at 31 Dec. 2019	**–15,348**	**–132,363**	**0**	**–147,711**
Residual carrying amounts as at 31 Dec. 2019	**575,718**	**156,335**	**29,992**	**762,045**

2018 EUR '000	GOODWILL	OTHER INTANGIBLE ASSETS	PREPAYMENTS FOR INTANGIBLE ASSETS	TOTAL
Cost **As at 1 Jan. 2018**	**519,859**	**231,314**	**8,067**	**759,240**
Changes in consolidated group	29,682	598	0	30,280
Additions/investments similar to acquisitions	4,811	18,587	13,375	36,773
Disposals	–796	–1,780	–37	–2,613
Reclassification	4,360	3,820	–3,163	5,017
As at 31 Dec. 2018	**557,915**	**252,540**	**18,242**	**828,697**
Cumulative amortisation and impairment **As at 1 Jan. 2018**	**–14,603**	**–88,923**	**0**	**–103,526**
Changes in consolidated group	–185	–229	0	–414
Amortisation and impairment for the financial year	0	–19,939	0	–19,939
Reclassifications	–1	25	0	24
Amortisation and impairment on disposals	17	1,147	0	1,164
As at 31 Dec. 2018	**–14,772**	**–107,919**	**0**	**–122,690**
Residual carrying amounts as at 31 Dec. 2018	**543,143**	**144,621**	**18,242**	**706,007**

Both software and capitalised customer bases and brands are reported under other intangible assets.

The goodwill recognised by the Group breaks down as follows:

GOODWILL EUR '000	2019	2018
MediClin AG, Offenburg	233,422	233,659
Asklepios Kliniken Hamburg GmbH, Hamburg	100,847	99,418
Asklepios Fachkliniken Brandenburg GmbH, Brandenburg location	17,957	17,957
Asklepios Klinikum Uckermark GmbH, Schwedt	14,044	14,053
Mind District Holding B.V., Amsterdam (Netherlands)	13,260	0
Samedi GmbH, Berlin	12,756	12,756
Asklepios Klinik Sobernheim GmbH, Königstein	10,835	10,835
Sanomed Sanitätshaus für Orthopädie und Rehabilitationstechnik GmbH, Bad Sobernheim	11,364	10,814
Asklepios Klinik Wiesbaden GmbH, Königstein	10,240	10,240
Asklepios Fachkliniken Brandenburg GmbH, Lübben location	9,729	9,729
Asklepios Kliniken Langen-Seligenstadt GmbH, Langen	9,496	9,496
Fürstenberg Institut GmbH, Hamburg	8,670	0
INSITE-Interventions GmbH, Frankfurt am Main	8,064	7,823
Asklepios Harzkliniken GmbH, Goslar	7,815	7,815
Asklepios Südpfalzkliniken GmbH, Burglengenfeld	6,835	6,835
Asklepios Klinikum Bad Abbach GmbH, Königstein	6,442	6,442
Asklepios Schwalm-Eder-Kliniken GmbH, Schwalmstadt	6,342	6,342
Asklepios MVZ Bayern GmbH, Cham	6,442	5,829
Asklepios Fachkliniken Brandenburg GmbH, Teupitz location	5,750	5,750
ProCura Med AG, Bern (Switzerland)	4,908	4,908
Miscellaneous	70,497	62,440
Total	**575,718**	**543,143**

The impairment of all goodwill included in the consolidated statement of financial position and assigned to the cash-generating units was recognised in value in use. Impairment was not required in the reporting year.

3. PROPERTY, PLANT AND EQUIPMENT

2019 EUR '000	LAND AND BUILDINGS INCLUDING BUILDINGS ON THIRD-PARTY LAND	TECHNICAL EQUIPMENT AND MACHINERY	OPERATING AND OFFICE EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
Cost As at 1 Jan. 2019	**1,985,939**	**167,924**	**619,300**	**148,490**	**2,921,653**
Transfer of right-of-use assets	0	0	–1,437	0	–1,437
Cost As at 1 Jan. 2019 (adjusted)	**1,985.939**	**167,924**	**617,863**	**148,490**	**2,920,216**
Changes in consolidated group	77	114	1,391	3	1,586
Additions	56,270	10,049	62,767	64,974	194,060
Disposals	–2,326	–845	–25,025	–11,034	–39,230
Reclassification	61,217	6,483	9,077	–81,658	–4,881
As at 31 Dec. 2019	**2,101,178**	**183,726**	**666,072**	**120,775**	**3,071,751**
Cumulative depreciation As at 1 Jan. 2019	**–823,978**	**–88,205**	**–400,726**	**0**	**–1,312,908**
Transfer of right-of-use assets	0	0	393	0	393
Cumulative depreciation As at 1 Jan. 2019 (adjusted)	**–823,978**	**–88,205**	**–400,333**	**0**	**–1,312,516**
Changes in consolidated group	–67	–97	–1,013	0	–1,178
Depreciation for the financial year	–67,923	–12,709	–60,188	0	–140,819
Depreciation on disposals	1,924	565	23,930	0	26,419
Reclassifications	–186	315	168	0	298
As at 31 Dec. 2019	**–890,230**	**–100,130**	**–437,436**	**0**	**–1,427,796**
Residual carrying amounts As at 31 Dec. 2019	**1,210,948**	**83,596**	**228,637**	**120,775**	**1,643,956**

2018 EUR '000	LAND AND BUILDINGS INCLUDING BUILDINGS ON THIRD-PARTY LAND	TECHNICAL EQUIPMENT AND MACHINERY	OPERATING AND OFFICE EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
Cost As at 1 Jan. 2018	**1,893,775**	**153,500**	**581,710**	**128,213**	**2,757,198**
Changes in consolidated group	2,097	0	550	0	2,647
Additions	31,243	9,039	55,836	118,776	214,894
Disposals	–4,912	–2,553	–28,517	–12,089	–48,071
Reclassification	63,736	7,938	9,720	–86,411	–5,017
As at 31 Dec. 2018	**1,985,939**	**167,924**	**619,300**	**148,490**	**2,921,653**
Cumulative depreciation As at 1 Jan. 2018	**–761,279**	**–79,630**	**–369,514**	**0**	**–1,210,423**
Changes in consolidated group	–136	0	–281	0	–417
Depreciation for the financial year	–64,523	–11,105	–57,854	0	–133,482
Depreciation on disposals	1,891	2,530	27,018	0	31,440
Reclassifications	70	0	–93	0	–23
As at 31 Dec. 2018	**–823,978**	**–88,205**	**–400,726**	**0**	**–1,312,908**
Residual carrying amounts As at 31 Dec. 2018	**1,161,962**	**79,719**	**218,574**	**148,490**	**1,608,745**

The amounts recognised under buildings including buildings on third-party land relate to a new building in Barmbek. The lease agreement has a term of 20 years. Once the lease agreement ends, the property will be attributable to Asklepios Kliniken Hamburg GmbH, Hamburg. It was funded by means of a partially subsidised loan. The unsubsidised part is reported under financial liabilities (see VIII.13) Financial liabilities). The residual carrying amount was EUR 23.1 million (previous year: EUR 26.5 million).

Subsidies and government grants used to finance investments are deducted from the cost of the subsidised assets, which results in a reduction in current depreciation. This item relates to subsidies used for the intended purpose that were granted under the German Hospital Financing Act (KHG) with a residual carrying amount of EUR 1,005.3 million (previous year: EUR 1,085.1 million) and other government and third-party grants with a residual carrying amount of EUR 104.9 million (previous year: EUR 110.3 million). The subsidies that were granted under the German Hospital Financing Act will fall due for repayment only if hospital operations are discontinued in accordance with section 8 (1) KHG (no longer being included in the hospital plan).

The Group therefore has long-term interest-free and redemption-free access to subsidies of EUR 1,110.2 million (previous year: EUR 1,195.4 million).

4. LEASES

Statement of financial position

The following right-of-use assets and lease liabilities are reported in the statement of financial position:

RIGHT-OF-USE ASSETS EUR '000	2019	1 JANUARY 2019
Land and buildings including buildings on third-party land	468,485	509,801
Technical equipment and machinery	1,577	2,942
Operating and office equipment	3,893	3,997
Intangible assets	1,877	2,482
Total	**475,832**	**519,222**

LEASE LIABILITIES EUR '000	2019	1 JANUARY 2019*
Current lease liabilities	53,709	52,866
Non-current lease liabilities	431,693	471,411
Total	**485,402**	**524,277**

* As at 1 January 2019, this includes the item of finance leases as per IAS 17

Over the course of the 2019 financial year, an amount of EUR 13,266 thousand was transferred to right-of-use assets.

Income statement

The income statement shows the following expenses in connection with the leases:

DEPRECIATION OF RIGHT-OF-USE ASSETS EUR '000	2019	2018
Land and buildings including buildings on third-party land	53,078	n/a
Technical equipment and machinery	1,383	n/a
Operating and office equipment	1,422	n/a
Intangible assets	628	n/a
Total	**56,511**	**n/a**
Interest expenses	9,521	n/a
Expenses for short-term leases (less than 12 months)	2,467	n/a
Expenses for leases for low-value assets (under EUR 5,000)	1,368	n/a
Expenses for variable lease payments (not included in lease liabilities)	9,088	n/a

Total lease payments amounted to EUR 70,513 thousand in 2019.

Statement of right-of-use assets by class of property, plant and equipment

2019 EUR '000	LAND AND BUILDINGS INCLUDING BUILDINGS ON THIRD-PARTY LAND	TECHNICAL EQUIPMENT AND MACHINERY	OPERATING AND OFFICE EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
As at 1 Jan. 2019	**509,801**	**2,942**	**3,997**	**2,482**	**519,222**
Additions	11,762	36	1,445	23	13,266
Disposals	0	–18	–127	0	–145
Depreciation	–53,078	–1,383	–1,422	–628	–56,511
As at 31 Dec. 2019	**468,485**	**1,577**	**3,893**	**1,877**	**475,832**

Leasing activities of the Asklepios Group
The main leased assets are the leased hospital properties of MediClin AG, which up to and including 2018 were accounted for as operating leases. There are also other longer-term lease agreements for properties, vehicles, printers and medical equipment, but these are immaterial in comparison with the hospital properties.

Renewal and termination options
A number of the Group's property and equipment lease agreements contain renewal options. Such contractual conditions are designed to give the Group maximum operational flexibility with respect to the assets it uses. If it has become reasonably certain that the respective option will be exercised, the term of the lease is renewed accordingly. The volume of renewal options was EUR 17.7 million as at 31 December 2019, taking into account the maximum utilisation of all options. There are no renewal options for the leased hospital properties of MediClin AG; the agreements are due to expire on 31 December 2027. A renewal would have to be treated separately.

There are currently no termination options in the Group.

Residual value guarantees
The Group grants residual value guarantees in some cases to optimise lease costs during the term of the agreement. The Group estimates the payments from residual value guarantees that are expected to be made and recognises them as part of the lease liability. As at 31 December 2019, it was assumed that an amount of EUR 85 thousand would need to be paid on account of concluded residual value guarantees.

Obligations under leases not yet commenced
The obligations for leases that the Asklepios Group has concluded but have not yet commenced amounted to EUR 256 thousand (gross) as at 31 December 2019.

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Changes in investments were as follows:

EUR '000	2019	2018
Start of the year	474,544	427,246
Acquisition of additional interests	10,696	42,508
Investment income incl. OCI	17,037	8,799
Dividend payment for the current year	–5,571	–4,010
End of the year	**496,706**	**474,544**

Market capitalisation of the interests for which there is a published price quotation was EUR 404.1 million on a pro rata basis (previous year: EUR 445.8 million). The proportional comprehensive income for all investments accounted for using the equity method was EUR 16.7 million (previous year: EUR 10.4 million). Other comprehensive income was not reported.

The summarised financial information for the main investment accounted for using the equity method (Rhön) is as follows:

EUR '000	30 SEP. 2019	30 SEP. 2018
Current assets	592,441	495,897
Non-current assets	1,053,362	986,206
Current liabilities	280,847	308,990
Non-current liabilities	185,640	17,204

EUR '000	1 JAN. – 31 DEC. 2019*	1 JAN. – 31 DEC. 2018
Revenue	1,294,416	1,237,997
Operating earnings after taxes	50,376	63,413

*Approximated figures based on Q3 2019

6. FINANCIAL AND OTHER FINANCIAL ASSET

EUR 70.1 million (previous year: EUR 63.7 million) of the financial assets and other financial assets are non-current other financial assets and EUR 177.1 million (previous year: EUR 124.2 million) are current other financial assets.

The increase in current financial assets is attributable in particular to the EUR 41.5 million rise in receivables under the German National Hospital Rate Ordinance to EUR 98.4 million.

Receivables from subsidies of EUR 43.7 million (previous year: EUR 50.1 million) to finance a hospital are offset by a loan obligation. They are reported under VIII.16) Other financial liabilities.

Receivables under German hospital financing law of EUR 24.3 million (previous year: EUR 17.1 million) relate to outstanding claims to state subsidies. Receivables under the German National Hospital Rate Ordinance and the German Hospital Fees Act of EUR 101.9 million (previous year: EUR 57.2 million) relate to compensation claims.

Equity investments of EUR 3.5 million (previous year: EUR 2.9 million) relate to companies in which AKG has a shareholding of between 20% and 51%. These other equity investments are not consolidated for reasons of materiality, but are accounted for at cost.

Other financial assets were not impaired as at the end of the reporting period or in the previous year as no significant credit losses are expected. As in the previous year, no transactions were recognised in profit or loss in the 2019 financial year.

7. INVENTORIES

Inventories break down as follows:

EUR '000	31 DEC. 2019	31 DEC. 2018
Materials and supplies	58,863	51,609
Inpatients at end of reporting period (work in progress)	68,078	64,428
Finished goods and merchandise	1,537	1,384
Total	**128,477**	**117,422**

Materials and supplies essentially include medical supplies. Work in progress relates in particular to DRG inpatients as at the end of the reporting period. As in the previous year, there were no impairment losses on raw materials or supplies in 2019.

8. TRADE RECEIVABLES

EUR '000	31 DEC. 2019	31 DEC. 2018
Gross receivables	642,507	596,035
Less impairment and MDK	–62,178	–73,848
Net receivables	**580,330**	**522,187**
Of which non-current receivables	637	202
Of which current receivables	579,693	521,985

Trade receivables are measured at amortised cost, which usually corresponds to the nominal amount, less a reasonable amount for credit losses. An amount of EUR 579,693 thousand (previous year: EUR 521,985 thousand) has a remaining term of less than one year. IFRS 9 thereby prescribes continued use of an impairment matrix (simplified approach). A primary distinction can be made in the groups of receivables between payers of statutory health and pension insurance and self-pay patients. The relevant credit risks are calculated using historical loss rates and historical experience (self-pay patients) and for the first time as at 31 December 2019 using Germany's CDS spread (payers of statutory health and pension insurance). The expected loss over the remaining lifetime is calculated as a fixed percentage depending on the length of time the receivable is past due.

Revenue adjustment is used for trade receivables for which there is a moral hazard due to MDK audits. The MDK provision calculation is used as a basis for calculation.

			OF WHICH: NOT IMPAIRED AS AT END OF REPORTING PERIOD AND PAST DUE BY THE FOLLOWING RANGES					
EUR '000	CARRYING AMOUNT	OF WHICH: NEITHER IMPAIRED NOR PAST DUE AS AT END OF REPORTING PERIOD	LESS THAN 30 DAYS	BETWEEN 30 AND 60 DAYS	BETWEEN 61 AND 90 DAYS	BETWEEN 91 AND 180 DAYS	BETWEEN 181 AND 360 DAYS	MORE THAN 360 DAYS
	as at 31 Dec. 2019							
Trade receivables	580,330	373,114	93,914	19,788	14,230	14,386	18,427	46,471
	as at 31 Dec. 2018							
Trade receivables	522,187	378,522	57,503	22,371	7,508	16,619	17,630	22,034

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

Write-downs and MDK adjustments of trade receivables amounted to EUR 62.2 million (previous year: EUR 73.8 million), whereby trade receivables of EUR 9.4 million were derecognised in the financial year (previous year: EUR 8.1 million). Of the EUR 62.2 million write-downs, around EUR 12.4 million can be attributed to credit risk (previous year: EUR 14.8 million).

EUR '000	2019	2018
Write-downs as at 1 Jan.	73,848	58,161
Additions to write-downs	38,256	44,353
Utilisation and reversal	–49,926	–28,666
Write-downs as at 31 Dec.	**62,178**	**73,848**

9. CURRENT INCOME TAX ASSETS

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

10. OTHER ASSETS

Other assets break down as follows:

EUR '000	31 DEC. 2019	31 DEC. 2018
Other tax receivables	185	310
Prepayments	2,103	83
Advance payments made for expenses in the next financial year	10,965	10,759
Other assets	**13,253**	**11,152**
Of which non-current	6	12
Of which current	13,247	11,140

11. CASH AND CASH EQUIVALENTS

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

Total cash and short-term deposits includes subsidies received. The subsidies are earmarked for a specific purpose and may be used only for subsidised capital expenditure.

12. EQUITY

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

EUR '000	31 DEC. 2019	31 DEC. 2018
Equity attributable to the parent company	1,187,882	1,133,907
Non-controlling interests	389,370	360,636
Total equity	**1,577,252**	**1,494,543**

Components of equity

Please refer to the statement of changes in consolidated equity for information on the breakdown of equity.

a) Issued capital

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

b) Reserves

Reserves include the capital reserves and retained earnings. Retained earnings consist of earnings retained from previous years.

A total of EUR 137.8 million (previous year: EUR 154.0 million) was allocated to retained earnings in the 2019 financial year. Equity increased by EUR 82.7 million to EUR 1,577.3 million (previous year: EUR 1,494.5 million).

c) Non-controlling interests

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

Non-controlling interests of approximately 6% relate to the entities that operate hospitals. Please refer to IV.1) Basis of consolidation.

EUR 31.9 million of the consolidated net income for the year is attributable to non-controlling interests (previous year: EUR 33.3 million). Subject to executive approval, a provisional amount of EUR 18.2 million (previous year: EUR 19.9 million), and thus cumulatively EUR 196.8 million, of this net income for the year is attributable to the non-controlling interests of Asklepios Kliniken Hamburg GmbH, Hamburg, in 2019. Non-controlling interests hold 25.1% of the voting rights in Asklepios Kliniken Hamburg GmbH in total. The consolidated financial statements of Asklepios Kliniken Hamburg GmbH will be approved and adopted by the company's boards at a later date. For Asklepios Kliniken Hamburg GmbH, the consolidated financial statements include a total of EUR 527.1 million (previous year: EUR 488.5 million) in assets that can be liquidated at short notice (including cash and cash equivalents of EUR 152.7

million, which were down by EUR 13.9 million year-on-year), and EUR 823.8 million (previous year: EUR 802.6 million) in non-current assets available for generating future income (EUR 1,337.0 million in total in 2019). Non-current liabilities of EUR 451.3 million (previous year: EUR 364.8 million) were included in the consolidated financial statements for Asklepios Kliniken Hamburg GmbH. In connection with the measurement of non-current liabilities, actuarial losses of EUR 94.2 million (previous year: actuarial gains of EUR 4.2 million) before taking account of deferred tax assets of EUR 16.1 million (previous year: deferred tax liabilities of EUR 0.7 million) were included in the consolidated financial statements in the reporting year, EUR 23.6 million of which were charged to non-controlling interests in other comprehensive income.

Subject to executive approval, a provisional amount of EUR 10.3 million of the net income for the year attributable to non-controlling interests, and thus cumulatively EUR 171.7 million, is attributable to the non-controlling interests of MEDICLIN Aktiengesellschaft (MediClin AG), Offenburg, in 2019. Non-controlling interests hold 47.27% of the voting rights in MEDICLIN Aktiengesellschaft in total. There were distributions to non-controlling interests in the amount of EUR 1.1 million in the reporting year (previous year: EUR 1.1 million). The consolidated financial statements of MEDICLIN Aktiengesellschaft will be approved and adopted by the company's boards at a later date. For MEDICLIN Aktiengesellschaft, the consolidated financial statements include a total of EUR 166.0 million (previous year: EUR 148.5 million) in assets that can be liquidated at short notice (including cash and cash equivalents of EUR 37.3 million, which were up by EUR 3.4 million year-on-year), and EUR 731.8 million (previous year: EUR 296.2 million) in non-current assets available for generating future income (EUR 686.4 million in total in 2019). Non-current liabilities of EUR 561.2 million (previous year: EUR 165.4 million) were included in the consolidated financial statements for MEDICLIN Aktiengesellschaft. In connection with the measurement of non-current liabilities, actuarial losses of EUR 9.5 million (previous year: actuarial gains of EUR 0.9 million) before taking account of deferred tax assets of EUR 1.5 million (previous year: deferred tax liabilities of EUR 0.1 million) were included in the consolidated financial statements in the reporting year, EUR 4.5 million of which were charged to non-controlling interests in other comprehensive income.

There were no material transactions with material non-controlling interests in 2018 or 2019.

d) Development of other comprehensive income

Other comprehensive income includes both the development of actuarial losses from pension provisions of EUR 85.6 million (previous year: gains of EUR 4.3 million) and the share of total comprehensive income of investments accounted for using the equity method of EUR 413 thousand (previous year: EUR 19 thousand).

EUR 43 thousand (previous year: EUR 1.2 million) of the actuarial losses from pension provisions relates to non-controlling interests.

13. FINANCIAL LIABILITIES

EUR '000	31 DEC. 2019	31 DEC. 2018
Current portion	114,398	47,077
Non-current portion	1,269,663	1,331,588
Total financial liabilities	**1,384,061**	**1,378,665**

EUR 101.5 million was repaid in total in the financial year (previous year: EUR 157.9 million).

Asklepios placed a schuldschein loan of EUR 300 million with an average term of more than 7.5 years in November 2013 and a schuldschein loan of EUR 580 million with an average term of more than eight years in August 2015. A significant event in November 2017 was the placement of a third schuldschein loan of EUR 780 million. The schuldscheins were placed with fixed and variable interest. The floating interest rate varies between 0.65% and 1.3% and is based on capital market rates (Euribor).

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

As in the previous year, none of the financial liabilities reported are secured by land charges.

The non-subsidised portion of a loan to finance a new building with a carrying amount of EUR 23.1 million (previous year: EUR 24.0 million) as at 31 December 2019 had a fair value of EUR 26.3 million (previous year: EUR 30.4 million) as at the same date.

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

FINANCIAL YEAR	AMOUNT IN EUR MILLION
2021	5.6
2022	387.6
2023	91.1
2024	434.6
Subsequent years	350.8
Total	**1,269.7**

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

31 DEC. 2019 REMAINING TERM EUR MILLION	UP TO 1 YEAR	MORE THAN 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Minimum obligation	129	979	353	1,461

31 DEC. 2018 REMAINING TERM EUR MILLION	UP TO 1 YEAR	MORE THAN 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Minimum obligation	68	638	796	1,502

Credit facilities

The Group has freely available lines of credit of EUR 435.2 million as at the end of the reporting period (previous year: EUR 450.7 million). As in the previous year, none of them are secured by land charges. Drawings on these credit lines are subject to floating interest.

14. TRADE PAYABLES

There are trade payables due to third parties. An amount of EUR 87.1 million (previous year: EUR 90.8 million) has a remaining term of less than one year.

15. LIABILITIES FROM LEASING

Maturity analysis

EUR ‘000	UP TO 1 YEAR	MORE THAN 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Lease liabilities as at 31 Dec. 2019	53,709	196,339	235,354	485,402

16. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise:

EUR '000	31 DEC. 2019	31 DEC. 2018
Liabilities under German Hospital Financing Act	94,426	84,026
Subsidised loans	56,300	65,166
Liabilities from outstanding invoices	58,321	51,947
Purchase price commitments/liabilities to former payers	5,814	6,357
Liabilities to state authorities	6,075	4,829
Liabilities from third-party funds	2,938	2,377
Liabilities to Landeskrankenhausgesellschaft	2,659	2,127
Liabilities to external shareholders	2,803	2,153
Liabilities for third-party obligations	424	1,683
Liabilities to other lenders	373	1,928
Liabilities to senior consultants	680	546
Liabilities to provident funds	51	202
Liabilities to shareholders	891	441
Miscellaneous other financial liabilities	11,212	11,017
Other financial liabilities	**242,966**	**234,799**
Of which non-current	57,679	60,568
Of which current	185,287	174,230

The subsidised loans of EUR 56.3 million are financed in full by the respective states, affecting interest and repayment.

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

31 DEC. 2019 REMAINING TERM EUR MILLION	UP TO 1 YEAR	MORE THAN 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Minimum obligation	4	10	23	37

31 DEC. 2018 REMAINING TERM EUR MILLION	UP TO 1 YEAR	MORE THAN 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Minimum obligation	8	35	15	58

The interest component included in the minimum obligations amounts to EUR 5.7 million (previous year: EUR 8.7 million).

For information on the liabilities under the German Hospital Financing Act, please refer to the notes in VIII.6) Financial and other financial assets.

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

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

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

17. OTHER LIABILITIES

Other liabilities break down as follows:

EUR '000	31 DEC. 2019	31 DEC. 2018
Payroll liabilities	157,693	171,358
Tax liabilities (wage tax, VAT)	39,480	34,130
Advance payments received	3,308	3,544
Miscellaneous	5,190	4,379
Other liabilities	**205,670**	**213,411**
Of which non-current	8,109	7,410
Of which current	197,561	206,001

Payroll liabilities relate mainly to performance-related remuneration, annual leave not taken and overtime. Payroll liabilities include termination benefits (mainly partial retirement and severance payments) of EUR 7.0 million (previous year: EUR 6.8 million). Liabilities from partial retirement agreements of EUR 2.0 million (previous year: EUR 1.8 million) contain future Group obligations from the outstanding settlement amount during the time the beneficiaries are in office and the top-up amount pursuant to IAS 19 (rev. 2011), which accumulates on a pro rata basis. For unresolved cases, an estimate was used based on previous acceptance of comparable contractual offers. The capitalised values of EUR 1,984 thousand (fair value) (previous year: EUR 1,993 thousand) to secure outstanding settlement amounts are offset against the obligations in the financial year.

Tax liabilities contain wage tax and VAT yet to be paid to the tax authority.

18. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

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

	2019	2018
Discount rate	0.90%	1.90%
Expected salary increases	0.00%	2.00%
Expected pension increases	0.00%	1.00%
Average employee turnover	0.00%	0.00%

he cost trends in the medical sector were not considered in the calculation of pension provisions on grounds of immateriality. The 2018 G Heubeck mortality tables were used as a biometric basis for calculation.

Hamburg obligations (provision: EUR 285,766 thousand)

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

The Hamburg Act on Additional Retirement Pensions allows for pension benefits on the basis of final salary. The corresponding present value of the obligations was EUR 518,086 thousand as at 31 December 2019 (87% of the total obligation). The benefit amount is calculated from years of service and pay according to the pay grade when pension payments begin. Pensions increase by 1% per year.

The present value of the obligation from defined contribution pension commitments according to the bylaws of the VBL is EUR 68,410 thousand (13% of the total obligation). The annual contribution amount is determined by the pay subject to supplementary pension payments. The pension payments result from the actuarial annuitisation of the contributions. The current annuities increase by 1% each year.

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

MediClin defined benefit obligations (provision: EUR 63,490 thousand)

The defined benefit obligations relate to two pension plans that have recently been concluded, one with MAUK and the other with the Kraichgau-Klinik Group pension scheme, and four (previous year: five) individual obligations. Both pension plans are closed, which means that no more new pension obligations can be added. The MAUK pension plan is a lump-sum payment provident fund for the accrual of tax-free special funds earmarked to provide retirement income for employees. It is a pension fund with legal capacity, which grants the benefits outlined in the plan under exclusion of legal rights. These benefits are funded through contributions that MEDICLIN makes to MAUK. Since the 2019 financial year, MUK is also classed as a defined benefit pension plan. It has been closed to new entrants since 31 December 2018, except for employees who were still in the five-year vesting period as at 31 December 2018. As at 31 December 2001, the MAUK pension plan was replaced by the MUK pension plan.

At this date, the benefits accrued by active employees up to this point under the MAUK plan were in effect frozen. Under the terms and conditions of the plan, lifetime or time-limited benefits are granted in the form of a retirement pension, an early retirement pension or a disability pension. The retirement pension amount is between EUR 5.00 and EUR 10.00 a month per eligible year of service based on average weekly working hours. If the pension is taken early (before the age of 65), the entitlements earned are reduced by 0.5% for each month that the pension is claimed early. Except for two of the individual obligations, the ongoing pension payments are paid from the assets of the employee provident fund. MEDICLIN pays sufficient funds to MAUK for this. The MAUK fund's assets comprise voluntary contributions from MEDICLIN and returns on plan assets. Section 12 of the MAUK bylaws stipulates that fund assets are to be invested in a profitable way and are to be used solely for fund purposes and for incurred administrative costs. Loans may be granted to the sponsoring employer at an appropriate rate of interest, but this option is not utilised.

The pension provisions relating to the Kraichgau-Klinik Group are the result of the acquisition of the majority of shares in Kraichgau-Klinik AG in 2008. The Kraichgau-Klinik AG pension scheme provides for pension benefits, which include a retirement pension or early retirement pension and a deferred disability pension. The monthly retirement pension amounts to 0.5% per year of company service – but not exceeding 12% – of the average monthly salary for the last twelve months before pension payments begin. If an early retirement pension is taken, the retirement pension calculated according to this formula is reduced by 0.5% for every month that the pension is claimed early before the claimant reaches retirement age. If the claimant retires early on the grounds of disability, a disability pension is paid, which is deferred until the claimant reaches retirement age. The pension amount is calculated using the same formula as the retirement pension, but takes account only of the years of service that the employee achieved up to the date of the disability. The age limit for employees who joined the company before 31 December 1994 is 60 for women and 65 for men. In the case of employees who joined the company after 31 December 1994, the retirement age is 65 for both men and women. No more new beneficiaries have been added to this plan since August 1997.

There is still an individual obligation to a former executive of Kraichgau-Klinik AG. The claim to retirement benefits under this obligation comprises a basic entitlement of 32.55% and linear increments of 0.9% of the annual pensionable salary. Increments count only from 1 April 2000. The maximum benefit entitlement is 48.75% of the pensionable salary. The disability pension entitlement is 100% of the retirement pension entitlement. In the event of the death of the beneficiary, the surviving spouse receives a widows' pension totalling 60% of the retirement pension to which the beneficiary was entitled at the time of his death, or to which he would have been entitled if he had become disabled. The retirement age of 65 was reached in 2018, which means that the individual obligation is now in the payout phase.

The pension obligations are accounted for in full and were remeasured for preparation of the IFRS statement of financial position. The Group's obligations cover both existing and future benefit claims. The pension provisions are measured in line with actuarial principles using the benefit/years of service method under IAS 19, taking account of future trends. The current service cost, which is calculated at the start of the financial year and is subject to interest until the end of the financial year, is calculated using the projected unit credit method. The defined benefit obligation (DBO) at the end of the reporting period is the present value of the benefits earned in the preceding accounting periods calculated using the projected unit credit method. The same method that is used to attribute benefits to periods of service is used to determine the current service cost. In accordance with IAS 19, the adjustment effects from actuarial gains and losses that arise in the financial year are recognised in "other comprehensive income". By contrast, the insured portion of the MUK pension obligation is recognised at the fair value of the pension liability insurance policies in place. Only the obligation from the adjustment of ongoing benefits of 1% a year, which is not covered by the pension liability insurance policy, is measured in line with actuarial principles.

MEDICLIN provident fund (provision: EUR 170 thousand)

For its active employees who have reached five years of service with the company (as at the end of 31 December) and are 28 years of age, MEDICLIN pays an annual contribution to the MediClin retirement pension scheme (basic retirement pension plan) up to the age of 65. The contribution is adjusted in line with the rising cost of living (maximum of 1.5% p.a.). The basic retirement pension plan comprises a monthly retirement pension or the option of a one-off lump-sum payment. The retirement pension increases automatically by 1% a year and is guaranteed for at least ten years. The MediClin retirement pension scheme also offers eligible employees the option of making contributions to a private pension scheme from their gross salary. MEDICLIN rewards employees for this deferred compensation option by increasing its own pension contribution by 20%, no less than EUR 50 but no more than EUR 100 a year. MEDICLIN transfers its contributions directly to MediClin-Unterstützungskasse e. V. (MUK e. V.). MUK e. V. is a social welfare fund for sponsoring employers and administrative bodies of MEDICLIN AG that are hospital operators, whose retirement pension schemes are managed partly or fully by this provident fund. The sole and irrevocable purpose of the association is to operate this provident fund. The association follows the requirements of sections 1 to 3 of the legally valid version of the Implementing Regulation on Corporate Tax (KStDV) or the requirements that replace or supplement them. Under the terms and conditions of the benefit plan, the association takes out pension liability insurance policies on the life of the member/beneficiary to fund the agreed benefits. MEDICLIN terminated the works agreement underlying this pension plan as at 31 December 2018 in order to set up a new, modern company pension scheme.

All employees who joined one of the MEDICLIN sponsoring employers before 31 December 2018 are still entitled to an employer-funded basic retirement pension plan under the MediClin retirement pension scheme. Even employees who are still in the vesting period will subsequently receive accrued entitlements from the MediClin retirement pension scheme. Employees who joined the company on or after 1 January 2019 will fall under a different pension scheme. A new agreement on this is being concluded with the Group Works Council. All existing MediClin retirement pension scheme contracts – both the employer-funded basic retirement pension plan and the self-funded contracts from deferred employee compensation – are being continued unconditionally in line with the valid benefit plans.

MUK e. V. is structured as an insured provident fund, whereby its pension obligations are covered by a corresponding pension liability insurance policy with an insurance company. MUK e. V. met its duty to make adjustments in accordance with section 16 of the German Company Pensions Act by making a commitment in respect to a guaranteed annual 1% adjustment (section 16 (3) sentence 1 of the German Company Pensions Act). When the pension liability insurance policy was taken out, the guaranteed adjustment of 1% p.a. in favour of a higher maturity payment was not covered by the policy because it was anticipated that the 1% adjustment would easily be generated through insurer surpluses. As a result of continuing low interest rates on the capital markets, particularly for pension liability insurance policies that have a high guaranteed interest rate it has increasingly been the case that virtually no surplus allocations have been made, which means that the insurer could no longer guarantee the adjustment to pension payments in the amount pledged in the pension plan. Nonetheless, the pension obligations were adjusted by 1% p.a. under the terms of the contract. The adjustment is being funded retrospectively through annual one-off payments to the insurer. This is classed as a systematic coverage gap, the future amount of which is presented as a best estimate in the financial statements. This means that, from now on, these pension obligations will be classified and accounted for as defined benefit obligations. The insurance coverage of MUK retirement benefits has since been changed; new pension obligations are no longer affected by a coverage gap from adjustment obligations because the 1% adjustment guarantee has now been included in the policy coverage. The amount of the coverage gap was determined by an actuary. The present value of the future coverage gap is calculated on the basis of the pension entitlements earned. An actuarial interest rate of 0.9% was assumed in the calculation of the coverage gap. An amount of 2.75% p.a. was recognised as the insurer's overall interest rate. Furthermore, the calculation also assumes that the percentage of scheme members who opt for current pension payments in lieu of the total pension capital (one-off payment) is still approximately 5%.

The Group's total provisions break down as follows:

EUR '000	31 DEC. 2019	31 DEC. 2018
Present value of funded benefit obligations	572,453	469,135
Present value of unfunded benefit obligations	103,322	111,440
Total present values of pension obligations	**675,775**	**580,575**
Fair value of plan assets	–325,416	–305,913
Effect of the asset cap as at 31 December	0	0
Net provisions	**350,359**	**274,662**

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

The development is as follows:

EUR '000	31 DEC. 2019	31 DEC. 2018
Provision as at 1 January	274,662	282,558
Current service cost	5,738	9,332
Past service cost	22	558
Net interest expense/income	4,663	4,561
Benefits paid	–2,682	–1,792
Experience adjustments	–2,473	–271
Reversal through settlement	–22,903	0
Employer contributions to plan assets	–11,254	–15,037
Remeasurement of plan assets	–1,567	1,472
Actuarial losses (previous year: gains) from changes in financial assumptions	106,153	–6,719
Provision as at 31 December	**350,359**	**274,662**

The present value of the pension obligations developed as follows:

EUR '000	31 DEC. 2019	31 DEC. 2018
Present value of the obligations as at 1 January	580,575	582,559
Reclassification to defined benefit plans	13,899	0
Service cost	5,738	9,332
Past service cost	22	558
Interest cost	10,464	9,957
Experience adjustments	–2,473	–271
Reversal through settlement	–22,903	0
Actuarial losses from changes in financial assumptions	106,153	–6,719
Benefits paid	–15,700	–14,841
Present value of the obligations as at 31 December	**675,775**	**580,575**
Of which unfunded benefit obligations	**103,322**	**111,440**
Present value of funded benefit obligations	**572,453**	**469,135**

The fair value of plan assets developed as follows:

EUR '000	31 DEC. 2019	31 DEC. 2018
Fair value of plan assets as at 1 January	305,913	300,001
Reclassification to defined benefit plans	13,899	0
Expected return on plan assets	5,801	5,396
Benefits paid	–13,769	–13,038
Remeasurement of plan assets	1,697	1,434
Employer contributions to plan assets	11,875	12,120
Fair value of plan assets as at 31 December	**325,416**	**305,913**

If there is excess cover in the provident fund, it is not economically usable, so it is not recognised as an asset.

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

EUR 10.0 million (previous year: EUR 12.1 million) was contributed to the Hamburg provident fund in the 2019 financial year. The amount paid in to plan assets for the 2020 financial year is expected to be comparable to 2019.

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

		RELATIVE CHANGE OF THE OBLIGATION
Actuarial interest rate	–0.50%	Increase of 11.20% (8.88%)
Actuarial interest rate	+0.50%	Decrease of 9.83% (7.86%)
Income trend	–0.50%	Decrease of 0.93% (0.71%)
Income trend	+0.50%	Increase of 0.98% (decrease of 0.76%)

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

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

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

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

FINANCIAL YEAR	EUR '000
2020	16,350
2021	16,925
2022	17,787
2023	18,880
2024	19,755
2025–2029	112,028
Total	**201,725**

The estimated employer contributions to plan assets for 2020 amount to EUR 11.0 million. Estimated benefit payments from pension provisions are EUR 3.1 million.

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

The weighted average duration of pension obligations is around 19 years (previous year: 17 years).

Multi-employer plans (Hamburg)

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

In the financial year, the contribution rate of ZVK Darmstadt was 6.2% of the pay subject to supplementary pension payments. As a result of the closure of the integrated scheme and the switch to the points model, the fund levies a flat redevelopment charge of 2.3% to cover additional financing requirements in order to finance the claims and accrued entitlements arising before 1 January 2002. In accounting group II, which is already funded, a compulsory contribution of 6.35% is levied.

In the following year, Asklepios is expecting a contribution/funding requirement for members of BVK Zusatzversorgung, Munich, of EUR 4.6 million (previous year: EUR 4.4 million). For members of the Zusatzversorgungskasse der Gemeinden und Gemeindeverbände (supplementary pension fund for municipalities and municipal associations) in Darmstadt, Asklepios is expecting a funding requirement of EUR 4.9 million (previous year: EUR 4.7 million).

BVK Zusatzversorgung, Munich, had 5,850 members in the 2018 financial year (2017 financial year: 5,789) and managed assets of EUR 22.6 billion (previous year: EUR 21.3 billion). In 2018, 745,684 compulsorily insured employees and 716,117 non-contributory insurance contracts were registered via these members. Company pensions are paid to 293,565 compulsorily insured employees. In the financial year, Asklepios registered 2,374 employees entitled to supplementary pension provisions.

The supplementary pension fund for municipalities and municipal associations in Darmstadt has more than 650 members. 92,380 compulsorily insured employees, 95,050 non-contributory insured individuals and around 5,770 voluntarily insured individuals were registered via these members. Company pensions are paid to 49,680 former employees and their surviving dependents. In the financial year, Asklepios registered 1,557 employees entitled to supplementary pension provisions.

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

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

19. OTHER PROVISIONS

Changes in other provisions were as follows in the financial year:

EUR '000	1 JAN. 2019	UTILISATION	REVERSAL	ADDITION	31 DEC. 2019
Contractual obligations	92,359	–17,318	0	0	75,041
Loss compensation payments/ compensation for losses	139,093	–3,257	–866	21,726	156,695
Health insurance funds	40,411	–18,753	–3,460	31,795	49,993
Litigation risks	2,348	–1,100	–584	1,450	2,114
Other provisions	21,324	–2,151	–8,291	7,768	18,650
Total	**295,535**	**–42,580**	**–13,201**	**62,739**	**302,490**

The provisions break down by maturity as follows:

EUR '000	31 DEC. 2019	31 DEC. 2018
Up to one year	85,082	78,408
Over one year	217,408	217,126
Total other provisions	**302,490**	**295,535**

Contractual obligations mainly include recognised provisions that are expected to be utilised from non-standard lease obligations and the reduction of the maintenance backlog up to 2024. An amount of EUR 9.0 million is expected to be utilised in 2020, and an amount of approximately EUR 36.0 million in 2021 through 2024.

The provision for loss compensation payments/compensation for losses was calculated for liability claims against physicians on the basis of actuarial methods by an external actuary. The provision includes both individual losses and IBNR (incurred but not reported) cases as well as claims adjustment expenses. The expected payments were discounted using a market interest rate for a matching maturity period. Of these provisions, an amount of EUR 14.0 million is expected to be utilised in 2020, and an amount of around EUR 33.3 million in 2021 through 2024.

The provisions for health insurance funds include budget risks (additional payment or deduction amounts) and provisions for risks arising from outstanding audits by the MDK.

Litigation risks arise from legal disputes with employees, suppliers and payers. Obligations from legal rulings and litigation costs owed by Asklepios are to be recognised under this item.

Other provisions relate to provisions for current business operations.

These provisions are utilised on an ongoing basis, as in previous years, and in line with the requirements of IAS 37.

20. CURRENT INCOME TAX LIABILITIES

Current income tax liabilities of EUR 12,264 thousand (previous year: EUR 14,093 thousand) can be attributed to the corporate income tax and solidarity surcharges not yet assessed for the past financial year and previous years as well as other income tax liabilities from ongoing audits.

21. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities break down as follows:

EUR '000	31 DEC. 2019	31 DEC. 2018
Deferred tax assets		
Pension provisions	58,251	44,806
Contractual obligations	8,673	11,522
Tax loss carryforwards	6,803	8,728
Miscellaneous	13,225	2,898
Total deferred tax assets	**86,952**	**67,954**
Offset	0	0
Deferred tax assets in statement of financial position	**86,952**	**67,954**
Deferred tax liabilities		
Differences in value of intangible assets, property, plant and equipment, and right-of-use assets	40,407	39,580
Miscellaneous	13,911	7,989
Total deferred tax liabilities	**54,318**	**47,569**
Offset	0	0
Deferred tax liabilities in statement of financial position	**54,318**	**47,569**

Deferred tax assets are recognised to account for temporary differences and tax losses carried forward, provided that their realisation in the near future appears to be sufficiently certain and there is a corresponding amount of deferred tax liabilities.

Deferred taxes that relate to items directly recognised in other comprehensive income are reported in equity or in other comprehensive income and not in the consolidated income statement. An amount of EUR 16,126 thousand (previous year: EUR -858 thousand) related to deferred tax assets recognised in other comprehensive income on account of temporary differences in pension provisions.

In the 2019 financial year, no deferred tax assets were recognised on corporate tax loss carryforwards of EUR 72.3 million (previous year: EUR 71.7 million) and on trade tax loss carryforwards of EUR 30.1 million (previous year: EUR 21.2 million) because it is unlikely that sufficient taxable profit will be generated in the near future to cover these amounts. Deferred tax assets of EUR 2.7 million were recognised on trade tax loss carryforwards of EUR 19.1 million (previous year: deferred tax assets of EUR 2.6 million on loss carryforwards of EUR 18.7 million).

22. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

Carrying amounts, amounts recognised and fair values by class and measurement category (all level 3)

			AMOUNT RECOGNISED IN STATEMENT OF FINANCIAL POSITION AS PER IFRS 9			
EUR '000	MEASUREMENT CATEGORY AS PER IFRS 9	CARRYING AMOUNT 31 DEC. 2019	AMORTISED COST	FAIR VALUE IN OTHER COMPREHENSIVE INCOME	FAIR VALUE IN PROFIT OR LOSS	FAIR VALUE 31 DEC. 2019
ASSETS		**1,088,278**	**1,088,278**	**0**	**0**	**1,088,278**
Cash and cash equivalents	FAAC	265,047	265,047	0	0	265,047
Trade receivables	FAAC	580,329	580,329	0	0	580,329
Other financial assets	FAAC	242,902	242,902	0	0	242,902
EQUITY AND LIABILITIES		**1,956,710**	**1,956,710**	**0**	**0**	**1,965,897**
Trade payables	FLAC	87,247	87,247	0	0	87,247
Financial liabilities	FLAC	1,384,061	1,384,061	0	0	1,387,238
Other financial liabilities	FLAC	485,402	485,402	0	0	491,412
Of which: aggregated by IFRS 9 measurement category:						
Financial assets at amortised cost	FAAC	1,088,278	1,088,278	0	0	1,088,278
Financial liabilities at amortised cost	FLAC	1,956,710	1,956,710	0	0	1,965,897

IFRS 9 categories: FAAC – Financial assets at cost; FLAC – Financial liabilities at cos7

EUR '000	Measurement category as per IFRS 9	Measurement category as per IAS 39	Carrying amount 31 Dec. 2018	Amount recognised in statement of financial position as per IFRS 9: Amortised cost	Fair value in other comprehensive income	Fair value in profit or loss	Statement of financial position as per IAS 17	Fair value 31 Dec. 2018
ASSETS			**1,057,811**	**1,057,811**	**0**	**0**	**0**	**1,057,811**
Cash and cash equivalents	FAAC	LaR	351,626	351,626	0	0	0	351,626
Trade receivables	FAAC	LaR	522,187	522,187	0	0	0	522,187
Other financial assets	FAAC	LaR	183,998	183,998	0	0	0	183,998
EQUITY AND LIABILITIES			**1,710,449**	**1,710,449**	**0**	**0**	**6,026**	**1,721,756**
Trade payables	FLAC	FLAC	90,960	90,960	0	0	0	90,960
Financial liabilities	FLAC	FLAC	1,378,665	1,378,665	0	0	0	1,382,575
Finance lease liabilities	N/A	N/A	6,026	6,026	0	0	6,026	6,026
Other financial liabilities	FLAC	FLAC	234,798	234,798	0	0	0	242,195
Of which: aggregated by IFRS 9 (IAS 39) measurement category:								
Financial assets at amortised cost	FAAC	LaR	1,057,811	1,057,811	0	0	0	1,057,811
Financial liabilities at amortised cost	FLAC	FLAC	1,704,423	1,704,423	0	0	0	1,715,730

IAS 39 categories: LaR – Loans and receivables; FLAC – Financial liabilities at cost
IFRS 9 categories: FAAC – Financial assets at cost; FLAC – Financial liabilities at cost

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

IX Other notes

1. ANNUAL AVERAGE NUMBER OF FTES

The average number of employees was 36,265 in the 2019 financial year (previous year: 34,037).

FTES BY GROUP	2019	2018
Nursing service	13,950	11,998
Medical service	5,333	5,152
Medical-technical service	5,012	5,573
Functional service	3,463	4,135
Administrative service	2,785	2,694
Financial and care service	2,511	2,603
Miscellaneous	3,211	3,172
Total	**36,265**	**35,327**

2. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Other financial obligations break down as follows:

EUR '000	2019	2018
Rental and lease agreements	56,785	491,294
Maintenance contracts	25,777	27,289
Sureties	23,624	27,055
Supply agreements	21,658	35,184
Purchase commitments	21,493	25,823
Capital commitments	2,334	3,616
Insurance contracts	1,251	1,361
Miscellaneous	24,554	45,620
Total	**177,476**	**657,242**

The purchase commitments include orders in investments that were not yet delivered as at the cut-off date. Of the purchase commitments, EUR 2.6 million was attributable to intangible assets and EUR 18.9 million to property, plant and equipment.

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

	EUR '000
Up to 1 year	86,989
Between 1 and 5 years	38,338
More than 5 years	52,149
Total	**177,476**

For more information on contingent liabilities with related parties, please refer to the notes in 5).

3. MANAGEMENT REMUNERATION

Members of key management personnel include the managing directors of Asklepios Kliniken Management GmbH – the sole general partner of Asklepios Kliniken GmbH & Co. KGaA – and the members of the Supervisory Board of Asklepios Kliniken GmbH & Co. KGaA.

The remuneration paid to the management personnel of Asklepios Kliniken GmbH & Co. KGaA totalled EUR 4.2 million in the 2019 financial year (previous year: EUR 4.1 million).

The remuneration paid to members of the Supervisory Board of Asklepios Kliniken GmbH & Co. KGaA totalled EUR 0.9 million in the 2019 financial year (previous year: EUR 1.9 million), of which EUR 112 thousand (previous year: EUR 112 thousand) were meeting fees.

4. FEES OF THE AUDITOR OF THE CONSOLIDATED FINANCIAL STATEMENTS (SECTION 314 (1) NO. 9 OF THE GERMAN COMMERCIAL CODE – HGB)

The following total fees (inclusive of VAT) for the auditor of the Group's consolidated financial statements were recognised as an expense in the financial year:

FEES EUR '000	2019	2018
Audits of financial statements	2,948	2,377
Other assurance services	29	35
Tax consultancy services	35	616
Other services	93	958
Total	**3,105**	**3,986**

Other assurance services relate primarily to reviews.

5. RELATED PARTY DISCLOSURES

For Asklepios Kliniken GmbH & Co. KGaA, related parties as defined by IAS 24.9 include entities controlled by the Group and entities significantly influenced by the Group and vice versa. The parent company, fellow subsidiaries, subsidiaries and equity investments in particular are therefore defined as related parties.

RELATED PARTIES EUR '000	2019	2018
Receivables	9,613	7,722
Liabilities	666	3,108
Income	291	2
Expenses	3,361	4,402

Transactions between Asklepios Kliniken GmbH & Co. KGaA and its consolidated subsidiaries and between the consolidated subsidiaries themselves were eliminated in the consolidated statement of financial position and the consolidated income statement.

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

With the exception of transactions with the Supervisory Board, the balances listed above relate exclusively to transactions with related party companies owned by Dr Bernard gr. Broermann, Königstein-Falkenstein, and concern rental and lease agreements, reimbursement of administrative costs and transitory items at market conditions.

There are no other related party transactions.

Members of the Supervisory Board of Asklepios Kliniken GmbH & Co. KGaA and their related companies and institutions performed consulting services totalling EUR 826 thousand at market conditions in the financial year. The services are recognised in other operating expenses. Remuneration paid to employee representatives on the Supervisory Board for services outside their work on the Supervisory Board totalled EUR 0.8 million in 2019 (previous year: EUR 0.7 million), of which EUR 28 thousand (previous year: EUR 12 thousand) were meeting fees.

6. LEGAL DISPUTES

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

7. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

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

8. SUPPLEMENTARY REPORT

Rhön Klinikum AG

On 28 February 2020, Eugen Münch, the founder of RHÖN-KLINIKUM AG ("RHÖN"), Ingeborg Münch and HCM SE, an investment company owned by Mr and Mrs Münch, (Eugen and Ingeborg Münch and HCM SE referred to collectively as "Münch") entered into a comprehensive agreement to reorganise the shareholder structure of RHÖN. Münch and Asklepios Kliniken GmbH & Co. KGaA are to combine their investments in RHÖN in a newly established joint venture. The parties have agreed, subject to a condition precedent, that HCM SE will contribute around 7.6% of its RHÖN shares directly to the joint venture, and that Eugen and Ingeborg Münch will sell their approximately 12.4% RHÖN shares to Asklepios Kliniken GmbH & Co. KGaA, which will contribute these shares and the RHÖN shares it already holds to the joint venture.

In connection with this transaction, Asklepios Kliniken GmbH & Co. KGaA also announced a voluntary public takeover offer to the other RHÖN shareholders of EUR 18.00 per share. The takeover offer has no minimum acceptance threshold and will be subject solely to merger control clearance. Funding for the voluntary takeover offer has been secured and is deemed to be sufficient.

After acquiring a further 1.08% of the shares in March 2020, the joint venture of Asklepios Kliniken GmbH & Co. KGaA and RHÖN founder Eugen Münch has thus already secured just over a 50% voting rights majority in RHÖN before the takeover offer commences, and in the future RHÖN-KLINIKUM AG will be fully consolidated in the consolidated financial statements of Asklepios Kliniken GmbH & Co. KGaA – subject to merger control clearance, which is expected to be granted in the second quarter of 2020.

As at 31 December 2019, based on preliminary figures, RHÖN-KLINIKUM AG reports revenue of EUR 1.3 billion, an equity ratio of 72.7% and consolidated net profit of EUR 44.5 million.

Corona

The Asklepios Group is not expecting the potential spread of the novel coronavirus to have a material impact on its net assets, financial position and results of operations. Although supply bottlenecks are being reported, particularly for personal protective equipment, disinfectants and hygiene products. If the coronavirus spreads further, the Group also anticipates that its employees will be affected. However, for the time being our healthcare facilities are relatively untouched and isolated cases have not been confirmed. Asklepios hospitals are well-equipped to care for patients with infectious diseases and also diseases requiring patients to be quarantined. Our employees – particularly those working in emergency departments – are trained in line with the guidelines of the Robert Koch Institute and by our hygiene staff. We are also in constant communication with the relevant authorities.

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

SUPERVISORY BOARD

The members of the Supervisory Board of the company are:

Ivo Schramm	Chairman of the Supervisory Board Lawyer, Döbeln
Uwe Ostendorff	Deputy Chairman of the Supervisory Board, trade union secretary, Berlin
Barbara Brosius	Business consultant, Kronberg
Dr Julia Dannath-Schuh	Business consultant, Hamburg
Dr Miklas Drüeke	Anaesthetist, Bad Tölz
Dr Hans-Otto Koderisch	Internal medicine specialist, Heidelberg
Prof. Karsten Krakow	Senior consultant, Frankfurt am Main
Rainer Laufs	Business consultant, Kronberg
Prof. Karl-Heinrich Link	Senior consultant (retired), Wiesbaden
Monika Paga (from 1 January 2019)	Specialist nurse in anaesthesia, Schwedt
Heiko Piekorz	Nurse, Waldow
Katharina Ries-Heidtke	Employee, Hamburg
Dirk Reischauer	Lawyer, Wiesbaden
Jochen Repp	Lawyer, Oberursel
Dr Anke Savcenko	Medical director for anaesthesia/intensive care, Schwedt
Michael Schreder	HR manager, Fernwald
Martin Simon Schwärzel	Specialist nurse, Griesheim
Hilke Stein	Trade union secretary, Hamburg
André Stüve	Architect, Damme
Stephan zu Höne	Managing director, geology graduate, Kassel

MANAGEMENT BOARD

Asklepios Kliniken Management GmbH Königstein im Taunus	
Kai Hankeln Bad Bramstedt	State-certified business economist Chairman of the Management Board
Hafid Rifi Friedberg	Economics graduate Deputy Chairman of the Management Board
Marco Walker Hamburg	Economics graduate
Prof. Dr. Christoph U. Herborn Hamburg	Specialist for radiology
Joachim Gemmel Hamburg	Business administration graduate

All members of the Management Board represent Asklepios Kliniken Management GmbH

Hamburg, 13 March 2020

On behalf of Asklepios Kliniken Management GmbH

Kai Hankeln

Hafid Rifi

Joachim Gemmel

Prof. Dr. Christoph U. Herborn

Marco Walker

INDEPENDENT AUDITOR'S REPORT

To Asklepios Kliniken GmbH & Co. KGaA, Hamburg

Audit Opinions

We have audited the consolidated financial statements of Asklepios Kliniken GmbH & Co. KGaA, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Asklepios Kliniken GmbH & Co. KGaA for the financial year from 1 January to 31 December 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report..

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Responsibilities of the Executive Directors and the Advisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined 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 executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The advisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Frankfurt am Main, 16 March 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Burkhart
German Public Auditor

Lars Müller
German Public Auditor

Report of the Supervisory Board

The Supervisory Board of Asklepios Kliniken GmbH & Co. KGaA thoroughly performed the tasks required of it in accordance with the law, articles of association and rules of procedure in the 2019 financial year. Based on regular written and verbal reports provided by the general partner Asklepios Kliniken Management GmbH or the management (hereinafter "Group management"), the Supervisory Board fully addressed the business performance, position and planned operating policy of Asklepios Kliniken GmbH & Co. KGaA. It was promptly and comprehensively informed of all events of significance to the company. This helped the Supervisory Board to support and monitor the activities of the Group management on an ongoing basis.

During the 2019 financial year, the Supervisory Board held a total of four meetings. At these meetings, the Group management reported the performance of the business along with all events of significant importance to the Supervisory Board. The Supervisory Board carefully examined and – where necessary – approved matters of significant importance, namely transactions requiring its approval in accordance with the law, articles of association and rules of procedure. Some matters such as contractual matters involving Supervisory Board members were handled in accordance with section 114 AktG by the General Committee of the Supervisory Board, which took the relevant decisions or expressed recommendations to the Supervisory Board. The Supervisory Board was also informed in particular about the development of operating business, HR performance indicators and performance levels, steps taken to optimise patient satisfaction and legislative initiatives in the healthcare industry as well as the strategic direction and financial development of the newly acquired companies, and discussed these matters with the Group management.

The consolidated financial statements, the annual financial statements as at 31 December 2019 as well as the Group management report and the management report were examined by the auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, and approved without reservation. The auditor's reports were supplied to all members of the Supervisory Board and were dealt with in detail by the Audit Committee on 22 April 2020 and at the financial statements meeting of the Supervisory Board on 29 April 2020.

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

The Supervisory Board recommends that the Annual General Meeting adopts the 2019 annual financial statements of Asklepios Kliniken GmbH & Co. KGaA. The Supervisory Board endorses the Group management's proposal for the appropriation of profits.

In accordance with section 312 AktG, the general partner has prepared a report on Asklepios Kliniken GmbH & Co. KGaA's relations with affiliates (dependent company report) for the 2019 financial year. The auditor examined the dependent company report and issued the following opinion:

"In line with our engagement, we audited the legal representatives' report according to section 312 AktG on relations with affiliates according to section 313 AktG for the reporting period from 1 January to 31 December 2019. As there are no objections to be raised based on the final outcome of our audit, we issue the following audit opinion according to section 313 (3) sentence 1 AktG: Having conducted a proper audit and assessment, we confirm that

1. the factual statements in the report are correct and
2. the company's compensation with respect to the transactions listed in the report was not inappropriately high."

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

"We declare that the company received appropriate compensation for all transactions in the 2019 financial year that are listed in the report on relations with affiliates in accordance with section 312 AktG, in accordance with the circumstances known to us when the transactions were conducted. No other measures were implemented or omitted in the relevant financial years."

On behalf of the Supervisory Board, I would like to sincerely thank the Group management and all employees of the Asklepios Group for their successful work and their huge personal dedication in the 2019 financial year.

Falkenstein, 29 April 2020

Schramm

Ivo Schramm
Chairman of the Supervisory Board

IMPRINT

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Content disclaimer

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. These forward-looking statements are not to be understood as a guarantee of future developments and results referred to therein. On the contrary, future developments and results are dependent on a wide range of factors.

These include various risks and uncertainties and are based on assumptions that may not be accurate. We do not assume any obligation to update the forward-looking statements contained in this report. This annual report does not constitute an offer to sell or a request to submit an offer to purchase bonds of Asklepios Kliniken GmbH & Co. KGaA or its subsidiaries.

HEALTH













„Diverse healthcare perspectives“

Photographic exhibition by Asklepios and the Federal Employment Agency (Hesse).
The photos show Asklepios colleagues in their immediate work environment with the aim of inspiring interest in a healthcare role. One area of emphasis is on the nursing professions, which offer a wide range of professional prospects and possibilities.
The exhibition held in the employment information centre provides information with numerous flyers as well as the training and further education details of the respective occupational profiles. It is designed to encourage schoolchildren to consider a training programme in healthcare. The photographic exhibition is also targeting individuals seeking a career change and advancement opportunities or persons returning to their career. The travelling exhibition is on tour through Hesse until October 2020 and will be on display at eight other employment agencies.


Dr. A. Hettel

2019
2020

Financial calendar

Annual Report 2019 — 30.04.
Quarterly Report Q1 — 28.05.
Interim Report H1— 27.08.
Quarterly Report Q3 — 26.11.