



# **MPH** Health Care AG

ANNUAL REPORT

**2018**

## Guiding principle

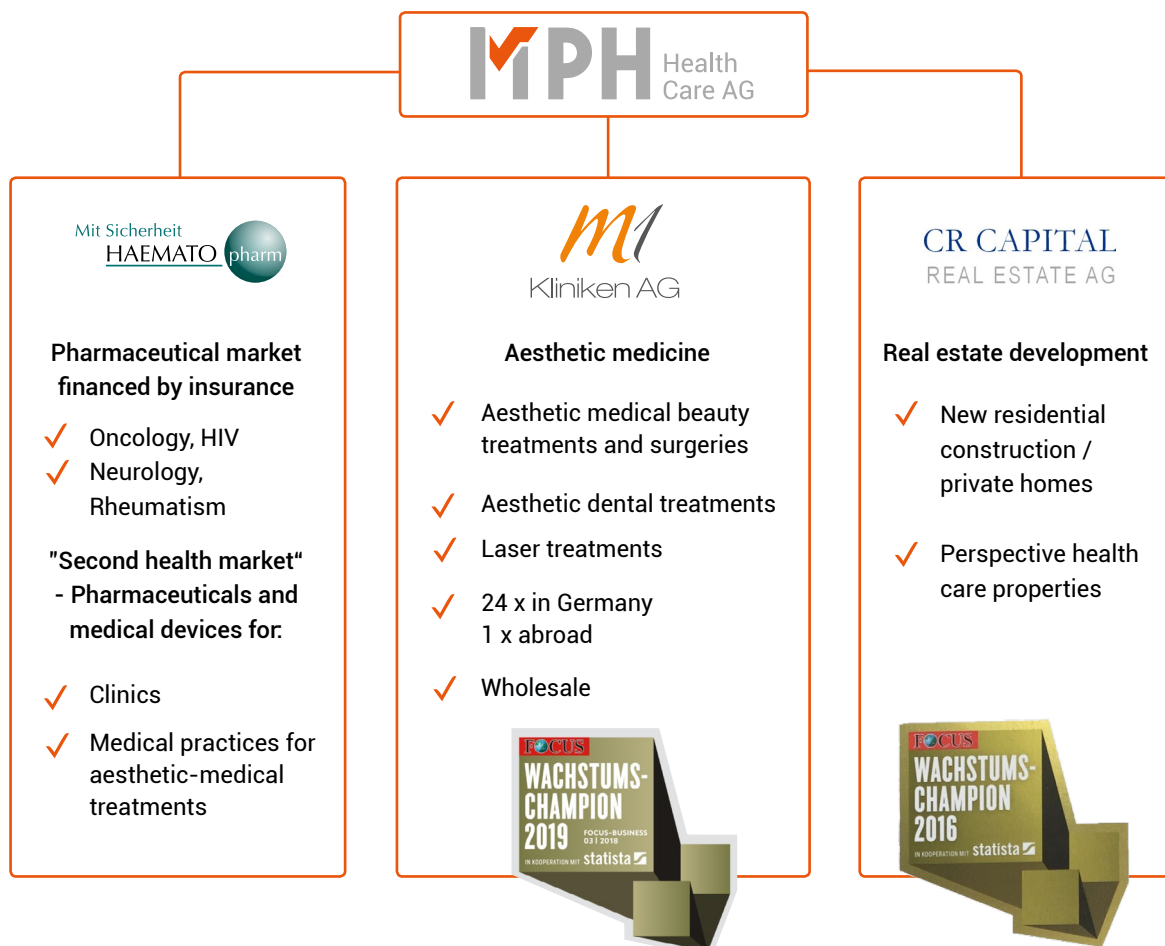
As an investment company, the strategic focus of our activities is on companies in high-growth segments of the health care market. This includes both insurance-financed and privately financed segments (the so-called "second health market").

Against the background of demographic development, an aging society and the associated increase in health and body awareness, the health care market will grow in the coming years. We will use these potentials to our advantage.

We work in partnership with our portfolio companies. Our aim is to generate profitable growth for companies through active further development and thus not only increase the value of the portfolio companies themselves, but also the corporate value of MPH Health Care AG.

However, MPH Health Care AG is not limited to the health care market. In other markets, too, there are investment opportunities from high-growth sectors whose potential we would like to utilize and expand upon.

## Key areas of MPH Health Care AG



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**Dear Shareholders,  
Ladies and Gentlemen,**

MPH benefited from the successful development of its associated companies in 2018. Net asset value (equivalent to IFRS equity) rose year-on-year from EUR 5.62 to EUR 6.29 per share. Net income for the year increased from EUR 31.86 million to EUR 37.02 million. This corresponded to earnings per share of EUR 0.86 (previous year: EUR 0.74).

HAEMATO AG was able to achieve a consolidated turnover of EUR 274.1 million, an EBITDA of EUR 10.0 million and a net profit of EUR 6.3 million according to IFRS 15. Operating gross profit increased just under 1% point. Financial liabilities were significantly reduced by a total of EUR 10.9 million, partly against the background of the termination and repayment of the profit participation certificates. The Management Board has announced that it will propose an unchanged dividend of EUR 0.30 per share to the Supervisory Board for the 2018 financial year. HAEMATO AG specializes in drugs for the treatment of chronic diseases and sees further growth potential for the future. In addition, the operating margin is to be increased sustainably. To this end, the Management Board is working on optimising business processes through digitalisation.

M1 Kliniken AG has continued its profitable growth course in 2018 and invested considerably in further growth. As the leading private German provider of health services in the field of beauty medicine the group benefits from the increasing demand for plastic and aesthetic treatments. For example, the number of outpatient treatments in the M1 Group increased by around 27% year-on-year to 190,000 in fiscal year 2018. The strong increase in treatments is due in particular to the opening of new locations and increased demand at the existing M1 Med Beauty locations. The number of specialist medical centres for aesthetic treatments was increased from 18 to 25 at the end of the year. This now also includes the first international specialist centre in Vienna (Austria).

M1 Kliniken AG plans to continue its growth in 2019. In Switzerland, the Netherlands and Great Britain, preparations are underway for the first locations. The company also sees considerable growth opportunities in Germany. In addition to new locations of the core brand "M1 Med Beauty" the new brands "M1 Laser" and "M1 Dental" will contribute to this in the future by expanding the range of services to include dermatological laser and aesthetic dental treatments. Both treatment areas have great potential.

The year 2018 was also very pleasing for CR Capital Real Estate AG. It has increased its net income by 33 % to EUR 7.7 million\*. Sales growth even amounted to 123% and sales thus rose to EUR 23.2 million\*. The dividend is to be raised significantly from EUR 1.00 to EUR 1.50 per share. In 2019, CR Capital plans and projects affordable living space for self-catering residents in Berlin's and Leipzig's commuter belt. It benefits from just-in-time production, efficient construction costs and short property holding periods, which are primarily financed with equity. In addition, the business model will be extended to include subsidized living space to enable affordable living space for intergenerational cohabitation and nursing staff. The company sees a social need in these sectors.

Due to the continuing positive results of recent years, we will again propose a dividend of EUR 0.20 per share for 2018 at the upcoming Annual General Meeting of MPH AG.

This development would not have been possible without the commitment of the employees of the MPH group. I would like to express my sincere thanks for this and look forward to a successful 2019.

Berlin, May 8, 2019



Patrick Brenske  
(Vorstand)

## Net Asset Value of MPH

Net Asset Value (NAV) 269.13 million Euro - 6.29 Euro/share as of 31.12.2018

Net Asset Value	2018 in EUR	2017 in EUR
Equity	269,128,001.00	240,665,940.38
Equity per share	6.29	5.62

MPH per 31.12.2018	Number of stocks / shares pieces	Rate <sup>1)</sup> 31.12.2018 in EUR	Market value in EUR	Fair value in EUR
M1 Kliniken AG (1)	12,094,748	15.00 €	181,421,220.00	
M1 Kliniken AG (2)	50,000	- €	0.00 <sup>2)</sup>	
M1 Kliniken AG (total)	12,144,748		181,421,220.00	
HAEMATO AG	11,011,977	4.65 €	51,205,693.05	
CR Capital Real Estate AG	1,194,733	32.60 €	38,948,295.80	
<b>TOTAL</b>				
<b>Market price of valued shares</b>			<b>271,575,208.85</b>	<b>271,575,208.85</b>
Unlisted companies shareholdings				13,521,906.52
<b>TOTAL Fair Value valued shares</b>				<b>285,097,115.37</b>
Liquid assets				1,017,550.00
Other assets				138,373.63
<b>Application of funds (assets)</b>				<b>286,253,039.00</b>
Equity				269,128,001.00
Interest-bearing liabilities				14,000,000.00
Other liabilities				3,125,038.00
<b>Source of funds (liabilities)</b>				<b>286,253,039.00</b>

## Company portfolio overview

	2018 in kEUR		2017 in kEUR	
	Sales	Result	Sales	Result
M1 Kliniken AG	n/s <sup>3)</sup>	n/s <sup>3)</sup>	47,195	5,778
HAEMATO AG	274,121	6,276	289,862	6,983
CR Capital Real Estate AG	23,200 <sup>4)</sup>	7,700 <sup>4)</sup>	10,409	5,766
<b>Total</b>	<b>n/s</b>	<b>n/s</b>	<b>347,466</b>	<b>18,527</b>
Employees		390		351

1) Xetra closing price; 2) due to insolvency of the custodian bank; 3) not specified (not yet published); 4) preliminary figures

## MPH on the capital market

<b>Class of shares</b>	Bearer ordinary shares
<b>Number of shares</b>	42,813,842
<b>WKN / ISIN</b>	A0L1H3 / DE000A0L1H32
<b>Ticker symbol</b>	93M
<b>Market places</b>	Xetra, Frankfurt, Stuttgart, Dusseldorf, Berlin, Munich, Tradegate
<b>Market segments</b>	Open Market - Frankfurt Stock Exchange
<b>Designated Sponsor, Listing Partner</b>	Oddo Seydler Bank AG
<b>Market equity</b>	EUR 160,98 mio. (as of 31.12.2018 - Xetra)
<b>Coverage</b>	GBC AG, First Berlin Equity Research GmbH

The German DAX share index lost 18.3% in value in 2018 after six consecutive years of profit. After reaching a record high of 13,597 points at the end of January 2018, the DAX fell to below 12,000 points at the end of March. Although the DAX rose again in May and June to just over 13,000 points, it fell to 10,559 points at the end of the year.

The decision by the UK to withdraw from the European Union unsettled investors, and the budget dispute between the EU Commission and the Italian government revealed how fragile the economic situation in the euro zone still is. Overseas, US President Trump has inflated American corporate profits with his tax reform at a time when the US economy was threatening to overheat. The US trade dispute with China could intensify at any time and burden Germany as an exporting nation. In addition, investors could no longer rely on the loose monetary policy. As announced, the European Central Bank has withdrawn from the buyback program for government bonds. In 2018, the US Federal Reserve raised its most important key interest rate four times, to a current level of 2.5% <sup>1)</sup>. The price of oil (Brent) also followed this pattern: while the price per barrel at the beginning of the year was USD 67.68, it rose to USD 84.50 by September and then fell to USD 57.07 at the end of December 2018; this corresponds to a decline of 15.7%.

The MPH share reached a new high of EUR 5.34 (Xetra closing price) in July 2018. In the wake of the general negative market development in the second half of the year, MPH share lost its annual profits and ended the year at a closing price of EUR 3.76 (previous year EUR 3.69), which represents a price gain of 1.9% over the previous year.

MPH AG's future prospects continue to be regarded as very good, which is also reflected in the ratings of several analysts. In June 2018, the analysts of First Berlin Equity Research GmbH raised the price target to EUR 7.10 (previously EUR 6.90). In December 2018, the non-bank investment house GBC AG raised its share price target to EUR 8.35 (previous year EUR 7.18) as a result of the higher valuations of the investments in M1 Kliniken AG and CR Capital Real Estate AG.





HAEMATO AG is a listed supplier of special pharmaceuticals with a focus on the growth markets in the indication groups oncology, HIV/AIDS and other chronic diseases with the aim of making an active contribution to reducing costs in the German health care system.

The company has a broad customer base of over 4,800 pharmacies and wholesalers in Germany and over 1,300 pharmacies and wholesalers in Austria. The demand for inexpensive drugs of the highest quality, which meet the demand for reliable and comprehensive medical care at all times, will continue to rise in the coming years as the population's life expectancy increases. With its product portfolio of off-patent and patent-protected medicines, HAEMATO supports the optimization of an efficient drug supply and thus the cost reduction for health insurance companies and patients.

#### GROUP KEY FIGURES (IFRS) IN KEUR

<b>Consolidated profit and loss statement</b>	<b>2018</b>	<b>2017</b>
Sales	274,120	289,436
EBIT	8,503	9,390
Net profit	6,276	6,957
<b>Group balance sheet</b>	<b>2018</b>	<b>2017</b>
Short-term assets	60,684	69,137
Long-term assets	55,832	54,679
Equity	75,676	70,796
Liabilities	40,840	53,020
Balance sheet total	116,516	123,816
Equity ratio	64.9%	57.2 %
Dividend distribution (for the previous year)*	6,594	6,234
Dividend distribution per share in EUR	0.30**	0.30

#### SHARE KEY FIGURES

Class of shares		Bearer share
Number of shares	22,867,154	21,980,000
WKN / ISIN		619070 / DE0006190705
Ticker symbol		HAE
Market places	Xetra, Frankfurt, Tradegate, Dusseldorf, Stuttgart, Berlin, Hamburg	
Market segment	Open Market	
Designated Sponsor, Listing Partner	ICF Bank AG	
Coverage	GBC AG, First Berlin Equity Research GmbH	
Market equity	EUR 106,33 mio. (as of 31.12.2018 - Xetra)	

\* Based on the number of shares as of the reporting date Annual General Meeting, \*\* Proposal to shareholders

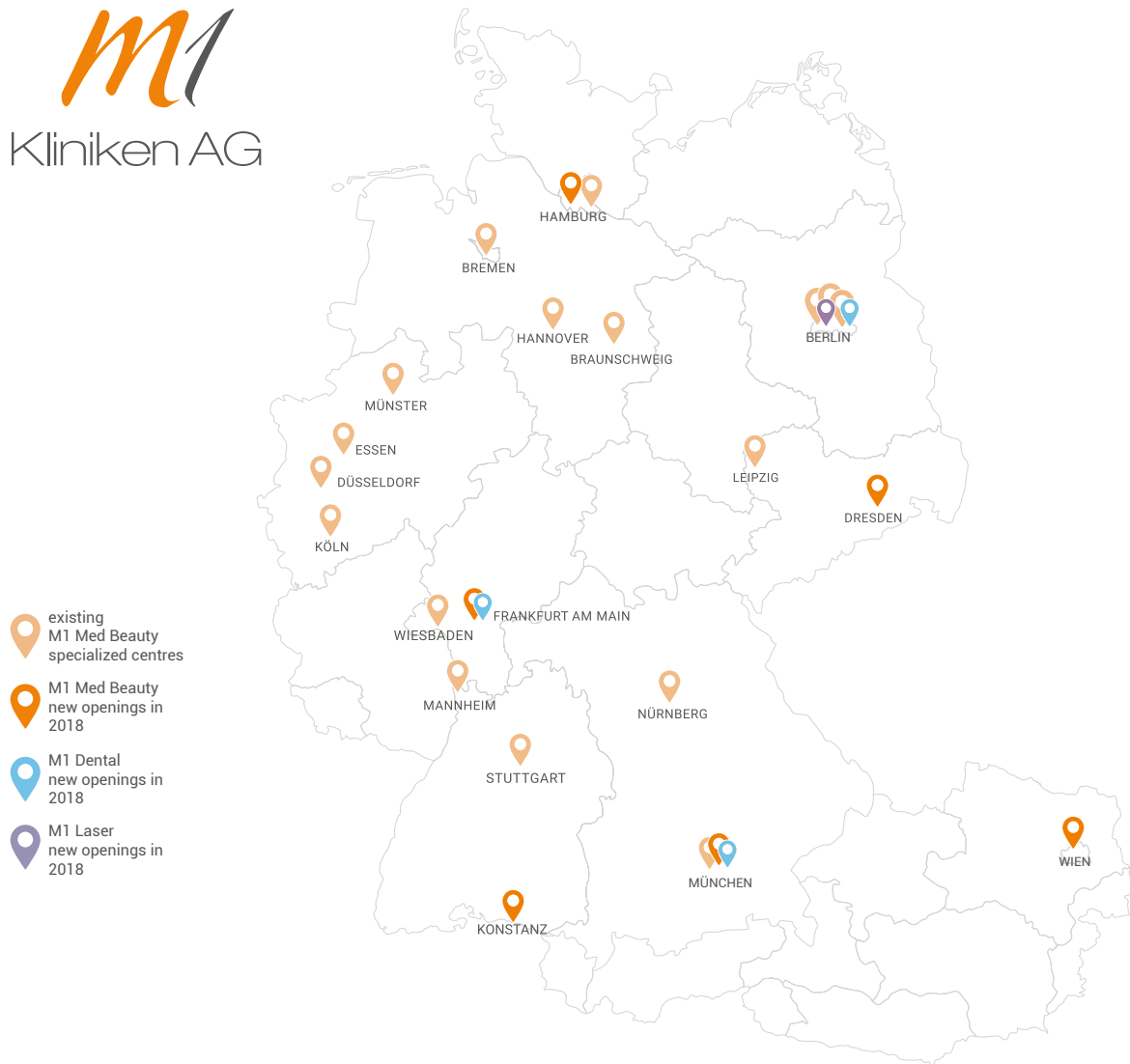




Main building of HEAMATO AG



Kliniken AG



**M1 Kliniken AG** is the market leader in key growth segments of beauty medicine in Germany. M1 - with its brands „**M1 Med Beauty**“, „**M1 Dental**“ and „**M1 Laser**“ - has clearly positioned itself as a quality leader in its markets through the use of high-quality medical products and medical technology in medical treatments as well as state-of-the-art clinic equipment.

Due to the standardization of medical services, the consistent optimization of all processes and the realization of purchasing advantages, M1 achieves significant cost advantages over its competitors. M1 passes these cost advantages on to the patients and thus enables a high quality range of services at the lowest possible prices. The attractive price/performance ratio addresses new and larger customer segments. With almost 190,000 medical treatments in 2018, „M1“ has firmly established itself in the lifestyle segment.

By the end of 2018, the number of specialist centres had risen from 18 to 25, and the first location abroad was opened in Vienna. Further significant sales growth is expected for 2019 and the following years. The focus here will be on internationalising the range of products and services on offer.

Growth-related economies of scale and synergies in the value chain ensure price leadership. The basic strategic concept is also to be transferred to other segments of the healthcare market in the future.

## M1 Kliniken AG key figures

### COMPANY KEY FIGURES (IFRS) IN kEUR\*

Consolidated profit and loss statement	2017	2016
Sales	47,195	35,955
EBIT	5,715	4,364
Net profit	5,778	5,007

\* 2018 financial figures for M1 Kliniken AG not yet available at editorial deadline

KPI's (Key Performance Indicators)	2018	2017
Number of specialised centres	25	18
Number of specialist clinics	1	1
Number of outpatient treatments	about 190,000	about 150,000
Dividend distribution (for previous year) in kEUR	4,950	4,500

### SHARE KEY FIGURES

Class of shares	Bearer share
Number of shares	17,500,000
WKN / ISIN	A0STSQ / DE000A0STSQ8
Ticker symbol	M12
Market places	Xetra, Frankfurt, Tradegate, Dusseldorf, Stuttgart, Berlin
Market segment	Open Market - Frankfurt Stock Exchange
Designated Sponsor, Listing Partner	Oddo Seydler Bank AG
Coverage	GBC AG, First Berlin Equity Research GmbH, Metzler Capital Markets, Commerzbank, Hauck & Aufhäuser, Kepler Chevreux
Market equity	EUR 262,50 mio. (as of 31.12.2018 - Xetra)



# CR CAPITAL

## REAL ESTATE AG

CR Capital Real Estate AG is a real estate developer and manager operating in Germany. The focus of its business activities and the basis for the Group's continued success is on the creation of high-quality and affordable residential properties.

CR Capital Real Estate AG was quick to recognise the need for residential real estate in the constantly growing metropolitan regions and for prices far below the rising market level. CR Capital Real Estate AG is positioning itself against the current trend of increasingly expensive real estate and has set itself the goal of offering homes for less than EUR 250,000 on average. The company benefits from on schedule production, efficient construction costs and short property holding periods, which are primarily equity-financed.

### COMPANY KEY FIGURES (IFRS) IN TEUR

<b>Consolidated profit and loss statement</b>	<b>2018</b>	<b>2017</b>
Sales	ca. 23,200*	10,409
EBIT	n/s	3,993
Net profit	ca. 7,700*	5,766
<b>Group balance sheet</b>	<b>2018</b>	<b>2017</b>
Short-term assets	n/s	14,134
Long-term assets	n/s	27,933
Equity	n/s	28,388
Liabilities	n/s	13,679
Balance sheet total	n/s	42,067
Equity ratio	n/s	67.5%
Dividend distribution (for the previous year)**	1,878	0
Dividend distribution per share in EUR	1.50 ***	1.00

\*Preliminary figures, \*\* based on number of shares as of the reporting date Annual General Meeting, \*\*\* Proposal to shareholders

### SHARE KEY FIGURES

Class of shares	Bearer share	Bearer share
Number of shares	1,878,377	1,878,377
WKN / ISIN	A2GS62 / DE000A2GS625	
Ticker symbol	CRZK	
Market places	Xetra, Frankfurt, Tradegate, Dusseldorf, Stuttgart, Berlin	
Market segment	Open Market - Frankfurt Stock Exchange	
Designated Sponsor, Listing Partner	Oddo Seydler Bank AG	
Coverage	GBC AG, First Berlin Equity Research GmbH	
Market equity	EUR 61,24 mio. (as of 31.12.2018 - Xetra)	

In addition, the business model will be extended to include subsidised housing in order to enable the combination of affordable housing for intergenerational living and affordable care concepts.

CR Capital Real Estate AG's business model covers the entire value chain: This includes the selection, valuation and purchase of suitable properties, the procurement of building rights, the actual construction, the marketing as well as the turnkey handover and subsequent administration. Our clients include owner-occupiers and long-term private and institutional investors.

A favourable market environment and a sense for attractive project developments are reflected in the business figures. The latest transactions of residential units at an attractive price/performance ratio not only convinced the new owners, but also significantly increased the preliminary (as yet unaudited) net profit for the year.



Construction project Schkeuditz (sample photos - non-binding visualizations)

## Report by the Supervisory Board, fiscal year 2018

### 1. Supervision of management and cooperation with the Executive Board

During the 2018 financial year, the Supervisory Board of MPH Health Care AG exercised the duties incumbent upon it under the law and the Articles of Association with great care. The Supervisory Board regularly advised the Management Board in the management of the company and continuously accompanied and monitored its management. The Supervisory Board was directly and at an early stage involved by the Management Board in all decisions of fundamental importance to the company. The Management Board regularly informed the Supervisory Board verbally, by telephone and in writing, promptly and comprehensively about: the course of business, the economic situation of the company, significant business transactions, corporate planning including questions of business policy and risk management, the development of costs and earnings, liquidity as well as investment and divestment measures. The Supervisory Board was satisfied with the management's performance. No thematic committees were formed within the Supervisory Board.

### 2. Meetings, deliberations and resolutions

The Supervisory Board held seven ordinary meetings during the 2018 financial year, three of them in the first half-year (13.03., 29.03., 24.04.2018) and four in the second half-year (10.07., 11.07., 25.09., 11.12.2018.).

The following topics were in the focus of the meetings among others:

- Situation of the company
- Strategy development and its operational implementation
- Current competitive, organisational and personnel situation
- Short and medium-term investment planning
- Annual Report and Interim Report of the Group prior to their respective publication
- Election of the Chairman and Deputy Chairman of the Supervisory Board

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

### 3. Financial statement

The Supervisory Board was satisfied that management of the company was in order. The annual financial statements, the consolidated financial statements and the group management report of MPH Health Care AG for the financial year ending December 31, 2018, including the accounting, were audited by the auditor nominated by the general shareholder's meeting, Harry Haseloff (certified public accountant), Berlin, and confirmed with an unrestricted audit opinion.

The annual financial statements, the consolidated financial statements, the Group management report, the proposal for the balance sheet profit and the auditor's reports were submitted to each member of the Supervisory Board well before the balance sheet meeting on April 30, 2019. At the balance sheet meeting on April 30, 2019, the auditor reported on the main results of his audit and was available to answer questions from the members of the Supervisory Board.

We have audited the annual financial statements and the consolidated financial statements prepared by the Executive Board.

The annual financial statements prepared by the Executive Board as well as the consolidated financial statements and the Group management report were discussed in detail at the balance sheet meeting. The results of the auditor's audit were noted with approval. No objections were raised to the annual financial statements, the consolidated financial statements, the Group management report or the proposal for the appropriation of net retained profits.

On the basis of its own examination, the Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Executive Board. The annual financial statements are thus adopted.

#### 4. Dependency report

MPH Health Care AG prepared a dependent company report in accordance with § 312 of the German Stock Corporation Act (AktG) for the fiscal year ended December 31, 2018.

The dependent company report was audited by the auditor Harry Haseloff, Berlin, who was appointed as auditor by the Annual General Meeting, in accordance with § 313 (1) AktG. The auditor Harry Haseloff, Berlin, submitted a separate written report on the results of the audit. Since there were no objections to the report of the Management Board, the following auditor's report was issued in accordance with § 313 (3) AktG:

"Following my dutiful examination and assessment, I confirm that:

- the factual information in the report is correct,
- the consideration paid by the company in the legal transactions listed in the report was not unreasonably high or disadvantages were compensated,
- there are no circumstances indicating a materially different assessment of the measures listed in the report than that made by the Board of Management."

The dependent company report and the additional audit report of the auditor of the annual and consolidated financial statement were brought to the attention of the Supervisory Board well before April 30, 2019 and examined in detail at this meeting. Questions were answered in detail by the auditor.

On completion of its examination, the Supervisory Board approves the dependent company report and the audit report and has no objections to the declaration of the Management Board at the end of the dependent company report on relations with affiliated companies.

### **5. Members of the Supervisory Board**

From January 1, 2018 to December 31, 2018, the Supervisory Board was composed of: Andrea Grosse (Chairwoman), Dr. Ulrich Wandschneider (Deputy Chairman) and Prof. Dr. Dr. Sabine Meck (Member).

### **6. Others**

The Supervisory Board would like to thank the Management Board for its achievements and the pleasant, constructive and successful cooperation.

The Supervisory Board would like to thank all employees of the MPH Group for their commitment and achievements.

Berlin, April 30, 2019



Andrea Grosse  
(Chairwoman)







# Recent Situation

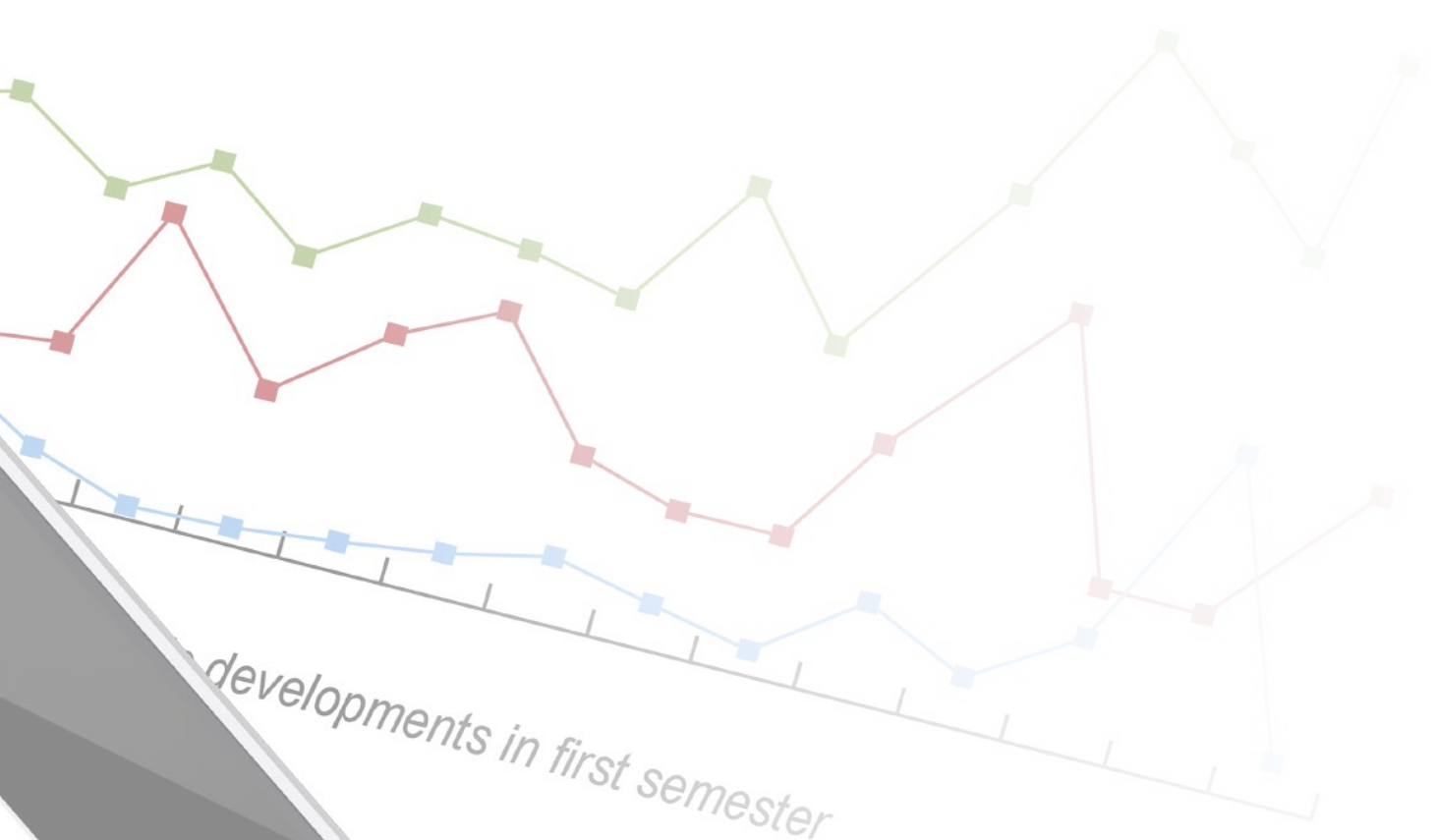


Chart 2



## Management report

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# Management report

## 1. Business model

MPH Health Care AG is a Berlin-based investment and holding company listed on the Frankfurt Stock Exchange (basic board). Its business activity consists of investing in companies with the aim of achieving long-term capital growth.

The strategic focus is on the acquisition and development of companies and company shares, particularly in growth sector of the health care market and the pharmaceutical industry. This includes both insurance-financed and privately financed segments. However, MPH AG also utilizes potential from high-growth sectors outside these markets, such as the real estate industry. The aim is to generate profitable growth for the portfolio companies through active further development and to promote the corporate value of MPH.

## 2. Business report

MPH Health Care AG continued to invest in three major (listed) investments in 2018. Compared to the previous year, these investments were able to achieve an increase in value of around EUR 29.26 million. The investments' profit distributions (HAEMATO AG and M1 Kliniken AG each with EUR 0.30 per share and CR Capital Real Estate AG with EUR 1.00 per share) made significant contributions to the income from investments in the amount of EUR 8.32 million (previous year: EUR 7.38 million).

MPH Health Care AG itself distributed a dividend of EUR 0.20 per share (previous year: EUR 0.12 per share) in July 2018, bringing the total to EUR 8.56 million (previous year: EUR 5.14 million).

### 2.1 Macroeconomic and industry-specific conditions

#### 2.1.1 Global economic environment

The global economy developed positively in 2018, even though the upturn in the second half of the year was not as pronounced as in the previous year. The first half of the year saw a noticeable loss of momentum. Nonetheless, global production in 2018 increased (forecast by The Kiel Institute for the World Economy (IfW)) by 3.7%, similarly strong to the 3.8% forecast for 2017 <sup>2</sup>. The economy weakened in the emerging markets in particular. This is partly due to the tightening of monetary policy in the United States. The turbulence on the financial markets led to interest rate hikes in a number of countries (e.g. the USA, Canada, Turkey, etc.).

The global economy was also noticeably affected by developments in China in 2018. According to the IfW, the negative effects for the global economy are not adequately reflected by the Chinese growth of 6.4% <sup>3</sup>. In contrast, the growth of the gross domestic product in the United States of America accelerated from 2.5% to 3.1% in 2018 <sup>4</sup>. This is primarily attributable to the strong fiscal stimulus provided by tax cuts and higher government spending.

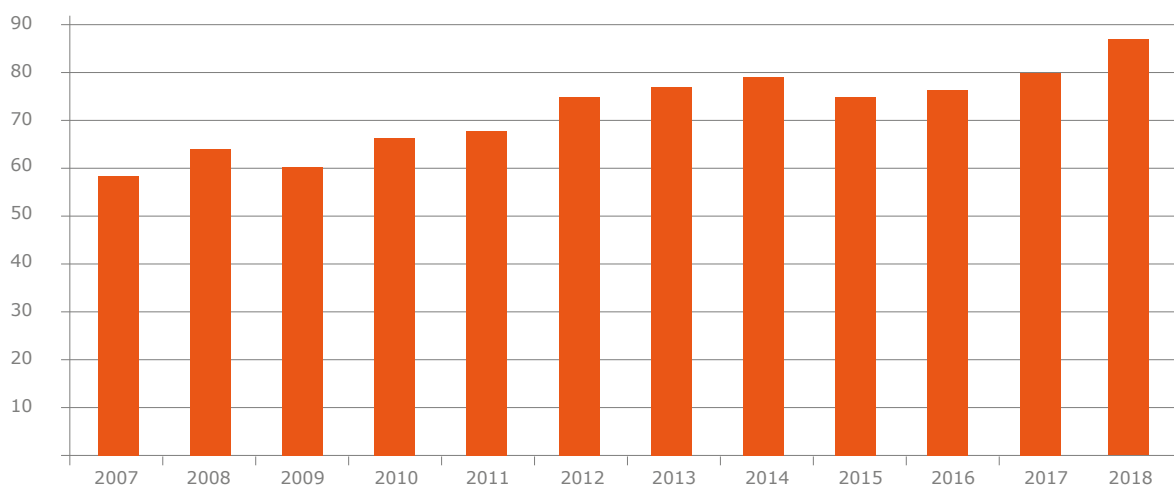
In Europe, the slowdown in global economic growth was noticeable in 2018. Growth in the euro zone was 1.8% <sup>5</sup>. As the world's leading exporter, Germany in particular was affected by the low level of international trade. Without Germany, growth in the euro zone would have been 2.0%. In addition to world trade, intra-European events also slowed growth. These included strikes in the transport sector and the Yellow Vests protests in France, problems in the automotive sector and in inland waterway navigation, particularly in Germany, as well as the dispute between the Italian government and the European Commission over budget planning.

The decline in the unemployment rate continues to be positive. The unemployment rate in the euro zone was 8.2% in 2018 <sup>6</sup>. It is significantly lower in Germany at 3.4%. They are expected to fall further in the coming years.

Overall, the IfW is cautious about global economic development in 2019. Political uncertainties such as the trade conflicts emanating from the United States and the uncertainty about the modalities of Brexit as well as the uncertainty about the extent of the economic slowdown in China are weighing on the outlook. Experts expect a further slowdown in growth worldwide to 3.3%, in the euro zone to 1.2% and in Germany to 1.0% <sup>7</sup>. A further increase in private consumer spending is expected as a positive influencing factor, partly due to rising wages as a result of the shortage of skilled labour on the labour market. Against the backdrop of a further slowdown in the global economy and the resulting slowdown in exports, it is assumed that the economic upturn in Germany as a whole will increasingly reach its limits.

### Global Gross Domestic Product (GDP) at current prices from 2007 to 2018

in trillion US dollars



Source: IMF 2019

### 2.1.2 Economic environment in Germany

The German economy grew for the ninth year in succession in 2018. However, growth slowed noticeably in the course of the year. Nevertheless, according to calculations by the Federal Statistical Office (Destatis), the price-adjusted gross domestic product (GDP) in 2018 was 1.5% upon the previous year<sup>8</sup>. However, GDP was significantly below the economic forecasts for 2018. The Kiel Institute for the World Economy (IfW), for example, still forecasted growth in gross domestic product of 2.5% for the year as a whole in spring 2018<sup>9</sup>.

In 2018, too, the domestic development was decisive for the positive development of Germany's economy as a whole. Private consumption increased by 1.0% and government spending by 1.1%. Imports also rose by 3.4%, which was higher than exports, which rose by 2.4%<sup>10</sup>. The German labor market continued to benefit from economic growth. In 2018, the number of employed persons rose by 552,000; thus, in 2018, an annual average of 46.2 million people were employed (2017: 45.8 million). The unemployment rate fell from 5.7% to 5.2% compared to 2017<sup>11</sup>.

Following the significant slowdown in economic growth in the second half of the year, the IfW has significantly reduced its expectations for 2019 and expects the German economy to grow by 1.0%, compared to 1.8% in the previous year<sup>12</sup>. Political uncertainties, such as the Brexit and the customs negotiations, are estimated to be high. This is having a negative impact on exports and on companies' propensity to invest. In addition, capacity bottlenecks are obviously hampering production. For some time now, the proportion of companies complaining about production being hampered by a shortage of skilled labour and material and equipment has been at an unusually high level. The financing environment should remain friendly. The European Central Bank is sticking to its loose monetary policy; an initial interest rate hike is expected to take place in the second half of 2020 at the earliest<sup>13</sup>.

### 2.1.3 Global health care market

The health care sector is and will remain one of the most important future markets, which will continue to be shaped by global trends. These include demographic developments (rising life expectancy), rising demand for health products and services, etc., among others. In addition to rising incomes worldwide and medical progress, the ageing of society is a major reason for the rise in health expenditure, which is boosting the share of the health industry in gross domestic product<sup>14</sup>.

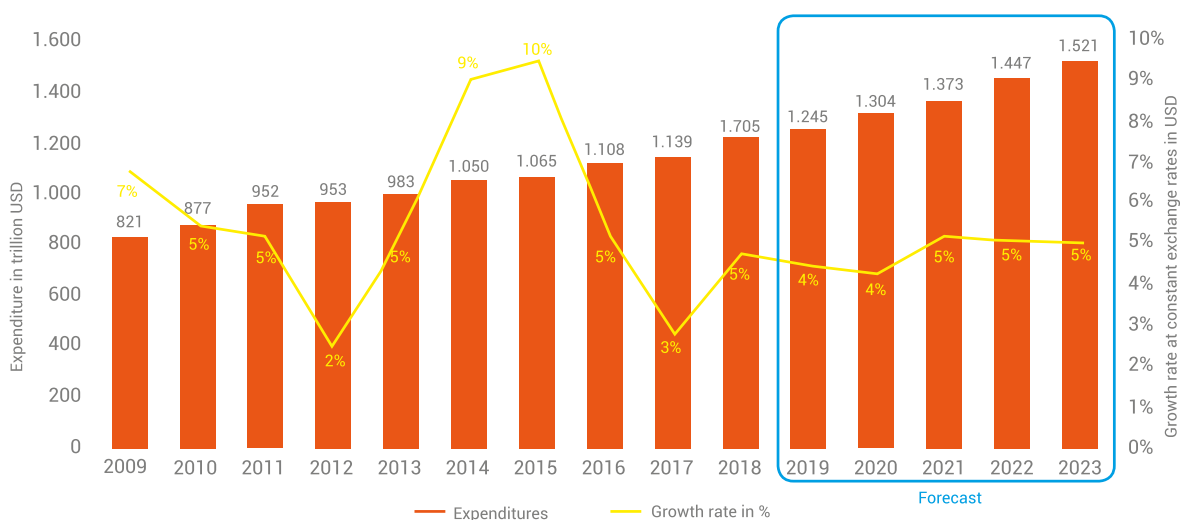
The health industry is made up of many sectors. The core sector, also known as the first health market, comprises „classical“ health care, which is largely financed by statutory health insurance (SHI) and private health insurance (PKV), including long-term care insurance. The second health market combines all privately financed products and services related to health and essentially comprises over-the-counter medicines and individual health services, including outpatient and inpatient medical interventions, fitness and wellness, health tourism and, to some extent, sports/leisure, nutrition and housing<sup>15</sup>.

Global health spending is expected to continue to grow at an annual rate of 5.4% between 2017-2022 from USD 7.7 trillion to USD 10.1 trillion. The emergence of personalized medicine, the increased use of exponential technologies, the entry of disruptive and non-traditional competitors, the demand for expanded care locations, and redesigned payment and financing models are impacting the financial performance of the health ecosystem. The health care market is looking for support from health care technology, along with mergers, acquisitions and partnerships. Stakeholders are also looking at alternative sources of revenue such as vertical integration<sup>16</sup>.

In addition, there is an exponential increase in the speed and scale with which digital innovations are emerging in health care. Digital technologies are helping health care systems in the transition to new models of patient-oriented care and are helping them develop smart health approaches to improve access, affordability, quality and reduce costs. Blockchain, RPA (Robotic Process Automation), Cloud, Artificial Intelligence (AI) and Robotics to the Internet of Medical Things (IoMT) and digital and virtual reality are just some of the ways technology will affect health care in the future <sup>17</sup>.

The pharmaceutical industry as part of the healthcare market is one of the key sectors of the health care industry. The supply of pharmaceuticals has a direct influence on people's health development and life expectancy. According to a new study by the IQVIA™ Institute for Human Data Science, more than USD 1.5 trillion will probably be spent on drugs by 2023; this corresponds to an increase of 50% since 2014. At the same time, however, annual growth is stabilising at an average of 3% to 6% compared with 6.3% over the last five years. The study found that global drug spending in 2018 was USD 1.2 trillion (see chart). For the next five years, it identified the United States and emerging markets - the so-called pharmerging markets - as the most important growth drivers with 4% to 7% and 5% to 8% respectively <sup>18</sup>.

**Pharmaceutical spending and growth between 2009 and 2023 worldwide:**



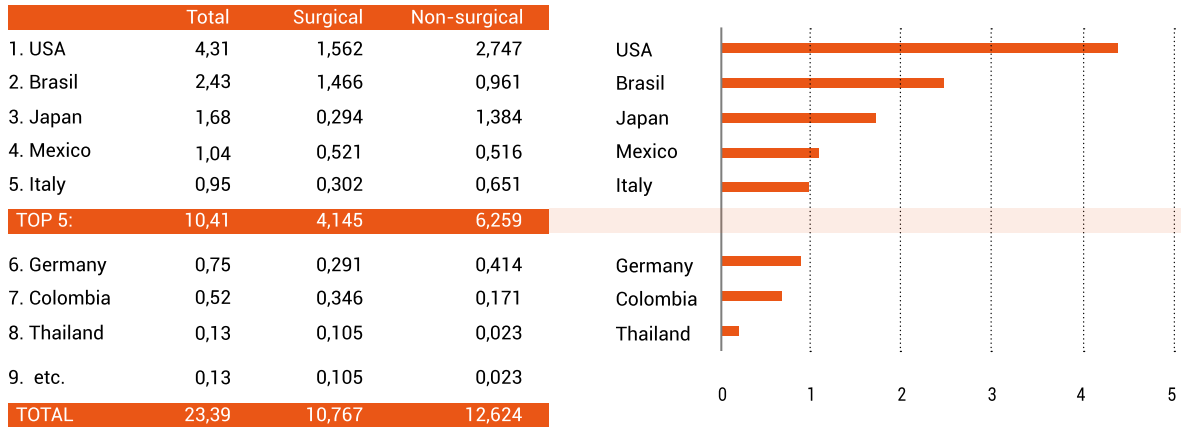
Source: IQVIA Market Progress Sep 2018, IQVIA Institute Dec 2018, Report: The Global Use of Medicine in 2019 and Outlook to 2023, IQVIA Institute for Human Data Science, Jan 2019

The market for medical aesthetic treatments continues to be a growth market, especially due to the increased social desire to preserve the natural beauty and performance of the body into old age. In 2017, around 23.4 million surgical and non-surgical cosmetic operations were performed worldwide (previous year: 23.0 million surgeries).

As in the previous year, most aesthetic procedures were performed in the USA, Brazil, Japan, Mexico and Italy. The five countries accounted for 44.5% of all worldwide procedures (previous year 41.4%). Germany now occupies sixth place (previous year ninth place), followed by Colombia and Thailand <sup>19</sup>.

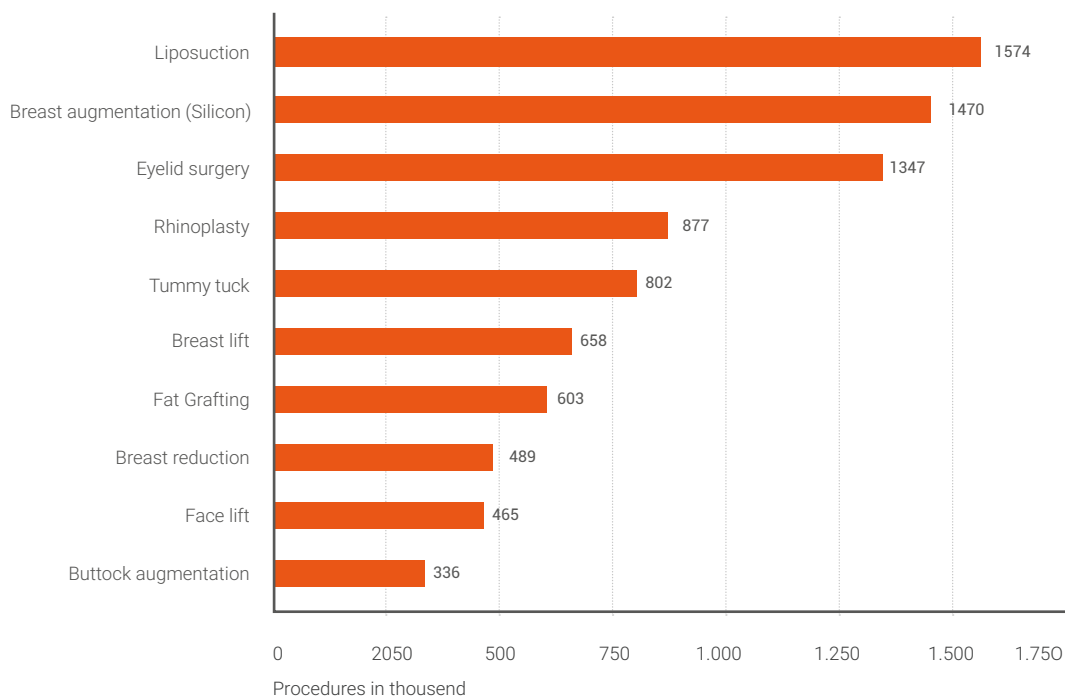
### 2017 ISAPS: Aesthetic/ cosmetic procedures performed in 2017

Treatments in million



The most popular cosmetic surgery worldwide in 2017 continues to be liposuction with 1.57 million procedures (previous year 1.45 million), followed by breast augmentation in second place with 1.47 million procedures (previous year 1.45 million). With nearly 1.35 million surgeries worldwide, eyelid plastic surgery (upper eyelid lifting) was also very popular and made it to third place (unchanged compared to the previous year).

### Most frequent cosmetic procedures worldwide by type of surgery in 2017:



Source: ISAPS 2019



Overall, the number of beauty treatments is expected to increase by 5.2% per year. The health care market will therefore remain a growth market in the coming years. The increase in purchasing power, the ageing society and technical progress are expected to increase sales by four trillion USD to a total of ten trillion USD by 2020. In a long-term forecast, the international management consultancy Bain & Company identified the rising demand for therapies, therapeutics and other health services as one of eight structural trends that will lead to an anticipated increase in global gross domestic product (GDP) of 40% to USD 90 trillion by 2020 <sup>20</sup>.

### 2.1.4 Health care market Germany

As one of the largest economic sectors in Germany, the health care industry is a leading market for the German economy. With the help of their services and products, people not only live longer, but also healthier and more self-determined <sup>21</sup>. In 2017, the health care industry employed as many people as the entire manufacturing sector and is growing faster and more steadily than the economy as a whole <sup>22</sup>.

The health industry is a driver of employment. In 2017, around 7.3 million people worked in the health industry (including wellness, health tourism, etc.). According to the BMWI, every sixth person is employed in this sector. According to the federal government's health reporting, the number of 5.58 million employees in the health sector rose by 93,000 (+ 1.7%) compared to the previous year <sup>23</sup>.

In 2017, the health care industry generated gross value added of EUR 350 billion (previous year: EUR 336 billion). This corresponds to 12% of the gross domestic product. The health industry has grown nominally every year since 2006. Its share of the overall economy has risen over time: from 10.7% in 2006 to 11.9% in 2017 <sup>24</sup>.

The economic strength of the health care industry is not based exclusively on health insurance benefits. More than a quarter of total consumption is privately financed. More and more people are willing to invest in their health, fitness and a good attitude towards life. The supply of the first health market is not sufficient for them and they use services and products which serve the maintenance of health or their well-being. These include healthy nutrition as well as sport, wellness and beauty treatments. In turn, the non-insurance-financed market ("second health market") offers the economy opportunities for new business models <sup>25</sup>.

Due to these aspects and the increased social acceptance of beauty medicine, the beauty market is one of the growing sectors within the health industry. In Europe, Germany is one of the leading markets for medical aesthetic treatments. Around 750,000 medical beauty treatments were carried out in 2017 (previous year around 730,000) <sup>26</sup>. While breast augmentation has always been the most popular cosmetic surgery in recent years (around 39,300 surgeries in 2017), this was upper eyelid lifting in 2017 with around 46,100 surgeries. Only the non-surgical wrinkle treatments with botulinum toxin (220,200 treatments) or filler materials (137,900 treatments) are even more popular with German patients <sup>27</sup>.

## 2.2 Business development

As an investment company, the strategic focus of our activities is on companies in high-growth sectors of the health care market. This includes both insurance-financed and privately financed sectors.

MPH Health Care AG has the status of an investment company in accordance with IFRS 10. All investments were measured at fair value through profit or loss in accordance with IFRS 9.

In 2018, net income for the year increased by around 16% to EUR 37.0 million (previous year: EUR 31.9 million). The net income for the year essentially includes the results from the valuation of investments of EUR 31.0 million (previous year: EUR 25.6 million) as well as the investment income of EUR 8.3 million (previous year: EUR 7.4 million).

## 3. Operation review

### 3.1 Earnings position of the company (IFRS)

In general, an investment company does not consolidate its subsidiaries or apply IFRS 3 if it obtains control over another entity. Instead, an investment company must measure its interest in a subsidiary at fair value through profit or loss in accordance with IFRS 9.

The sales and other income of the current financial year result primarily from profits from the sale of shares in financial assets. Proceeds of kEUR 11,782 were generated from the sale of shares in 2018. In 2017 the proceeds from the sale of shares in financial assets amounted to kEUR 13,159. Investments in financial assets amounted to kEUR 16,644. In 2017, investments amounted to kEUR 15,978.

The total capital of the company increased by 11.2% to EUR 286.2 million in 2018. The equity ratio (equity / total capital \* 100) improved from 93.5% in 2017 to 94.0% in 2018.

The investments made are reflected in the financial assets. Compared to fiscal year 2017, these assets increased by 14.5% from kEUR 249,046 to kEUR 285,097 in 2018.

Operating income, consisting of the fair value measurement of investments as well as investment income and gains from the sale of financial assets, increased to kEUR 39,534 (previous year: kEUR 34,236) in the fiscal year.

### 3.2 Financial position of the company (IFRS)

The financial situation can be described as very stable. MPH's financial management is geared towards always settling liabilities within the payment period and collecting receivables within the payment terms.

The capital structure is good. Equity rose from kEUR 240,666 in 2017 to kEUR 269,128 in 2018.

Liabilities to banks account for 4.89% of the balance sheet total. MPH and the associated companies make use of the credit lines granted by various banks in order to promote business success. In fiscal year 2015, MPH Health Care AG took out two long-term promissory note loans totalling EUR 14 million with a term of 5 to 7 years and a fixed interest rate. These continued to exist in 2018.

Trade payables could always be settled within the payment terms.

Long-term investments are 94.4% covered by our equity. Current receivables and bank balances exceed the total of current trade payables and other liabilities.

The liquidity situation is good.

In the 2018 financial year, MPH invested EUR 16.6 million in the acquisition of investments. Proceeds from the sale of investments amounted to EUR 11.8 million in fiscal year 2018. There were no significant investments in property, plant and equipment, nor are there any short-term plans for them.

The financial development of MPH in the reporting period on the basis of the cash flow statement with indirect determination of the cash flows from operating activities is as follows:

Cashflows of:	2018	2017
	kEUR	kEUR
Ongoing business activity	5,196	1,011
Investment activity	3,652	4,881
Financing activity	-9,069	-5,636
	-221	256

### 3.3 Net assets position of the company (IFRS)

The asset situation of MPH Health Care AG is characterised by increased financial assets (from kEUR 249,046 in 2017 to kEUR 285,097 in 2018), the reduction of short-term financial assets (from repayment of the subordinated loan granted to HAEMATO AG in 2016) and the reduction of cash and cash equivalents by kEUR 221. The overall economic situation can be described as good.

## 4. Supplementary report and Forecast Report

No events of particular significance occurred after the end of the financial year.

We assess the expected development of MPH Health Care AG as positive.

The economic sectors of the investments offer great growth potential. The demand for off-patent and patent-protected drugs and the manufacture of medications for therapies for cancer, HIV and other chronic diseases is steadily increasing. Beauty lifestyle services for private payers are trendy and continue to enjoy growing popularity.

For the 2019 financial year, the Company anticipates rising sales and pleasing business developments in the investments, which may have a positive effect on the valuation of the companies on the capital market. This can therefore also have a positive effect on the earnings situation of MPH Health Care AG.

MPH Health Care AG will continue to be able to meet its payment obligations on time in the future.

## 5. Risk report

As a result of the Company's business activities and the associated high proportion of financial assets in the balance sheet total, the Group is exposed to fluctuations in the financial markets.

The investments will continue to counter market competition through service, reliability and a high level of quality while striving for price leadership.

On the procurement side, the investments can draw on a wide range of purchasing options. In order to minimize business risks, we diversify our sources of supply throughout Europe. Our high quality standards are ensured by our investments through careful selection and qualification of suppliers and their management.

### 5.1 Specific risks

#### 5.1.1 Sector-specific risks

Constant statutory regulatory measures, strong pressure on margins in the pharmaceutical market and the permanent change in the parallel import market due to exchange rate risk and price differences in the procurement of medicines can have a negative impact on the sales and earnings situation of the investments.

#### 5.1.2 Earnings-oriented risks

The Company participates in some cases to a considerable extent in the capital of its investments. Changes in the market prices of the investments have an impact on the Company's results of operations. The listed securities held by the Company are subject to daily trading.

#### 5.1.3 Financial risks

Due to the stable equity situation of our company, liquidity risks are currently not discernible.

There are no material currency risks that could affect the net assets, financial position and results of operations of the Company.

The liquidity situation is satisfactory; no bottlenecks are to be expected.

#### 5.1.4 Risk management system

MPH Health Care AG uses a risk management system to systematically identify significant risks that could jeopardize its continued existence in order to assess their impact and develop suitable measures.

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

#### 5.2 Opportunities report

The health care market is and will remain a growth market. We will participate in this growth by specializing our investments in the therapeutic areas of oncology, HIV and other chronic diseases as well as in plastic surgery and aesthetic medicine.

#### 5.3 General statement

We see risks to future development primarily in fluctuations in the financial and currency markets. Against the background of our financial stability, however, we believe that we are well equipped to cope with future risks. Risks that could endanger the continued existence of the company are currently not discernible.

### 6. Risk reporting regarding the use of financial instruments

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

The companies in which MPH has a direct or indirect interest have a solvent customer base. Bad debt losses are the absolute exception.

Liabilities are paid within the agreed payment periods.

In the short-term area, the company finances itself primarily through the earnings contributions generated by the investments.

In managing its financial positions, the Company pursues a conservative risk policy. If default and credit risks are identifiable for financial assets, corresponding value adjustments are made. In order to minimize default risks, the Company has an adequate strategy for monitoring the development of investments on the financial markets on a daily basis. In addition, we obtain comprehensive information on the overall situation of potential investments before investing in new ones.

## 7. Report on branches

The company does not maintain any branches.

## 8. Final declaration according to § 312 (3) sec. (3) AktG

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

Berlin, March 27, 2019  
MPH Health Care AG



Patrick Brenske  
(Management Board)



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## IFRS Statement

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## IFRS Balance sheet - assets

As of December 31, 2018\*

	◀ 2018	◀ 2017
	EUR	kEUR
Cash and cash equivalents	1,017,550	1,239
Trade receivables	2,800	1
Inventories	7,268	0
Other current financial assets	64,235	7,046
Other current assets	19,792	3
Income tax assets	40,865	0
<b>Short-term assets</b>	<b>1,152,510</b>	<b>8,288</b>
Intangible assets	1,093	18
Property, plant and equipment	2,321	4
Other non-current financial assets	285,097,115	249,046
Other non-current assets	0	22
<b>Non-current assets</b>	<b>285,100,529</b>	<b>249,089</b>
<b>▶ TOTAL ASSETS</b>	<b>286,253,039</b>	<b>257,378</b>

\* Accounting according to IFRS

## IFRS Balance sheet - liabilities

As of December 31, 2018\*

	◀ 2018	◀ 2017
	EUR	kEUR
Short-term accruals	99,186	70
Trade accounts payable	28,247	38
Other short-term financial liabilities	86,723	90
Other short-term liabilities	112,603	32
<b>Short-term liabilities</b>	<b>326,759</b>	<b>230</b>
Other long-term financial liabilities	14,000,000	14,000
Deferred tax liabilities	2,798,279	2,481
<b>Long-term liabilities</b>	<b>16,798,279</b>	<b>16,481</b>
Subscribed capital	42,813,842	42,814
Capital reserves	2,688,175	2,688
Revenue reserves	223,625,984	195,164
<b>Equity</b>	<b>269,128,001</b>	<b>240,666</b>
<b>▶ TOTAL LIABILITIES</b>	<b>286,253,039</b>	<b>257,378</b>

\* Accounting according to IFRS

## IFRS - Profit and loss statement

From January 1, to December 31, 2018\*

<b>Profit and loss account</b>	<b>◀ 2018</b>	<b>◀ 2017</b>
	EUR	kEUR
<b>Operating revenues</b>	<b>39,534,389</b>	<b>34,236</b>
Fair value gain financial investments	31,019,061	25,583
Net income from participations	170,629	848
Investment income	8,316,964	7,380
Other operating income	27,735	425
<b>Operating expenses</b>	<b>-1,848,839</b>	<b>-1,928</b>
Financial expenditure	-702,915	-360
Net loss from participations	0	-392
Administrative expenditure	-1,145,924	-1,177
<b>Result from ordinary activities   EBITDA</b>	<b>37,685,549</b>	<b>32,308</b>
Write-offs	-44,850	-21
<b>Operating result   EBIT</b>	<b>37,640,699</b>	<b>32,287</b>
<b>Financial result</b>	<b>-298,759</b>	<b>-167</b>
Other interest and similar income	207,865	332
Interest and similar expenses	-506,624	-499
<b>Earnings before taxes   EBT</b>	<b>37,341,940</b>	<b>32,120</b>
Taxes on income and earnings	-317,111	-264
<b>Net income/loss for the year</b>	<b>37,024,829</b>	<b>31,855</b>

\* Accounting according to IFRS

## IFRS - Cash flow statement

From January 1, to December 31, 2018\*

	◀ 2018	◀ 2017
	EUR	kEUR
<b>Cash flow from operating activities</b>	<b>5,196,450</b>	<b>1,011</b>
Net income	37,024,829	31,855
Depreciation on fixed assets	44,850	21
Increase / decrease in short-term accruals	28,829	28
Increase / decrease due to fair value measurement	-30,360,061	-25,946
Increase / decrease in inventories	-7,268	0
Decrease / increase in trade receivables and other assets	6,969,376	2,419
Increase / decrease in trade accounts payable and other liabilities	67,481	38
Profit / loss from the disposal of fixed assets	-829,629	-457
Interest expense / income	298,759	167
Other investment income	-8,316,964	-7,380
Income tax expense / income	317,111	264
Income tax payments	-40,865	0
<b>Cash flow from investing activities</b>	<b>3,651,602</b>	<b>4,881</b>
Payments for investments in intangible assets	-10,780	-9
Payments for investments in property, plant and equipment/ investment properties	-605	-2
Proceeds from disposals of financial assets	11,782,486	13,159
Payments for investments in financial assets	-16,644,328	
Payments from the acquisitions of consolidated companies and other business units	0	-15,978
Interest income	207,865	332
Investment income	8,316,964	7,380
<b>Cash flow from investing activities</b>	<b>-9,069,392</b>	<b>-5,636</b>
Interest expenses	-506,624	-499
Payments to company owners and minority shareholders	-8,562,768	-5,138
<b>Cash Flow</b>	<b>-221,340</b>	<b>256</b>
Cash and cash equivalents at the end of the period	1,017,550	1,238,890
Cash and cash equivalents at the beginning of the period	1,238,890	983,179
<b>Change in cash and cash equivalents</b>	<b>-221,340</b>	<b>256</b>

\* Accounting according to IFRS

## IFRS - Statement of changes in equity

As of December 31, 2018\*

	Subscribed capital EUR	Capital reserve EUR	Revenue reserves EUR	Equity EUR
<b>Balance as of 01.01.2017</b>	<b>42,813,842</b>	<b>2,688,175</b>	<b>168,446,308</b>	<b>213,948,326</b>
Annual surplus	0	0	31,855,276	31,855,276
Distributions	0	0	-5,137,661	-5,137,661
<b>Balance as of 31.12.2017</b>	<b>42,813,842</b>	<b>2,688,175</b>	<b>195,163,923</b>	<b>240,665,940</b>
<b>Balance as of 01.01.2018</b>	<b>42,813,842</b>	<b>2,688,175</b>	<b>195,163,923</b>	<b>240,665,940</b>
Annual surplus	0	0	37,024,829	37,024,829
Distributions	0	0	-8,562,768	-8,562,768
<b>Balance as of 31.12.2018</b>	<b>42,813,842</b>	<b>2,688,175</b>	<b>223,625,984</b>	<b>269,128,001</b>

\* Accounting according to IFRS







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## IFRS Annex

for the financial year from January 1 to December 31, 2018

### 1. General information

MPH Health Care AG was founded in 2008 under the name MPH Mittelständische Pharma Holding AG and renamed in 2017. The company is registered in the Commercial Register of the Berlin-Charlottenburg District Court under HRB 116425 and has its registered office at Grünauer Strasse 5, 12557 Berlin. MPH Health Care AG is an investment company within the meaning of IFRS 10.27. Its business activity consists of investing in companies with the objective of capital growth.

The IFRS financial statements of MPH Health Care AG, Berlin, for the period from January 1 to December 31, 2018, were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as applicable in the European Union. The figures for the 2018 financial year and for the previous year are stated in euros. Unless otherwise indicated, the figures are rounded to the nearest Euro. The new standards adopted by the IASB were applied from the effective date.

The following standards and interpretations as well as amendments to existing standards are to be applied for the first time in fiscal year 2018, with no significant effects for MPH Health Care AG:

- ▶ IFRS 15 Revenue from contracts with customers
- ▶ IFRS 9 Financial Instruments
- ▶ Amendments to IFRS 2: Classification and measurement of share-based payments
- ▶ Amendments to IFRS 4: Application of IFRS 9 with IFRS 4 Insurance Contracts
- ▶ Amendments to IAS 40: Transfers of Investment Properties
- ▶ Annual Improvements 2014-2016: Amendments to IFRS 1 and IAS 28
- ▶ IFRIC 22 Transactions in foreign currencies and prepayments made

### Application of IFRS 9 financial instruments

IFRS 9 sets out the requirements for the recognition and measurement of financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments.

#### Financial assets

IFRS 9 introduces a uniform model for classifying financial assets into three categories: financial assets measured at amortised cost, financial assets measured at fair value through equity and financial assets measured at fair value through profit or loss. Under IAS 39, financial assets were divided into loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss.

Cash and cash equivalents, which were classified as loans and receivables under IAS 39, are now measured at amortized cost in accordance with IFRS 9.

Trade receivables represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and were classified as loans and receivables under IAS 39 and measured at amortized cost. All of these instruments are classified under IFRS 9 as measured at amortized cost and are subject to the effective interest method.

Financial assets previously measured at fair value in accordance with IAS 39 are required to be measured at fair value through profit or loss in accordance with IFRS 9.

### Financial liabilities

Current account overdrafts, bank loans and trade payables are classified as „other financial liabilities“ under both IAS 39 and IFRS 9.

The first-time application of IFRS 9 has no material impact on the accounting policies of the investment company with respect to financial assets and liabilities.

The following standards, interpretations and amendments to existing standards are to be applied in the future:

- ▶ IFRS 16 Leases (from 01.01.2019)
- ▶ IFRIC 23 Uncertainty with regard to Income Tax Treatment (from 01.01.2019)
- ▶ Early repayment regulations with negative compensation (amendments to IFRS 9) (from 01.01.2019)
- ▶ Long-term investments in associates and joint ventures (amendments to IAS 28) (from 01.01.2019)
- ▶ Plan amendment, curtailment or settlement (amendments to IAS 19) (from 01.01.2019)
- ▶ Annual improvements 2015-2017 - various standards (from 01.01.2019)
- ▶ Changes to the references to the framework concept in the IFRS standards (from 01.01.2020)
- ▶ IFRS 17 Insurance contracts (from 01.01.2021)
- ▶ Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and an associate or joint venture (still outstanding)

## Leases

In January 2016, the IASB published IFRS 16 Leases, which supersedes IAS 17 Leases and IFRIC 4, among other things. IFRS 16 abolishes the previous classification of leases as operating and finance leases for lessees. Instead, IFRS 16 introduces a uniform accounting model under which lessees are required to recognize an asset for the right of use and a lease liability for the outstanding lease payments for all leases. As a result, all future leases will be recognized in the IFRS balance sheet, largely in the same way as finance leases today.

However, IFRS 16 allows an option not to recognize the right of use and the lease liability for leases with a term of up to twelve months (short-term leases) and for leases for low-value assets. The lease payments associated with these leases are recognised as an expense either on a straight-line basis over the lease term or on another systematic basis.

Rights of use are measured at cost less accumulated amortisation and impairment losses. Any necessary impairments are recognised. The acquisition cost of the right of use is determined as the present value of all future lease payments plus lease payments made at or before the inception of the lease term, as well as the costs of concluding the lease and the estimated costs of dismantling or restoring the leased asset. All leasing incentives received are deducted. If the lease payments to be taken into account also include the transfer of ownership of the underlying asset at the end of the lease term, including the exercise of a purchase option, the asset is depreciated over its useful economic life. Otherwise, the right to use the asset is depreciated over the lease term.

The initial recognition of lease liabilities allocated to financial liabilities is determined as the present value of the lease payments to be made less advance payments made.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019; early adoption is permitted if IFRS 15 is already applied. MPH Health Care AG will apply IFRS 16 for the first time for the financial year beginning on January 1, 2019. In accordance with the transitional provisions, the modified retrospective approach will be chosen and the previous year's figures will not be adjusted.

At the time of the mandatory application of the new standards and interpretations in the EU, the Company will take these into account. Significant effects on the balance sheet and income statement have not occurred and are not expected.

Accounting and valuation were carried out on the assumption of going concern.

The balance sheet of MPH Health Care AG has been prepared according to maturity criteria, with assets and liabilities expected to be realized or repaid within twelve months of the balance sheet date being classified as current in accordance with IAS 1. In accordance with IAS 1.56, deferred tax assets and deferred taxes are shown in full under non-current assets and non-current liabilities respectively.

Gains and losses in the statement of comprehensive income are prepared using the nature of expense method.

## 2. Consolidation group

No investments were consolidated in the IFRS financial statements of MPH Health Care AG, Berlin, as of December 31, 2018, as MPH Health Care AG is an investment company in accordance with IFRS 10.27. The investments were not consolidated in the IFRS financial statements of MPH Health Care AG, Berlin, as of December 31, 2018. The investments listed below are therefore measured at fair value through profit or loss in accordance with IFRS 10.31 and IFRS 9.

Name of the company	Location of the company	Percentage of shares*	Date on which control was acquired
HAEMATO AG	Schönefeld	48.2%	07. Mai 2012
MPH Ventures GmbH	Schönefeld	100.0%	31. August 2011
M1 Kliniken AG	Berlin	75.5%	07. Mai 2012
Pharmigon GmbH	Berlin	50.0%	07. Mai 2012
CR Capital Real Estate AG	Berlin	63.7%	01. Januar 2015

\* direct and indirect shareholdings

## 3. Consolidation principles

The annual financial statements of all investments are being prepared on the basis of uniform accounting and valuation methods as of the reporting date of MPH Health Care AG (parent company).

In accordance with IFRS 10, IFRS 12 and IAS 28, accounting is performed in accordance with the regulations for investment companies. There are therefore no consolidation transactions from full consolidation affecting income.

In accordance with IFRS 9, investments are measured at fair value as of the balance sheet date.

## 4. Estimates and assumptions

The preparation of the consolidated financial statements requires estimates and assumptions which can influence the amounts of assets, liabilities and financial obligations as of the balance sheet date, as well as income and expenses in the year under review. Actual amounts may differ from these estimates and assumptions.

MPH Health Care AG is an investment company in accordance with paragraph 27 of IFRS 10. An investment company is a company that:

- (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The determination of the fair values of assets and liabilities is based on management judgements.

The expected actual income tax must be calculated for each taxable entity. Temporary differences arising from the different treatment of certain balance sheet items between the IFRS consolidated financial statements and the tax accounts must be assessed. Where temporary differences exist, these differences generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management must make judgments when calculating actual and deferred taxes. Deferred tax assets are recognized to the extent that it is probable that they can be utilized. The utilization of deferred tax assets depends on the possibility of generating sufficient taxable income within the scope of the respective tax type. Various factors should be used to assess the probability of the future usability of deferred tax assets, such as past results of operations, operational planning and tax planning strategies. If actual results differ from these estimates or if these estimates have to be adjusted in future periods, they could have an adverse effect on the net assets, financial position and results of operations. If there is a change in the assessment of recoverability of deferred tax assets, the deferred tax assets recognized must be written down and recognized in the income statement.

## 5. Information on the IFRS balance sheet, including accounting and valuation methods

In preparing the financial statements of the related investments, transactions denominated in currencies other than the functional currency (euro) of the investment are translated at the exchange rates prevailing on the date of the transaction. At the balance sheet date, all monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the rates prevailing at the date of measurement at fair value.

**5.1 Cash and cash equivalents** are measured at cost. They comprise cash in hand and other short-term highly liquid financial assets with a maximum term of three months at the time of acquisition.

**5.2 Trade receivables** totaling kEUR 2.8 (previous year: kEUR 0.6) are measured at amortized cost less any impairment losses using the effective interest method. Impairment losses are recognized if there is objective evidence that the expected future cash flows have changed negatively as a result of one or more events occurring after the initial recognition of the asset. The criteria that lead to an impairment of trade receivables are based on the probability of default of the receivable and the expected creditworthiness of the customer.

**5.3 Inventories** are stated at the lower of historical cost or net realizable value. Inventories include advance payments made for ancillary costs from subleased premises for which ancillary costs have not yet been invoiced.

**5.4 Other current financial assets** consist exclusively of loans, creditors with debit balances and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured using the effective interest method at amortised cost less any impairment losses. They are recognized in the balance sheet at the time at which the investment company becomes a party to the financial instrument. Financial instruments are initially recognized at fair value. For subsequent measurement, financial instruments are allocated to one of the measurement categories listed in IFRS 9 Financial Instruments (financial assets measured at amortised cost, financial assets measured at fair value through equity and financial assets measured at fair value through profit or loss).

**5.5 Other current assets** mainly comprise prepaid expenses, deposits and receivables from personnel.

**5.6 Income tax receivables** include overpaid income taxes on investment income.

**5.7 Fixed assets** are recognised at acquisition cost in accordance with IAS 16 or IAS 38, less systematic depreciation if used for a limited period. If necessary, impairment losses reduce (amortized) cost. There was no revaluation of property, plant and equipment in accordance with the option under IAS 16.

Systematic depreciation is calculated using the straight-line method. Depreciation corresponds to the pattern of consumption of future economic benefits. Property, plant and equipment and intangible assets are depreciated on a straight-line basis over different expected lifetimes of the asset (3 to 15 years).

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

	Intangible assets in EUR	Fixed assets in EUR
<b>Acquisition and production costs</b>		
January 1, 2017	44,008	77,439
Accruals	9,496	1,609
December 31, 2017	53,504	79,047
January 1, 2018	53,504	79,047
Accruals	10,780	605
December 31, 2018	64,284	79,653
<b>Depreciation / write-ups</b>		
January 1, 2017	-18,225	-70,977
Write-offs	-17,562	-3,809
December 31, 2017	-35,787	-74,785
January 1, 2018	-35,787	-74,785
Write-offs	-27,404	-2,546
December 31, 2018	-63,191	-77,332
<b>Book values</b>		
December 31, 2017	17,717	4,262
December 31, 2018	1,093	2,321

**5.8 Other long-term financial assets** include equity instruments of listed companies. The shares were allocated to the category "at fair value through profit or loss". Equity instruments are subsequently measured at the closing price on the respective balance sheet date.

	2017	change	2018	closing price 31.12.2018	Fair Value
Listed company	piece	piece	piece	EUR	EUR
HAEMATO AG	11,011,977	+ 0	11,011,977	4.65	51,205,693
M1 Kliniken AG	12,370,915	- 276,167	12,144,748 <sup>1)</sup>	15.00	181,421,220
CR Capital Real Estate AG	1,150,733	+ 44,000	1,194,733	32.60	38,948,296
Unlisted equity investments <sup>2)</sup>					13,521,907
<b>Total financial assets</b>					<b>285,097,115</b>

<sup>1)</sup> Of which 50,000 units are declared as securities lending and subject to a blocking order. The value of these shares was written down.

<sup>2)</sup> Unlisted investments in the legal form of a GmbH are valued at IFRS equity. This is the equity which is recorded in the individual financial statements of the company in the IFRS balance sheet for this company.

	Other long-term financial assets in EUR
<b>Acquisition and production costs</b>	
January 1, 2017	79,254,556
Accruals	15,978,270
Disposals	-4,644,478
December 31, 2017	90,588,348
January 1, 2018	90,588,348
Accruals	16,644,328
Disposals	-1,519,519
December 31, 2018	105,713,157
<b>Depreciation / write-ups</b>	
January 1, 2017	140,569,560
Write-offs	-14,825,232
Write-ups	40,770,818
Disposals	-8,057,910
December 31, 2017	158,457,236
January 1, 2018	158,457,236
Write-offs	-5,339,090
Write-ups	35,699,151
Disposals	-9,433,338
December 31, 2018	179,383,958
<b>Book values</b>	
December 31, 2017	249,045,584
December 31, 2018	285,097,115



**5.9 Other long-term assets** mainly consist of deposits, which are valued at the nominal value of the deposited amounts. In 2018, these amounts amounted to kEUR 0.0 (previous year: kEUR 21.8) and were repaid.

**5.10 Short-term provisions** are recognised when a present obligation (legal or constructive) arises from a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the amount of the additional benefit required to settle the present obligation at the balance sheet date. The risks and uncertainties inherent in the obligation must be taken into account. If a provision is measured on the basis of the estimated cash flows required to settle the obligation, these cash flows are discounted if the time value of money is material.

Short-term provisions mainly relate to acquisition and audit costs as well as other provisions.

	01.01.2018	Consumption	Disbandment	Supply	31.12.2018
Accruals	kEUR	kEUR	kEUR	kEUR	kEUR
Audit and annual financial statement costs	20	20	0	20	20
Supervisory Board remunerations	22	22	0	35	35
Other	28	3	0	19	44
	<u>70</u>	<u>45</u>	<u>0</u>	<u>74</u>	<u>99</u>

**5.11 Trade payables** are recognised at amortized cost using the effective interest method.

**5.12 Other short-term financial liabilities** amount to kEUR 87 (previous year: kEUR 90). Other financial liabilities mainly comprise short-term liabilities to banks from interest on promissory note loans received.

**5.13 Other short-term liabilities** amount to kEUR 113 (previous year: kEUR 32). These are mainly wage tax liabilities and short-term deposits.

**5.14 Long-term liabilities** to banks are carried at amortized cost applying the effective interest method.

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

However, for taxable temporary differences associated with investments in subsidiaries, a deferred tax liability is recognised unless the timing of the reversal of the temporary difference can be controlled by the company and it is probable that this will not occur in the foreseeable future. The deferred taxes recognized as of December 31, 2018 relate entirely to the temporary difference between financial assets at fair value through profit or loss. As of December 31, 2018, kEUR 317 was recognized in income, resulting in a deferred tax liability of kEUR 2,798 (previous year: kEUR 2,481).

**5.16 Equity:** The share capital of the company in the amount of EUR 42,813,842.00 is divided into 42,813,842 shares with an imputed nominal value of EUR 1.00 each.

In accordance with the resolution of the Annual General Meeting on June 29, 2017, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to a total of EUR 21,406,921.00 on one or more occasions until June 28, 2022 by issuing new ordinary bearer shares and/or non-voting preference shares against cash and/or non-cash contributions (authorised capital 2017). In accordance with the resolution of the Annual General Meeting of June 29, 2017, the Management Board was authorised to issue bearer or registered bonds with warrants or convertible bonds, profit participation rights or income bonds or combinations of these instruments on one or more occasions up to June 28, 2022, for a total nominal amount of up to EUR 100,000,000.00 with or without a maturity restriction and to grant the holders or holders of bearer bonds with warrants or convertible bonds, profit participation rights or income bonds or combinations of these instruments a total nominal amount of up to EUR 100,000,000.00 to grant or impose option or conversion rights on ordinary bearer shares and/or non-voting preference shares of the company, which take precedence over the previously issued preference shares in the distribution of profits and/or company assets and are equal, with a pro rata amount of the share capital totalling up to EUR 21,406,921.00 in accordance with the terms and conditions of the bonds, on creditors of the respective partial bonds with equal rights. For this purpose, the share capital is conditionally increased by up to EUR 21,406,921.00 by issuing a total of up to 21,406,921 new non-voting ordinary and/or non-voting preference bearer shares, which take precedence over or are equal to the preference shares previously issued in the distribution of profits and/or company assets (conditional capital 2017).

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

## 6. Contingent liabilities and other financial commitments

MPH Health Care AG is liable to HYPO NOE Gruppe Bank AG as joint borrower with HAEMATO AG in connection with a promissory note loan of EUR 7 million, which was disbursed to MPH Health Care AG. This loan was fully utilized by MPH Health Care AG as of the reporting date.

MPH Health Care AG is liable to HYPO NOE Gruppe Bank AG as joint borrower with HAEMATO AG in connection with a promissory note loan of EUR 3 million, which was disbursed to MPH Health Care AG. This loan was fully utilized by MPH Health Care AG as of the reporting date.

MPH Health Care AG is liable to Raiffeisenlandesbank Niederösterreich-Wien AG as joint borrower with HAEMATO AG in connection with a further promissory note loan of EUR 4 million. This loan was fully utilized by MPH Health Care AG as of the balance sheet date.

Other financial obligations are within the scope of normal business transactions.

## 7. Notes to the profit and loss statement (IFRS)

### Principles of revenue recognition

Revenue is measured at the fair value of the consideration received or to be received and reduced by expected sales deductions.

### Segment reporting in accordance with IFRS 8

IFRS 8 requires companies to report financial and descriptive information about their reportable segments. Reportable segments are operating segments that meet certain criteria. Business segments are components of a company for which separate financial information is available. Segment reporting must therefore necessarily be based on the company's internal reporting system (management approach). The internal management of the company thus forms the basis for segment reporting. As an investment company, MPH Health Care AG is mainly active in a combined business segment of investments in the health sector and mainly in a regional segment (Germany), so that it is largely exempt from the segment reporting obligation.

However, IFRS 8.31 also requires single-segment groups to disclose certain disaggregated financial data. These are identification requirements which must be presented according to the following criteria:

- ▶ Products and services (IFRS 8.32): All products (investments) have been combined into a group of comparable products. All sales shown in the income statement mainly relate to the product group described above.
- ▶ Geographical segments (IFRS 8.33): As already described above, MPH Health Care AG is mainly active in one regional segment (Germany). Since the preparation of information on geographical regions would be associated with increased costs, this was not implemented.
- ▶ Major customers (IFRS 8.34): As a result of accounting as an investment company in accordance with IFRS 10.31, subsidiaries are not consolidated. Revenues for the fiscal year amounted to only kEUR (previous year: kEUR 47). MPH Health Care AG therefore does not have any major customers.
- ▶ Expenses and income for the financial year are recognized when they are realized, irrespective of the date of payment. Revenue from the sale of assets and income from services is recognized when the significant risks and rewards have been transferred and the amount of the expected consideration can be reliably estimated.

### 7.1 Fair value profit on financial investments

Financial assets held as assets are valued at fair value through profit or loss on the balance sheet date. Compared to the previous year, these investments were valued at kEUR 31,019 higher. This relates to unrealised gains from the fair value measurement of investments as of the balance sheet date.

### 7.2 Net income from participations

All realised profits and losses (see 7.6) on sales or write-downs of investments are determined for each investment.

Shares	Sales revenue in EUR	Disposal in EUR	Amortization in EUR	Profit / loss in EUR
<b>2018</b>				
M1 Kliniken AG	11,782,486	10,952,857	659,000*	170,629
<b>2017</b>				
M1 Kliniken AG	7,631,231	6,797,843	0	833,388
HAEMATO AG	3,632,798	3,617,886	0	14,912

\*Value adjustment as of previous year's reporting date 31.12.2017

### 7.3 Investment income

The investment income reflects the dividend and profit distributions realised by the investments. Income rose to kEUR 8,317 in the year under review. This corresponds to an increase of 12.7% compared to the previous year.

Shares	Investment income 2018 in EUR	Investment income 2017 in EUR
HAEMATO AG	3,303,593	3,303,593
M1 Kliniken AG	3,612,638	3,751,400
CR Capital Real Estate AG	1,150,733	0
Pharmigon (unlisted)	250,000	325,000
<b>Total</b>	<b>8,316,964</b>	<b>7,379,993</b>

### 7.4 Other operating income

This mainly relates to income from the short-term leasing of office space and other income from ordinary activities as well as non-cash benefits.

### 7.5 Financial expenses

Financial expenses include commissions for the brokerage of share sales.

### 7.6 Net loss from participations

All realised profits (see 7.3) and losses on sales or write-downs of investments are determined for each investment.

Shares	Sales revenue in EUR	Disposal in EUR	Amortization in EUR	Profit / loss in EUR
<b>2017</b>				
M1 Kliniken AG	1,895,000	2,286,660	0	-391,660

## 7.7 Administrative expenses

Administrative expenses comprise a number of items totaling kEUR 1,146 in 2018 (previous year: kEUR 1,177). This includes, for example, rent, advertising and travel expenses, insurance premiums, third-party work, Supervisory Board and Management Board remuneration, legal and consulting costs, losses from the sale of financial assets as well as annual financial statements and audit costs.

## 7.8 Depreciation and amortization

Depreciation includes scheduled depreciation of property, plant and equipment and amortization of intangible assets in the amount of kEUR 45 (previous year: kEUR 21). Property, plant and equipment and intangible assets are depreciated on a straight-line basis over different useful lives (3-15 years). kEUR 15 are attributable to depreciation of current assets.

## 7.9 Other interest and similar income

This relates to interest income totalling kEUR 208 (previous year: kEUR 332). The interest results from the granting of loans and the investment of liquid funds with German banks. The decline is due in particular to the repayment of a loan granted to HAEMATO AG.

## 7.10 Interest and similar expenses

Interest totaling kEUR 507 (previous year: kEUR 499) mainly relates to interest charged for loans granted.

The net results from financial instruments according to the IAS 39 measurement categories are as follows:

	Interest income + dividends 2018 TEUR	Interest income + dividends 2017 TEUR	Interest cost 2018 TEUR	Interest cost 2017 TEUR	Fair value 2018 TEUR	Fair value 2017 TEUR
Loans and receivables (other financial assets)	208	332	0	0	0	0
Income from investments (other financial assets)	8,317	7,380	0	0	0	0
equity instruments (Financial assets at fair value through profit or loss)	0	0	0	0	31,019	25,583
Liabilities recognized at amortized cost (other financial liabilities)	0	0	-507	-499	0	0
<b>▶ Total net income</b>	<b>8,525</b>	<b>7,712</b>	<b>-507</b>	<b>-499</b>	<b>31,019</b>	<b>25,583</b>
<b>▶ Effective for income</b>	<b>8,525</b>	<b>7,712</b>	<b>-507</b>	<b>-499</b>	<b>31,019</b>	<b>25,583</b>

## 7.11 Taxes on income and earnings

This item can be broken down as follows:

	2018 kEUR	2017 kEUR
Tax expense for the current period	0	0
Deferred tax expense from valuation differences	-317	-264
Deferred tax income from valuation differences	0	0
	<u>-317</u>	<u>-264</u>

As in the previous year, deferred taxes are calculated using the following effective tax rate with reference to IAS 12.81c:

Statutory effective tax rate for companies located in	2018 in %
Berlin	30,175

## 8. Earnings per share

Earnings per share are calculated by dividing net income for the year by the number of shares issued. In accordance with IAS 33.19, the weighted average number of ordinary shares outstanding during the period is used to calculate basic earnings per share. Dilution effects do not have to be taken into account.

	2018 EUR	2017 EUR
Attributable to equity holders of the parent on net income	37,024,829	31,855,276
Number of shares (weighted average)	42,813,842	42,813,842
Earnings per share	<u>0.86</u>	<u>0.74</u>

## 9. Information on members of the boards:

### Management Board

Family name	First name	Profession	Power of representation	Titel
Brenske	Patrick	Merchant	Sole power of representation	Master of Banking & Finance

## Supervisory Board

Family name	First name	Function	Profession
Grosse	Andrea	Chairwoman	Lawyer
Dr. Wandschneider	Ulrich	Deputy Chairman	Business consultant
Prof. Dr. Dr. Meck	Sabine	Member	University lecturer and science journalist

The total remuneration of the Supervisory Board in financial year 2018 amounted to kEUR 46,6 (previous year: kEUR 47,5). There are no receivables from members of the Supervisory Board.

## 10. Number of employees

MPH Health Care AG employed one employee on average in the reporting period.

## 11. Risk Management

### Risk management policy and security measures

MPH Health Care AG's risk management system aims to identify and record all significant risks and their causes at an early stage in order to avoid financial losses, failures or disruptions.

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

The risk management policy is essentially covered by the Management Board of MPH Health Care AG. The Executive Board decides on an appropriate strategy for risk management.

As a result of the Company's business activities and the associated high proportion of financial assets in the balance sheet total, the Group is exposed to fluctuations in the financial markets.

### Capital risk management, debt capital and interest rate risk

The Investment Company manages with the aim of using the funds of its investors for the purpose of achieving increases in value of its investments or generating investment income.

This ensures that all investments can operate under the going concern assumption. The equity capital amounts to the respective balance sheet date:

	31.12.2018	31.12.2017
	kEUR	kEUR
Equity	269,128	240,666
Balance sheet total	286,253	257,378
Equity ratio	94.02 %	93.50 %

In order to implement its business model operationally, the Company has borrowed short- and long-term capital.

In the reporting period, liabilities to banks remained constant at kEUR 14,000 compared to the previous year due to their long-term maturity. Due to the low level of interest rates, we currently see only limited interest rate risks.

The short-term and long-term bank liabilities of MPH Health Care AG are fully covered by the following with fixed interest rates. There is therefore no interest rate risk due to variable interest rates:

Liabilities to credit institutions in kEUR	Claims 31.12.2018	Claims 31.12.2017	Interest rate risk 31.12.2018	Interest rate risk 31.12.2017
Thereof with fixed interest rates	14,000	14,000	-	-
Thereof with variable interest rates	0	0	0	0
<b>Total</b>	<b>14,000</b>	<b>14,000</b>	<b>0</b>	<b>0</b>

The other financial liabilities are not subject to any interest rate risk as no interest is payable. These are short-term liabilities.

### Fair value of financial instruments

Financial assets 31.12.2018 in kEUR	Short-term			Total book values	Fair values to be attributed
	Trade accounts receivable	Other short-term financial assets	Liquid funds		
Financial assets measured at amortized cost	10	64	1,018	1,092	1,092

Financial assets 31.12.2017 in kEUR	Short-term			Total book values	Fair values to be attributed
	Trade accounts receivable	Other short-term financial assets	Liquid funds		
Financial assets measured at amortized cost	1	7,046	1,239	8,288	8,288

The total carrying amounts and fair values of financial assets at the balance sheet date amounted to kEUR 285,097 (previous year: kEUR 249,046).

For the instruments presented in the tables above and below, the Management Board regards the carrying amounts in the balance sheet as a good approximation of their fair values.



The fair values of the financial instruments were determined on the basis of the market information available on the balance sheet date. The following methods and premises were applied.

Due to the short maturities of cash and cash equivalents and trade receivables, it is assumed that the fair values correspond to the carrying amounts.

Other current financial assets are measured at amortized cost. Due to the predominantly short maturities of these financial instruments, it is assumed that the fair values correspond to the carrying amounts.

Other financial liabilities are measured at amortized cost. Due to the predominantly short maturities of these financial instruments, it is also assumed that the fair values correspond to the carrying amounts.

Liabilities and shareholders' equity	Short-term			Long-term		
	Liabilities to banks	Trade accounts payable	Other financial liabilities	Liabilities to banks and bonds	Total book values	Fair values to be attributed
31.12.2018 in kEUR						
Financial liabilities measured at amortized cost	0	28	87	14,000	14,115	14,115

Liabilities and shareholders' equity	Short-term			Long-term		
	Liabilities to banks	Trade accounts payable	Other financial liabilities	Liabilities to banks and bonds	Total book values	Fair values to be attributed
31.12.2017 in kEUR						
Financial liabilities measured at amortized cost	0	38	90	14,000	14,128	14,128

## Liquidity risk

MPH Health Care AG invests the majority of its assets in investments that are traded in active markets and are easy to sell. MPH Health Care AG owns a small portion of its assets in investments that are not traded on a stock exchange and may be illiquid. As a result, investments in these investments may not be quickly liquidated by the company.

Furthermore, MPH Health Care AG manages liquidity risks by constantly monitoring the forecasted and actual cash flows and reconciling the maturity profiles of financial assets and liabilities.

The following tables show the expected cash flows of financial liabilities (undiscounted principal and interest payments) as of December 31, 2018 and December 31, 2017:

Financial liabilities measured at amortized cost	Book value 31.12.2018 kEUR	Cash flow up to 1 year kEUR	Cash flow > 1 year up to 5 years kEUR	Cash flow > 5 years kEUR
Accruals	99	99	0	0
Interest-bearing financial liabilities	14,000	0	14,000	0
Non-interest-bearing financial liabilities	228	228	0	0

Financial liabilities measured at amortized cost	Book value 31.12.2017 kEUR	Cash flow up to 1 year kEUR	Cash flow > 1 year up to 5 years kEUR	Cash flow > 5 years kEUR
Accruals	70	70	0	0
Interest-bearing financial liabilities	14,000	0	14,000	0
Non-interest-bearing financial liabilities	160	160	0	0

Non-interest-bearing financial liabilities include kEUR 28 (previous year: kEUR 38) for trade payables and kEUR 200 (previous year: kEUR 122) for other current liabilities and financial liabilities.

### IFRS cash flow statement

The cash flow statement shows how the cash and cash equivalents of MPH Health Care AG have changed in the course of the reporting years due to cash inflows and outflows. In this cash flow statement, cash flows are broken down into operating, investing and financing activities. Cash and cash equivalents include liquid funds available at short notice amounting to kEUR 1,018 (previous year: kEUR 1,239).

## 12. Auditor's fee

The shareholders of MPH Health Care AG elected the auditor Harry Haseloff as auditor at the Annual General Meeting on 11 July 2018.

The audit services relate to the audit of the IFRS financial statements and the annual financial statements as well as all services required for the audit, the audit of the accounting-related internal control system and the project-related accounting-related IT and process audits.

The auditor did not provide any tax consulting services.

Provisions totaling EUR 20 thousand were recognized for the expected fee of the auditor, Harry Haseloff, for audits relating to the 2018 financial year and the investment company.

### 13. Related party disclosures

Related parties within the meaning of IAS 24 „Related Party Disclosures“ are generally members of the Executive Board and the Supervisory Board, their close family members and all companies belonging to the investment group of MPH Health Care AG. Please refer to section (9) for information on the Executive Board and Supervisory Board. These related parties were not involved in any transactions of an unusual nature or nature with companies of the investments. All transactions between the related parties were concluded at arm's length conditions, as between third parties.

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

The following transactions were conducted with related companies and persons

Transactions with related parties and persons	31.12.2018 in kEUR	31.12.2017 in kEUR
Deliveries and services rendered	0	6
Deliveries and services received	0	0
Other operating expenses	7	23

### 14. Events after the balance sheet date

No further significant events occurred after the balance sheet date until April 3, 2019.

### 15. Approval of the IFRS financial statements 2018 by the Management Board for publication in accordance with IAS 10.17

These IFRS financial statements take into account all events known to the Management Board up to April 3, 2019.

Berlin, April 3, 2019



Patrick Brenske  
(Vorstand)

## 16. Auditor's Report

"Auditor's report to the Supervisory Board and shareholders of MPH Health Care AG (investment company), Berlin:

### Audit assessment

I have audited the annual financial statements of MPH Health Care AG, prepared in accordance with IFRS, comprising the balance sheet as of December 31, 2018, the income statement for the period from January 1, 2018 to December 31, 2018, the cash flow statement for the period from January 1, 2018 to December 31, 2018, the statement of changes in equity for the period from January 1, 2018 to December 31, 2018, the statement of changes in non-current assets as of December 31, 2018, the notes for the period from January 1, 2018 to December 31, 2018 and the management report.

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

- The accompanying annual financial statements comply in all material respects with IFRS and the German commercial law provisions applicable to corporations and give a true and fair view of the net assets and financial position of the company as of December 31, 2018 and its results of operations for the fiscal year from January 1, 2018 to December 31, 2018 in accordance with German generally accepted accounting principles, and
- the attached management report as a whole provides a suitable view of the position of the investment company. In all material respects, this management report is consistent with the annual financial statements, complies with IFRS and German law and accurately presents the opportunities and risks of future development.
- In accordance with § 322 III 1 HGB, I declare that my audit has not led to any objections to the correctness of the annual financial statements and the management report.

### Basis for the audit opinions

I conducted my audit of the annual financial statements and the management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). My responsibility under these rules and principles is further described in the section „Auditor's Responsibility to Audit the Financial Statements and Management Report“ of my audit opinion. I am independent of the company in accordance with German commercial and professional regulations and have fulfilled my other German professional duties in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on the annual financial statements and management report.

### **Responsibility of the legal representatives for the annual financial statements and the management report**

The legal representatives are responsible for the preparation and fair presentation of the annual financial statements in accordance with IFRS and German commercial law in all material respects, and for ensuring that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. In addition, the legal representatives are responsible for the internal controls they have determined as being necessary in accordance with German generally accepted accounting principles to enable the preparation of consolidated financial statements that are free from material misstatements, whether intentional or unintentional.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing, where relevant, matters relating to the continuation of the company's activities. In addition, they are responsible for accounting for the continuation of the company's activities on the basis of the accounting principle, unless there are actual or legal circumstances to the contrary.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole provides a suitable view of the position of the investment company, is consistent in all material respects with the annual financial statements, complies with IFRS and German law and suitably presents the opportunities and risks of future development.

Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they assume to be necessary to enable the preparation of a management report in accordance with IFRS or the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the management report.

### **Responsibility of the auditor for the audit of the annual financial statements and management report**

My objective is to obtain reasonable assurance whether the annual financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the management report as a whole provides a suitable view of the position of an investment entity and is consistent, in all material respects, with the annual financial statements and the findings of my audit, complies with German legal requirements and presents fairly the opportunities and risks of future development, and to express an opinion which includes my opinions on the annual financial statements and the management report.

Sufficient assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial

statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement.

Misstatements may result from violations or inaccuracies and are considered material if they could reasonably be expected to influence the economic decisions of users, individually or collectively, based on these financial statements and management report.

During the examination I exercise due discretion and maintain my critical attitude.

**Beyond that:**

- I identify and assess the risks of material misstatements, whether intentional or not, in the financial statements and management report, plan and perform audit procedures in response to these risks, and obtain audit evidence sufficient and appropriate to support my audit opinion. The risk that material misrepresentations are not detected is higher in the case of violations than in the case of inaccuracies, since violations may involve fraudulent interaction, forgery, intentional incompleteness, misleading representations or the repeal of internal controls.
- I gain an understanding of the internal control system relevant to the audit of the annual financial statements and the arrangements and measures relevant to the audit of the management report that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's systems.
- I assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values and related disclosures presented by the legal representatives.
- I draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the evidence obtained, whether there is a material uncertainty in connection with events or circumstances that may raise significant doubts about the ability of the company to continue the business. If I come to the conclusion that there is material uncertainty, I am obliged to draw attention to the relevant information in the annual financial statements and management report in my audit opinion or, if this information is inappropriate, to modify my respective audit opinion. I draw my conclusions on the basis of the audit evidence obtained by the date of my audit opinion. However, future events or circumstances may prevent the company from continuing its business activities.
- In my opinion, the overall presentation, structure and content of the annual financial statements, including the information, and whether the annual financial statements present the underlying business transactions and events such that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the investment company in accordance with IFRS and German principles of proper accounting.
- I assess the consistency of the management report with the annual financial statements, its compliance with the law and the picture it conveys of the situation of the investment company.
- I perform audit procedures on the forward-looking statements made by the legal representatives in the management report. On the basis of sufficient suitable audit evidence, I particularly

verify the significant assumptions underlying the future-oriented statements made by the legal representatives and assess the appropriate derivation of the future-oriented statements from these assumptions. I do not express an independent opinion on these forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements“.

I discuss with those responsible for monitoring the planned scope and timing of the audit and significant audit findings, including any shortcomings in the internal control system, which I identify during my audit.

Berlin, April 16, 2019



Dipl.-Kfm. Harry Haseloff  
Auditor







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## 1. The share

<b>Class of shares</b>	Bearer ordinary shares
<b>Number of shares</b>	42.813.842
<b>WKN / ISIN</b>	A0L1H3 / DE000A0L1H32
<b>Ticker symbol</b>	93M
<b>Market places</b>	Xetra, Frankfurt, Stuttgart, Dusseldorf, Berlin, Munich, Tradegate
<b>Market segments</b>	Open Market Frankfurt Stock Exchange
<b>Designated Sponsor, Listing Partner</b>	Oddo Seydler Bank AG
<b>Market equity</b>	EUR 160,98 mio. (as of 31.12.2018 - Xetra)
<b>Coverage</b>	GBC AG, First Berlin Equity Research GmbH

## 2. Glossary

### AMNOG

German law on the new regulation of the pharmaceutical market. Entry into force on 01.01.2011.

### Net profit

Balance of net income for the financial year, profit or loss carried forward and appropriation of earnings.

### CAGR

Cumulated average growth rate

### Cash flow

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

### DAX

The most important German stock index. The 30 largest and highest-volume German shares are listed in this stock exchange directory.

### Dividende

The profit per share of a stock corporation that is distributed to the shareholders.

### EBIT

Earnings before interest and taxes. Says something about a company's operating profit over a certain period of time.

### EBITDA

Earnings before interest, taxes, depreciation and amortization.

### Equity method

A method of accounting for certain long-term investments in the financial statements of a company that holds an interest in the voting capital of another company.

### Earnings per share

Earnings per share are calculated by dividing consolidated net income by the weighted average number of shares. This is calculated in accordance with IAS 33.

### Fair Value

The amount for which knowledgeable and willing parties would be willing to exchange an asset or settle a liability under normal market conditions.

### Fiscal policy

Measures taken by the state to steer economic development through public revenue and expenditure.

### Consolidation

Consolidation means the compilation of the net assets, financial position and results of operations of individual companies belonging to a group into consolidated financial statements.

### NAV

In German, the net asset value is the sum of all assets valued at market value less all liabilities of a company.

### Nominal value

The nominal value or par value of a share is the value at which the share participates in the share capital. In the case of fixed-interest securities, the nominal value indicates the amount of debt to be interest-bearing.

### Oncology

Science that deals with cancer.

### Patent

With respect to the pharmaceutical market: Industrial property right for a newly developed active pharmaceutical ingredient. In the EU, market exclusivity is limited to 20 years.

### Patent free active ingredients

Patent free active ingredients are also called generics. A generic is a drug that is a copy of a drug already on the market under brand names with the same active ingredient. Generics are therapeutically equivalent to the original preparation.

### Patent-protected active substances

Branded drugs, which are marketed by the patent holder on the one hand and which are purchased more cost-effectively within the EU member states as EU imported drugs based on the legal basis of import.

### Rating

A systematic, qualitative assessment of economic entities or financial instruments with regard to their creditworthiness.

### Licensing

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

### 3. Sources

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- 27 ISAPS: International survey on aesthetic/cosmetic performed in 2017, S. 10

## 4. Imprint

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### **Board of Supervisors:**

Chairwoman: Andrea Grosse

Deputy Chairman: Dr. Ulrich Wandschneider

Member: Prof. Dr. Dr. Sabine Meck

### **Management Board:**

Patrick Brenske

Registry court: Amtsgericht Charlottenburg

Registry number: HRB 116425 B

Concept, design and realisation:

**MPH** Health Care AG

Investor Relations

Photos:

**MPH** Health Care AG

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