



**MiPH** Health  
Care AG

ANNUAL REPORT

**2019**

## Guiding principle

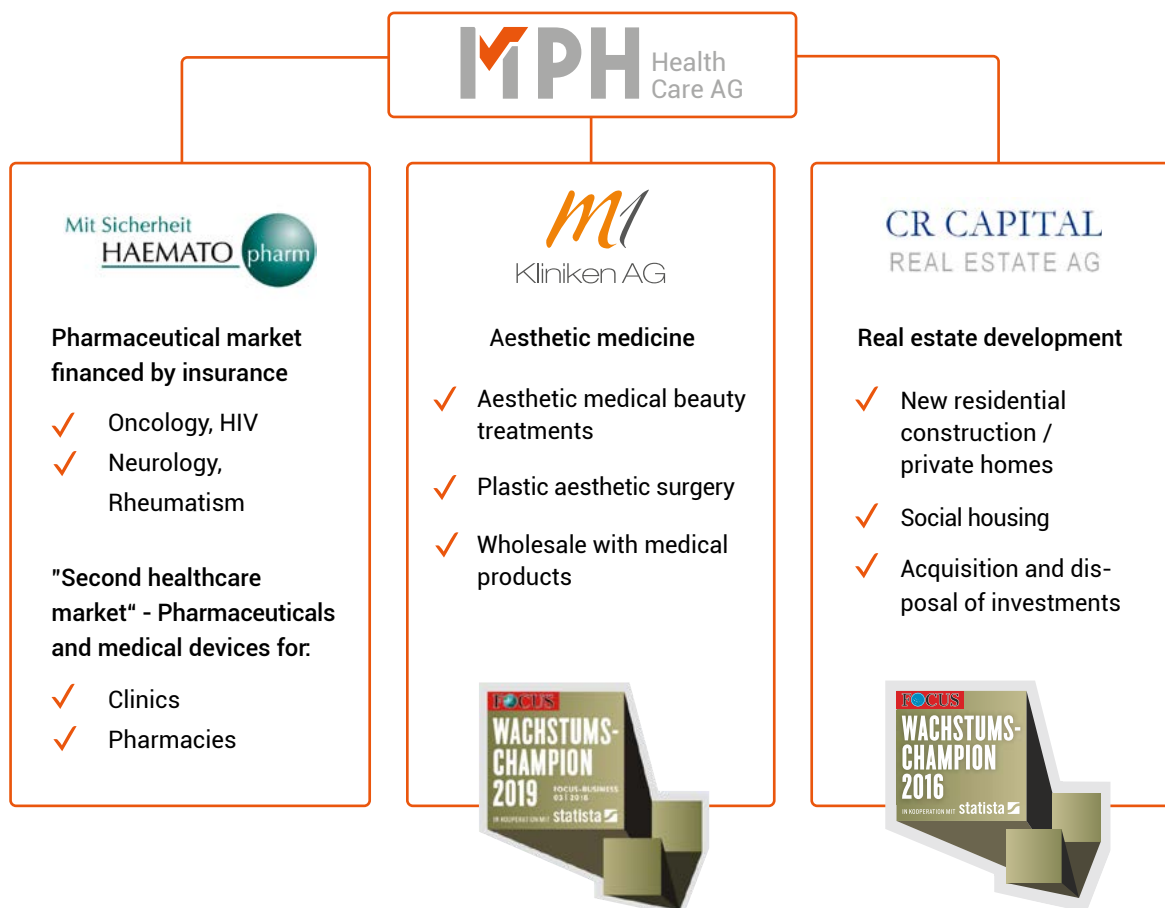
As an investment company, the strategic focus of our activities is on companies in high-growth segments of the healthcare market. This includes both the segments financed by health insurance companies („first healthcare market“) and the privately financed segments (so-called „second healthcare market“).

Against the background of demographic development, an increasingly ageing society and the associated increase in health and body awareness, we assume that the first and second healthcare markets will continue to grow in the coming years. MPH will exploit the resulting potential.

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 healthcare market. In other markets, too, there are investment opportunities from high-growth sectors, we would like to expand upon.

## Key areas of MPH Health Care AG



## Content

Letter to the shareholders .....	4
Net asset value of MPH and company portfolio overview.....	6
MPH on the capital market.....	7
Short profile HAEMATO AG .....	8
Short profile M1 Kliniken AG.....	10
Short profile CR Capital Real Estate AG .....	12
Report by the Supervisory Board .....	14
Management report.....	20
1. Business model .....	20
2. Business report.....	20
2.1 Macroeconomic and industry-specific conditions .....	20
2.2 Business development .....	24
3. Business performance .....	24
3.1 Earnings position of the company.....	24
3.2 Financial position of the company .....	25
3.3 Net asset position of the company.....	26
4. Supplementary report and forecast report.....	26
5. Risk report.....	28
5.1 Specific risks .....	28
5.2 Opportunity report.....	29
5.3 General statement.....	30
6. Risk report regarding the use of financial instruments .....	30
7. Report on branches .....	30
8. Final declaration according to § 312 (3) sec. (3) AktG .....	30
IFRS financial statements.....	33
IFRS notes .....	41
Further information.....	67



## Dear Shareholders, Ladies and Gentlemen,

MPH Health Care AG was once again able to benefit from the development of its portfolio companies in 2019 and increased its net asset value (equivalent to IFRS equity) from EUR 6.29 to EUR 6.34 per share year-on-year. In the past financial year, a net profit of EUR 11.08 million was achieved (previous year EUR 37.02 million). This corresponds to earnings per share of EUR 0.26 (previous year EUR 0.86).

In the fiscal year 2019 **HAEMATO AG** generated a consolidated turnover according to IFRS of EUR 197.8 million (previous year EUR 274.1 million), an operating result (EBIT) of kEUR -20 (previous year EUR 6.6 million) and a net income of EUR -1.17 million (previous year EUR 6.3 million). Net income for 2019 was negatively impacted by a non-cash re-valuation of financial assets at fair value as of the balance sheet date. Good procurement opportunities in the last quarter of 2019 led to a temporary increase in inventories and thus also higher liabilities. Nevertheless, the HAEMATO group is well positioned with an equity ratio of 56.2% (previous year 65.0%) and equity as of December 31, 2019 of EUR 72.2 million. 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 targeted to increase sustainably. To this end, the Management Board is working on optimising business processes through new personnel and digital structures.

M1 **Kliniken AG** has continued its profitable growth in 2019 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. The number of treatments in the M1 group in the 2019 financial year was increased by almost 30% year-on-year to around 240,000 treatments and consultations, thus further extending its market leadership.

A key element to this is the further increase in the number of M1 specialist centres. The number has risen by 50% from 24 specialist centres (as of 31.12.2018) to 36 specialist centres as of 31.12.2019. Expansion abroad was also continued: Following the opening of the first M1 specialist centre in Vienna at the end of 2018, eight foreign locations in Austria, Australia, the Netherlands and Switzerland were already in operation at the end of 2019.

As a result, the (IFRS) revenues of M1 Kliniken AG increased by around 18% to EUR 77.2 million and the net profit for the year after taxes even increased by around 47% to EUR 9.7 million.

The fiscal year 2019 was also very positive for **CR Capital Real Estate AG**. In order to set the course for future growth and the expansion of the business model towards a real estate investment company, the accounting was changed to IFRS 10 at the end of last year. By valuing the investments of CR Capital Real Estate AG at fair value and disclosing hidden reserves, the net income for the year was increased to more than EUR 90 million (previous year: EUR 7.8 million). Equity rose to approx. EUR 200 million (previous year: EUR 35.4 million). In the past year, CR Capital continued to develop and invest in shareholdings along the real estate value chain that offer affordable housing and attractive investment opportunities. For example, project planning and construction of real estate are now pooled in TERRABAU GmbH.

Although the past fiscal year 2019 turned out positively for MPH and the listed shareholdings M1 Kliniken AG and CR Capital Real Estate AG, the further development in 2020 will largely depend on the progress of the Covid-19 pandemic („coronavirus“). At this point in time, no reliable forecasts can be made on the duration and consequences of this extraordinary global crisis, which has hit almost every industry unprepared.

Due to the existing uncertainties of the coronavirus crisis and for reasons of caution, we will propose to the upcoming Annual General Meeting of MPH AG for the year 2019 that the net profit for the financial year 2019 will be carried forward in full to new account and that no dividend will be paid.

I would like to express my sincere thanks for the commitment of the employees of the MPH group and wish that, above all, they remain in good health in these special times and that we can all return to our valued and successful „normality“ as quickly as possible.

Berlin, May 5, 2020



Patrick Brenske  
(Management Board)

## Net Asset Value of MPH

Net Asset Value (NAV) EUR 271.64 m. → EUR 6.34/share as of 31.12.2019

Net Asset Value	2018 in EUR	2019 in EUR
<b>Equity</b>	269,128,001.00	271,641,283.18
<b>Equity per share</b>	6.29	6.34

<b>MPH</b> per 31.12.2019	Number of stocks / shares pieces	Rate <sup>1)</sup> 31.12.2019 in EUR	Market value in EUR	Fair value in EUR
M1 Kliniken AG	11,400,770	14.30	163,031,011.00	
HAEMATO AG	11,011,977	2.94	32,375,212.38	
CR Capital Real Estate AG	2,149,466	32.00	68,782,912.00	
<b>TOTAL</b>				
<b>Market price of valued shares</b>			<b>264,189,135.38</b>	264,189,135.38
Unlisted companies shareholdings				26,661,906.52
<b>TOTAL Fair Value valued shares</b>				<b>290,851,041.90</b>
Liquid assets				1,796,445.28
Other assets				496,996.56
<b>Application of funds (assets)</b>				<b>293,144,483.74</b>
Equity				271,641,283.18
Interest-bearing liabilities				3,000,000.00
Other liabilities				18,503,200.56
<b>Source of funds (liabilities)</b>				<b>293,144,483.74</b>

## Company portfolio overview

	2018 in kEUR		2019 in kEUR	
	Sales	Result	Sales	Result
M1 Kliniken AG	65,209	6,613	77,217	9,729
HAEMATO AG	274,121	6,276	197,835	-1,173
CR Capital Real Estate AG	26,309	7,800	k.A. <sup>2)</sup>	90,000 <sup>2)</sup>
<b>Total</b>	<b>365,638</b>	<b>20,689</b>	<b>n/a</b>	<b>98,556</b>
Employees		390		424

1) Xetra closing price; 2) Preliminary figures or no information given at the time of report publishing

## MPH on the capital market

<b>Class of shares</b>	Bearer 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, 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 capitalization</b>	EUR 169.54 m (as of 31.12.2019 - Xetra)
<b>Coverage</b>	GBC AG, First Berlin Equity Research GmbH

As 2018 was the first loss-making year on the leading stock exchanges since 2011, prices rose again significantly in 2019. The performance of the major indices was very positive. The DAX rose by a good quarter, closing at 13,249 points at the end of December. This is the largest annual profit since 2013. The small-cap index SDAX closed with a profit of 31.6%. The TecDAX also developed very positively with an increase of 23%. The international markets also developed very positively. The Dow Jones Industrial rose by 22.3% and the US technology exchange Nasdaq by 35.2%.

The positive developments on the international markets were quite remarkable. This was because the predominant topics were mostly negative: the continuing trade dispute between the USA and China, the UK's withdrawal from the EU (Brexit) and frequently changing economic assessments. However, in 2019 the stock markets again benefited from the fact that the central banks reacted to weaker economic signals and the absence of inflation by continuing their expansive monetary policy. In addition, the sharp drop in prices of many shares in 2018 were apparently exaggerated, as the real economy did not weaken to the extent previously forecast. At the end of the year, the partial settlement of the trade dispute between the US and China then triggered a year-end rally.

The MPH share had a positive start to 2019 and reached its highest price of EUR 4.35 (Xetra closing price) in April. At the beginning of August, there was a correction to EUR 3.54. However, the MPH share was able to recover from this year's low and ended the year at a closing price of EUR 3.96 (previous year EUR 3.72), which represents a price gain of 6.4% over the previous year. In addition, a dividend of EUR 0.20 per share was paid out.

The future prospects for MPH and its shareholdings remain positive. This is shown on the one hand by the net asset value. On December 31, 2019, this was EUR 6.34 per share, well above the stock market price. On the other hand, the analysts accompanying MPH are in a positive mood. At the time of writing this annual report, all analysts recommend buying MPH shares. The price targets are EUR 7.50 (First Berlin) and EUR 8.92 (GBC Research).





HAEMATO AG is a listed pharmaceutical company (with wholesale and manufacturing licenses) with focus on the growth markets of high-priced special pharmaceuticals in the indication areas oncology and HIV as well as in the areas rheumatism, neurology and cardiovascular diseases. The company contributes to cost reduction in the German healthcare system. With direct access to about 4,800 pharmacies in Germany and about 1,300 pharmacies in Austria, HAEMATO enables patients to benefit from the latest innovative therapies. The decline in revenue in the 2019 financial year is largely due to the adjustment of the product portfolio to include low-margin products and the expiration of patent protection for significant revenue drivers. The price of the HAEMATO share was quoted at EUR 2.94 on December 31, 2019, which is about 37% lower than in the previous year. In July 2019 a distribution of EUR 0.10 per share for the financial year 2018 was made.

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

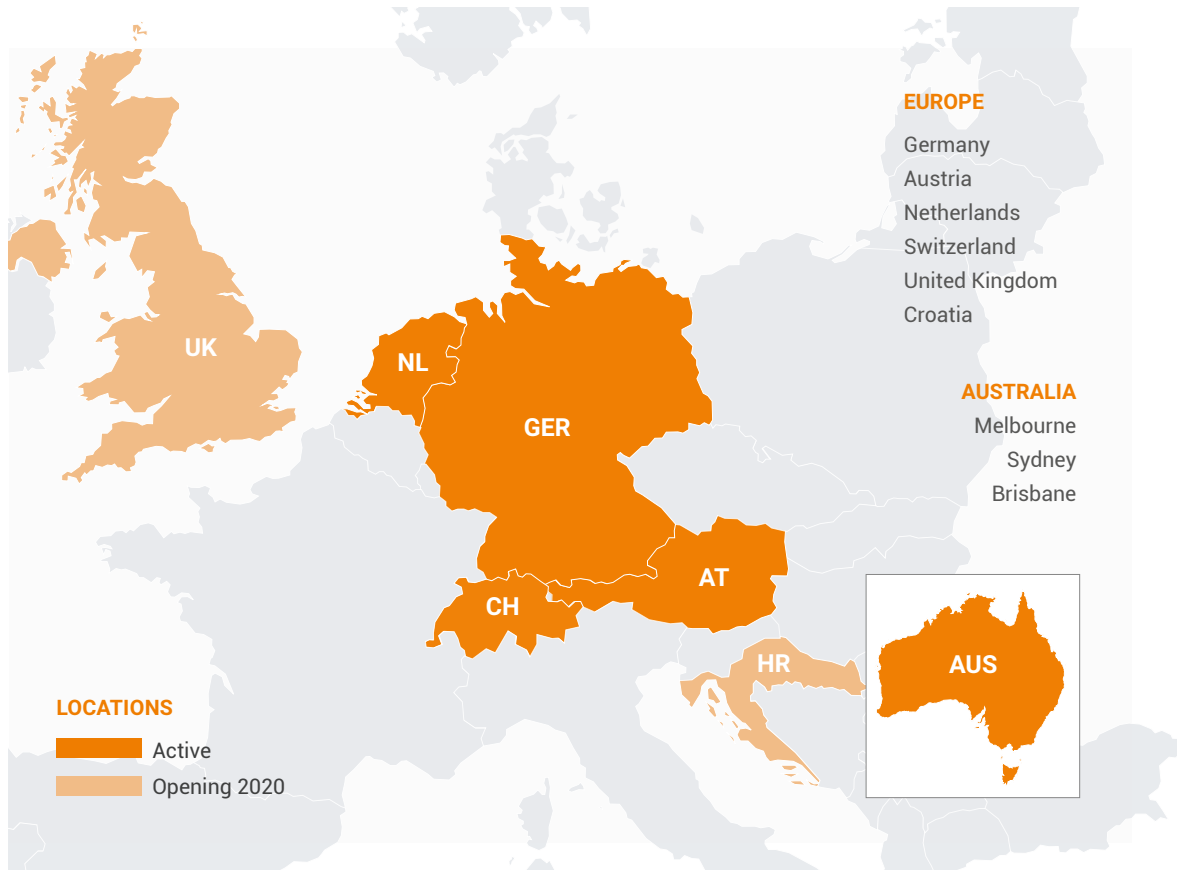
<b>Consolidated profit and loss statement</b>	<b>2019</b>	<b>2018</b>
Sales	197,835	274,121
EBITDA	1,897	8,016
EBIT	-19	6,560
Net profit	-1,173	6,276
<b>Group balance sheet</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Short-term assets	72,769	60,684
Long-term assets	55,798	55,832
Equity	72,219	75,676
Liabilities	56,348	40,840
<b>Balance sheet total</b>	<b>128,567</b>	<b>116,516</b>
Equity ratio	56.2%	64.9%
Dividend distribution (for the previous year)	2,287	6,594

#### SHARE KEY FIGURES

	<b>2019</b>	<b>2018</b>
Class of shares	Bearer share	Bearer share
Number of shares (pieces) as of 31.12.	22,867,154	22,867,154
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 Kursmakler AG	
Coverage	GBC AG, First Berlin Equity Research GmbH	
Market capitalization	EUR 67.23 m (as of 31.12.2019 - Xetra)	







M1 Kliniken AG is one of the fastest growing and leading private providers of health services in the beauty sector. With its products and services, the group of companies offers a customer-oriented range of aesthetic and surgical treatments throughout Germany. The experienced and highly specialised team of employees use high-quality products and the latest medical technology to carry out minimally invasive and surgical procedures to the highest standards of quality.

M1 Kliniken AG was able to continue its growth course in 2019. In addition to the total of 24 specialist centres already existing at the end of 2018 (and four surgical locations), twelve new specialist centres were opened - eight of them internationally (Austria, Switzerland, the Netherlands and Australia). The number of customers who value this attractive range of services is steadily increasing. In 2019 alone, more than 240,000 medical treatments and consultations were carried out in the specialist centres maintained by M1 - an increase of almost 30% over the previous year. The growth course is expected to continue in the following years.

Standardised medical services, consistent process optimisation and the realisation of purchasing advantages enable M1 to achieve significant cost advantages over its competitors and pass these advantages on to patients. Growth-related economies of scale and synergies in the value chain ensure price leadership.

## M1 Kliniken AG key figures

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

<b>Consolidated profit and loss statement</b>	<b>2019</b>	<b>2018</b>
Sales	77,217	65,209
EBITDA	11,334	7,171
EBIT	7,932	6,460
Net profit	9,729	6,613
<b>Group balance sheet</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Short-term assets	59,317	44,627
Long-term assets	33,498	24,927
Equity	68,222	63,743
Liabilities	24,593	5,811
<b>Balance sheet total</b>	<b>92,814</b>	<b>69,554</b>
Equity ratio	73.5%	91.6%
Dividend distribution (for the previous year)	5,250	4,950

### SHARE KEY FIGURES

	<b>2019</b>	<b>2018</b>
Class of shares	Bearer share	Bearer share
Number of shares (pieces) as of 31.12.	17,500,000	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	Kepler Cheuvreux	
Coverage	Bankhaus Metzler, Berenberg Bank, Commerzbank AG, GBC AG, Hauck & Aufhäuser, Kepler Cheuvreux	
Market capitalization	EUR 250.25 m (as of 31.12.2019 - Xetra)	



# CR CAPITAL

## REAL ESTATE AG

As an integrated investment manager, CR Capital invests in innovative companies along the real estate value chain. With its investments „TERRABAU GmbH“, „CR Global Care GmbH“ and „CR Financial Services“, CR Capital creates an integrated investment concept with added value for its shareholders. Its business activities focus on the creation of high-quality residential properties in solid construction at affordable prices. CR Capital focuses on ecological construction methods and benefits from just-in-time production, efficient construction costs, short property holding periods and the scalability of the business model. The integrated value chain also ensures a high degree of market independence.

TERRABAU is a focused and innovative project developer that has developed a technology for standardized construction. Housing can therefore be delivered quickly, affordably and in the best quality. TERRABAU's customers include both owner-occupiers and institutional clients.

Thanks to its many years of real estate expertise and cooperation with strong partners, „Global Care“ is in a position to add residential space to its own portfolio at attractive investment costs and to increase values in the long term. „Global Care“ opens up the real estate market for private investors and thus offers the opportunity to invest in real estate.

The „CR Financial Services“ division lowers entry barriers and streamlines the investment process in the „Real Estate“ asset class. The result is direct and uncomplicated access to real estate investments.

In the past year, CR Capital developed into a real estate investment house and invests in shareholdings along the real estate value chain that offer affordable housing and attractive investment opportunities. It started by bundling the project planning and construction of real estate in TERRABAU GmbH. The company focuses exclusively on project planning and construction of real estate. Affordable living space will continue to be in high demand in the future, in fact the demand for this market segment will increase even more if the economy weakens. TERRABAU will continue to expand this segment. TERRABAU's product range includes not only terraced houses and semi-detached houses but also social housing, for which demand is expected to remain high. The focus of investment will remain on the Berlin and Leipzig suburbs. In addition, CR Global Care GmbH plans to launch its own open real estate fund and a private equity bond, which will also enable private investors to invest in the real estate market.

### COMPANY KEY FIGURES (IFRS) IN KEUR

<b>Consolidated profit and loss statement</b>	<b>2019</b>	<b>2018</b>
Sales	k.A.	26,309
EBITDA	k.A.	11,594
EBIT	k.A.	11,560
Net profit	ca. 90,000	7,800
<b>Group balance sheet</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Short-term assets	k.A.	9,309
Long-term assets	k.A.	36,130
Equity	ca. 200,000	35,405
Liabilities	k.A.	10,034
<b>Balance sheet total</b>	<b>k.A.</b>	<b>45,439</b>
Equity ratio	k.A.	77.9%
Dividend distribution (for the previous year)	2,818	1,834

<b>SHARE KEY FIGURES</b>	<b>2019</b>	<b>2018</b>
Class of shares	Bearer share	Bearer share
Number of shares (pieces) as of 31.12.	3,756,754*	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 capitalization	EUR 120.22 m (as of 31.12.2019 - Xetra)	

\*A share split of 1:2 was agreed at the Annual General Meeting on August 15, 2019



## Report by the Supervisory Board, fiscal year 2019

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

During the 2019 financial year, the Supervisory Board of MPH Health Care AG exercised the duties according to 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 projects. The Supervisory Board was satisfied with the management's performance. No committees were formed within the Supervisory Board.

### 2. Meetings, deliberations and resolutions

The Supervisory Board held five ordinary meetings during the 2019 financial year, two of them in the first half-year (26.02., 30.04.2019) and three in the second half-year (16.07., 10.10., 17.12.2019)

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

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 with the management's proper conduct of business. 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, 2019, 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 unconditional audit approval.

The annual financial statements, the consolidated financial statements, the group management report, the proposal for the distribution of 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 21, 2020. At the balance sheet meeting on April 21, 2020, 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 Management Board.

The annual financial statements prepared by the Management 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 distribution of balance sheet profit.

On the basis of its own examination, the Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Management 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, 2019.

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:

1. the factual information in the report is correct,
2. the consideration paid by the company in the legal transactions listed in the report was not unreasonably high or disadvantages were compensated,
3. 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 submitted to each member of the Supervisory Board well before April 21, 2020 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, 2019 to December 31, 2019, 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 21, 2020



Andrea Grosse  
(Chairwoman)







## Management report

1. Business model .....	20
2. Business report.....	20
2.1 Macroeconomic and sector-specific conditions.....	20
2.2 Business development.....	24
3. Economic report .....	24
3.1 Earnings position of the company.....	24
3.2 Financial position of the company .....	25
3.3 Net assets of the company .....	26
4. Supplementary report and forecast.....	26
5. Risk report .....	28
5.1 Specific risks .....	28
5.2 Opportunities report.....	29
5.3 General statement.....	30
6. Risk reporting regarding the use of financial instruments .....	30
7. Report on branches .....	30
8. Final declaration according to § 312 (3) sec. (3) AktG30.....	30

## 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 sectors of the healthcare market and the pharmaceutical industry. This includes both insurance-financed („first healthcare market“) and privately financed („second healthcare market“) segments. 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

In 2019, MPH Health Care AG continued to invest in three listed investments (M1 Kliniken AG, HAEMATO AG, CR Capital Real Estate AG). Compared to the previous year, the total value of all investments increased by approx. EUR 5.75 million. Distributed profits of EUR 0.30 per share by M1 KLINIKEN AG, EUR 0.10 per share by HAEMATO AG and EUR 1.50 per share by CR Capital Real Estate AG also contributed to the income from shareholdings in an amount of EUR 6.65 million (previous year: EUR 8.32 million).

In July 2019, MPH Health Care AG again distributed a dividend of EUR 0.20 per share (previous year: EUR 0.20 per share) and thus a total of EUR 8.56 million (previous year: EUR 8.56 million).

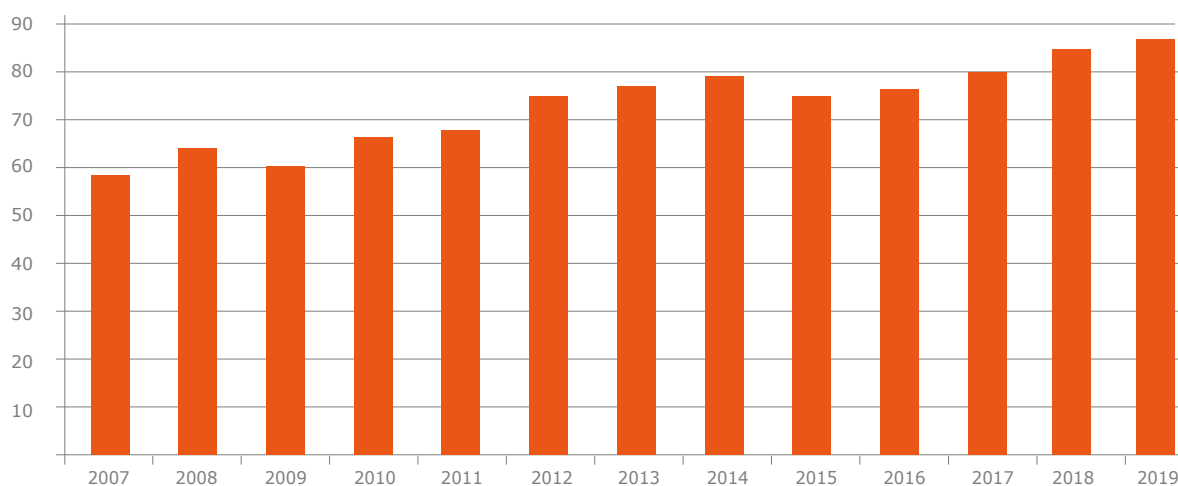
#### 2.1 Macroeconomic and industry-specific conditions

##### 2.1.1 Global economic environmen

The global economy has already weakened in 2019, but according to the Kiel Institute for the World Economy (IfW), global production in 2019 still increased by 3.0% (previous year growth of 3.7%). However, the global economy came under severe pressure at the beginning of 2020. The expected consequences of Brexit, the re-nationalised US trade policy under US President Donald Trump and the effects of the new coronavirus and the measures adopted to contain it are having a massive impact on future economic development. As a consequence of the corona crisis, production initially collapsed in China, the country where the coronavirus was first diagnosed, on a nationwide scale. In addition to the resulting negative effects on the economy in other countries, with the global spread of the virus, the negative effects on production and demand are now increasingly being felt in other industrialized countries as well, due to epidemic policy measures (e.g. store closures, curfews, etc.) and the uncertainty of consumers and investors.<sup>1</sup>

## Global Gross Domestic Product (GDP) at current prices from 2007 to 2019

in trillionen US-dollars



Source: IMF 2019

Instead of a gradual recovery of the global economy, global production is now expected to decline in the first half of this year. The negative effects are particularly strong in Asia, Europe and now also the USA, where the virus is particularly widespread and the potential for production losses due to disrupted supply chains is correspondingly high. Considerable losses are also to be expected for countries specialising in the production and export of raw materials in view of the sharp drop in raw material prices.<sup>1</sup>

A precise prediction of the economic costs of the corona crisis is almost impossible at this stage due to the high level of uncertainty about the further spread of the virus and, in particular, the measures taken by governments to contain the pandemic. Nor is there any historical experience of comparable events from which to derive probable crisis trends. In view of its possible extent, the corona crisis will also have a substantial impact on the labour market and thus on consumption. Global gross domestic product is expected to grow by only 0.1% in the current year, after 2.6% last year. Global trade is also likely to be severely affected, with a decline of 1.7%. At the beginning of the year, overall economic production will already have contracted slightly due to the decline in economic activity in China and South Korea. But Japan is also likely to slow down. With the further worsening of the pandemic, global economic output will probably collapse by 2.6%, especially in the second quarter. Europe and the United States will contribute to this in particular. Here the course of the crisis is likely to be very similar to that in Germany. By contrast, economic activity in China and South Korea is likely to increase slightly again as a result of the lower infection figures. From the summer, a gradual catch-up process could probably begin worldwide, with growth of just under 2% in the third quarter and 1.7% in the fourth quarter. Similar to Germany, the production level at the end of the forecast period is likely to be 0.5% below the pre-crisis level.<sup>2</sup>

### 2.1.2 Economic environment in Germany

In 2019, the German economy grew for the tenth year in a row, but growth slowed down noticeably in the course of the year and amounted to only 0.6% for the year as a whole (previous year 1.5%). At the beginning of March, the IfW was still expecting only a slight decline in GDP in Germany of -0.4% for 2020.<sup>3</sup> However, even these forecasts have now become obsolete as the economic experts are issuing new, revised estimates almost every week.

Due to the latest developments in the corona pandemic, the so-called „Wirtschaftsweisen“ expect GDP in Germany to slump by 5.4% in the worst case scenario for the year as a whole and are making clear demands on the government. If the restrictions imposed by the crisis are shortened and with a rapid recovery of the economy, GDP could even fall by only 2.8%. In view of the massive consequences of the corona pandemic for the economy, the German Council of Economic Experts presented a special report at the end of March 2020 to assess the overall economic development. The German Council of Economic Experts assumes three scenarios for the years 2020 and 2021. They differ in terms of how long and to what extent the restrictive health policy measures will last and how quickly a recovery will take place. In all three scenarios, however, the spread of the coronavirus puts an abrupt end to economic development „so that a recession in Germany in the first half of the year will be unavoidable“, as the expert report states.<sup>4</sup>

### 2.1.3 Global healthcare market

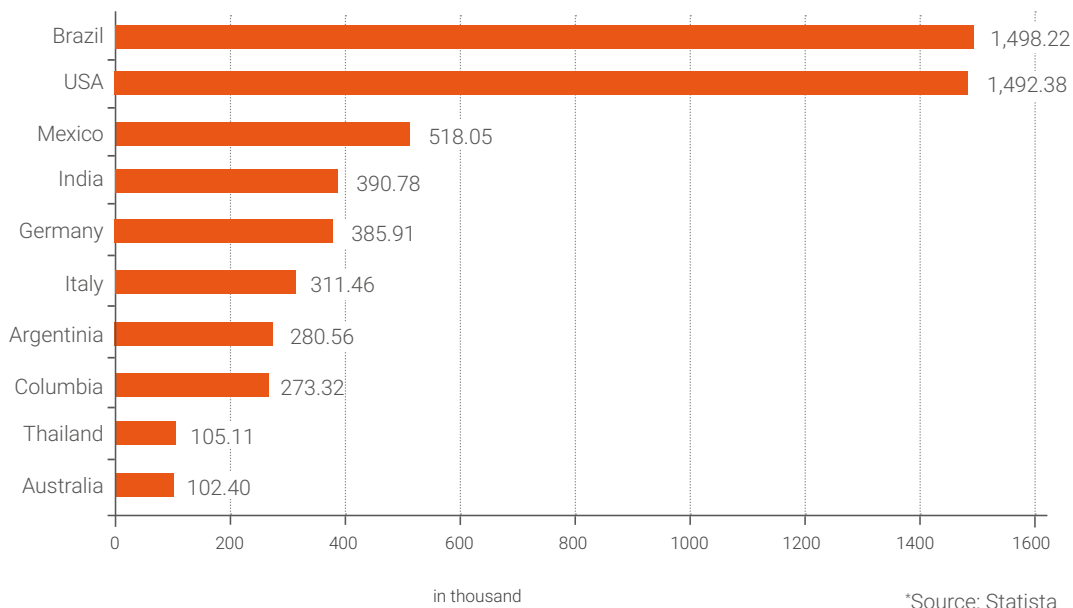
The healthcare sector is and will remain one of the most important markets in the future, which will continue to be shaped by global trends. These include demographic developments (rising life expectancy) as well as the increasing demand for health products and services, etc. In addition to rising global incomes and medical progress, the ageing of society is a major reason for the increase in healthcare spending, which is boosting the healthcare industry's share of gross domestic product.<sup>5</sup>

The healthcare industry is made up of many areas. The core area, also known as the first healthcare market, comprises the area of „classic“ healthcare, which is largely financed by statutory health insurance (GKV) and private health insurance (PKV) including nursing care insurance. All privately financed products and services relating to health are referred to as the second healthcare market. It essentially incorporates over-the-counter drugs and individual health services (including outpatient and inpatient medical interventions, fitness and wellness, health tourism and - in some cases - the areas of sport/leisure, nutrition and housing).<sup>6</sup>

The market for medical-aesthetic treatments (as part of the second healthcare market) continues to be a growth market, particularly due to the increased social desire to preserve the natural appearance and performance of the body into old age. In 2018, some 23.27 million surgical and non-surgical beauty procedures were performed worldwide (previous year 22.01 million procedures), representing a growth of 5.4%.<sup>7</sup> In 2018, Germany also overtook Italy and now ranks 5th among the countries with the most aesthetic surgeries.

The world's most popular cosmetic surgery procedures in 2018 are breast augmentation and liposuction, with growth rates of 6.1% and 9.2% respectively over the previous year.<sup>8</sup>

## Countries with the highest number of aesthetic surgeries in 2018



### 2.1.4 Healthcare market Germany

As one of the largest economic sectors, the healthcare 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>9</sup> According to the German Federal Office for Statistics, healthcare spending in 2018 amounted to around EUR 387 billion (forecast value). Spending once again exceeded the EUR 1 bn mark per day.<sup>10</sup>

The health industry is a driver of employment. In May 2019, around 5.6 million people were working in the health industry. About one in eight employees is now working in this sector. The dynamics of this job engine is reflected in a remarkable employment growth: Since 2000, the number of people employed in the healthcare sector has increased by 1.5 million.<sup>11</sup>

The German pharmaceutical market is a large part of the healthcare industry. The „pharmaceutical“ industry employs almost 130,900 people and has an annual turnover of over EUR 40 billion.<sup>12</sup> In the first nine months of 2019, sales of drugs in the overall pharmaceutical market (pharmacy and clinic) grew by 7% to EUR 34 billion. Consumption amounted to around 73 billion units, an increase of just under 1%.<sup>13</sup>

In 2019, the expenses for pharmaceuticals of the statutory health insurance (GKV) increased by 6.0% to EUR 38.4 billion. This does not yet take into account the savings from rebate contracts for the year as a whole. This is the result of initial calculations by the German Pharmacists' Association (DAV) based on the accounting results of pharmacy computer centres. While the number of GKV members increased by an annual average of 300,000 (+ 0.4%) to 73.1 million, the number of prescribed medicines also rose by 0.6% to 718 million.<sup>14</sup>

The economic strength of the healthcare industry is not exclusively based on health insurance services. More than a quarter of the total consumption is privately financed. More and more people are willing to invest in their health, fitness and a good attitude towards life. For this purpose, the supply of the first healthcare market does not fully comply their needs and they use additional services and products that serve to maintain their health or their well-being. These include healthy nutrition as well as sports, wellness and beauty treatments. In turn, the non-insurance-financed market („second healthcare market“) opens up opportunities for new economic business models. 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 and aesthetic treatments. Around 922,000 medical beauty treatments were carried out in 2018 (previous year approx. 750,000). Breast augmentation was the most popular cosmetic operation (around 65,900 operations in 2018), followed by liposuction (63,700 operations) and eyelid lifts with around 57,400 operations. Only the non-surgical wrinkle treatments with botulinum toxin (321,700 treatments, previous year 220,200 treatments) or filler treatments (174,900 treatments, previous year 137,900 treatments) are even more popular with German customers.<sup>15</sup>

## 2.2 Business development

As an investment company, the strategic focus of our activities is on companies in high-growth sectors of the healthcare 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 2019, net income for the year was EUR 11.1 million (previous year EUR 37.0 million). This mainly includes the results from the valuation of the investments of EUR 6.5 million (previous year EUR 31.0 million) and the income from investments of EUR 6.7 million (previous year EUR 8.3 million).

## 3. Business performance

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

Sales and other income in the current financial year are mainly the result of profits from the sale of financial assets. Proceeds of kEUR 19,518 were generated from the sale of shares in 2019 (previous year kEUR 11,782). In the 2019 financial year, investments in financial assets amounted to kEUR 19,116 (previous year kEUR 16,644).

The company's total capital increased by 2.4% to EUR 293.1 million in 2019. The equity ratio (equity / total capital \* 100) decreased slightly from 94.0% in 2018 to 92.7% in 2019.

The investments made are reflected in the financial assets. Compared to the 2018 fiscal year, these assets increased by 2.0% from kEUR 285,097 to kEUR 290,851 in 2019.

Operating income, consisting of fair value gains from the valuation of investments, income from investments and gains from the sale of financial assets, decreased to kEUR 41,221 in the fiscal year (previous year kEUR 44,873).



Operating expenses, consisting of the fair value losses of the valuations of the investments, the losses from the sale of financial assets and the financial and administrative expenses, totaled kEUR 29,634 in 2019 (previous year kEUR 7,188).

### 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 269,128 in 2018 to kEUR 271,641 as of 31.12.2019.

Liabilities to banks account for 6.53% 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 signed two long-term promissory note loans totaling EUR 14 million with a term of 5 to 7 years and a fixed interest rate. These continued to exist in 2019. Of this amount, EUR 11 million is reported as short-term liabilities to banks. The Management Board is currently in negotiations with the banks about further credit lines.

Trade payables could always be settled within the payment terms.

Long-term investments are 93.4% covered by equity (previous year 94.4%). Current receivables and bank balances exceed the total of current trade payables and other liabilities.

The liquidity situation is satisfactory.

In the 2019 financial year, MPH invested EUR 19.1 million in the acquisition of investments. Proceeds from the sale of investments amounted to EUR 19.5 million in fiscal year 2019. There were no significant investments in property, plant and equipment, nor are there any short-term plans.

Liquidity for investments was created by utilizing available short-term credit facilities. The financial development of MPH in the period under review is shown in the cash flow statement below, with indirect determination of the cash flow from operating activities:

<b>Cashflows of:</b>	<b>2019 in kEUR</b>	<b>2018 in kEUR</b>
Ongoing business activity	-1,351	5,196
Investment activity	6,742	3,652
Financial activities	-9,104	-9,069
<b>Net cash flow</b>	<b>-3,713</b>	<b>-221</b>
(Proceeds from short-term liabilities to banks)	(-4,492)	-
<b>Cash flow</b>	<b>779</b>	<b>-221</b>

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

The asset situation of MPH Health Care AG is good. It is characterised by increased financial assets (from kEUR 285,097 in 2018 to kEUR 290,851 in 2019), an increase in cash and cash equivalents of kEUR 779 and an increase in current financial assets of kEUR 241. The overall economic situation can be described as good.

## 4. Supplementary report and forecast report

The events of particular significance after the end of the financial year relate to the worldwide spread of the corona pandemic and its effects on the business development of the listed investments. The further effects of the ongoing coronavirus crisis on the global economy and our portfolio companies cannot be foreseen at present and have led to an extreme increase in volatility and price losses on the stock markets since February 2020, which has also affected our investments (and MPH itself). The ongoing corona crisis is associated with risks to general economic development that cannot yet be quantified and will have a negative impact on MPH's portfolio companies, at least in the short term.

Initially, it was assumed that the pandemic would be limited to the Asian continent, but from February 2020 there was a sharp increase in the number of cases of illness (first in Italy and then throughout Europe). From mid-March 2020, this led to an extensive shutdown (in some cases with curfews) of public life in many European countries. In Germany, too, the closure of schools and childcare facilities and the closure of many shops aimed at a thinning out of the intensity of social contacts in daily life through political decisions.

Our investment M1 Kliniken AG in particular was affected by this, as from 21.03.2020 all clinics had to be closed for an initial period of three weeks. HAEMATO AG and CR Capital Real Estate AG have so far only been affected by the corona pandemic to a minor extent. The demand for special pharmaceuticals and affordable living space seems to continue for the time being. However, given the current situation, this development is to be considered a „snapshot“ and is subject to the further course of the corona crisis.

The corona crisis has brought economic activity to a standstill in many areas. Therefore, many economic researchers are expecting a recession. The measures taken so far by the Federal Government, such as short-time work benefits and liquidity assistance, have recently been described by economic researchers as „very welcome“. The next step, they said, is now to create „a strong and rapid upswing for 2021“ similar to the one experienced in the years following the financial crisis.<sup>16</sup>

We therefore assess the medium-term development of MPH Health Care AG and its listed holdings positively, even though the massive slump in share prices in the first quarter of 2020 has resulted in a significant reduction in the fair value approaches of our affiliated companies.

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

According to the OECD, the corona crisis, which was worsening at the time of reporting, is the biggest economic risk since the financial crisis of 2008/2009. Further restrictions on the movement of people, goods and services are foreseeable and are likely to lead to a deterioration in the business and consumer climate and a slowdown in production, as a result of which the global economy will slow down sharply in the first half of the year.<sup>17</sup> The ongoing coronavirus crisis is currently associated with currently unquantifiable risks for the general economic development and, accordingly, for MPH's associated companies, and will have a negative impact on the group companies at least in the short term. This can therefore also have an impact on the earnings situation of MPH Health Care AG. Due to these current uncertainties surrounding the coronavirus pandemic, no reliable forecasts can be made at present for the 2020 financial year.

Against the background of the current coronavirus crisis, the Board of Management will continuously review the strategy and orientation of MPH and its affiliated companies.

## 5. Risk report

There are no significant currency risks that could influence the net assets, financial position and results of operations of the company. However, 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 on the financial markets.

The investments will continue to meet the competition on the market through service, reliability and a high level of quality.

On the procurement side, the investments can draw on a wide range of purchasing options. In order to minimise business risks, the investments diversify their sources of supply throughout Europe. The high quality standards are secured by the investments through careful supplier qualification and selection and active supplier management. For example, the implementation of the directive 2011/62/EU with start on February 9, 2019, provides HAEMATO AG with additional security in the area of procurement and will form an even more stable business basis for the coming fiscal years.

### 5.1 Specific risks

#### 5.1.1 Sector-specific risks

Constant legal regulation measures, strong margin pressure in the pharmaceutical market as well as the permanent change of the parallel import market due to exchange rate risks and price differences in the procurement of drugs can have a negative impact on the sales and profit situation of HAEMATO AG.

M1 Kliniken AG and its group subsidiaries are also exposed to changes in legislation in the market segments relevant to M1. These can affect the corporate strategy and the operating performance of M1. To this end, M1 intensively monitors legislative measures (together with relevant specialist lawyers), analyzes which changes (could) arise as part of risk and opportunity management and assesses their impact on the group's revenue and earnings situation.

CR Capital Real Estate AG is exposed to risks resulting from changes in the framework conditions imposed by the legislator or other regulations, which may affect, inter alia, the awarding and contract regulations for construction services. As the company's activities are limited to Germany and such changes do not occur unexpectedly in most cases, there is usually sufficient time to react adequately to any changes. Planned changes in legislation are also followed with great attention in advance. The companies also regularly undergo the statutory MaBV audit.

### 5.1.2 Earnings-oriented risks

MPH Health Care AG sometimes participates to a considerable extent in the capital of its investments. Changes in the market prices of the investments have an impact on the earnings situation of the company. The listed shares 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 ongoing business 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 Management 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 Management Board decide on the appropriate strategy and measures for controlling risks.

The group's companies use established risk management systems in order to be able to react at short notice to changes in the risk profile of operational decisions at any time. An extensive reporting system in accounting and controlling and in all areas along the value chain enables them to reassess risks on a cyclical basis, prioritized according to their probability of occurrence.

## 5.2 Opportunities report

The healthcare market is and will remain a growth market. We will participate in this growth by specialising our investments in the therapeutic areas of oncology, HIV and other chronic diseases (HAEMATO AG) as well as in the area of plastic surgery and aesthetic medicine (M1 Kliniken AG). At

M1, efficiency in the treatment of patients is promoted by a consistent focus on a limited range of indications. The high quality of the physicians also contributes to this, which in turn is supported by the high number of individually performed treatments.

The expected economic catch-up effects in the second half of 2020 and in the 2021 financial year after containment/termination of the corona crisis may stabilize the economic situation of our investments and again lead to rising sales and earnings. This will in turn have a positive effect on the share prices of our investments.

### 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, 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 as part of a due diligence process before making new investments.

## 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 Management 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 31, 2020  
MPH Health Care AG



Patrick Brenske  
(Management Board)



Financial Report

Review

REPORT

RT & ACCOUNTS

ID ACCOUNTS

RT



## IFRS Statement

IFRS - Balance Sheet - Assets.....	34
IFRS - Balance Sheet - Liabilities.....	35
IFRS - Profit and Loss Statement.....	36
IFRS - Cash Flow Statement.....	37
IFRS - Statement of Changes in Equity.....	38

## IFRS Balance Sheet - Assets

As of December 31, 2019\*

	◀ 2019 EUR	◀ 2018 kEUR
Cash and cash equivalents	1,796,445	1,018
Trade account receivables	3,996	3
Inventories	-	7
Other short-term financial assets	305,039	64
Other short-term assets	52,189	20
Income tax assets	79,304	41
<b>Short-term assets</b>	<b>2,236,974</b>	<b>1,153</b>
Intangible assets	524	1
Property, plant and equipment	55,944	2
Other long-term financial assets	290,851,042	285,097
<b>Long-term assets</b>	<b>290,907,510</b>	<b>285,101</b>
<b>▶ TOTAL ASSETS</b>	<b>293,144,484</b>	<b>286,253</b>

\* Accounting according to IFRS

## IFRS Balance Sheet - Liabilities

As of December 31, 2019\*

	◀ 2019 EUR	◀ 2018 kEUR
Short-term accruals	90,633	99
Trade account payables	24,170	28
Short-term leasing liabilities	3,844	-
Other short-term financial liabilities	15,574,031	87
Other short-term liabilities	31,478	113
<b>Short-term liabilities</b>	<b>15,724,156</b>	<b>327</b>
Long-term leasing liabilities	7,339	-
Other long-term financial liabilities	3,000,000	14,000
Deferred tax liabilities	2,771,705	2,798
<b>Long-term liabilities</b>	<b>5,779,044</b>	<b>16,798</b>
Subscribed capital	42,813,842	42,814
Capital reserves	2,688,175	2,688
Revenue reserves	226,139,266	223,626
<b>Equity</b>	<b>271,641,283</b>	<b>269,128</b>
<b>▶ TOTAL LIABILITIES</b>	<b>293,144,484</b>	<b>286,253</b>

\* Accounting according to IFRS

## IFRS - Profit and Loss Statement

From January 1, to December 31, 2019\*

	◀ 2019 EUR	◀ 2018 KEUR
<b>Operating revenues</b>	<b>41,220,518</b>	<b>44,873</b>
Fair value gain financial assets	33,746,616	35,699
Net income from participations	780,000	830
Investment income	6,650,571	8,317
Other operating income	43,330	28
<b>Operating expenses</b>	<b>-29,634,228</b>	<b>-7,188</b>
Fair value loss financial assets	-27,207,020	-4,680
Depreciation of financial assets	-	-659
Financial expenses	-329,829	-703
Net loss from investments	-1,163,671	-
Administrative expenses	-933,708	-1,146
<b>Result from ordinary activities   EBITDA</b>	<b>11,586,290</b>	<b>37,686</b>
Write-offs	-11,225	-45
<b>Operating result   EBIT</b>	<b>11,575,064</b>	<b>37,641</b>
<b>Financial result</b>	<b>-525,588</b>	<b>-299</b>
Other interest and similar income	14,502	208
Interest and similar expenses	-540,090	-507
<b>Earnings before taxes   EBT</b>	<b>11,049,477</b>	<b>37,342</b>
Taxes on income and earnings	26,573	-317
<b>Net income</b>	<b>11,076,050</b>	<b>37,025</b>

\* Accounting according to IFRS

## IFRS - Cash Flow Statement

From January 1, to December 31, 2019\*

	◀ 2019 EUR	◀ 2018 kEUR
<b>Cash flow from operating activities</b>	<b>-1,351,416</b>	<b>5,196</b>
Net income	11,076,050	37,025
Depreciation on fixed assets	11,225	45
Increase / decrease in short-term accruals	-8,553	29
Increase / decrease due to fair value measurement	-6,539,597	-30,360
Increase / decrease in inventories	7,268	-7
Decrease / increase in trade account receivables and other assets	-1,754	6,969
Increase / decrease in trade account payables and other liabilities	-89,731	67
Profit / loss from the disposal of fixed assets	383,671	-830
Interest expense / income	525,588	299
Other investment income	-6,650,571	-8,317
Income tax expense / income	-26,573	317
Income tax payments	-38,440	-41
<b>Cash flow from investing activities</b>	<b>6,741,963</b>	<b>3,652</b>
Payments for investments in intangible assets	-	-11
Payments for investments in property, plant and equipment/investment properties	-52,466	-1
Proceeds from disposals of financial assets	17,661,296	11,782
Payments for investments in financial assets	-19,116,000	-16,644
Payments from the acquisitions of consolidated companies	1,856,703	-
Interest income	14,502	208
Investment income	6,377,928	8,317
<b>Cash flow from investing activities</b>	<b>-9,103,488</b>	<b>-9,069</b>
Interest expenses	-540,036	-507
Payments to company owners and minority shareholders	-8,562,768	-8,563
Amortisation of rights of use	-684	-
<b>Netto Cash Flow</b>	<b>-3,712,942</b>	<b>-221</b>
<i>For information:</i> Proceeds from short-term liabilities to banks	4,491,837	-
<b>Cash Flow</b>	<b>778,895</b>	<b>-221</b>
Cash and cash equivalents at the end of the period	1,017,550	1,239
Cash and cash equivalents at the beginning of the period	1,796,445	1,018
<b>Change in cash and cash equivalents</b>	<b>778,895</b>	<b>-221</b>

\* Accounting according to IFRS

## IFRS - Statement of Changes in Equity

As of December 31, 2019\*

	Subscribed capital EUR	Capital reserve EUR	Revenue reserves EUR	Equity EUR
<b>Balance as of 01.01.2018</b>	42,813,842	2,688,175	195,163,923	240,665,940
Net income	-	-	37,024,829	37,024,829
Distributions	-	-	-8,562,768	-8,562,768
<b>Balance as of 31.12.2018</b>	42,813,842	2,688,175	223,625,984	269,128,001
<b>Balance as of 01.01.2019</b>	42,813,842	2,688,175	223,625,984	269,128,001
Net income	-	-	11,076,050	11,076,050
Distributions	-	-	-8,562,768	-8,562,768
<b>Balance as of 31.12.2019</b>	42,813,842	2,688,175	226,139,266	271,641,283

\* Accounting according to IFRS





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## IFRS Annex

1. General information .....	42
2. Consolidation group .....	44
3. Consolidation principles.....	45
4. Estimates and assumptions .....	45
5. Information on the IFRS balance sheet including accounting and valuation methods .....	46
6. Contingent liabilities and other financial commitments .....	50
7. Notes to the IFRS profit and loss statement .....	51
8. Earnings per share .....	54
9. Information on members of the board .....	54
10. Number of employees .....	55
11. Risk management .....	55
12. Auditor's fee .....	58
13. Related party disclosures .....	58
14. Events after the balance sheet date .....	59
15. Approval of the IFRS financial statements 2019 by the Management Board..... for publication with regards to IAS 10.17	59
16. Auditor's report .....	60

## IFRS Annex

for the financial year from January 1 to December 31, 2019

### 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 scope 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, 2019, 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 2019 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 for the reporting period beginning on or after January 1, 2019, with no material effects for MPH Health Care AG:

- ▶ IFRS 16 Leases
- ▶ IFRIC 23 Uncertainty about the income tax treatment
- ▶ Amendments to IAS 28 Non-current Investments in Associates and Joint Ventures
- ▶ Amendments to IFRS 19 Plan amendments, curtailments and settlements
- ▶ Annual improvements to IFRS standards Cycle 2015-2017 (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

### 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 account 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 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 account 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:

- ▶ Changes to references to the framework in IFRS standards (from January 1, 2020)
- ▶ Amendments to IFRS 3 Definition of a Business Operation
- ▶ Amendments to IAS 1 and IAS 8 Definition of „material
- ▶ IFRS 17 Insurance Contracts (from January 1, 2021)
- ▶ Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and an associate or joint venture (pending)

### Leases

The company applies IFRS 16 from the financial year 2019. Previously, business transactions that affected „operating leases“ were treated in accordance with IAS 17. Lease agreements or operating lease agreements were concluded for the first time in the course of the 2019 financial year. There were no leases in the previous year, so that no transitional profits/losses or explanations are required for first-time application.

The group only applied IFRS 16 to agreements that were previously identified as leases. Agreements that were not identified as leases under IAS 17 and IFRIC 4 were not reviewed to determine whether they qualify as leases under IFRS 16. Therefore, the definition of a lease according to IFRS 16 was only applied to contracts concluded or amended on or after January 1, 2019.

MPH Health Care leases property, plant and equipment as a lessee. In accordance with IFRS 16, the group recognizes rights of use and lease liabilities for most of these leases, i.e. these leases are recognized in the balance sheet.

The group tested its rights of use for impairment at the date of transition and concluded that there was no indication that the rights of use were impaired.

In the consolidated financial statements, some reliefs provided by the application of IFRS 16 to leases that are classified as operating leases under IAS 17 have been exercised. In detail:

- ▶ neither rights of use nor lease liabilities were recognised for leases whose term ends within 12 months of the date of first-time application
- ▶ neither rights of use nor lease liabilities are recognised for leases where the underlying asset is of minor value
- ▶ the initial direct costs are not taken into account in the valuation of the right of use at the time of first application

The weighted average marginal borrowing rate at which the gross lease liabilities were discounted as of January 1, 2019 was 2.9%.

MPH Health Care AG reports the repayment of leasing liabilities in the cash flow from financing activities. Lease payments for short-term leases are shown in the cash flow from operating activities.

The accounting and valuation was carried out under the assumption of a going concern.

The balance sheet of MPH Health Care AG has been prepared according to maturity, whereby assets and liabilities that are expected to be realized or redeemed within twelve months after the balance sheet date are classified as short-term in accordance with IAS 1. In accordance with IAS 1.56, deferred tax assets and deferred taxes are shown in full under long-term assets or long-term liabilities.

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, 2019, as MPH Health Care AG is an investment company in accordance with IFRS 10.27. 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
MPH Ventures GmbH	Schoenefeld	100.0%	August 31, 2011
HAEMATO AG	Schoenefeld	48.2%	May 7, 2012
M1 Kliniken AG	Berlin	72.1%	May 7, 2012
Pharmigon GmbH	Berlin	50.0%	May 7, 2012
CR Capital Real Estate AG	Berlin	67.2%	January 1, 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. No consolidation transactions from full consolidation are 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 account receivables** totaling kEUR 4.0 (previous year kEUR 2.8) are measured at amortized cost less any impairment losses using the effective interest method. Impairment losses are recognized if there is material 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 account 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 short-term 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 short-term 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.

Scheduled 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>		
1 January 2018	53,504	79,047
Accrual	10,780	605
Disposals	-	-
31 December 2018	64,284	79,653
1 January 2019	64,284	79,653
Accrual	-	64,279
Disposals	-	-
31 December 2019	64,284	143,932
<b>Depreciation / Write-ups</b>		
1 January 2018	-35,787	-74,785
Depreciation	-27,404	-2,546
Write-ups	-	-
Disposals	-	-
31 December 2018	-63,191	-77,332
1 January 2019	-63,191	-77,332
Depreciation	-569	-10,656
Write-ups	-	-
Disposals	-	-
31 December 2019	-63,760	-87,988
<b>Book values</b>		
31 December 2018	1,093	2,321
31 December 2019	524	55,944

**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.

	2018	change	2019	closing price 31.12.2019	Fair Value
Listed company	piece	piece	piece	EUR	EUR
HAEMATO AG	11,011,977	+0	11,011,977	2.94	32,375,212
M1 Kliniken AG	12,144,748 <sup>1)</sup>	- 743,978	11,400,770	14.30	163,031,011
CR Capital Real Estate AG	1,194,733	+ 954,733	2,149,466	32.00	68,782,912
Unlisted equity investment <sup>2)</sup>					26,661,907
<b>Total financial assets</b>					<b>290,851,042</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.

	<b>Other long-term financial assets in EUR</b>
<b>Acquisition and production costs</b>	
1 January 2018	90,588,348
Accruals	16,644,328
Disposals	-1,519,519
31 December 2018	105,713,157
1 January 2019	105,713,157
Accruals	19,116,000
Disposals	-7,660,489
31 December 2019	117,168,668
<b>Depreciation / Write-ups</b>	
1 January 2018	158,457,236
Write-offs	-5,339,090
Write-ups	35,699,151
Disposals	-9,433,338
31 December 2018	179,383,958
1 January 2019	179,383,958
Write-offs	-27,207,020
Write-ups	33,746,616
Disposals	-12,241,181
31 December 2019	173,682,374
<b>Book values</b>	
31 December 2018	285,097,115
31 December 2019	290,851,042

**5.9 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 resources 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.

	<b>01.01.2019</b>	<b>Consumption</b>	<b>Release</b>	<b>Allocation</b>	<b>31.12.2019</b>
	<b>kEUR</b>	<b>kEUR</b>	<b>kEUR</b>	<b>kEUR</b>	<b>kEUR</b>
<b>Accruals</b>					
Audit and annual financial statement costs	20	20	-	25	25
Supervisory Board remunerations	35	35	-	35	35
Other	44	28	12	26	30
	99	83	12	86	91



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

**5.11 Leasing liabilities:** According to IFRS 16, MPH capitalizes leases from operating leases as rights of use and depreciates them over the term of the agreements. The lease payments are reflected as liabilities that are classified as short-term or long-term liabilities depending on the term of the lease and are discounted. For further details, please refer to Note (1).

	<b>December 31, 2019</b>
Right of use	11,157
Prepaid expenses and accrued income	-
<b>Σ Asset side</b>	<b>11,157</b>
Liabilities	11,183
Short-term leasing liabilities	3,844
Long-term leasing liabilities	7,339
Accrued expenses and deferred income	-
<b>Σ Liabilities side</b>	<b>11,183</b>
Depreciation	-656
Interest expense	-54
<b>Σ Profit and loss account</b>	<b>-710</b>
Leasing expenses	684
<b>Σ Amendment leasing expenses</b>	<b>684</b>

**5.12 Other short-term financial liabilities** amount to kEUR 15,574 (previous year kEUR 87). Other financial liabilities are mainly short-term liabilities to banks from loans and overdrafts, loans received and interest on promissory note loans received and accounts receivable. The Management Board is currently in negotiations with banks to refinance the working capital lines.

**5.13 Other short-term liabilities** amount to kEUR 31 (previous year kEUR 113). 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 not 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, 2019 relate entirely to the temporary difference between financial assets at fair value through profit or loss. As of December 31, 2019, kEUR 26 was recognized in income, resulting in a deferred tax liability of kEUR 2.772 (previous year: kEUR 2,798).

**5.16 Equity:** The company's share capital of EUR 42,813,842.00 is divided into 42,813,842 no-par value shares with a 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 a total of up to EUR 21,406,921.00 by issuing new ordinary bearer shares and/or non-voting preference shares against cash and/or non-cash contributions on one or more occasions until June 28, 2022 (authorised capital 2017). In accordance with the resolution of the Annual General Meeting of June 29, 2017, the Management Board is authorised to issue bearer or registered bonds with warrants or convertible bonds, profit participation rights or profit participating bonds or combinations of these instruments with a total nominal amount of up to EUR 100,000,000.00 with or without a limited term until June 28, 2022 and to grant the holders or to grant or impose option or conversion rights to bearer ordinary shares and/or non-voting preference shares of the company on the holders or creditors of the respective partial bonds, which take precedence over and are equal to the previously issued preference shares in the distribution of profits and/or the company's assets, with a proportionate amount of the share capital of up to a total of EUR 21,406,921.00 in accordance with the more detailed provisions of the terms and conditions of the bonds. For this purpose, the capital stock can be increased by up to EUR 21,406,921.00 by issuing a total of up to 21,406,921 new ordinary and/or non-voting preference bearer shares which rank prior to or equal to the preference shares previously issued in the distribution of profits and/or the company's assets (Conditional Capital 2017).

For the development and composition of equity, please refer to the statement of changes in 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 granted 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 granted 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 the obligation of a segment reporting does not apply.

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 an amount that is kEUR 6,540 higher as in the previous year. This relates to unrealised gains from the fair value measurement of investments as of the balance sheet date.

### 7.2 Net income from participations

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

<u>Year</u>	<u>Sales revenue in EUR</u>	<u>Book value in EUR</u>	<u>Profit / loss in EUR</u>
2019	6,360,000	5,580,000	780,000
2018	11,782,486	10,952,857	829,629

### 7.3 Investment income

The investment income reflects the dividend and profit distributions realised by the investments. Income fell to kEUR 6,651 in the year under review. This corresponds to a decrease of 20% compared to the previous year.

Shares	Investment income 2019 in EUR	Investment income 2018 in EUR
HAEMATO AG	1,101,198	3,303,593
M1 Kliniken AG	3,464,631	3,612,638
CR Capital Real Estate AG	1,612,100	1,150,733
Pharmigon (unlisted)	200,000	250,000
HC Grundbesitz GmbH (unlisted)	272,643	-
<b>Total</b>	<b>6,650,571</b>	<b>8,316,964</b>

#### 7.4 Other operating income

This mainly relates to income from the short-term leasing of office space, income from the release of provisions 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

Realised profits (see 7.2) and losses on sales or write-downs of investments are determined for each investment.

Year	Sales revenue in EUR	Book value in EUR	Profit / loss in EUR
2019	13,157,999	14,321,670	-1,163,671

#### 7.7 Administrative expenses

Administrative expenses comprise a number of items totaling kEUR 934 in 2019 (previous year kEUR 1,146). This includes, for example, advertising and travel expenses, insurance premiums, third-party work, Supervisory Board remuneration, legal and consulting costs, personnel expenses, as well as costs for the annual financial statements and auditing costs.

#### 7.8 Depreciation and amortization

Depreciation and amortization includes scheduled depreciation of property, plant and equipment and amortisation of intangible assets in the amount of kEUR 11 (previous year kEUR 45). Property, plant and equipment and intangible assets are depreciated on a straight-line basis over different expected lifetimes (3 to 15 years). The previous year was impacted by a one-off depreciation of short-term assets in the amount of kEUR 15.

## 7.9 Other interest and similar income

This relates to interest income totalling kEUR 15 (previous year kEUR 208). 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 540 (previous year: kEUR 507) 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 2019 kEUR	Interest income + dividends 2018 kEUR	Interest expenses 2019 kEUR	Interest expenses 2018 kEUR	Fair Value 2019 kEUR	Fair Value 2018 kEUR
Loans and receivables (other financial assets)	15	208	-	-	-	-
Income from investments (other financial assets)	6,651	8,317	-	-	-	-
Equity instruments (Financial assets at fair value through profit or loss)	-	-	-	-	6,540	31,019
Liabilities recognized at amortized cost (other financial liabilities)	-	-	-540	-507	-	-
<b>▶ Total net income</b>	<b>6,666</b>	<b>8,525</b>	<b>-540</b>	<b>-507</b>	<b>6,540</b>	<b>31,019</b>
<b>▶ Effective for income</b>	<b>6,666</b>	<b>8,525</b>	<b>-540</b>	<b>-507</b>	<b>6,540</b>	<b>31,019</b>

## 7.11 Taxes on income and earnings

This item can be broken down as follows:

	2019 kEUR	2018 kEUR
Tax expense for the current period	-	-
Deferred tax expense from valuation differences	-	-317
Deferred tax income from valuation differences	27	-
	<b>27</b>	<b>-317</b>

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	2019 in %
Berlin	30,175

The statutory effective tax rate includes corporate income tax and the solidarity tax (effective rate: 15.825%) as well as trade tax (effective rate: Berlin at 14.350%).

## 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 earnings per share. Dilution effects do not have to be taken into account.

	2019 EUR	2018 EUR
Attributable to equity holders of the parent on net income for the year	11,076,050	37,024,829
Number of shares (weighted average)	42,813,842	42,813,842
<b>Earnings per share</b>	<b>0.26</b>	<b>0.86</b>

## 9. Information on members of the boards:

### Management Board

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

### Supervisory Board

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

The total remuneration of the Supervisory Board in financial year 2019 amounted to kEUR 45 (previous year kEUR 46.6). 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 Management 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

As an investment company MPH manages its business with the aim of using the funds of its investors for the purpose of achieving gains in value of its investments or generating investment income.

All investments can operate under the going concern assumption. At the respective balance sheet date, the equity capital amounts to:

	31.12.2019	31.12.2018
	kEUR	kEUR
Equity	271,641	269,128
Balance sheet total	293,144	286,253
Equity ratio	92.66%	94.02%

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

In the reporting period, liabilities to banks rose from kEUR 14,000 to kEUR 18,492 due to partial utilization of current account credit lines. Due to the low level of interest rates, we currently see only a limited risk of interest rate changes.

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 no interest rate risk due to variable interest rates:

<b>Liabilities to banks in kEUR</b>	<b>Claims 31.12.2019</b>	<b>Claims 31.12.2018</b>	<b>Interest rate risk 31.12.2019</b>	<b>Interest rate risk 31.12.2018</b>
Thereof with fixed interest rates	18,492	14,000	-	-
Thereof with variable interest rates	-	-	-	-
<b>Total</b>	<b>18,492</b>	<b>14,000</b>	<b>-</b>	<b>-</b>

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

<b>Financial Assets</b>	<b>short-term</b>				
<b>31.12.2019 in kEUR</b>	Trade account receivables	Other short-term financial assets	Liquid funds	Total book values	Fair values to be attributed
Financial assets measured at amortized cost	4	305	1,796	2,105	2,105

<b>Financial Assets</b>	<b>short-term</b>				
<b>31.12.2018 in kEUR</b>	Trade account receivables	Other short-term financial assets	Liquid funds	Total book values	Fair values to be attributed
Financial assets measured at amortized cost	10	64	1,018	1,092	1,092

The total carrying amounts and fair values of financial assets at the balance sheet date amounted to kEUR 290,851 (previous year kEUR 285,097).

For the instruments presented in the table 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 account 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.

<b>Liabilities</b>	<b>short-term</b>			
<b>31.12.2019 in kEUR</b>	Liabilities to banks	Trade account payables	Leasing liabilities	Other financial liabilities
	15,492	24	4	82
Financial liabilities measured at amortized cost	<b>long-term</b>			
	Liabilities to banks	Leasing liabilities	Total book values	Fair values to be attributed
	3,000	7	18,609	18,609
<b>Liabilities</b>	<b>short-term</b>			
<b>31.12.2018 in kEUR</b>	Liabilities to banks	Trade account payables	Leasing liabilities	Other financial liabilities
	-	28	-	87
Financial liabilities measured at amortized cost	<b>long-term</b>			
	Liabilities to banks	Leasing liabilities	Total book values	Fair values to be attributed
	14,000	-	14,115	14,115

### Liquidity risk

MPH Health Care AG invests the majority of its assets in investments that are traded in active markets and that are easy to sell. MPH Health Care AG owns a small portion of its total 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, 2019 and December 31, 2018:

<b>Financial liabilities measured at amortized cost</b>	<b>Book value 31.12.2019 kEUR</b>	<b>Cash Flow up to 1 year kEUR</b>	<b>Cash Flow &gt; 1 year up to 5 years kEUR</b>	<b>Cash Flow &gt; 5 years kEUR</b>
Accruals	91	91	-	-
Interest-bearing financial liabilities	18,492	15,492	3,000	-
Non-interest-bearing financial liabilities	149	142	7	-

<b>Financial liabilities measured at amortized cost</b>	<b>Book value 31.12.2018 kEUR</b>	<b>Cash Flow up to 1 year kEUR</b>	<b>Cash Flow &gt; 1 year up to 5 years kEUR</b>	<b>Cash Flow &gt; 5 years kEUR</b>
Accruals	99	99	-	-
Interest-bearing financial liabilities	14,000	-	14,000	-
Non-interest-bearing financial liabilities	228	228	-	-

### 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 1,796 (previous year kEUR 1,018). The liabilities due at any time consist of the use of current account credit lines.

## 12. Auditor's fee

The shareholders of MPH Health Care AG elected the auditor Harry Haseloff as auditor at the Annual General Meeting on July 17, 2019.

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 accounting-related IT and process audits.

The auditor did not provide any tax consulting services.

Provisions in the total amount of kEUR 20 were recognized for the expected fee of the auditor, Harry Haseloff, for audits relating to the 2019 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 Management 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 Management Board and Supervisory Board. These related parties were not involved in any transactions of an unusual type 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	31.12.2019 in kEUR	31.12.2018 in kEUR
Deliveries and services rendered	-	-
Deliveries and services received	-	-
Other operating expenses	2	7

## 14. Events after the balance sheet date

The beginning of 2020 was marked in an outstanding degree by the global spread of the corona pandemic. Initially, it was assumed to be confined to the Asian continent, but from February 2020 (first in Italy and then in Europe as a whole) there was a dramatic increase in the number of cases of illnesses. From mid-March 2020, this led to an extensive shutdown (in some cases with curfews) of public life in many European countries. In Germany, too, political decisions forced a downsizing of contact intensity in daily life by closing schools, childcare facilities and many shops.

M1 Kliniken AG was also affected by this, as of March 21, 2020 all clinics had to be closed for an initial period of three weeks. The trading activities also immediately declined significantly.

So far, HAEMATO AG has only been affected to a small extent by the effects of the corona crisis. Preventive measures were taken to minimize risks (e.g. introduction of a hygiene concept and a 2-shift-system). Also, there were short-term restrictions in import and export logistics to other EU countries, which have been lifted in the meantime.

The business activities of CR Capital Real Estate AG have so far not been affected by the pandemic.

## 15. Approval of the IFRS financial statements 2019 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 March 20, 2019.

Berlin, March 20, 2019



Patrick Brenske  
(Management Board)

## 16. Auditor's Report

After the final result of his audit, the auditor Harry Haseloff issued the following unqualified audit certificate for the annual financial statements as of December 31, 2019 and the management report 2019 of MPH Health Care AG dated April 15, 2020

### „Auditor's Report

to the Supervisory Board 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, 2019, the income statement for the period from January 1, 2019 to December 31, 2019, the cash flow statement for the period from January 1, 2019 to December 31, 2019, the statement of changes in equity for the period from January 1, 2019 to December 31, 2019, the statement of changes in non-current assets as of December 31, 2019, the notes for the period from January 1, 2019 to December 31, 2019 and the management report.

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

1. 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, 2019 and its results of operations for the fiscal year from January 1, 2019 to December 31, 2019 in accordance with German generally accepted accounting principles, and
2. 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.
3. 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.

False representation 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:**

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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 15, 2020



Dipl.-Kfm. Harry Haseloff  
Auditor







## Further information

1. The share.....	66
2. Glossary.....	67
3. Sources.....	68
4. Imprint.....	69

## 1. The share

<b>Class of shares</b>	Bearer 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, 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 169.54 m (as of 31.12.2019 - Xetra)
<b>Coverage</b>	GBC AG, First Berlin Equity Research GmbH

## 2. Glossary

### Cash flow

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

### 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.

### 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.

### Due Diligence

Thorough examination by the potential buyer of a company up for sale. In the due diligence process, a company or person is carefully assessed for economic, legal, tax and financial situation.

### 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.

### Licensing

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

### MaBV

„Makler- und Bauträgerverordnung“ = Broker and Property Developer Regulation. A legal regulation derived from the German Trade Regulation Act, which in German trade law primarily provides specifications for the protection of the purchaser of real estate when drafting and concluding a property development contract.

### NAV

Net asset value; the sum of all assets valued at market value less all liabilities of a company.

### Net profit

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

### 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.

### 3. Sources

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## 4. Imprint

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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

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**MPH** Health Care AG  
Investor Relations

Photos:

**MPH** Health Care AG  
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