VAMED

health.

care.

vitality.

ANNUAL REPORT **2017**

Contents

Key Performance Indicators

	2017	2016
Order intake (€ m)	1,095.8	1,017.2
Orders on hand (€ m)	2,146.8	1,961.3
Sales (€ m)	1,228.0	1,160.5
International sales (%)	69.3	68.3
EBIT (€ m)	75.6	68.8
EBT (€ m)	73.9	66.5
Staff (Dec. 31, 2017)	8,667	8,198

Pursuant to International Financial Reporting Standards (IFRS)

health.
care.
vitality.

create health.

From the very beginning, the planning and construction of healthcare projects with subsequent operational management have been part and parcel of VAMED's core competencies. VAMED enjoys an outstanding reputation around the world thanks to its unique customer-specific solutions, cost discipline, schedule adherence and reliability. The comprehensive service and country portfolios as well as our commitment to operating in line with the "think global – act local" principle are additional factors contributing to transforming VAMED into a leading international healthcare provider.

manage care.

As an integrated healthcare provider, VAMED offers all management services for healthcare facilities on a global basis. The offering in the Service Business is based on a modular design and encompasses all aspects of technical, commercial and infrastructural facility management. Total Operational Management featuring multifaceted medical and nursing services puts a clear focus on people and their health. The integrated solutions provided by VAMED ensure comprehensive patient and employee satisfaction along with the optimal management and operation of every facility over its entire life cycle – from the construction of buildings and the end of their primary use to their modernization and extension.

enjoy vitality.

The VAMED Vitality World spa and health resorts offer medical and therapeutic methods and extensive applications to improve the physical and mental well-being of our health-conscious guests. The thermal spa and health resorts of VAMED Vitality World do not only stand for the best quality of service but for innovative approaches as well. Thanks to its longstanding experience, VAMED has succeeded in bridging the gap between preventive medicine and health tourism.

35 years

>800 projects

5 continents

>80 countries

18,000 people

35 Years of Responsibility – 35 Years for People's Health

The contract awarded to VAMED 35 years ago to complete the Vienna General Hospital laid the foundation for a unique global company.

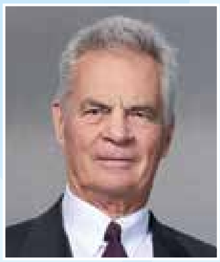
The successful implementation of this complex construction and subsequent technical operation of the largest medical teaching hospital in German-speaking Europe was the basis for developing a unique expertise. This know-how combined with the management's foresight enabled VAMED to rapidly expand beyond Austria's borders and laid the foundation for carrying out health projects in the Middle East, Africa and shortly afterwards also in Asia.

Today VAMED is a globally leading healthcare group which has set new standards in the healthcare industry in its 35 years of operation – from the first life cycle project and the first Public Private Partnership model to patient-oriented offerings in personalized medicine.

Thanks to its unique value chain, VAMED has made a significant contribution towards building up and further developing healthcare in many countries in the world. It has enabled people to have access to adequate healthcare services, frequently operating under the most difficult conditions.

We look back with pride at 35 successful years, transforming VAMED into a growth driver and important employer in the country. However, we also look ahead to the future with optimism, and have confidently set ourselves the task of assuming responsibility on a sustainable basis for the benefit of people's health around the world.

Dr. Ernst Wastler
Chairman of the Executive Board



Dr. Gerd Krick
Chairman of the Supervisory Board

Excellent Basis for Further Growth

2017 proved to be an outstanding year for VAMED. The company continued its success story in its 35th year based on a sales increase of 6 % accompanied by EBIT growth of 10 %. The Service Business could be further expanded and was strengthened by two acquisitions. The order intake in the Project Business once again surpassed the threshold of EUR 1 billion, comprising an excellent basis for further growth in conjunction with the strong Service segment.

For more than three decades, VAMED has been a reliable partner across the globe in all areas of the healthcare industry, from prevention, acute care and rehabilitation to nursing. Our spectrum of services ranges from project development, planning, financing and project management to all areas related to technical, commercial and infrastructural facility management and total operational management, thus covering the entire value chain in the life cycle of a health project. We have implemented over 800 projects in more than 80 countries on five continents and expand into new markets every year. This comprehensive service portfolio and the unique value chain comprise unique selling propositions which have made VAMED an internationally leading healthcare provider.

New contract orders in the Project Business comprise a broad foundation for ongoing growth – Service Business continues to gain importance

In addition to continuing work on existing orders, contracts were concluded for important new projects in the Project Business in 2017. The order intake of EUR 1.10 billion in 2017 together with the orders on hand of EUR 2.15 billion provide an outstanding basis for further growth.

In the Service Business, we now provide technical services for over 670 healthcare facilities featuring a total of approximately 153,000 beds and are also in charge of the total operational management of about 50 facilities containing over 7,700 beds. VAMED has succeeded in significantly expanding its work in this business segment in recent years. In 2017, the Service Business already generated about 51 % of total sales, compared to around 37 % back in 2007.

Acquisitions strengthen market position

Furthermore, we announced two acquisitions at the end of the year which optimally expand the service portfolio of our company.

In October 2017, VAMED acquired the renowned Seewis rehabilitation clinic in the Swiss Canton of Graubünden (Grisons). As a result, it now operates three facilities in Switzerland and covers the most important fields of rehabilitation in its own clinics.

VAMED also emerged as the leading service provider in Germany in the field of sterile goods thanks to its successful acquisition of the company cleanpart healthcare in November 2017.

First health project exclusively devoted to research

For the first time, VAMED has opened a healthcare facility exclusively devoted to research, namely the Institute of Gender Medicine in cooperation with the Medical University of Vienna. We expect the research results in the field of gender medicine to yield important insights which we will be able to put into practice in all our healthcare facilities for the benefit of our guests and patients. In particular, the research findings will contribute to the development of new offerings and therapeutic approaches, especially for prevention and rehabilitation.

Challenges facing the healthcare sector

The healthcare industry ranks among the most important economic sectors throughout the world. In this respect, the demands placed on the health systems in the individual countries vary considerably. Industrialized nations are primarily focusing on issues such as demographic change and digitalization, whereas the priority in developing countries is on putting health infrastructures in place and expanding medical care. VAMED can rely on its international experience in both segments and has proven to be an important competence partner across the globe in developing innovative solutions in all relevant areas of healthcare – from primary healthcare to maximum care in university hospitals.

The issue of financing healthcare facilities is becoming increasingly important against the backdrop of strained public budgets. VAMED is also a competent and reliable partner in this area.

Accordingly, we are a pioneer in carrying out projects within the context of cooperative models offered by leading providers of Public Private Partnership (PPP) projects. In 2017, we already signed the contract for the 25th such PPP project in Austria, and continue to see a need for such cooperative models. At the same time, we are now implementing the largest PPP project in the German healthcare system i.e. the reconstruction, modernization and technical operation of the University Hospital Schleswig-Holstein.

Well-equipped for the future

VAMED has achieved significant milestones in its 35 years of existence thanks to innovative approaches in many areas of the health system. In order to actively shape the future of healthcare, we are currently working on initiatives within the framework of big data analytics to optimize life cycles and investment costs, in Building Information Modelling (BIM) and telemedicine.

We further expanded in the year 2017 as well and succeeded in once again improving our financial performance indicators. This achievement is primarily attributable to our staff, to whom we would like to express our gratitude. We would also like to thank our customers, partners and shareholders for the confidence they have placed in us and their support during the past fiscal year.

Report of the Supervisory Board

Based on a currently valid resolution, the Supervisory Board now consists of five shareholder representatives i.e. Dr. Gerd KRICK, Dkfm. Stephan STURM, KR Karl SAMSTAG, Mag. Andreas SCHMIDRADNER and Dr. Robert HINK, who were all elected to serve on the Supervisory Board until the end of the Annual General Meeting resolving upon the discharging of the Executive and Supervisory Boards for the 2017 fiscal year.

The deliberations of the Supervisory Board in the 2017 fiscal year focused on project and corporate acquisitions, activities designed to strengthen the Services and Total Operational Management business segments as well as on measures aimed at further expanding and consolidating the market position of the VAMED Group in the healthcare sectors of Central Europe and across the globe.

The Executive Board informed the Supervisory Board in writing and verbally about future business policies, the future development of the assets, financial position and earnings of VAMED Aktiengesellschaft and the VAMED Group as well as the status of ongoing operations and the current business and financial situation of the company and the entire VAMED Group. The formal approval of the Supervisory Board was granted in those cases in which authorization is required in accordance with the Austrian Stock Corporation Act, the company's by-laws and Articles of Association.

The financial statements and Management Report of VAMED Aktiengesellschaft were audited by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, which issued an unqualified audit opinion.

With respect to the preparation of separate consolidated financial statements, the Executive Board made use of the exemption provisions contained in Section 245 of the Austrian Commercial Code. Accordingly, separate financial statements were not necessary due to the inclusion of the Group's results in the consolidated financial statements of the majority shareholder. (Condensed) subgroup financial statements were presented to the Supervisory Board, corresponding to the VAMED segment in the consolidated financial statements of the majority shareholder. The last consolidated financial statements of the majority shareholder were also submitted to the Supervisory Board.

The Supervisory Board also set up an Audit Committee to review the annual financial statements of VAMED Aktiengesellschaft as well as the (condensed) subgroup financial statements of the VAMED Group. Following an extensive review, the Audit Committee meeting held on March 5, 2018 resolved to recommend that the Supervisory Board approve the annual financial statements on the basis of the committee's extensive review.

Accordingly, the Supervisory Board approved the financial statements as well as the Management Report of VAMED Aktiengesellschaft when it convened on March 21, 2018, thereby formally adopting them in line with the stipulations contained in Section 96 Para 4 of the Austrian Stock Corporation Act.

At the same meeting the Supervisory Board concurred with the Executive Board's proposal on the appropriation of the balance sheet profit.

The Supervisory Board proposes the appointment of Deloitte Audit Wirtschaftsprüfungs GmbH, Renngasse 1/Freyung, 1010 Vienna, Austria as auditors for the 2018 financial statements of VAMED Aktiengesellschaft.

The Supervisory Board would like to express its gratitude and appreciation to the staff of the company for their dedicated work in the course of the 2017 fiscal year.

Vienna, March 21, 2018

Dr. Gerd Krick
Chairman of the Supervisory Board

Corporate Bodies of VAMED AG

Executive Board

Chairman of the Executive Board	**Dr. Ernst Wastler**
Member of the Executive Board	**Mag. Thomas Karazmann**
Member of the Executive Board	**Mag. Gottfried Koos**
Member of the Executive Board	**MMag. Andrea Raffaseder**

Supervisory Board

Chairman	**Dr. Gerd Krick** Chairman of the Supervisory Board of Fresenius SE & Co. KGaA Chairman of the Supervisory Board of Fresenius Management SE
Deputy Chairman	**Dkfm. Stephan Sturm** Chairman of the Executive Board of Fresenius Management SE, the general partner of Fresenius SE & Co. KGaA
Members	**Dr. Robert Hink** Secretary General of the Austrian Association of Municipalities (ret.)
	KR Karl Samstag CEO of Bank Austria Creditanstalt AG (ret.)
	Mag. Andreas Schmidradner Authorized Signatory of B&C Holding GmbH
Appointed by the Works Council	**Josef Artner**
	Mag. (FH) Thomas Hehle
	Ing. Robert Winkelmayer

VAMED at a Glance

The VAMED value chain

Services

VAMED is a competent partner on a global basis, from project development, planning, project management and construction to technical, commercial and infrastructural services as well as total operational management.

Project Development

Planning

Segments

VAMED operates in all areas of healthcare and applies its technical expertise, competence and professionalism to realize ideas and visions with a focus on human health and well-being.

Competent Turnkey Solutions – Extensive Service Portfolio

VAMED services

Project Development

The initial project idea is the driving force behind every concept. Sparked by this idea, VAMED develops tailor-made solutions for all functional, technical, and economic aspects to put your healthcare project on the right track.

Planning

The complex challenges involved in planning a healthcare project require a professional team that can turn experience and know-how into new solutions – a team you can rely on. The experienced experts of VAMED accompany the project planning process from day one and work as a competent team to ensure its successful implementation.

Project Management and Construction

VAMED is your professional partner along every step of the way from the first day of planning to the turnkey construction and completion of your healthcare project. Adhering to deadlines, paying attention to costs and ensuring quality are just as much part of the VAMED way as are suitable funding solutions or the monitoring of implementation measures.

Services

VAMED provides the complete range of services for healthcare facilities. The VAMED service portfolio is based on individual modules and covers everything from technical, commercial, and infrastructural management to total operational management. The processes are continuously optimized not only to minimize costs but also to ensure the highest quality of healthcare.

Operational Management

VAMED has the expertise on a global basis to manage the entire life cycle of a healthcare facility – from the initial project idea to total operational management. VAMED offers tailor-made management services ranging from partnership models for outsourcing individual areas to the operational management of entire facilities.

From Prevention to Nursing – the Focus is on People

VAMED segments

The thermal spa and health resorts of the VAMED Vitality World offer medical and therapeutic methods as well as extensive applications to improve the physical and mental well-being of our guests. The resorts stand for the highest service quality and innovative concepts. Many years of experience in the healthcare sector enable VAMED to bridge the gap between preventive medicine and health tourism.

VAMED has achieved its internationally leading position as a healthcare provider through innovation and sustainability. Together with its partners, VAMED realizes projects in the field of hospital development, construction and all aspects of operational management. VAMED can point to longstanding international experience in all these areas.

All VAMED rehabilitation facilities strive to enable patients to fully participate in society by minimizing any limitations caused by illness or accidents. Personal and individual treatment as well as the patient-oriented design of all facilities lay the groundwork for the success of our therapeutic measures.

The methodological concept of salutogenesis as applied by VAMED explores new avenues in the field of nursing with the clear focus of enabling our residents to lead self-determined lives in dignity. In line with this approach, the functional and interior design of our nursing facilities is always especially developed to support the implementation of resident and staff-friendly standards.

The Life Cycle Model

The exceptional service portfolio of VAMED makes it possible to plan, build and operate modern, integrated state-of-the-art healthcare facilities across the entire life cycle and in all areas of healthcare, from prevention and acute care to post-acute care, rehabilitation and nursing.

Expansion/Renovation

Operational Management

Putting into Operation

Sustainability in Healthcare

VAMED is committed to a holistic approach and always keeps in mind the interplay among all processes in patient care. In accordance with the life cycle model, our responsibility for healthcare projects goes far beyond successfully handing over the project and training the new staff. Our subsequent operational management services form just another element in the sustainable healthcare cycle going all the way from consulting via project development, planning, and financial engineering to project management, construction, and back again to expansion/renovation.

Project Development

Financing

Construction

Service Business

Project Business

Worldwide Presence

VAMED and its staff of approximately 18,000 people on five continents work on ideas and solutions to realize the healthcare facilities of the future.

Europe

39 sites in 22 countries

Austria – VAMED Headquarters | Belgium
Bosnia and Herzegovina | Croatia | Czech Republic
Finland | France | Germany | Great Britain | Hungary
Italy | Kosovo | Netherlands | Poland | Portugal
Romania | Russia | Serbia | Spain | Switzerland
Turkey | Ukraine

76 sites in **56** countries on **5** continents

18,000 people **42** nations **34** languages

Latin America

8 sites in 8 countries

Argentina | Bolivia | Colombia | Ecuador
Honduras | Panama | Peru | Trinidad and Tobago

Middle East and Asia

17 sites in 14 countries

Indonesia | Iran | Iraq | Kazakhstan | Malaysia | Mongolia
Oman | Philippines | PR China | Qatar | Thailand
Turkmenistan | United Arab Emirates | Vietnam

Africa

10 sites in 10 countries

Cap Verde | Gabon | Ghana | Kenya
Libya | Mozambique | Nigeria | Tanzania
Tunisia | Zambia

Oceania

2 sites in 2 countries

Australia | Papua New Guinea

Global VAMED Projects

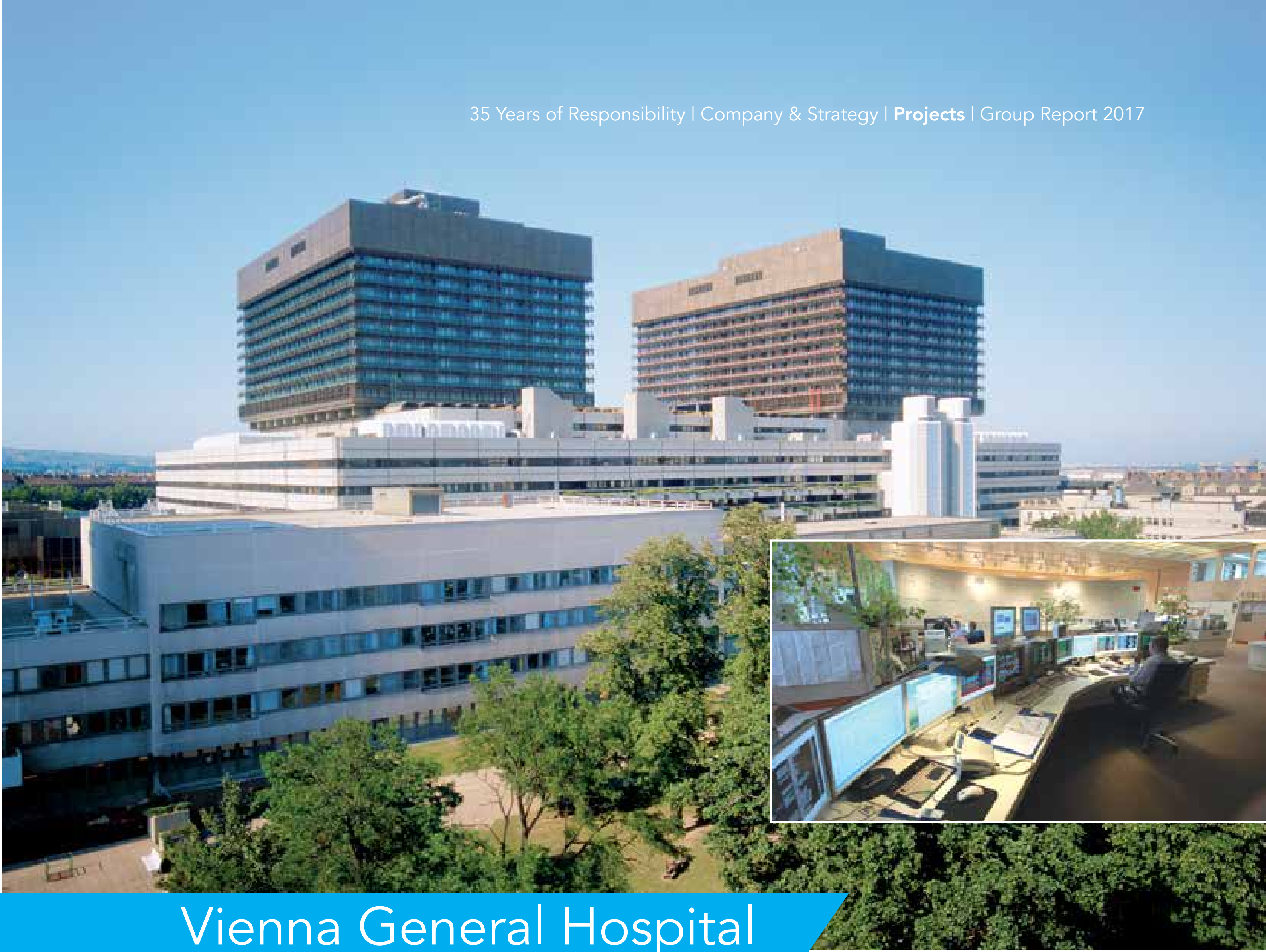
Health and the well-being of people are key factors motivating VAMED to implement the best solutions in the field of healthcare every single day.

VAMED has extensive international expertise in planning, building, and operating facilities in prevention, acute care, rehabilitation, and nursing. The combination and integration of these competencies and areas of activity enables VAMED to provide state-of-the-art healthcare models fit for the 21st century, and to offer a comprehensive service portfolio for the entire healthcare sector.

In this context, the public sector is increasingly interested in so-called Public Private Partnership (PPP) models. Such types of cooperation are designed for a public partner and VAMED to jointly plan, build, finance, and operate hospitals or other healthcare facilities. VAMED is always on the lookout for new and innovative ideas to increase efficiency and ensure its competitive edge, e.g. partnership-based implementation models, such as life cycle and PPP models, structured global financial engineering, or the continuous further development of processes for the implementation and operational management of complex healthcare facilities.

By the end of 2017, VAMED had realized more than 800 projects worldwide – 25 of which were PPP models. The following pages present a selection of our current projects.

"From individual services to full-scale implementation projects and operational management: VAMED is your partner for all healthcare sector projects where detailed expertise and overall solution competence are required – worldwide."



Vienna General Hospital

Vienna, Austria

Excellent quality in technical operation

The Vienna General Hospital – Medical University Campus (AKH) ranks among the largest hospitals in Europe with about 900,000 square meters of net floor area, 30 clinics and institutes, and approximately 1,800 beds. In charge of the hospital's smooth operation since 1986, VAMED-KMB has always been committed to risk minimization, legal and budget certainty and the long-term preservation of value.

AKH Vienna is frequented by an average of 17,000 individuals every single day. About 1,000 highly qualified staff of VAMED-KMB take care of 20,000 technical installations as well as more than 50,000 medical devices and systems. The reliable operation of a hospital of such dimensions over more than 30 years is based on a high degree of quality awareness and profound expertise. For example, VAMED-KMB holds more than 30 trade licenses to master the technical complexity of AKH Vienna.

Already granted four awards by the European Foundation for Quality Management (EFQM), VAMED-KMB was the only Austrian company to achieve the highest status as "Platinum Leading Organization for Excellence in the Healthcare Sector" in 2017. This great accomplishment is currently reserved to just 17 among the more than 1,000 listed EFQM organizations around the world.

Services

- Consulting services
- Infrastructure and construction engineering
- Commercial facility management
- Medical and instrument engineering
- Project management
- Technical operation

Number of beds: 1,800

Campus Charité Mitte

Berlin, Germany

Successful commissioning of the 21-story accommodation complex as well as the new building at Campus Charité Mitte

The clinic successfully completed its first year in the new buildings of Campus Charité Mitte. The last major relocation took place in the first quarter of 2017. In February the Department of Neurosurgery moved into its new home. As a result, it is now equipped with state-of-the-art hybrid operating theaters featuring integrated imaging technology. At the end of February 2017, the new Department of Obstetrics was finally put into operation in the new multi-story accommodation complex.

In early 2014, Charité-Universitätsmedizin Berlin had commissioned the consortium of VAMED Germany and Ed. Züblin AG as total contractor to carry out the restoration of the Charité Berlin University Hospital's 21-story accommodation complex and the new construction of its operating theaters, intensive care unit and central emergency department with a capacity of about 620 beds.

The consortium successfully mastered the great challenge of building and restoring parts of one of the largest university hospitals in Europe without disrupting operations. The clinic was handed over after a construction period of just 35 months.

Services

- Total contractor
- Structural restoration of the 21-story accommodation complex
- Construction of a new Charité Mitte emergency center, thirteen operating theaters, two hybrid operating theaters and first-aid station at Campus Charité Mitte
- Technical and infrastructural management

Number of beds: 3,011

University Hospital Schleswig-Holstein

Kiel/Lübeck, Germany

Largest PPP project in the history of the German healthcare sector

The University Hospital Schleswig-Holstein (UKSH) ranks among the largest centers of university medicine in Germany with a staff of 13,000 people working in 80 clinics at the locations in Kiel and Lübeck. The contract for implementing the construction master plan for the "university medicine of the future" in Schleswig-Holstein was awarded to VAMED as part of a consortium with BAM.

The project comprises new construction and adaptation work as well as the renovation of existing structures spread across an area of 255,300 square meters in Kiel and Lübeck. UKSH is planned to fulfill the region's future requirements in healthcare, research, and teaching. The contract is designed as a life cycle project and includes VAMED to take care of the facility's technical operation for 30 years.

Both locations marked important milestones in 2017. While the structural work of Campus Kiel was completed in April, Lübeck celebrated its topping out ceremony in October.

At a total contract volume of about EUR 1.7 billion, this is the largest Public Private Partnership project implemented to date in the German healthcare sector.

Services

- Life cycle model
- Real estate partnership for planning and implementing new construction and adaptation work as well as the renovation of existing structures at the Kiel and Lübeck locations
- New construction and modernization of 255,301 square meters of net floor space
- Construction of 26 operating theaters
- Renovation of 16 operating theaters
- Construction of two central sterile supply departments
- Technical operation

Number of beds: 2,400

Seewis Rehabilitation Clinic

Graubünden (Grisons), Switzerland

Acquisition of the Seewis Rehabilitation Clinic strengthens our market position in Switzerland

The Seewis Rehabilitation Clinic in the Swiss Canton of Grisons focuses on the rehabilitation of cardiovascular, internal medical, and psychosomatic conditions. In October 2017, VAMED acquired the renowned clinic with an excellent medical reputation as part of our endeavors to expand the activities of VAMED in Switzerland. Successfully providing rehabilitation services in Switzerland since 2012, VAMED has been operating the rehabilitation clinics Zihlschlacht for neurological rehabilitation and Dussnang for orthopedic-musculoskeletal and geriatric rehabilitation. Adding the Seewis Rehabilitation Clinic to our portfolio means that the facilities of VAMED will be able to cover all major fields of rehabilitation in Switzerland.

Services

- Rehabilitation of cardiovascular, internal oncological, and psychosomatic conditions
- Special focus on quality management and service orientation
- Total operational management

Number of beds: 76

Leuwaldhof Pediatric Rehabilitation Facility

St. Veit im Pongau, Austria

New pediatric rehabilitation facility for children with cancer and metabolic diseases

Partnering up with SALK (University Hospital Salzburg), VAMED is building a new pediatric rehabilitation facility for children and adolescents with cancer and metabolic diseases in St. Veit im Pongau (Salzburg). The new family-oriented rehabilitation facility will provide rehabilitation places for 32 children and adolescents with haemato-oncological, immunological and metabolic diseases and diseases of the gastrointestinal tract as well as for up to 50 relatives starting in the spring of 2018. Implementing a clear focus on family-oriented pediatric rehabilitation, the relatives will be fully integrated into the healing process.

Another special feature of this project is the building material wood, which not only takes the vital issue of sustainability into account but also perfectly fits into the concept of "healing environments". In line with this approach, the architecture is specifically designed to have therapeutic, stimulating, and stress reducing properties. Each individual design element is intended to activate the senses of the facility's patients. The entire building project will use a total of 1,200 cubic meters of solid spruce wood from local sources.

Services

- Total contractor
- Project development
- Planning
- Construction
- Total operational management

Number of beds: 82

Therme Wien and Therme Wien Med

Vienna, Austria

Attractive city spa and medical competence center

Spread across a total area of 75,000 square meters, Therme Wien in Vienna, Austria offers some 4,000 square meters of pool space, a sauna area of around 3,000 square meters, and a 1,200 square meter gym. The complex also includes Therme Wien Med, an outpatient competence center for the prevention, diagnosis, and therapy of the entire musculoskeletal system.

The generously designed health center of 6,000 square meters offers more than 200 treatment and therapy bays. The range of therapies available at Therme Wien Med is just as extensive as it is flexible and includes extra-occupational rehabilitation programs. The individual and outpatient rehabilitation in the medical fields of orthopedics, rheumatology and pneumology is carried out in a familiar and social setting under the supervision of medical specialists and with a qualified team of medical doctors and therapists.

The popular thermal spa was connected to Vienna's subway network in September 2017.

Services

- Project development
- Planning
- Construction
- Financing
- Total operational management
- Therme Wien Med: medical competence center for the entire musculoskeletal system, outpatient rehabilitation in the medical fields of orthopedics, rheumatology and pneumology, outpatient center for prevention, diagnosis and therapy; integrative medicine

St Pölten University Hospital

St. Pölten, Austria

Showcase hospital boasting the best in medicine and technology

The St. Pölten University Hospital will become one of Europe's most modern hospitals. As part of the large-scale conversion and expansion project, the contract for the construction of the building was awarded to VAMED as part of a consortium with PORR in 2016. A total of 380 inpatient beds and 85 day care beds as well as nine operating theaters will be under construction until 2022.

The overall project pursues the goal of creating a showcase hospital with nothing but the best in medicine and technology in the provincial capital of Lower Austria. The St. Pölten University Hospital will satisfy the future demands of the surrounding Lower Austrian region both in terms of patient capacity and medical services. The complete conversion and redesign of St. Pölten University Hospital is the largest building project in the history of the NÖ Landeskliniken-Holding.

Services

- Total contractor
- Planning
- Construction

Number of beds (Building D):
380 inpatient, 85 day care

Institute for Gender Medicine in Cooperation with the Medical University of Vienna

Gars am Kamp, Austria

Important stimuli for science and practice

The Institute for Gender Medicine in cooperation with the Medical University of Vienna is VAMED's first healthcare facility exclusively dedicated to conducting research. Aside from our current research in the field of rehabilitation, the institute will focus on the key medical issue of prevention by conducting several studies in parallel to analyze the interplay between stress and metabolism with regard to gender-specific factors.

The findings from the new Institute for Gender Medicine will contribute to expanding the range of services in all VAMED healthcare facilities. Starting from the research site in Gars, a series of new lectures, international conferences and training programs will raise awareness for new individual medical insights among all medical professions. Moreover, students and postgraduates are given the opportunity to conduct research for their theses at the Institute for Gender Medicine.

Employing more than 4,500 therapists, nurses, and doctors, VAMED has always been bundling its expertise of its healthcare facilities. The International Medical Board, for example, draws on the know-how and experience of about 650 doctors and has already played a vital role in the development and refinement of innovative rehabilitation concepts.

Services

- Research and development
- Training and continuing education
- Consulting

INSTRUCLEAN

Sterile supply services

Sterile equipment of the highest quality

The Central Sterile Supply Department (CSSD) is always one of the most important and yet most sensitive areas of any hospital. It plays a vital role in all forms of safe, quick, and successful medical treatment. Aside from an increasing amount of specialized knowledge, the sterile services department requires the highest possible degree of hygiene, precision, and reliability. After all, the requirements imposed on sterile services are continuously on the rise due to new surgical techniques as well as increasingly complex surgical equipment. Against this backdrop, VAMED has been successful in expanding the business area of sterile services for many years.

The acquisition of cleanpart healthcare in November 2017 significantly strengthened this important area of our core business, while expanding our service portfolio to include medical device management (repair and maintenance). As leading provider of sterile supplies in Germany, VAMED will market its sterile supply services under the well-established brand name INSTRUCLEAN.

Services

- Consulting on all aspects of medical device decontamination
- Training, continuing education and coaching of staff in sterile supply services
- Operational management of sterile supply departments and operations
- Provision of operational infrastructure in the form of capacity utilization models
- Full-scale decontamination of medical devices in own facilities as well as collaboration in joint ventures and other forms of cooperation
- Services in medical device management, especially maintenance of surgical instruments ranging from surface decontamination and repairs to full maintenance management

Kasama Specialist Hospital

Kasama, Zambia

New hospital in Zambia

VAMED was awarded the contract for the construction of a hospital with 300 beds in Kasama, Zambia. Intended to ensure the provision of medical care for all of northern Zambia, the new facility in the provincial capital will offer medical treatment in the fields of cardiology, nephrology, and neurology – for acute care patients as well as chronic conditions requiring, for example, dialysis.

The new Kasama Specialist Hospital will feature eight operating theaters for specialized surgery, e.g. kidney transplantations or cardiosurgical procedures. In addition, state-of-the-art intensive care units are available for postsurgical patient treatment. After its scheduled completion in 2021, VAMED will provide management assistance services for a period of two years to ensure the required support, especially in the initial phase of operation.

As the new hospital will be built in a part of the provincial capital of Kasama that still needs to be developed, the project is confronted with quite a particular challenge, namely the lack of infrastructure. VAMED will certainly benefit from its ample experience from other, comparable and successfully realized projects.

Services

- Construction
- Medical equipment
- IT equipment
- Training
- Management assistance
- Financing

Number of beds: 300

Songinokhairkhan Hospital

Ulan Bator, Mongolia

VAMED builds district hospital in Mongolia

VAMED was commissioned with the turnkey construction of the Songinokhairkhan Hospital, the fourth VAMED project in Mongolia. With an area about four and a half times larger than Germany but only about three million inhabitants, Mongolia is the country with the lowest population density in the world. It is therefore hardly surprising that medical care is quite a difficult issue in Mongolia.

The new general hospital will provide 200 beds as well as medical facilities both for inpatients and outpatients, while also serving as a referral hospital to the city's other districts.

VAMED serves as the total contractor, supplies medical equipment and supports a local subcontractor with respect to construction and building services as well as for designing outdoor areas.

Despite the cold winter months with temperatures falling below minus 30 degrees, the hospital with a gross floor area of approximately 18,000 square meters and four levels plus basement is scheduled to go into operation as early as late 2019.

Services

- General contractor
- Planning
- Construction

Number of beds: 200

Boram General Hospital

Wewak, Papua New Guinea

Planning and construction of a regional hospital

In Papua New Guinea, the world's third-largest island state, VAMED was already awarded its third contract focusing on the new construction and renovation of the regional hospital in Wewak.

Boram General Hospital, located in the port city Wewak in the province of East Sepik on the northern coast of the island, opened its doors in 1962. In 2012, it was heavily damaged in a tsunami caused by a severe earthquake in Japan. The hospital's principal medical fields are emergency and general medicine as well as gynecology, surgery, and pediatrics.

In late 2017, VAMED was commissioned with the renovation of the existing hospital and construction of an additional building. After its completion, the new Boram General Hospital will serve as an important referral hospital for the entire healthcare system of Papua New Guinea. While the existing facilities will be modernized without disrupting operations, the hospital will also be equipped with additional medical departments.

Services

- Total contractor
- Financing
- Planning
- Construction
- Renovation

Number of beds: 250

Al Reem Integrated Health & Care Center

Abu Dhabi, United Arab Emirates

Integrated healthcare in Abu Dhabi

In the United Arab Emirates, VAMED was awarded the contract for the construction and operational management of the Al Reem Integrated Health & Care Center in Abu Dhabi.

The concept for the Al Reem Integrated Health & Care Center is particularly innovative as it seamlessly combines a modern primary healthcare center (PHC) with an acute care hospital and a directly integrated rehabilitation clinic. The acute medical care program specializes in the treatment of women and children, whereas rehabilitation services are planned to include therapies for orthopedic, cardiovascular, neurological, and oncological patients.

The project's floor space of about 49,000 square meters will provide room for a total capacity of 219 beds. As the acute care departments will have 113 available beds, the remaining 106 beds are dedicated to rehabilitation. The new hospital is scheduled to go into operation in 2020, with VAMED being in charge of operational management for a period of 20 years.

Services

- Life cycle model
- Total contractor
- Planning
- Construction
- Medical equipment
- IT equipment
- Total operational management
- Technical operation

Number of beds: 219 (113 in acute care, 106 in rehabilitation)

Point Fortin General Hospital

Point Fortin, Trinidad and Tobago

Turnkey construction of a general hospital

Trinidad and Tobago is an island state off the coast of Venezuela in the Caribbean. Its approximately 1.2 million inhabitants live on two islands across a total area of 5,100 square kilometers. After the successful completion of its first project in 2014, VAMED was commissioned with another project: the construction of this general hospital accommodating 100 beds.

The new three-story hospital will provide medical services in the fields of general medicine, surgery, gynecology and obstetrics, psychiatry, pediatrics, and the treatment of burns.

Considering its location on the island of Trinidad, Point Fortin General Hospital will be designed to withstand category 4 hurricanes and category 6 earthquakes. Aside from building the actual hospital, the scope of the contract also encompasses the required power supply and wastewater treatment facilities.

Services

- Total contractor
- Financing
- Planning
- Construction

Number of beds: 100

Hôpital Communautaire Autrichien-Haïtien

St. Louis-du-Nord, Haiti

Medical infrastructure in northwestern Haiti

After the devastating earthquake of 2010, donors from Germany and Austria financed a new hospital as part of a project by Hilfswerk Austria International in cooperation with VAMED. Just one year later, the new regional hospital built by VAMED was already opened in St. Louis-du-Nord.

The location of St. Louis-du-Nord confronted VAMED with considerable challenges in terms of supply and staff employment. A total of seven shiploads of building material and the entire medical equipment had to be sent from Europe to Haiti. In a next step, the whole shipment for the hospital in a modular structure was transported to St. Louis-du-Nord, sometimes on unpaved roads and under extremely difficult conditions.

VAMED has been ensuring the hospital's medical operations as well as training the local staff since 2011. Moreover, the VAMED experts were also in charge of setting up and maintaining the hospital's technical operations.

In the course of the project, VAMED adjusted the equipment to local challenges. Today the hospital presents itself as a superbly equipped healthcare facility operating in line with European standards and hygiene requirements. Its range of services was expanded to include medical care for mothers and children as well as emergency patients.

After more than six years at the Hôpital Communautaire Autrichien-Haïtien, Hilfswerk Austria International and VAMED were able to successfully conclude their on-site operation and hand over all medical, technical, and accompanying services to the regional health department.

Services

- Total contractor
- Planning
- Construction
- Total operational management
- Establishment of medical operations
- Training of the medical and technical staff

Number of beds: 20

Modular Clinic Concept

Africa

In Africa countries such as Gabon, Ghana, Kenya, Mozambique and Nigeria have been relying for more than 30 years on the competence offered by VAMED in improving their healthcare systems. The modular concept implemented many times includes various healthcare facilities from a polyclinic to university hospitals.

The integrated modular concept of VAMED pursues the primary objective of expanding the healthcare infrastructure in developing countries. The modular concept is based on four stages:

- The **primary care center** for up to ten beds on 500 square meters provides first and emergency medical care.

- The next stage of healthcare is the **polyclinic** with up 60 beds in sparsely populated regions. Although limited in size, it is equipped with everything needed to provide basic healthcare to the surrounding region's population, often also including infrastructure, such as wastewater treatment, power supply, and waste management. The polyclinic focuses on extended emergency care, obstetrics, radiology, and minor surgeries.

- Patients with more severe medical conditions are treated in the farther away **regional hospital** with up to 250 beds. The medical services provided at the regional hospital also include diagnostics and a laboratory.

- The highest stage of the modular concept is the **general hospital or university hospital**. Aside from comprehensive general and intensive medical care, it is also a center for rehabilitation and medical training.

In terms of the concept's actual implementation, the VAMED staff individually adapt every health-care project to local needs, train the staff and provide support in the start-up phase. If VAMED is also contracted to operate the facility within the context of a life cycle model, the facility is also sustainably available.

The latest contract for the construction of five regional hospitals and a polyclinic with a total of 370 beds in the northern region of Ghana represents a further element of this successful concept to improve the healthcare system. The overall project comprises the construction of three smaller regional hospitals of 60 beds, two larger hospitals of 80 beds, and a polyclinic of 30 beds.

Services

- Total contractor
- Planning
- Construction
- Staff education and training
- Support in the start-up phase
- Technical operation
- Total operational management

VAMED Group Structure

VAMED AG

Projects

- International
  - VAMED ENGINEERING GmbH, Vienna
- Central Europe
  - VAMED Standortentwicklung und Engineering GmbH, Vienna

Services

- AKH and KAV, Vienna
  - VAMED-KMB Krankenhausmanagement und Betriebsführungsges.m.b.H., Vienna
- Central Europe and International
  - VAMED Management und Service GmbH, Vienna

Group Management Report 2017

Positive momentum maintained
VAMED concluded a successful 2017 fiscal year and maintained its dynamic development with sales increasing by 5.8 %, EBIT being up 9.9 %, and earnings before tax (EBT) improving by 11.2 %. Moreover, a rise in order intake (+7.7 %) and a plus in orders on hand (+9.5 %) form a solid basis for further growth.

1. Economic report

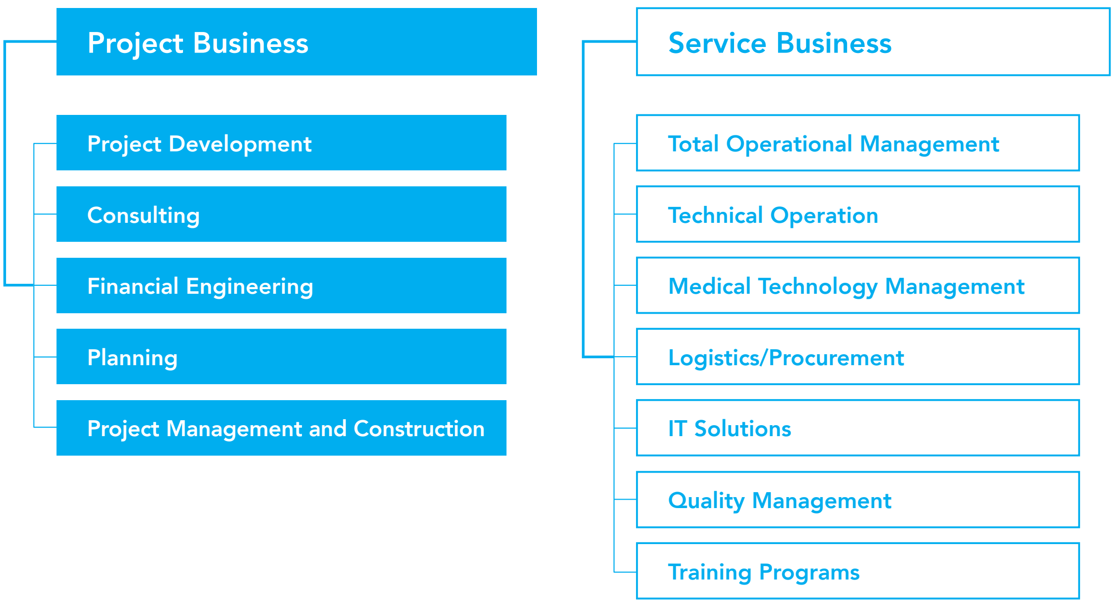
1.1 Market and business model

The healthcare industry is one of the most important branches of the global economy. As one of the leading healthcare providers in the world, there is no other enterprise with a comparable range of services across the entire life cycle of its managed facilities that could compete with VAMED.

VAMED can look back on a success story of more than 800 projects realized in 80 countries on five continents. VAMED is specialized in international projects and services for hospitals and healthcare facilities. Our **range of services** comprises the complete value chain in the healthcare sector and covers everything from project development, planning, turnkey completion and maintenance to technical, commercial, and infrastructural management as well as total operational management. Our extensive competencies enable us to provide efficient assistance even to complex healthcare facilities over their entire life cycles. Moreover, VAMED is also a pioneer in the area of Public Private Partnership (PPP) models for hospitals and other healthcare facilities.

The various **business segments** of VAMED cater to all the different healthcare fields from prevention and healthcare tourism to acute care, rehabilitation, and nursing. VAMED is not only the leading private provider of rehabilitation services but has also become the largest operator of thermal spa and health resorts with the VAMED Vitality World in Austria.

VAMED Services



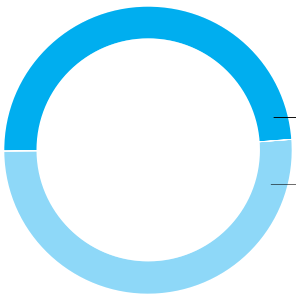
1.2 Order situation and sales performance

VAMED services were once again in great demand across the entire reporting period. Not only was the order intake of € 1,096 million in the Project Business 7.7 % higher than in the previous year, but our end-of-year orders on hand increased by 9.5 % to € 2,147 million.

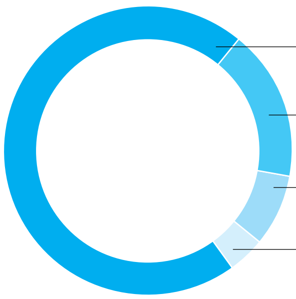
Against this backdrop, VAMED was able to increase its sales once more by 5.8 % to € 1,228 million (2016: € 1,160 million) in the 2017 fiscal year.

Breakdown of sales by business segment:

in T€	2017	2016	Changes
Project Business	605,767	594,270	1.9 %
Service Business	622,227	566,215	9.9 %
Total	**1,227,994**	**1,160,485**	**5.8 %**



In terms of geographical distribution, Europe continues as the strongest business region with a share of 72 % in total sales. Asia, Africa, and Latin America generated 16 %, 8 %, and 4 % respectively of total sales.



1.3 Business segments in greater detail

Project Business

The VAMED Project Business comprises the fields of consulting, development, planning, financing management, and the turnkey completion of projects in the healthcare sector. Moreover, VAMED is a leader in the area of Public Private Partnership (PPP) models, in which public and private partners set up a joint project company to plan, build, finance and operate hospitals and other healthcare facilities. VAMED has been able to successfully complete or is currently about to complete 25 PPP model projects.

The following section provides information on key projects in individual target markets of VAMED's Project Business.

Europe

In Germany, VAMED is currently in the implementation phase of modernizing the University Hospital Schleswig-Holstein. While the structural work of Campus Kiel was completed in April, Lübeck celebrated its topping out ceremony in late September. The contract is designed as a life cycle project and includes the maintenance and operational management of the facility until 2044. Its overall contract volume of approximately € 1.7 billion is the largest Public Private Partnership project implemented to date in the German healthcare sector. In addition, VAMED was commissioned with the turnkey construction of a hospital of about 400 beds in Biberach, Baden-Württemberg in 2017.

In Austria, VAMED was able to begin treating patients in the newly constructed radiation oncology unit of Hietzing Hospital at the end of 2017. Another unit is scheduled to be put into operation at the Social Medical Center East – Danube Hospital (SMZ-Ost) in 2019. VAMED is also in charge of technical operations in both projects. Moreover, VAMED was awarded the contract for the expansion of the St. Pölten University Hospital and will add a new building with 380 inpatient beds and 85 day care beds as well as nine operating theaters.

In Switzerland, VAMED is about to complete and start operations of the newly constructed Limmattal Hospital in the Canton of Zurich, including the delivery of medical technical and IT equipment. The new hospital with 192 beds in acute care and 134 patient beds in the care center is scheduled to run at full capacity by October 2018. In the Canton of Thurgau, VAMED was already able to celebrate the topping out ceremony for the new geriatric rehabilitation department of the Dussnang orthopedic rehabilitation facility. The expansion project will be completed in 2018.

In the Netherlands, VAMED was commissioned with the planning and delivery of medical technical equipment for the Hardenberg Hospital. As part of a full-service contract, VAMED will also be in charge of the facility's subsequent medical technology management.

In Poland, the construction project for the Krakow-Prokocim University Hospital with approximately 900 patient beds is proceeding according to plan, with completion scheduled for 2019.

In Bosnia and Herzegovina, VAMED is still engaged in the modernization and extension of the Banja Luka University Hospital Clinical Center with more than 700 beds.

In Russia, VAMED was awarded another contract for the planning and construction of an additional building with 50 patient beds and the delivery of medical technical equipment for the AVA Peter Northern Clinic in St. Petersburg.

Africa

In Zambia, VAMED was commissioned with the turnkey construction of a hospital with 300 beds in the provincial capital of Kasama. Another project on the African continent is the construction of a multifunctional central laboratory in Equatorial Guinea. In Kenya, VAMED received contracts for the modernization of obstetrics facilities in several regional hospitals. In Tunisia, VAMED is making swift progress in completing the new healthcare facility at the Jendouba Oncology Center, with completion scheduled for 2018.

Middle East and Asia

On the Arabian Peninsula, work was continued on the construction of the Al Reem Integrated Health & Care Center in Abu Dhabi in 2017. The integrated healthcare center with acute care hospital, rehabilitation center and an outpatients department is designed as a VAMED full-service life cycle project. Furthermore, the contract for the construction and operation of a hospital in Dar Al Shifaa is proceeding according to plan. In Oman, VAMED was commissioned with the turnkey construction of a specialized hospital with rehabilitation clinic in the region of Sohar.

VAMED has already been operating with great success for many years in the important Asian markets of China, Malaysia, and Vietnam. In Laos, work was continued on the modernization and extension of the Friendship Hospital in Vientiane. As part of the very first project for a private provider in Laos, VAMED will also be in charge of the turnkey construction of the Asean Hospital – also in Vientiane. Further contracts were awarded in Mongolia, Sri Lanka, and Indonesia.

VAMED is also active in Oceania and was commissioned with the turnkey extension and renovation of the regional hospital with 250 patient beds in Wewak, Papua New Guinea.

Latin America

VAMED has been strengthening its market position in Latin America for several years. In Nicaragua, VAMED completed the Hospital Occidental in Managua in 2017. In Argentina, VAMED was awarded the contract for the turnkey construction of a regional hospital in Cordoba. In the reporting period, VAMED received another contract from Ecuador for the delivery of medical technical equipment.

VAMED is working on the realization of a turnkey hospital with 100 patient beds in Point Fortin in Trinidad and Tobago.

Service Business

VAMED has been successful with its wide range of services for healthcare facilities all over the world. In 2017, VAMED was in charge of the operational management of approximately 50 healthcare facilities with more than 7,700 beds. In terms of technical operation, VAMED provided services for more than 670 hospitals with a total of about 153,000 beds. VAMED received new contracts for technical services in Germany, Great Britain, Austria, Italy, the Netherlands, and Switzerland. In addition, VAMED accomplished a successful market entry in Spain in 2017.

The VAMED Service Business is based on a modular design and encompasses all aspects of technical, commercial, and infrastructural management for facilities in the healthcare sector – ranging from building and equipment maintenance to medical technology management, technical operations, and operational management. In addition, VAMED provides services in the fields of energy management, waste management, the cleaning of buildings and outside installations, and security.

In the reporting period, there was also an important addition to the VAMED Service Business that is worth mentioning: VAMED has been a competent partner in sterile supply processing for healthcare facilities for quite some time. The acquisition of the Duisburg-based company cleanpart healthcare and the significant expansion of high-end sterile supply services enabled VAMED to become the leading provider of sterile supplies in the German market.

The issue of digitalization is getting more and more important – thanks to the application of state-of-the-art technology in operational management or in form of projects, such as the successful implementation of a new e-health system in Kosovo in 2017.

The integrated solutions provided by VAMED ensure the optimal management and operation of healthcare facilities over their entire life cycle – from the construction of buildings and the end of their primary use to their modernization and extension.

VAMED also offers logistics services in the healthcare sector. The streamlining of procedures minimizes the costs of logistics and at the same time ensures the required quality of supply. The numerous national and international certificates and awards document that VAMED is able to meet even the highest quality standards.

The extensive VAMED portfolio also includes various healthcare training and continuing education programs, offered all around the world from Africa to the Middle East and Asia.

The following section outlines the most important developments in the target markets of the VAMED Service Business.

Europe

In Austria, VAMED successfully continued its partnership of several decades with the Vienna General Hospital – Medical University Campus (AKH) in 2017. VAMED has been in charge of the AKH's technical operations since 1986. As one of Europe's largest university hospitals, AKH Vienna comprises more than 30 clinics and institutes with about 1,800 beds.

As part of Vienna's first PPP life cycle model project, VAMED took over technical operations of the radiation oncology department at the Hietzing Hospital in mid-2017. Four months later, VAMED was able to begin treating patients. Patient admission will commence in 2019 at the Social Medical Center East – Danube Hospital (SMZ-Ost).

The newly built Hospital Neunkirchen is also designed as a life cycle model project with VAMED in charge of providing technical service.

With a total of twelve rehabilitation centers, VAMED is the largest private provider of rehabilitation services in Austria. In this regard, VAMED primarily focuses on maintaining its high level of quality and applying innovative treatment methods. In 2017, VAMED began building a new pediatric rehabilitation facility in St. Veit im Pongau. The new family-oriented rehabilitation facility with 82 beds will provide rehabilitation places for children and adolescents with hemato-oncological, immunological and metabolic diseases as well as diseases of the gastrointestinal tract by mid-2018. In Vienna, VAMED opened the Center for Neurological Rehabilitation at the Rehabilitation Clinic Vienna Baumgarten. Considering its 222 patient beds, the neurological and orthopedic clinic is the city's largest inpatient rehabilitation facility.

In Germany, the consortium of VAMED and BAM continued its operation and maintenance services for the University Hospital Schleswig-Holstein with a total of some 2,400 beds at the two locations in Kiel and Lübeck. Headed by VAMED, the consortium CFM Facility Management GmbH has been a partner of the Charité Berlin University Hospital since 2006 and provides all technical and infrastructure services to this internationally renowned hospital with approximately 3,000 patient beds.

In 2017, VAMED provided technical services in the fields of building technology, medical technology, logistics, and sterilization for more than 260 hospitals with about 94,000 beds in Germany.

VAMED already operates two major rehabilitation facilities in Switzerland, namely the renowned rehabilitation clinics Zihlschlacht and Dussnang. In 2017, VAMED was able to strengthen its position as the second-largest private provider of rehabilitation services in Switzerland. Adding the Seewis Rehabilitation Clinic in the Canton of Grisons to the VAMED portfolio means that the facilities of VAMED will finally be able to cover all major fields of rehabilitation in Switzerland.

In Great Britain, VAMED expanded its range of healthcare services for inpatient and outpatient rehabilitation in a joint venture with Circle Health.

In the Czech Republic, VAMED provided services in the fields of acute care, rehabilitation, and long-term care for the Mediterra Hospitals at nine locations with a total of about 1,000 beds in 2017.

Africa

VAMED is in charge of technical operations at nine hospitals in Gabon with a total of more than 1,200 beds.

Middle East and Asia

In the United Arab Emirates, the management contracts for the Al Reem Hospital as well as the management assistance for the Dar Al Shifaa Hospital commenced in 2017. Moreover, VAMED provided support in the field of technical operations at the Princess Nourah University Hospital in Saudi Arabia.

VAMED was also commissioned with the provision of management assistance services for the Imperial Hospital Chittagong in Bangladesh.

VAMED Vitality World

In the face of rising life expectancies, the topic of preventive medicine is gaining in importance, in particular also as the number of healthy life years has not risen to the same extent as life expectancy. Thanks to VAMED's decades of experience in healthcare, VAMED Vitality World is able to bridge the gap between preventive medicine and health tourism. VAMED is the market leader in Austria, operating eight thermal spa and health resorts. In addition, VAMED has been highly successful in operating Aquaworld Resort Budapest, the city's largest thermal resort, for more than four years.

In recognition of their outstanding services, VAMED Vitality World and several of its resorts once again received numerous acclaimed national and international awards in 2017, including the title of "World's Best Thermal Spa & Medical Wellness Operator 2017" for VAMED Vitality World.

VAMED never stops investing in its resorts to make sure that their guests enjoy the very best in state-of-the-art comfort. At the AQUA DOME Tirol Therme Längenfeld, for example, VAMED converted the children's area for families and opened it in August 2017.

1.4 Results of operations, financial position, assets and liabilities

1.4.1 Results of operations

Once again VAMED generated an excellent earnings performance in 2017. Based on the 5.8 % increase in sales to € 1,228 million, EBIT rose by 9.9 % to € 76 million (2016: € 69 million). The EBIT margin was 6.2 % (2016: 5.9 %). As a result of the low capital intensity of the VAMED business model, the return on equity (ROE) before taxes amounted to an excellent 19.0 % (2016: 19.5 %).

Earnings before taxes and non-controlling interests (EBT) amounted to € 73.9 million, up € 7.4 million against the previous year.

The financial result is approximately € -1.7 million compared to the € -2.3 million against the previous year.

Taxes on income and earnings increased by approximately € 2.3 million to approximately € 23.0 million, resulting in a tax ratio based on EBT of 31.1 % (2016: 31.0 %).

1.4.2 Assets and liabilities

in T€	Dec. 31, 2017	%	Dec. 31, 2016	%
Assets				
Current assets	933,002	72.8 %	792,462	71.5 %
Property, plant and equipment; goodwill; other intangible assets	207,517	16.2 %	175,448	15.8 %
Other non-current assets	141,658	11.0 %	140,369	12.7 %
Balance sheet total	**1,282,177**	**100.0 %**	**1,108,279**	**100.0 %**
Liabilities				
Current liabilities	666,949	52.0 %	556,998	50.3 %
Non-current liabilities	225,848	17.6 %	209,990	18.9 %
Shareholders' equity	389,380	30.4 %	341,291	30.8 %
Balance sheet total	**1,282,177**	**100.0 %**	**1,108,279**	**100.0 %**

Investments

The following investments were made by the VAMED Group in 2017 and 2016:

in T€	2017	2016
Property, plant and equipment	12,935	9,474
Other intangible assets	2,858	1,703
Total	**15,793**	**11,177**

The increase in property, plant and equipment mainly refers to replacement and renewal investments in our hospitals and rehabilitation facilities.

1.4.3 Financial position

in T€	2017	2016	Changes
Order intake (Project Business)	1,095,761	1,017,230	7.7 %
Sales	1,227,994	1,160,485	5.8 %
Operating result before interest, tax, depreciation and amortization (EBITDA)	86,823	79,727	8.9 %
EBITDA margin	7.1 %	6.9 %	
Operating result (EBIT)	75,619	68,780	9.9 %
EBIT margin	6.2 %	5.9 %	
Earnings before tax and non-controlling interests (EBT)	73,949	66,523	11.2 %
EBT margin	6.0 %	5.7 %	
Result attributable to shareholders of the parent company	49,585	44,726	10.9 %
Balance sheet total	1,282,177	1,108,279	15.7 %
Shareholders' equity	389,380	341,291	14.1 %
Equity ratio	30.4 %	30.8 %	

2. Non-financial performance indicators

Sustainability and corporate social responsibility have been fundamental aspects – and elements in the day-to-day operations of a healthcare provider – in all business activities of VAMED. Due to its one-of-a-kind value chain, VAMED has played a fundamental role in the development of healthcare systems in numerous countries – and often made sure to enable or even guarantee adequate access to healthcare services for all people despite extremely difficult conditions.

The past record of success and the future potential of VAMED are essentially based on the following key factors:

- Unparalleled competencies in the entire healthcare sector
- Great individual performance of staff members as a result of their training, expertise, and project experience
- Ability and readiness of staff members to extend cooperation across organizational and geographical boundaries
- Internationalism as the foundation for the development of customized solutions worldwide
- Product and producer neutrality for optimum customer benefits
- Ability of the entire VAMED Group as a "learning organization" to apply and further develop experiences from other projects
- Setting of demanding standards by management and the committed promotion of staff complying with such standards
- Innovation leadership based on experiences from more than 800 successfully completed projects

2.1 Environmental management

Our responsibility as a healthcare group also extends to our commitment to protect nature as the basis of life and to use its resources in a responsible manner. It goes without saying that we comply with legal requirements and continuously strive to improve our performance in the area of environmental protection.

In accordance with our activities in environmental management, VAMED pays particular attention to the resource-conserving use of energy sources and fresh water. Whenever VAMED is in charge of building healthcare facilities, the most suitable construction and installation techniques are applied depending on the location to guarantee optimal resource management.

In Austria, the VAMED energy management is certified and regularly audited by TÜV Austria according to ISO 50001 for all companies in which VAMED exercises a controlling interest. Certified by Quality Austria, the thermal spa and health resorts of VAMED Vitality World established their energy management according to ISO 50001 in 2016. VAMED provides its local units with framework specifications for their energy management, thereby implementing measures to improve energy efficiency on a local level.

2.2 Staff

In 2017, the consolidated companies of the VAMED Group had an average of 1,024 blue-collar staff members, 7,154 white-collar staff members, and 160 apprentices (2016: 951 blue-collar, 6,936 white-collar, and 165 apprentices).

Training and further development
One of VAMED's key success factors is the individual performance of all staff members as a result of their training, expertise, and project experience. For this reason, VAMED attaches top priority to further developing the success factor of "human capital" as part of its overall human resources management. The combination of extensive need-based training programs and targeted staff development measures enables VAMED to actively prepare for current and future challenges.

The diverse course and training portfolio of the VAMED Academy provides all VAMED staff members with a wide range of both professional and personal training and continuing education opportunities. Aside from specialized modules, the Academy also offers personal development courses and training in leadership skills, social competence, and methodological expertise. In addition, several knowledge platforms, including the International Medical Board (IMB), are continuously engaged in bringing together the know-how and experience of some 650 medical professionals working for VAMED.

Within the scope of strategic human resources planning, VAMED implements processes specifically for the identification and individual further development of so-called high potentials. One such important example is the VAMED Human Capital Management (HCM) program designed to prepare high potentials for assuming managerial responsibilities.

Aside from the HCM program, VAMED has various trainee programs dedicated to the qualification and training of young staff members with a development potential above average. In consequence, VAMED enables these trainees to gain extensive specialized know-how and experience in specific professions.

Occupational health and safety management
The health and safety of our staff members is an integral element of VAMED's corporate culture and firmly established in our mission statement. In terms of occupational health and safety management, all locations of the VAMED Group are subject to local laws and regulations. Compliance with these regulations is guaranteed on the local level of each individual location.

Aside from regular occupational health and safety inspections, all VAMED staff members may also benefit from our individual occupational healthcare as well as preventive medical examinations. In addition, the VAMED occupational health management includes a wide range of health-promoting offers.

2.3 Quality management and data protection

All VAMED processes are guided by the established quality standards, amongst others ISO 9001, ISO 14001, and ISO 13458 as well as the standards of the European Foundation for Quality Management (EFQM). Moreover, the VAMED Group certified its healthcare facilities according to international standards, e.g., JCI (Joint Commission International) or QMS-Reha. VAMED guarantees these quality standards by carrying out regular internal audits as well as external recertifications.

Patient satisfaction
VAMED continuously measures the level of guest and patient satisfaction in all its healthcare facilities in a structured process. After an internal analysis and evaluation of the gathered data, VAMED takes adequate measures to improve the results.

Data protection
The application of state-of-the-art information and communication technology results in an obligation for VAMED to manage the data of guests, patients, staff members, and business partners with particular care. The VAMED Group acknowledges the right to data protection and respects the rights and privacy of all individuals whose personal information is either collected or received by VAMED.

2.4 Respect for human rights

VAMED respects and promotes human rights in accordance with international standards as part of its corporate social responsibility. Two fundamental aspects are of special importance based on the activities of the VAMED Group:

- VAMED has implemented more than 800 projects in more than 80 countries and helped to provide patients with access to healthcare facilities all around the world since its foundation in 1982.
- In its entire sphere of influence, VAMED is determined to ensure safe working conditions for all staff members in all its healthcare facilities.

2.5 Ethics and compliance

VAMED is committed to respecting ethical standards (compliance rules) with regard to staff members, customers, suppliers and all other business partners. In order to ensure that these high requirements are met, VAMED implemented a group-wide compliance system to monitor adherence to all (self-imposed) obligations as stipulated in the VAMED Code of Conduct. The contents of the VAMED Code of Conduct as well as the issue of cybercrime are available to all staff members as an e-learning module.

The VAMED Clinical Code of Conduct, once again also including the issue of cybercrime, governs the professional relationship between medical staff and patients. These contents are also available as an e-learning unit, ensuring continuous awareness of the demanding ethical standards for the responsible operation of healthcare facilities. Moreover, the training courses in IT security are also carried out in the form of an e-learning module.

All newly employed staff members must complete the e-learning modules indicated above. In addition, all staff members are obliged to repeat the modules on the VAMED Code of Conduct, the VAMED Clinical Code of Conduct, and the IT Security Guideline every year, thereby ensuring an adequate level of knowledge in the long run.

VAMED also expects its suppliers and business partners to observe ethical standards with regard to their staff members, society, and the environment in their daily operations. The respective obligations are determined by the Code of Conduct for Business Partners.

3. Risk report

3.1 General risks

Professional project controlling and management have become well-established core competencies of the VAMED Group in its Project Business and Service Business.

VAMED responds to the general risks associated with its Project Business and Service Business with a well-tested system for their identification, assessment and mitigation adjusted to the relevant business activity.

These systems for a reasonable avoidance of default, liquidity, and cash-flow risks comprise organizational measures (e.g., risk calculation standards in the preparation of offers; risk assessment for accepting contracts; ongoing project controlling including project supervisory meetings and continuously updated risk evaluation; budget checking at regular intervals, etc.), quality assurance measures (quality standards across business fields, in particular according to ISO 9001, ISO 13485, ISO 17020, ISO 17025, ISO 14001, ISO 19600, ISO 50001, ISO 27001, EN 15224, EFQM, Joint Commission International (JCI)), and measures regarding financial issues (credit reviews; dunning system; ensuring payment through required advance payment, L/Cs, or guaranteed loans; safe investments; sufficient prudential reserves).

In 2017, the VAMED Group continued its successful strategy of increasingly offering full implementation models for healthcare facilities and further expanding its Service Business.

The complexity of sophisticated services in both national and international healthcare markets requires relatively long development periods with significant cost risks.

Although such long development periods are rather common, VAMED is able to put its specific experience, standardized procedure models, knowledge databases, and wide-ranging interdisciplinary technical competencies to good use to substantially shorten these development periods and, as a result, markedly curtail exposure to cost risks.

The entire world is subject to enormous cost pressure in the healthcare system, which is felt in the hospital sector in particular. Strategies in Europe designed to reduce hospital bed capacity, close down or merge hospitals and implement specialized hospitals continue to dominate in the acute care sector.

VAMED addresses this trend through holistic implementation models including financing (e.g., life cycle models and innovative PPP models along the entire VAMED value chain). The practice of fair and reasonable sharing of opportunities and risks with mostly public partners/sponsors and a clear focus on core competencies in each situation enable public contracting authorities to implement investment projects and increase cost effectiveness in the healthcare sector.

Such models can only be implemented by further developing and concentrating the core competencies of the Project Business and Service Business against the backdrop of VAMED's extensive international experience.

Associated risks are sufficiently minimized through competent quality management, professional knowledge management, and comprehensive development programs for staff members and the management alike. In the event of a risk case despite wide-ranging risk mitigation measures, a crisis management system provides for a clearly defined step-by-step plan. This system is trained on a systematic and regular basis. In particular with regard to the responsibility as an operator of healthcare facilities, VAMED has detailed plans and protective measures in place for patients, guests, and staff members as well as for the continued operation of its healthcare facilities.

3.2 Specific risks

VAMED concludes hedging transactions tailored to the scope of individual project and its duration to provide cover against foreign currency receivables and future purchases of products and services quoted in foreign currencies.

4. Significant events after the balance sheet date

There have been no events which have had a significant impact on the results of operations, financial position, assets and liabilities of the VAMED Group after the end of the year under review.

5. Outlook

Holistic implementation models (PPP and life cycle projects) will continue to significantly impact the business activities of VAMED in Europe in 2018. Outside of Europe, however, VAMED will focus on tailored solutions and customer-oriented financial engineering for healthcare facilities along the entire VAMED value chain. We will pay special attention to the development of integrated healthcare models. With its unique range of services in the prevention, acute care, rehabilitation, and nursing areas, VAMED will continue its successful path in the 2018 fiscal year. We expect the global demand in projects and services for hospitals and other healthcare facilities to increase within a low single-digit percentage range.

In general, VAMED differentiates between established and emerging healthcare markets. Our Service Business is much more in demand in established healthcare markets characterized by increasing cost pressure yet also rising cost awareness. Aside from increasing efficiency through professional technical, infrastructural or commercial management, there are numerous processes indirectly controlled by procedures in the medical and nursing fields that bear substantial potential for additional improved efficiency. VAMED plays an innovative and leading role in the continued development of these processes.

In addition to our services, established target markets also long for infrastructure adaptations to healthcare facilities – especially with regard to life cycle and PPP models.

We expect stable growth in the established healthcare markets of Central Europe. Demand will continue to rise due to demographic changes and the increasing need for investments and modernization of public healthcare facilities.

In the emerging healthcare markets, the VAMED Group still focuses on establishing efficient healthcare systems that satisfy people's needs. As the development of primary supply structures has largely been completed, VAMED directs its attention to promoting secondary healthcare structures and creating tertiary as well as teaching and research structures within "Centers of Excellence".

A large number of markets in Asia, the Middle East, and Africa increasingly demand professional services in accordance with European standards. For this reason, the core competencies in the Project Business and Service Business of VAMED are also in demand in emerging markets.

In most cases, the market entry is based on VAMED's Project Business. Nevertheless, customer-oriented offers in the areas of prevention, acute care, rehabilitation, and nursing meet with increasing interest in these markets as well. Over the past years, VAMED has been able to build up an excellent reputation at both national and international level thanks to its comprehensive range of services, professionalism, and reliability.

We expect an overall dynamic development among emerging markets. In Africa and Latin America, for example, there is an increasing demand for efficient healthcare according to people's needs. In other markets, such as China, Southeast Asia, and the Middle East, the existing infrastructure needs to be further developed in combination with new healthcare structures. In all these cases, VAMED is well positioned with its integrated healthcare models comprised of acute care and post-acute care services.

VAMED is determined to live up to our high reputation and the trust of our partners and customers both at home and abroad in our competence as well as reliability in terms of costs, deadlines, and quality in 2018. Once again we will attach top priority to pursuing innovative approaches, developing quality solutions and ensuring their successful implementation. In 2018, VAMED will continue to use and further expand its extensive international network of branches and joint ventures in Central and Eastern Europe, the Middle East, Asia, Africa, Latin America, and Australia along the entire VAMED value chain for all customers and partners – for the benefit of people's health and to ensure quality for our patients and staff members alike.

Vienna, March 5, 2018

The Executive Board

Dr. Ernst Wastler
Chairman of the Executive Board

Mag. Thomas Karazmann
Member of the Executive Board

Mag. Gottfried Koos
Member of the Executive Board

MMag. Andrea Raffaseder
Member of the Executive Board

Consolidated Financial Statements 2017

Condensed consolidated financial statements of VAMED AG Vienna for the fiscal year January 1 to December 31, 2017

The consolidated financial statements of the VAMED Group are equivalent to the segment report "Fresenius VAMED" in the consolidated financial statements of Fresenius SE & Co. KGaA according to IFRS, and are subsequently referred to as "financial statements of the VAMED Group".

VAMED Consolidated Statement of Income

January 1 to December 31, in T€	Note(s)	2017	2016
Sales	3	1,227,994	1,160,485
Cost of sales	4, 5	-1,074,393	-1,021,224
Gross profit		**153,601**	**139,261**
Selling and general administrative expenses	6	-80,422	-73,879
Other expenses	7	-1,234	-378
Other income	7	3,674	3,776
Operating result (EBIT)		**75,619**	**68,780**
Interest income	8	2,031	2,345
Interest expenses	9	-3,701	-4,602
Earnings before tax (EBT)		**73,949**	**66,523**
Income taxes	10	-22,969	-20,625
Earnings after tax (EAT) = net income		**50,980**	**45,898**
Net income attributable to non-controlling interests	11	-1,395	-1,172
Net income attributable to the shareholders of the parent company		**49,585**	**44,726**

VAMED Consolidated Statement of Comprehensive Income

January 1 to December 31, in T€	Note(s)	2017	2016
Earnings after tax (EAT) = net income		**50,980**	**45,898**
Other comprehensive income (loss)			
Positions which will be reclassified into net income in subsequent years		**3,512**	**-698**
Cash flow hedges		1,846	-155
Foreign currency translation		2,129	-582
Income taxes on positions which will be reclassified		-463	39
Positions which will not be reclassified into net income in subsequent years		**3,791**	**-5,103**
Actuarial gains (losses) on defined pension plans		3,305	-3,789
Other items (mainly severance pay provisions)		1,574	-2,780
Income taxes on positions which will not be reclassified		-1,088	1,466
Other comprehensive income (loss)		**7,303**	**-5,801**
Total comprehensive income		**58,283**	**40,097**
Comprehensive income attributable to non-controlling interests		**-1,608**	**-941**
Comprehensive income attributable to the shareholders of the parent company		**56,675**	**39,156**

VAMED Consolidated Balance Sheet

Assets

as at December 31, in T€	Note(s)	2017	2016
Cash and cash equivalents	12	201,946	143,983
Trade accounts receivable less allowances for doubtful accounts	13	208,154	190,089
Accounts receivable from and loans to related parties	14	18,985	11,635
Inventories	15	445,962	399,114
Prepaid expenses and other current assets	16	57,955	47,641
Total current assets		**933,002**	**792,462**
Property, plant and equipment	17	80,463	72,099
Goodwill	18	118,420	99,133
Other intangible assets	18	8,634	4,216
Deferred taxes	10	7,288	5,880
Other non-current assets	16, 19	134,370	134,489
Total non-current assets		**349,175**	**315,817**
Total assets		**1,282,177**	**1,108,279**

Liabilities and shareholders' equity

as at December 31, in T€	Note(s)	2017	2016
Trade accounts payable	20	293,160	256,915
Short-term trade accounts payable to related parties	21	5,589	1,163
Short-term provisions and other short-term liabilities	22, 23	215,242	197,349
Short-term borrowings	24	7,380	7,040
Short-term loans from related parties	24	130,094	82,793
Current portion of long-term debt and liabilities from capital lease obligations	24	5,676	2,027
Short-term accruals for income taxes	25	9,808	9,711
Total current liabilities		**666,949**	**556,998**
Long-term debt and liabilities from capital lease obligations, less current portion	24	25,039	19,012
Long-term liabilities and loans from related parties	24	76,565	65,397
Long-term provisions and other long-term liabilities	22, 23	61,721	73,569
Pension liabilities	26	35,844	35,419
Deferred taxes	10	26,679	16,593
Total non-current liabilities		**225,848**	**209,990**
Equity attributable to non-controlling interests		**8,590**	**7,377**
Subscribed capital	27	10,000	10,000
Capital reserve	27	36,188	37,209
Other reserves	27	362,500	321,693
Accumulated other comprehensive income (loss)	28	-27,898	-34,988
Equity attributable to the shareholders of the parent company		**380,790**	**333,914**
Total shareholders' equity		**389,380**	**341,291**
Total liabilities and shareholders' equity		**1,282,177**	**1,108,279**

VAMED Consolidated Cash Flow Statement

January 1 to December 31, in T€	2017	2016
Cash flow from operating activities		
Net income attributable to the shareholders of the parent company	49,585	44,726
Net income attributable to non-controlling interests	1,395	1,172
Adjustments to reconcile group net income (EAT) to cash and cash equivalents provided by operating activities		
Depreciation and amortization	11,204	10,947
Changes in deferred taxes	8,319	3,147
Gain/loss on disposal of fixed assets	-2,657	50
Other expenses/income not recognized as cash	1,922	1,498
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of		
Trade accounts receivable, net	-18,392	-9,964
Inventories	-46,562	-115,164
Prepaid expenses and other current assets	5,355	17,967
Trade accounts receivable from/payable to related parties	-4,571	-1,556
Trade accounts payable, accruals and other liabilities	36,310	71,164
Income tax accruals	76	3,105
Cash flow from operating activities	**41,984**	**27,092**
Purchase of property, plant and equipment	-15,793	-11,177
Disposal of property, plant and equipment	8,794	-374
Acquisition of investments, net	-18,545	-340
Divestitures	16	-638
Proceeds from/repayment of borrowings to related parties	-1,994	44,744
Cash flow from investing activities	**-27,522**	**32,215**
Proceeds from/repayment of short-term loans	256	-1,005
Proceeds from/repayment of borrowings from related parties	51,208	17,681
Proceeds from/repayment of long-term debt and liabilities from capital lease obligations	3,022	-1,827
Dividends paid	-10,700	-10,500
Changes in non-controlling interests	-285	-114
Cash flow from financing activities	**43,501**	**4,235**
Net change in cash and cash equivalents	**57,963**	**63,542**
Cash and cash equivalents at the beginning of the year	**143,983**	**80,441**
Cash and cash equivalents at the end of the year	**201,946**	**143,983**
thereof cash and cash equivalents subject to restricted disposition	41,271	2,500

VAMED Consolidated Statement of Changes in Equity

in T€	Subscribed capital	Reserves Capital reserve	Other reserves	Other compre-hensive income (loss)	Equity attributa-ble to the shareholders of the parent company	Equity attributable to non-controlling interests	Total share-holders' equity
As at December 31, 2015	**10,000**	**41,033**	**285,969**	**-29,418**	**307,584**	**6,552**	**314,136**
Stock options of the parent company	0	0	1,498	0	1,498	0	1,498
Other comprehensive income (loss) Cash flow hedges	0	0	0	-116	-116	0	-116
Foreign currency translation	0	0	0	-586	-586	4	-582
Actuarial gains (losses) on defined pension plans	0	0	0	-2,972	-2,972	0	-2,972
Other items (mainly severance provisions)	0	0	0	-1,896	-1,896	-235	-2,131
Effect of changes of the consolidated group	0	0	0	0	0	-2	-2
Creation and/or reversal of reserves	0	-3,824	0	0	-3,824	0	-3,824
Dividends	0	0	-10,500	0	-10,500	-114	-10,614
Net income	0	0	44,726	0	44,726	1,172	45,898
As at December 31, 2016	**10,000**	**37,209**	**321,693**	**-34,988**	**333,914**	**7,377**	**341,291**
Stock options of the parent company	0	0	1,922	0	1,922	0	1,922
Other comprehensive income (loss) Cash flow hedges	0	0	0	1,384	1,384	0	1,384
Foreign currency translation	0	0	0	2,037	2,037	92	2,129
Actuarial gains (losses) on defined pension plans	0	0	0	2,594	2,594	0	2,594
Other items (mainly severance provisions)	0	0	0	1,075	1,075	121	1,196
Effect of changes of the consolidated group	0	0	0	0	0	-110	-110
Creation and/or reversal of reserves	0	-1,021	0	0	-1,021	0	-1,021
Dividends	0	0	-10,700	0	-10,700	-285	-10,985
Net income	0	0	49,585	0	49,585	1,395	50,980
As at December 31, 2017	**10,000**	**36,188**	**362,500**	**-27,898**	**380,790**	**8,590**	**389,380**

Group Notes

General Notes

Notes on the Income Statement

Notes on the Balance Sheet

Other Notes

General Notes

1. General

I. Group structure

The VAMED Group is a global provider of services in the healthcare sector. The headquarters and location of the lead company, VAMED Aktiengesellschaft, are in 1230 Vienna, Sterngasse 5.

VAMED Aktiengesellschaft (in the following also VAMED AG, or VAG) is owned by Fresenius ProServe GmbH (in the following also FPS), Bad Homburg v.d.H., a wholly-owned subsidiary of Fresenius SE & Co. KGaA (in the following also FSE), Bad Homburg v.d.H., (77 %), IMIB Immobilien und Industriebeteiligungen GmbH, Vienna, (13 %), and B & C Beteiligungsmanagement GmbH, Vienna, (10 %).

Fresenius is a globally active healthcare group with products and services for dialysis, hospitals, and medical care for outpatients. The Fresenius Group further operates hospitals and provides engineering and general services for hospitals and other healthcare facilities. In addition to the activities of FSE, the operating activities were split into the following legally independent business segments (subgroups) in the fiscal year under review:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed

General notes on the financial statements of the VAMED Group

VAMED AG is included in the consolidated financial statements of Fresenius SE & Co. KGaA with its seat in 61352 Bad Homburg v.d.H., Germany, and makes use of the exemption provisions under the Austrian Business Code, Section 245. FSE prepares consolidated financial statements in German language in accordance with IFRS under the German Commercial Code, Section 315a.

Therefore, the financial statements of the VAMED Group have been prepared on a voluntary basis and are fully in line with the segment report for the "Fresenius Vamed" segment in FSE's consolidated financial statements according to IFRS.

The financial statements of the VAMED Group are prepared in euro. For the purpose of clear presentation, figures are given in thousand euros (T€). As a result of the required rounding, minor deviations of total and percentage figures may occur.

The VAMED Group's financial statements deviate from the International Financial Reporting Standards (IFRS) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) in the following points:

- Goodwill from the acquisition of the VAMED Group at the level of the parent company FSE has been included in the financial statements of the VAMED Group (push-down accounting).
- Goodwill from acquisitions of other FSE segments has been included in the VAMED Group's financial statements at the values indicated by FSE (push down accounting) or arises from the difference between the purchase prices and the amortized carrying amounts. The total goodwill resulting from the above circumstances amounts to € 50.5 million.
- The present Notes on the VAMED Group's consolidated financial statements have been drawn up to the extent required for a clear understanding of the balance sheet and the income statement and do not claim to be complete in the sense of the International Financial Reporting Standards (IFRS).

As for the full wording of the abbreviated company names used in these notes, please refer to the List of Participating Interests. Broken down into "fully consolidated companies" and "non-consolidated companies", this list provides company names in alphabetical order on the basis of their abbreviations as used within the group.

Those companies are also shown as affiliated and non-consolidated entities which, via FSE's consolidated group, are included in the FSE financial statements.

II. Basis of presentation

The consolidated financial statements of the VAMED Group have been prepared in accordance with the parent company's guidelines (in particular regarding the application of IFRS, materiality thresholds, and the determination of the consolidated group) and for the purpose of drawing up FSE's consolidated financial statements, and are included in FSE's consolidated financial statements according to IFRS as the "Fresenius Vamed" segment.

In order to improve the clarity of presentation, various items have been aggregated in VAMED's consolidated balance sheet and income statement. These items are analyzed separately in the notes where this provides useful information to the users of VAMED's consolidated financial statements.

The VAMED Group's balance sheet contains the information required under IAS 1 (Presentation of Financial Statements) and presents assets and liabilities using a current/non-current classification. The consolidated statement of income is classified using the cost-of-sales accounting format.

III. Summary of significant accounting principles

a) Principles of consolidation

The financial statements of consolidated entities have been prepared using uniform accounting methods. Acquisitions of companies are accounted for applying the purchase method.

Capital consolidation is performed by offsetting investments in subsidiaries against underlying revalued equity at the date of acquisition. The assets and liabilities of subsidiaries, as well as non-controlling interests, are recognized at their fair values. In case of acquisitions within the group, the carrying amounts have been recognized.

Any remaining debit balance is recognized as goodwill and is tested at least once a year for impairment.

All intercompany sales, expenses, income, receivables, and payables are eliminated.

In the year under review, no profits and losses on items of property, plant and equipment and inventory acquired from other group entities had to be eliminated.

Deferred tax assets are recognized on temporary differences resulting from consolidation procedures.

Non-controlling interests comprise the "interest of non-controlling shareholders" in the consolidated equity of group entities. Profits and losses attributable to the non-controlling shareholders are separately disclosed in the income statement.

Companies that have not been included in VAMED's consolidated financial statements are valued at purchase cost less accumulated depreciation.

b) Composition of the Group

The consolidated financial statements of the VAMED Group include VAMED AG as well as all material companies in which VAMED AG holds a direct or indirect majority interest, or a majority of voting rights, and may exercise control.

As at the end of the 2017 fiscal year, VAMED's consolidated financial statements include VAMED AG and 26 (2016: 23) Austrian as well as 45 (2016: 37) foreign companies.

In the year under review, the following companies were consolidated for the first time:

Abbreviation	Company and seat	Foundation/Acquisition	As at
VHP-CH	VAMED Health Project Schweiz AG, Zihlschlacht-Sitterdorf, Switzerland	Foundation	January 1, 2017
VKP	VAMED-Krankenhausmanagement und Projekt GmbH, Vienna, Austria	Foundation	May 1, 2017
UKP	ARGE UK St. Pölten, Vienna, Austria	Foundation	July 1, 2017
VHP-UK	VAMED Health Projects UK Limited, Worcester, Great Britain	Foundation	September 1, 2017
HTB-GB	HERMED BIOMEDICAL ENGINEERING UK LIMITED, London, Great Britain	Foundation	September 1, 2017
XAG	Xard AG, Seewis im Prättigau, Switzerland	Acquisition	October 1, 2017
RSE	Reha Seewis AG, Seewis im Prättigau, Switzerland	Acquisition	October 1, 2017
CPH	Cleanpart Healthcare GmbH, Duisburg, Germany	Acquisition	November 1, 2017
ICL	Instruclean GmbH, Duisburg, Germany	Acquisition	November 1, 2017
ICL-AT	Instruclean Austria GmbH, Vienna, Austria	Acquisition	November 1, 2017
HTB-ES	HERMED INGENIERÍA CLÍNICA ESPAÑA, S.L., Madrid, Spain	Foundation	December 1, 2017

Special purpose entities (SPEs) are required to be consolidated if a company of the VAMED Group exercises a controlling interest over an SPE (i.e., essentially receives all benefits and incurs all risks). Companies of the VAMED Group participate in longer-term project companies set up for defined periods of time and for specific purposes, meaning the construction and operation of thermal spas. As these project companies are SPEs but VAMED does not exercise a controlling interest, they have not been consolidated. In the year under review, the project companies generated sales of € 119 million (in 2016: € 114 million) on a preliminary basis. These SPEs are mainly financed through debt, participation rights, and investment grants. Assets and liabilities relating to these project companies are not material. The VAMED Group made no payments to these project groups other than contractually stipulated. From today's perspective and due to existing contractual regulations, the VAMED Group is not exposed to any material risk of loss from these project companies.

A complete list of investments of VAMED AG is provided in detail in these Notes.

c) Classifications

The classification of the items in VAMED's consolidated financial statements is based on the presentation in the parent company's consolidated financial statements under IFRS.

d) Sales recognition policy

Sales from services are recognized at amounts estimated to be receivable under reimbursement arrangements with third party payors. Sales are recognized on the date services and related products are provided and the payor is obligated to pay.

Product sales are recognized when the title to the product passes to the customers, either at the time of shipment, upon receipt by the customer, or upon any other terms that clearly define passage of beneficial title. Sales are stated net of discounts, allowances, and rebates.

Sales from long-term production contracts are recognized depending on the individual agreement and in accordance with the "completed contract method" (CCM) or, if requirements for its application are met, in accordance with the "percentage-of-completion method" (PoC) on the basis of a project's stage of completion. The sales to be recognized are calculated as a percentage of the costs already incurred based on the estimated total cost of the contract, or milestones laid down in the contract. Profits are only recognized when the outcome of a production contract accounted for using the PoC method can be measured reliably. Expected losses are recorded immediately as expenses.

e) Government grants

Public sector grants are generally not recognized until there is reasonable assurance that the respective conditions are met and the grants will be received. At first, the grant is recorded as a liability and offset against earnings over the useful life of the asset in line with depreciation.

f) Impairment

The VAMED Group reviews the carrying amount of its property, plant and equipment, its intangible assets with definite useful lives as well as other non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount is higher than the assets' net realizable value or the value in use. The net realizable value of an asset is defined as its fair value less costs to sell. The value in use is the present value of future cash flows expected to be derived from the relevant assets. If it is not possible to estimate the future cash flows from the individual assets, impairment is tested on the basis of future cash flows of the smallest cash-generating units (CGUs).

If the reasons for impairment cease to exist, an adequate reversal of impairment or write-up up to the assets' amortized costs of acquisition and production is carried out with the exception of goodwill write-downs.

Assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. For such assets, depreciation is terminated. No such assets are shown in the year under review.

g) Capitalized interest

The VAMED Group includes capitalized interest on borrowed capital as part of the costs of the assets if they are directly attributable to the acquisition, construction or manufacture of qualifying assets. No interest on borrowed capital was capitalized in the 2017 fiscal year, as in the previous period.

h) Income taxes

Current income taxes are determined on the basis of the financial results for the fiscal year as at the balance sheet date, taking into account the legal situation in the various countries. Expected or paid additional tax expenses and tax income for previous periods are also taken into consideration.

Deferred tax assets and liabilities are recognized for future consequences attributable to temporary differences between the VAMED Group's financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Furthermore, deferred taxes are recognized on consolidation procedures affecting net income. Deferred tax assets also include claims to future tax reductions which arise from the expected usage of existing tax losses available for carryforward. The recoverability of deferred tax assets from tax loss carried over, and their usability, is assessed on the basis of the VAMED Group's performance planning as well as tax strategies that can be practically implemented.

Deferred taxes are calculated using rates applicable for the period in which an asset is likely to be realized or a liability is likely to be redeemed. The tax rates used are those that have been enacted or published as at the balance sheet date.

The realizability of the carrying amount of a deferred tax asset is reviewed at each balance sheet date. In assessing the realizability of deferred tax assets, the management considers to which extent it is probable that the deferred tax asset will be realized. Realization of deferred tax assets is dependent on the generation of future taxable income during periods in which those temporary differences and tax loss carryforwards become deductible. In making this assessment, the management considers the expected reversal of deferred tax liabilities and projected future taxable income.

The carrying amount of a deferred tax asset is shown to the extent that it is probable that sufficient taxable profit will be available to utilize part or all of the respective deferred tax asset.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash funds and short-term time deposits.

j) Trade accounts receivable

Trade accounts receivable are stated at their nominal value less allowance for doubtful accounts. Allowances are determined mainly on the basis of payment history to date, the age structure of balances, and all information available on the contract partners. The VAMED Group checks regularly whether there have been any divergences to previous payment history in order to assess the appropriateness of allowances.

k) Inventories

Inventories comprise all assets which are held for sale in the normal course of business (finished products), in the process of production for such sale (work in progress, including long-term production contracts and services not yet invoiced), or consumed in the production process or in the rendering of services (raw materials and supplies).

As regards raw materials and supplies, merchandise, and CCM-valued work not yet invoiced, inventories are stated at the lower of acquisition or manufacturing cost (determined by using the average cost or first-in, first-out method) or net realizable value. As regards PoC-valued work that cannot yet be invoiced, valuation is carried out on the basis of acquisition or manufacturing cost plus overheads and share of profit or loss equal to the degree of completion.

l) Property, plant, and equipment

Property, plant, and equipment are stated at acquisition and manufacturing cost less accumulated depreciation. Ongoing maintenance and repair expenses are immediately recognized as expenses. The costs for the replacement of components and the general overhaul of property, plant, and equipment are capitalized provided it is probable that future economic benefits are generated for the VAMED Group and the costs can be measured reliably. Depreciation on property, plant, and equipment is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 1 to 50 years for buildings and improvements, and 1 to 23 years for technical plants, machinery, and equipment.

m) Intangible assets with definite useful lives

In the VAMED Group, intangible assets with definite useful lives resulting from consolidation, such as customer relations, are amortized using the straight-line method over the remaining useful lives of the assets (usually 4 to 9 years) and reviewed for impairment. All other intangible assets are amortized over their individual estimated useful lives between 1 and 15 years.

Impairment losses are recognized in the event of losses in value of a lasting nature. If the reasons for impairment no longer apply, the impairment losses are reversed up to the amount of the amortized costs of acquisition and production.

n) Goodwill and other intangible assets with indefinite useful lives

The VAMED Group identifies intangible assets with indefinite useful lives if, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the group. The identified intangible assets with indefinite useful lives, such as trade names or management contracts, are recognized and reported apart from goodwill. They are recorded at acquisition costs.

In order to evaluate the recoverability of separable intangible assets with indefinite useful lives, the VAMED Group compares the fair values of these intangible assets with their carrying amounts. The fair value of an intangible asset is determined using the discounted cash flow approach and other methods, if appropriate.

As at the balance sheet date, assets did not include any non-amortizable intangible assets with indefinite useful lives.

Goodwill is not generally amortized but tested for impairment annually or when an event becomes known that could trigger impairment (impairment test). In order to perform the annual impairment test of goodwill, the VAMED Group identified groups of cash-generating units (CGUs) and determined the carrying amount of each CGU by assigning assets and liabilities to it. As a rule, a CGU is determined to be one level below the business segment level in line with operational control ("management approach").

The fair value of each group of CGUs is compared to its carrying amount at least once a year. The fair value of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by such CGU. In case the value in use of the CGU is less than its carrying amount, the difference is recorded as an impairment of the fair value of such CGU's goodwill at first.

For the goodwill of the "Fresenius Vamed" segment shown in the financial statements of the VAMED Group as determined by the parent company, impairment tests are carried out for the CGUs "Project Business" and "Service Business".

A negative difference, if any, resulting from the purchase price allocation ("lucky buy", bad will) after a reviewing of the value approach is immediately recognized in profit or loss.

The recoverability of goodwill recorded in VAMED's consolidated balance sheet was verified. As a result, the VAMED Group did not record any impairment losses on goodwill in 2017 and 2016.

o) Leasing

Leased assets assigned to the VAMED Group based on the risk and rewards approach (finance leases) are recognized as property, plant, and equipment and measured at their fair values on the date of receipt as long as the present values of lease payments are not lower. Leased assets are depreciated on a straight-line basis over their useful lives. If there is doubt as to whether title to the leased asset passes at a later stage and there is no advantageous purchase option, the asset is depreciated over the contractual lease term, provided it is shorter. An impairment loss is recognized if the recoverable amount is lower than the amortized cost of the leased asset. Corresponding write-ups are carried out should the reasons for impairment no longer apply.

Finance lease liabilities are measured at the present value of the future lease payments and are recognized as financial liabilities.

p) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Purchases and sales of financial assets are recognized on the trading day. The VAMED Group has not made use of the fair value option, which allows financial assets or financial liabilities to be classified at fair value (fair value option) through profit or loss upon initial recognition.

The following categories (according to IAS 39, Financial Instruments: Recognition and Measurement) are relevant for the VAMED Group: loans and receivables, financial liabilities measured at amortized cost, financial assets available for sale as well as financial liabilities/assets measured at fair value in the consolidated income statement. Other categories of financial instruments exist within the VAMED Group to an insignificant extent only or not at all. No financial instruments were reclassified in the 2017 fiscal year.

The VAMED Group categorizes its financial instruments as follows: cash and cash equivalents, assets recognized at their carrying amount, liabilities recognized at their carrying amount, derivatives for hedging purposes, assets recognized at fair value, liabilities recognized at fair value, and non-controlling interests subject to put options recognized at fair value.

Derivative financial instruments (foreign currency forward contracts) are recognized in the balance sheet as assets or liabilities at fair value. Changes in the fair value of derivative financial instruments, classified as fair value hedges, and in the corresponding underlyings are recognized periodically in earnings. The effective portion of changes in fair value of financial instruments classified as cash flow hedges is recognized in shareholders' equity (accumulated other comprehensive income (loss)) until the secured underlying transaction is realized (see Note 30 Financial Instruments). The non-effective portion of cash flow hedges is immediately recognized in earnings. Changes in the fair value of derivatives with regard to which no hedge accounting is applied are recognized periodically in earnings.

Derivatives embedded in host contracts, if any, are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

q) Liabilities

Liabilities are generally stated at amortized costs as at the balance sheet date, which normally corresponds to their repayment amount.

r) Legal contingencies

In the ordinary course of the VAMED Group's operations, the VAMED Group is subject to legal disputes and procedures relating to various aspects of its business. The VAMED Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate. The VAMED Group utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a loss accrual, the VAMED Group considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim, or the disclosure of any such suit or assertion, does not necessarily indicate that an accrual of a loss is appropriate.

s) Other provisions

Provisions for taxes and other obligations are recognized when there is a present obligation to a third party arising from past events, it is probable that the obligation will be settled in the future, and the amount can be reliably estimated.

Provisions for warranties and complaints are estimated based on historical experience.

Tax provisions include obligations for the current year as well as prior years.

Long-term provisions with a remaining period of more than one year are discounted to the present value of the expenditures expected to settle the obligation.

t) Pension liabilities and similar obligations

The actuarial valuation of pension liabilities is carried out in accordance with IAS 19 "Employee Benefits" (amended 2011) based on the accumulated benefits obligations approach for post-employment benefit obligations (projected unit credit method), taking future wage, salary, and pension increase rates into account.

The VAMED Group uses December 31 as the measurement date in determining the funded status of all plans.

The net interest expense (net interest income) is determined by multiplying the net defined benefit liability (net asset) by the discount rate used to determine the gross defined benefit obligation at the beginning of the period. The pension liability results from the benefit obligation less the fair value of plan assets.

Remeasurements include actuarial gains and losses resulting from the evaluation of the defined benefit obligation as well as from the difference between actual return on plan assets and the expected return on plan assets at the beginning of the year used to calculate the net interest costs.

Remeasurement effects are immediately shown under "Other comprehensive income (loss)" and not recognized in profit or loss in subsequent periods. All other components of the net pension expense are recognized in profit or loss for the period.

u) Share-based compensation plans

The total value of FSE stock options and convertible equity instruments granted to members of the VAMED Group's Executive Board and the VAMED Group's staff at the grant date is determined in accordance with actuarial models and recognized as expenses over the vesting period of the stock option plans.

The fair value at the measurement date of cash-settled phantom stocks granted to members of the Executive Board and to senior executives of the VAMED Group is calculated using the Monte Carlo simulation. The corresponding liability based on the fair value at the measurement date is accrued over the vesting period of the phantom stock plans. The corresponding liability based on the measurement date fair value is accrued over the vesting period of the phantom stock plans.

v) Foreign currency translation

The reporting currency is the euro. Substantially all assets and liabilities of the foreign subsidiaries are translated at the exchange rate on the balance sheet date, while sales and expenses are translated at average exchange rates. Adjustments due to foreign currency translation fluctuations are excluded from net earnings and are reported in "Accumulated other comprehensive income (loss)".

Gains and losses arising from the translation of foreign currency positions, as far as these are not considered foreign equity instruments, are recorded as "Other expenses" or "Other income". In the year under review, the VAMED Group recognized T€ 1,094 (2016: T€ 213) as other expenses and T€ 443 (2016: T€ 403) as other income.

The exchange rates of the main currencies affecting foreign currency translation developed as follows:

	Year-end exchange rate		Average exchange rate	
	Dec. 31, 2017	Dec. 31, 2016	2017	2016
AED (United Arab Emirates dirham) per €	4.405	3.872	4.149	4.066
CHF (Swiss franc) per €	1.170	1.074	1.112	1.090
CZK (Czech crown) per €	25.540	27.020	26.327	27.034
SAR (Saudi riyal) per €	4.498	3.955	4.237	4.152
QAR (Qatari riyal) per €	4.398	3.838	4.160	4.030
PEN (Peruvian sol) per €	3.888	3.547	3.685	3.736
TTD (Trinidad and Tobago dollar) per €	8.115	7.049	7.628	7.306
USD (US dollar) per €	1.199	1.054	1.130	1.107

w) Fair value hierarchy

The three-tier fair value hierarchy according to IFRS 7 "Financial Instruments Disclosures" classifies assets and liabilities recognized at fair value based on the inputs used in determining the fair value. Level 1 is defined as observable inputs such as prices quoted in active markets.

Level 2 is defined as inputs other than prices quoted in active markets that are directly or indirectly observable.

Level 3 is defined as unobservable inputs for which little or no market data exist, therefore requiring the company to develop its own assumptions.

x) Use of estimates

The preparation of the VAMED Group's consolidated financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of sales and expenses during the reporting period. Actual results may differ from those estimates. Estimates and discretionary decisions are required in particular for the items trade accounts receivable, inventories, deferred tax assets and pension liabilities as well as for the assessment of the recoverability of goodwill.

y) Receivables management

The entities of the VAMED Group perform ongoing evaluations of the financial situation of their customers and, in the vast majority of cases, require collateral in the form of down payments, letters of credit or bank guarantees from the customers, particularly when they place construction orders.

z) Recent standards

In the 2017 fiscal year, only those IFRS standards were applied which are mandatorily applicable for fiscal years starting on January 1, 2017. In the 2017 fiscal year, the following standard with a material impact on the business operations of the Fresenius Group has been applied for the first time:

In January 2016, the International Accounting Standards Board (IASB) issued the final amendments to IAS 7 "Statement of Cash Flows". The amendments are intended to improve the information related to the change in a company's debt by providing additional disclosures. The standard is effective for fiscal years beginning on or after January 1, 2017.

The VAMED Group applied the amendments to IAS 7 in the VAMED consolidated financial statements for the first time as at December 31, 2017.

aa) Recent standards which are not yet applied

The International Accounting Standards Board (IASB) issued the following relevant new standards for the VAMED Group which are mandatory for fiscal years commencing on or after January 1, 2018:

In January 2016, the IASB issued IFRS 16 "Leases" which replaces the current standard on lease accounting, IAS 17, as well as the interpretations IFRIC 4, SIC 15, and SIC 27. IFRS 16 significantly improves lessee accounting. For all leases, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation of the right-of-use asset and interest on the lease liability must be recognized in the income statement for every lease contract. Therefore, straight-line rental expenses will no longer be shown. The lessor accounting requirements in IAS 17 are substantially carried forward. The standard is effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted for entities that have also adopted IFRS 15 "Sales from Contracts with Customers". The VAMED Group decided that IFRS 16 will not be adopted early. The VAMED Group expects a balance sheet extension due to the balance sheet recognition of right-of-use assets and liabilities for agreed lease payment obligations, currently classified as operating leases, resulting in particular from leased clinics and buildings. As for the consolidated income statement, the VAMED Group expects an improvement in the earnings before interest, tax, depreciation and amortization (EBITDA) as well as operating income due to the separation of rental expenses into depreciation and interest expenses but without effect on the cash outflows. The impact on the VAMED Group will depend on the contract portfolio at the effective date as well as the transition method. The VAMED Group expects to apply the modified retrospective method after review of the analysis performed. Currently, the VAMED Group is evaluating optional exceptions of IFRS 16.

In May 2014, the IASB issued IFRS 15 "Sales from Contracts with Customers". This new standard specifies how and when companies reporting under IFRS will recognize sales as well as provide users of financial statements with more informative and relevant disclosures. IFRS 15 replaces IAS 18 "Sales", IAS 11 "Construction Contracts" and a number of sales-related interpretations. This standard applies to nearly all contracts with customers, with the main exceptions being leases, financial instruments and insurance contracts. In September 2015, the IASB issued the amendment to the effective date of IFRS 15, which defers the effective date of IFRS 15 by one year to fiscal years beginning on or after January 1, 2018. Earlier adoption is permitted. The VAMED Group decided that IFRS 15 will not be adopted early and is currently evaluating the impact of IFRS 15, in conjunction with all amendments to the standard, on its consolidated financial statements. The VAMED Group plans to apply IFRS 15 based on the cumulative method and continues to evaluate optional exceptions. The VAMED Group intends to apply IFRS 15 exclusively to contracts that are not fulfilled by January 1, 2018.

In July 2014, the IASB issued a new version of IFRS 9 "Financial Instruments". This IFRS 9 version is considered to be the final and complete version, thus mainly replacing IAS 39 as soon as IFRS 9 is applied. It includes all prior guidance on the classification and measurement of financial assets and financial liabilities as well as hedge accounting and introduces requirements for impairment of financial instruments as well as modified requirements for the measurement categories of financial assets. The impairment provisions reflect a model that relies on expected losses (expected loss model). This model comprises a two-stage approach: upon recognition an entity shall recognize losses that are expected within the next twelve months. If credit risk deteriorates significantly, from that point in time impairment losses shall amount to the expected losses over the lifetime. The provisions for classification and measurement are amended by introducing an additional third measurement category for certain debt instruments. Such instruments shall be measured at fair value with changes recognized in other comprehensive income (fair value through other comprehensive income). The standard is accompanied by additional disclosure requirements and is effective for fiscal years beginning on or after January 1, 2018. Earlier adoption is permitted. The VAMED Group decided that IFRS 9 will not be adopted early. In accordance with IAS 39, the majority of the non-derivative financial assets are measured at amortized costs. The requirements imposed upon the classification and measurement of non-derivative financial liabilities have not changed significantly. Accordingly, the VAMED Group expects a limited impact on its consolidated financial statements. The analysis of the business model and the contractual cash flow characteristics of each instrument has been completed. With regard to selected equity instruments, the VAMED Group will exercise the optional exception of recognizing changes in fair value as other comprehensive income. The requirements on the classification and measurement of non-derivative financial liabilities have not significantly changed. For this reason, the VAMED Group anticipates a limited impact on its consolidated financial statements. Derivatives not designated as hedging instruments will continue to be classified and measured at fair value through profit and loss.

The VAMED Group will implement the simplified method to determine the provisions for risks from trade accounts receivable, receivables from lease contracts and capitalized contract costs according to IFRS 15.

Based on currently available information, derivative financial instruments presently designated as hedging instruments are also qualified for hedge accounting according to the requirements of IFRS 9.

In the VAMED Group's view, all other pronouncements issued by the IASB do not have a material impact on the consolidated financial statements, as expected. As a rule, the VAMED Group adopts new reporting standards in the form and at the time these have been adopted for the consolidated financial statements of the majority shareholder FSE.

IV. Critical accounting policies

In the opinion of the management of the VAMED Group, the following accounting policies and topics are critical for the consolidated financial statements in the present economic environment. The influences and judgments, as well as the uncertainties which affect them, are also important factors to be considered when looking at present and future operating earnings of the VAMED Group.

a) Recoverability of goodwill

Goodwill represents a considerable part of the total assets of the VAMED Group. As at December 31, 2017, and December 31, 2016, the carrying amounts of these items were € 118.4 million and € 99.1 million respectively. This represented 9.2 % and 8.9 % of the balance sheet total as well as 30.4 % and 29.0 % of equity.

Impairment tests of goodwill are performed at least once a year, or if events occur or circumstances change that would indicate the carrying amount might be impaired.

In order to determine possible goodwill impairments, the fair value of the group of CGUs is compared to their carrying amounts. The fair value of each CGU is determined using estimated future cash flows for the unit, discounted by a weighted average cost of capital (WACC). Estimating the discounted future cash flows involves significant assumptions, especially regarding future sales prices, quantities sold and costs. In determining discounted cash flows, the VAMED Group utilizes a three-year budget, projections for years four to ten, and a corresponding growth rate for all remaining years for every reporting unit. These growth rates are assumed to be about 1.0 % at a planned income tax rate for the group of 28.3 %. In the VAMED Group, WACC (after income tax) amounts to 5.55 %. Country-specific adjustments did not occur. In case the value in use of the CGU is less than its carrying amount, the difference is at first recorded as an impairment of the fair value of such CGU's goodwill. An increase of the WACC by 0.5 % would not have resulted in the recognition of an impairment loss in the year under review.

A prolonged downturn in the healthcare industry with selling prices below expectations and/or the costs of the provisions of services and the implementation of construction projects exceeding expectations could adversely affect the VAMED Group's estimation of future cash flows in specific sectors. Future adverse changes in a reporting unit's economic environment could affect the discount rate. A possible consequence could be a negative influence of additional impairment losses on goodwill on the VAMED Group's future operating results.

b) Legal contingencies

The VAMED Group is not involved in any litigation resulting from the ordinary course of its business, the outcome of which may have a material effect on the financial position, operating earnings or cash flows of the VAMED Group. See also "Note 1, General – III. Summary of significant accounting principles, item r) Legal contingencies".

c) Allowance for doubtful accounts

Trade accounts receivable are a significant asset and the allowance for doubtful accounts is a significant estimate and assessment made by the management. Trade accounts receivable, net of allowance, were € 220.1 million in 2017 and € 200.4 million in 2016.

The allowance for doubtful accounts amounted to € 8.3 million as of December 31, 2017 and € 4.3 million as of December 31, 2016.

d) Income taxes

The VAMED Group is currently subject to tax audits in Austria and other countries and will continue to be so in the future. Different interpretations of tax laws may result in additional tax payments or refunds for previous years. In order to determine contingent tax assets or liabilities as based on tax assessments that are subject to uncertainties, the management makes estimates and assumptions in accordance with the appropriate tax laws and their interpretations for the respective countries. The assumptions are examined in the fiscal period that provides ample evidence for changing the existing assumptions.

2. Acquisitions and divestitures

In the year under review, the following companies were acquired and consolidated for the first time:

Abbreviation	Company and seat
XAG	Xard AG, Seewis im Prättigau, Switzerland
RSE	Reha Seewis AG, Seewis im Prättigau, Switzerland
CPH	Cleanpart Healthcare GmbH, Duisburg, Germany
ICL	Instruclean GmbH, Duisburg, Germany
ICL-AT	Instruclean Austria GmbH, Vienna, Austria

The acquisitions of companies in the 2017 fiscal year were accounted for applying the purchase method and, as a consequence, consolidated as of the date of acquisition. Based on the preliminary purchase price allocation, the respective goodwill was identified as amounting to € 18.9 million.

The integration of the companies mentioned above into the consolidated group had the following material impacts on sales and earnings as well as the VAMED Group balance sheet (in € million):

Sales	4.9
EBITDA	0.3
EBIT	0.0
Interest income	-0.1
Net income	-0.1
Balance sheet total	45.8

The VAMED Group did not remove any company from the consolidated group in the reporting period.

Notes on the Income Statement

(all figures in T€, except for staff numbers)

3. Sales

Sales by business segment were as follows:

	2017	2016
Project Business	605,767	594,270
Service Business	622,227	566,215
Sales	**1,227,994**	**1,160,485**

Sales broken down by regions:

	2017	2016
Austria	377,205	367,991
Germany	246,932	228,068
Other European countries	264,785	232,094
Africa	91,921	97,759
Latin America	47,464	41,265
Asia	199,687	193,308
Sales	**1,227,994**	**1,160,485**

4. Cost of sales

The cost of sales comprised the following:

	2017	2016
Personnel	314,941	298,504
Material and third-party services, depreciation and amortization	759,452	722,720
Cost of sales	**1,074,393**	**1,021,224**

5. Personnel expenses

The cost of sales, selling and general administrative expenses included personnel expenses of T€ 364,298 and T€ 344,736 in 2017 and 2016 respectively.

	2017	2016
Wages and salaries	285,920	271,169
Social security contributions, cost of retirement benefits (incl. severance payments) and other personnel expenses	78,378	73,567
Personnel expenses	**364,298**	**344,736**

The VAMED subgroup's annual average number of staff members by function is shown below:

	2017	2016
Production and services	7,615	7,357
General administration	640	608
Sales and marketing	83	87
Total employees (headcount)	**8,338**	**8,052**

6. Selling and general administrative expenses

Selling and general administrative expenses are broken down as follows:

	2017	2016
Selling expenses	16,481	18,178
General administrative expenses	63,941	55,701
Selling and general administrative expenses	**80,422**	**73,879**

7. Other expenses, other income

Other expenses mainly include the effects of exchange rate changes and of the revaluation of guarantee obligations, money transfer costs and bank guarantee costs.

Other income mainly includes income from investments, gains from the sale of property, plant and equipment as well as intangible assets, exchange rate gains, income from the reversal of non-project-related accruals, income from insurance recovery payments, revaluation of guarantees and other operating income.

8. Interest income

Interest income results mainly from investments held with the parent company FSE, lendings and loans to non-consolidated group companies as well as interest on bank deposits.

9. Interest expenses

Interest expenses result mainly from local and project-related interim financing and acquisition financing via FPS.

10. Income taxes

The income tax expenses for the reporting years consisted of the following:

	Current tax	Deferred tax	Income taxes 2017	Current tax	Deferred tax	Income taxes 2016
Austria	5,334	6,690	12,024	7,148	2,645	9,793
Germany	4,283	342	4,625	4,471	-1	4,470
Other foreign countries	6,583	-263	6,320	4,372	1,990	6,362
Total	**16,200**	**6,769**	**22,969**	**15,991**	**4,634**	**20,625**

The corporate tax rate in Austria remained unchanged against the previous year at 25%.

The reconciliation between expected and income tax expense is shown below.

The expected corporate income tax expense is calculated by applying the Austrian corporate tax rate on income before income taxes and non-controlling interests.

	2017	2016
Calculated expected income tax expense	18,487	16,631
Increase or reduction in income taxes resulting from:		
Items not recognized for tax purposes	2,676	1,792
Foreign tax rate differentials	-1,423	293
Tax-free income	-723	-1,029
Taxes for previous years	4,014	2,689
Other	-62	249
Income tax according to income statement	**22,969**	**20,625**
Effective tax rate	31.1%	31.0%

Deferred taxes

The tax effects of temporary valuation differences that give rise to deferred tax assets and liabilities mainly result from the valuation of balance sheet items according to the PoC method (accounts receivable, inventories, and project-related accruals) as well as the valuation of provisions for employee benefits. As at the balance sheet date, deferred tax assets amount to T€7,288, deferred tax liabilities to T€26,679, resulting in net deferred tax liabilities of T€19,391.

As at the balance sheet date, the recognized amount for deferred tax assets from losses carried forward totalled T€2,776. The comparable amount was T€6,312 in the previous period. According to budget, the losses carried forward meet the criteria for recognition and will be used up over the next five years.

VAMED AG and its subsidiaries are subject to tax audits on a regular basis.

11. Net income attributable to non-controlling interests

Non-controlling interests are held in API, HCC, HSB, HTB-CH, NFM, NTG, TAU, VSB, UKP, and in the MED subsidiary NTV. Their share of the profit is shown under non-controlling interests.

Notes on the Balance Sheet

Notes on current assets
(all figures in T€)

12. Cash and cash equivalents

As at December 31, 2017 and December 31, 2016, cash and cash equivalents included restricted items to the amount of T€ 41,271 and T€ 2,500, respectively.

13. Trade accounts receivable

As at December 31, current trade accounts receivable were as follows:

	2017	2016
Trade accounts receivable	216,232	194,121
Less allowance for doubtful accounts	-8,078	-4,032
Trade accounts receivable, net	**208,154**	**190,089**

14. Trade accounts receivable from and loans to related parties

As at December 31, 2017, these receivables were as follows:

	2017	2016
Trade accounts receivable	17,761	8,764
Receivables from financing and other clearing	1,224	2,871
Trade accounts receivable from and loans to related parties	**18,985**	**11,635**

As at December 31, 2017, and December 31, 2016, this item included receivables from the group companies FPS and FSE as well as the Fresenius Kabi and Helios segments in the amount of T€ 6,783 and T€ 3,069, respectively.

15. Inventories

As of December 31, 2017, inventories consisted of the following:

	2017	2016
Raw materials and purchased components	2,697	2,432
Work in process valued acc. to CCM	97,516	80,752
valued acc. to PoC	343,313	313,706
Finished goods	2,436	2,224
Inventories	**445,962**	**399,114**

Advance payments from customers that could be directly allocated to individual projects were offset against the gross amount of work in process.

As at December 31, 2017, and December 31, 2016, advance payment offset amounts totaled T€ 559,933 and T€ 420,004 respectively.

The companies of the VAMED Group are obliged to purchase T€ 24,016 of goods and services on fixed terms, of which, on December 31, 2017, T€ 11,974 was committed for purchases for 2018. The terms of these agreements do not exceed seven years. VAMED's purchase obligations that are matched by purchase obligations on the customers' part with equivalent value are not shown.

VAMED also has contingent purchase obligations vis-a-vis suppliers in connection with construction projects, the fulfilling of which is linked to the implementation of projects with final customers so that these amounts are not shown.

16. Prepaid expenses and other current and non-current assets

As at December 31, prepaid expenses and other current and non-current assets comprised the following:

			2017			2016
	Short-term	Long-term	Total	Short-term	Long-term	Total
Prepayments	16,106	0	16,106	8,576	0	8,576
Receivables from fiscal authorities	10,561	300	10,861	8,045	309	8,354
Prepaid expenses	7,613	11,005	18,618	8,549	12,071	20,620
Derivative financial instruments	864	0	864	94	0	94
Investments and long-term loans	0	88,562	88,562	0	84,863	84,863
Non-current trade accounts receivable	0	12,207	12,207	0	10,523	10,523
Other assets	22,851	22,551	45,402	22,481	26,978	49,459
Prepaid expenses and other assets, gross	**57,995**	**134,625**	**192,620**	**47,745**	**134,744**	**182,489**
Less allowances	-40	-255	-295	-104	-255	-359
Prepaid expenses and other current and non-current assets	**57,955**	**134,370**	**192,325**	**47,641**	**134,489**	**182,130**

The item "Investments and long-term loans" includes investments in non-consolidated companies (in accordance with the List of Investments) as well as long-term loans to non-consolidated companies.

No depreciation was recognized on these assets in the 2017 fiscal year, as in 2016.

Notes on non-current assets
(all figures in T€)

17. Property, plant, and equipment

As at December 31, 2017 and December 31, 2016, acquisition and manufacturing costs as well as accumulated depreciation of property, plant, and equipment consisted of the following:

Acquisition and manufacturing costs	As at January 1, 2017	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2017
Land and land facilities	5,177	148	0	-586	65	4,804
Buildings and improvements	60,537	4,368	3,895	-9,819	763	59,744
Machinery, equipment and rental equipment under capital leases	68,441	5,138	6,537	-2,964	201	77,353
Construction in progress	5,392	0	2,135	-15	251	7,763
Total	**139,547**	**9,654**	**12,567**	**-13,384**	**1,280**	**149,664**

Depreciation	As at January 1, 2017	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2017
Land and land facilities	0	0	0	0	0	0
Buildings and improvements	20,625	0	1,957	-4,650	56	17,988
Machinery, equipment and rental equipment under capital leases	46,823	0	6,862	-2,584	112	51,213
Construction in progress	0	0	0	0	0	0
Total	**67,448**	**0**	**8,819**	**-7,234**	**168**	**69,201**

Acquisition and manufacturing costs	As at January 1, 2016	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2016
Land and land facilities	5,884	0	-709	0	2	5,177
Buildings and improvements	58,691	0	1,892	-76	30	60,537
Machinery, equipment and rental equipment under capital leases	64,344	-43	5,417	-1,375	98	68,441
Construction in progress	2,941	0	2,555	-108	4	5,392
Total	**131,860**	**-43**	**9,155**	**-1,559**	**134**	**139,547**

Depreciation	As at January 1, 2016	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2016
Land and land facilities	0	0	0	0	0	0
Buildings and improvements	19,016	0	2,171	-579	17	20,625
Machinery, equipment and rental equipment under capital leases	41,493	0	6,586	-1,315	59	46,823
Construction in progress	0	0	0	0	0	0
Total	**60,509**	**0**	**8,757**	**-1,894**	**76**	**67,448**

Carrying amounts	December 31, 2017	December 31, 2016
Land and land facilities	4,804	5,177
Buildings and improvements	41,756	39,912
Machinery, equipment and rental equipment under capital leases	26,140	21,618
Construction in progress	7,763	5,392
Total	**80,463**	**72,099**

Depreciation is recognized under cost of sales, selling and general administrative expenses, depending upon the area in which the asset is used.

Leasing

"Machinery, equipment and rental equipment under capital leases" includes amounts for leased movable assets and for buildings. The carrying amounts of these items were T€ 4,691 and T€ 2,085 respectively as at December 31, 2017 and December 31, 2016.

18. Goodwill and other intangible assets

As at December 31, 2017 and December 31, 2016, the acquisition and manufacturing costs as well as accumulated amortization of intangible assets consisted of the following:

Acquisition and manufacturing costs	As at January 1, 2017	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2017
Goodwill (extraordinary amortization)	99,758	18,858	0	0	429	119,045
Other (scheduled amortization)	26,131	3,830	3,668	-1,230	-125	32,274
Total	**125,889**	**22,688**	**3,668**	**-1,230**	**304**	**151,319**

Amortization	As at January 1, 2017	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2017
Goodwill (extraordinary amortization)	625	0	0	0	0	625
Other (scheduled amortization)	21,915	0	2,826	-1,035	-66	23,640
Total	**22,540**	**0**	**2,826**	**-1,035**	**-66**	**24,265**

Acquisition and manufacturing costs	As at January 1, 2016	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2016
Goodwill (extraordinary amortization)	99,758	0	0	0	0	99,758
Other (scheduled amortization)	25,140	-1	2,022	-1,048	18	26,131
Total	**124,898**	**-1**	**2,022**	**-1,048**	**18**	**125,889**

Amortization	As at January 1, 2016	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2016
Goodwill (extraordinary amortization)	625	0	0	0	0	625
Other (scheduled amortization)	20,759	0	2,190	-1,045	11	21,915
Total	**21,384**	**0**	**2,190**	**-1,045**	**11**	**22,540**

Carrying amounts	**December 31, 2017**	**December 31, 2016**
Goodwill (extraordinary amortization)	118,420	99,133
Other (scheduled amortization)	8,634	4,216
Total	**127,054**	**103,349**

19. Other non-current assets

This item mainly shows interests in non-consolidated companies as well as loans to non-consolidated investments and non-current prepaid expenses. Refer to Note 16 for a breakdown.

Notes on trade accounts payable and shareholder's equity
(all figures in T€, except for percentages)

20. Trade accounts payable

Trade accounts payable are mainly project business related.

21. Trade accounts payable to related parties

Trade accounts payable include amounts payable to consolidated FSE companies of T€ 4,836 (2016: T€ 359) and to non-consolidated companies of T€ 753 (2016: T€ 804).

22. Provisions

As at December 31, short-term and long-term accruals consisted of the following:

	2017			2016		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Personnel expenses	1,336	37,573	38,909	16,040	38,039	54,079
Warranty	1,658	0	1,658	1,509	80	1,589
Goods and services received	0	0	0	64,028	3,458	67,486
Other provisions	30,062	856	30,918	10,161	413	10,574
Provisions	**33,056**	**38,429**	**71,485**	**91,738**	**41,990**	**133,728**

The following table shows the development of provisions in the fiscal year:

	As at January 1, 2017	Changes in entities consolidated	Additions	Transfers	Con-sumption	Dissolution	As at December 31, 2017
Personnel expenses	54,079	163	2,022	-14,059	-2,977	-319	38,909
Warranty	1,589	0	543	0	-300	-174	1,658
Goods and services received	67,486	0	0	-67,486	0	0	0
Other provisions	10,574	227	17,315	15,916	-11,982	-1,132	30,918
Provisions	**133,728**	**390**	**19,880**	**-65,629**	**-15,259**	**-1,625**	**71,485**

Provisions for personnel expenses mainly refer to severance payments and anniversary bonuses. As of January 1, 2017, accruals for holidays not yet taken, bonuses, and obligations to make additional contributions to pension funds have been transferred to "Other liabilities".

Warranty-related provisions refer to warranty claims related to construction and service projects.

Accruals for goods and services received, mainly referring to deliveries and services already provided but not yet invoiced, have also been transferred to "Other liabilities" as of January 1, 2017.

Other provisions mainly comprise project-related accruals.

23. Other liabilities and advance payments received

As at December 31, 2017, other liabilities and advance payments received consisted of the following:

			2017			2016
	Short-term	Long-term	Total	Short-term	Long-term	Total
Social security related liabilities	6,389	0	6,389	5,694	0	5,694
Personnel liabilities	22,070	0	22,070	5,929	0	5,929
Tax liabilities	13,507	123	13,630	11,349	123	11,472
Non-current trade accounts payable	0	4,429	4,429	0	3,709	3,709
Deferred income	8,692	319	9,011	9,019	1,101	10,120
Derivative financial instruments	18	0	18	919	176	1,095
Accruals for goods and services received	59,223	0	59,223	0	0	0
Miscellaneous other liabilities	37,024	11,268	48,292	19,890	7,655	27,545
Other liabilities	**146,923**	**16,139**	**163,062**	**52,800**	**12,764**	**65,564**
Long-term accruals for income taxes	**0**	**0**	**0**	**0**	**21**	**21**
Advance payments received	**35,263**	**7,153**	**42,416**	**52,811**	**18,794**	**71,605**

24. Debt and liabilities from capital lease obligations

a) Short-term borrowings from third parties

These borrowings refer to short-term interim financing.

b) Long-term borrowings and liabilities from capital lease obligations

As at December 31, 2017, long-term borrowings and liabilities from capital lease obligations consisted of the following:

c) Short-term and long-term borrowings from related parties

This item shows short-term and long-term borrowings from FPS as well as short-term financing from FSE.

			2017			2016
	Short-term	Long-term	Total	Short-term	Long-term	Total
Long-term borrowings	4,977	21,124	26,101	1,797	17,140	18,937
Lease obligations	699	3,915	4,614	230	1,872	2,102
Long-term debt and liabilities from capital lease obligations	**5,676**	**25,039**	**30,715**	**2,027**	**19,012**	**21,039**

25. Short-term accruals for income taxes

This item shows expected tax liabilities (less prepayments effected).

26. Pensions and similar obligations

Defined benefit obligations have largely been transferred to pension funds. Benefit claims (pensions) are contingent upon period of service and compensation received. Accrued amounts refer to active beneficiaries as well as former employees and dependents.

In addition to defined benefit plans, there are also defined contribution plans with regard to which payments (dependent on employees' own contributions) are made to pension funds. There are no liabilities exceeding continuous contribution payments for defined contribution plans so that no accruals or liabilities are shown.

External experts are responsible for determining accrued amounts (carried out by Mercer (Austria) GmbH for companies in Austria on the basis of the "AVOE 2008 – Employees" mortality tables).

The following table shows the changes in benefit obligations, the changes in plan assets and the funded status of the pension plans. Benefits paid as shown in the changes in benefit obligations represent payments made from both the funded and unfunded plans, while the benefits paid as shown in the changes in plan assets only include benefit payments from the VAMED Group's funded benefit plans.

	2017	2016
Benefit obligations at the beginning of the year	87,166	76,760
Changes in entities consolidated	9,503	0
Foreign currency translation	-5,005	481
Service cost	3,679	3,498
Prior service cost	0	59
Interest cost	854	1,139
Contributions by plan participants	1,710	1,554
Transfer	3,945	4,718
Revaluation gains (-) and losses (+)	122	4,742
Thereof adjustments according to experience	*2,182*	*77*
Thereof changes in financial and demographic assumptions	*-2,059*	*4,665*
Benefits paid	-4,546	-5,785
Amendments	0	0
Benefit obligations at the end of the year	**97,428**	**87,166**
Thereof vested	*70,738*	*60,662*
Fair value of plan assets at the beginning of the year	**51,747**	**46,241**
Changes in entities consolidated	6,826	0
Foreign currency translation	-3,808	365
Interest income arising from plan assets	441	692
Revaluation gains (-) and losses (+)	2,564	1,109
Contributions by the employer	2,498	2,655
Contributions by plan participants	1,710	1,554
Transfer	3,945	4,718
Benefits paid	-4,339	-5,587
Fair value of plan assets at the end of the year	**61,584**	**51,747**
Funded status as of December 31	**35,844**	**35,419**

The plan assets are neither used by the staff of the VAMED Group nor invested in the VAMED Group.

The following weighted-average assumptions were utilized in determining benefit obligations as of December 31, 2017:

	2017	2016
Discount rate	1.08 %	0.99 %
Rate of compensation increase	1.57 %	1.66 %
Rate of pension increase	0.61 %	0.73 %

In the year under review, benefit costs to the amount of T€4,092 (2016: T€4,003) accrued for the VAMED Group's defined benefit pension plans, which are composed as follows:

	2017	2016
Service cost	3,679	3,557
Net interest cost	413	446
Net periodic benefit cost	**4,092**	**4,003**

Net periodic benefit cost is allocated as personnel expense within cost of sales or selling and general administrative expenses. The allocation depends upon the area in which the beneficiary is employed.

The following weighted-average assumptions (based on the valuation as at December 31 of the preceding year) were used in determining the net periodic pension cost (NPPC) for the current year:

	2017	2016
Discount rate	0.99 %	1.44 %
Rate of compensation increase	1.66 %	1.60 %
Rate of pension increase	0.73 %	0.74 %

The gains in connection with accumulated benefit obligations mainly result from changes in the discount rates upon which actuarial computations are based.

Sensitivity analysis

A rise or fall in essential actuarial assumptions by 0.5 percentage points would have the following effects on pension obligations as at December 31, 2017:

Rate of pension increase	+ 0.5 percentage points	-0.5 percentage points
Discount rate	-7,241	8,261
Rate of compensation increase	897	-868
Rate of pension increase	5,066	-2,084

Sensitivity calculations are based on the average term of pension obligations as at December 31, 2017. Calculations were performed separately for the most important actuarial parameters in order to show their respective effects on the present value of pension obligations as at December 31, 2017.

The following table shows the expected future benefit payments:

	Expected benefit payments	**For the fiscal years**
	4,599	2018
	4,463	2019
	4,264	2020
	3,948	2021
	3,872	2022
	20,747	2023 until 2027
Total	**41,893**	**for the next 10 years**

Plan investment policy and strategy

Plan assets are managed exclusively by the pension funds in accordance with their respective investment strategies and are broken down as follows:

	2017	2016
Investment funds for shares	37.06 %	27.41 %
Bond funds	32.43 %	41.18 %
Real estate funds	13.66 %	13.21 %
Other	16.85 %	18.20 %

The "Other" portion of the plan assets is determined on the basis of Level 1 and 2 ("fair value measurement"; approximately 21 % and 79 % respectively).

Defined contribution plans

The VAMED subgroup's total expense under defined contribution plans for the year under review was T€ 1,454 (2016: T€ 1,428).

The main share relates to the Austrian plan, which employees of the VAMED Group's lead companies can join. Employees can deposit up to 5 % of their salaries and the company contributes 100 % of the employee's contribution.

27. Shareholders' equity

Subscribed capital

There were no changes in the subscribed capital in the year under review.

Capital reserve

The capital reserve shows the capital reserve from the consolidated financial statements of VAMED AG as at December 31, 2007 (according to the Austrian Business Code), plus additions from the first recognition of the goodwill (at the parent company level), as well as one subsidiary's capital reserve, which is not available for distribution. Changes in the value of non-controlling interests subject to put options recognized at fair value are also included.

Other reserves

Other reserves comprise earnings generated by group entities in the reporting year and prior years to the extent that they have not been distributed.

Dividends

Under the Austrian Stock Corporation Act, the amount of dividends available for distribution to shareholders is based upon the net profit as shown in VAMED AG's financial statements drawn up under the Austrian Business Code.

28. Other comprehensive income (loss)

	Before taxes January 1, 2017	Changes	Before taxes December 31, 2017	Tax effect January 1, 2017	Changes	Tax effect December 31, 2017	After taxes January 1, 2017	After taxes December 31, 2017
Cash flow hedges	-1,002	1,847	845	251	-462	-211	-751	634
Foreign currency translation	-5,043	2,036	-3,007	0	0	0	-5,043	-3,007
Actuarial gains (losses) from defined benefit plans	-26,243	3,305	-22,938	5,543	-711	4,832	-20,700	-18,106
Other items (mainly severance provisions)	-11,088	1,452	-9,636	2,594	-377	2,217	-8,494	-7,419
Other comprehensive income (loss)	**-43,376**	**8,640**	**-34,736**	**8,388**	**-1,550**	**6,838**	**-34,988**	**-27,898**

Other Notes

29. Commitments, contingent liabilities

Operating leases and rental payments
The companies of the VAMED Group lease office buildings as well as machinery and equipment under various lease agreements expiring on dates until 2049.

Rental expenses in 2017 amounted to T€30,423 compared to T€30,684 in 2016.

Obligations under these contracts payable in the following five years amount to T€109,927, whereas those payable thereafter amount to T€122,689 (2016: T€99,804, and T€118,900).

The VAMED Group has contingent liabilities to the assessable amount of up to €32.8 million (2016: €27.9 million) resulting from guarantees and similar obligations (mainly in connection with various construction and service projects). No amount is indicated for additional contingent liabilities that, as at the balance sheet date, could not be assessed in the light of the circumstances.

Legal proceedings
In the year under review, the companies of the VAMED Group were not involved in any legal proceedings (neither as plaintiff nor as defendant) of material importance for future business performance. All foreseeable risks resulting from other legal proceedings have been covered by write-downs and provisions or insurance contracts.

30. Financial instruments

Valuation of financial instruments
Cash and cash equivalents are stated at nominal value, which equals the fair value.

Short-term financial instruments such as trade accounts receivable and trade accounts payable as well as short-term borrowings are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

The valuation of derivatives (foreign currency forwards) is carried out on the basis of a comparison of the contracted forward rate with the forward rate as at the balance sheet date for the remaining term of the contract. The result is then discounted on the basis of market interest rates prevailing for the respective currency at the balance sheet date.

The VAMED Group is exposed to risks related to foreign exchange fluctuations in connection with its international business activities that are partly denominated in currencies other than the euro. The VAMED Group enters into certain hedging transactions with highly rated banks or the parent company's Treasury department in order to manage foreign exchange rate fluctuation risks.

Market risk
The VAMED Group has specified the euro as its financial reporting currency. The international activities of the group companies result in transaction risks that relate to sales and purchases denominated in foreign currencies. The VAMED Group enters into foreign exchange forward contracts for the purpose of hedging existing and foreseeable foreign exchange transaction exposures. Such hedging transactions were recognized as cash flow hedges. The hedge-effective portion of changes in the fair value of foreign exchange forward contracts that are designated and qualified as cash flow hedges of forecasted product and service purchases and sales is reported in "Accumulated other comprehensive income (loss)".

Credit risk
The VAMED Group has a major exposure on the merits of loss of receivables. This risk is administered through careful credit rating throughout the entire project phase, consistent receivables management, taking out insurance cover (wherever possible), and by outsourcing the financing risk.

Liquidity risk
The VAMED Group uses effective working capital and cash management to control liquidity in order to ensure its ability to fulfill existing and future financial obligations. In the light of cash and cash equivalents as well as receivables from cash pooling and investments as at the balance sheet date combined with the financing structure of construction projects, the management of the VAMED Group believes these items as well as the cash generated by operating activities

and additional short-term borrowings to be sufficient to meet the foreseeable demand for liquidity in the VAMED Group.

31. Supplementary information on capital management

The VAMED Group has a solid financial profile. The need for debt (in the form of intra-group borrowing and bank loans) mainly arose in connection with the acquisition of new companies. As a result of the receipt of advance payments as well as payments as work progresses, there is little need for debt in the segment Project Business.

Due to the company's diversification within the healthcare sector and its strong market positions in global, emerging, growing and non-cyclical markets, fundamentally predictable and sustainable cash flows are generated. The VAMED Group's customers almost invariably have a high credit standing. Moreover, the down payments and provision of security received in the majority of transactions ensure that cash flows can be planned with reasonable certainty.

Further details on the development of shareholders' equity and debt are given in the Management Report under "1.4 Results of operations, financial position, assets and liabilities of the VAMED Group".

32. Notes on business segment reporting

The VAMED Group has identified the business segments "Project Business" and "Service Business", which corresponds to internal organizational and reporting structures (management approach) as at December 31, 2017.

Sales and proceeds between the business segments are principally at arm's length. Administrative services are billed in accordance with service agreements.

33. Related party transactions

There were no business transactions between companies of the VAMED Group and Executive or Supervisory Board members of VAMED AG or of the Fresenius Group during the year under review.

34. Significant events after the balance sheet date

Since the end of the fiscal year, there have been no significant changes in the VAMED Group's corporate position or operating environment. At present, there are no plans to carry out any significant changes in the group's structure, administration, legal form, or in the area of human resources.

35. Remuneration report

The Executive Board's total remuneration amounted to T€ 2,218 (2016: T€ 2,082).

In the year under review, no loans or advance payments on future remuneration components were made to members of VAMED AG's Executive Board.

36. Information on the Supervisory Board

Members of the Supervisory Board in the year under review were:

Supervisory Board:
Dr. Gerd Krick, Chairman
Dkfm. Stephan Sturm, Deputy Chairman
Dr. Robert Hink
KR Karl Samstag
Mag. Andreas Schmidradner

Employees' representatives:
Josef Artner
Mag. (FH) Thomas Hehle
Ing. Robert Winkelmayer

Supervisory Board remuneration is determined by the VAMED AG Annual General Meeting and totaled T€ 102 (2016: T€ 102) in the year under review.

37. Auditor's fees

The fees for the auditor Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna and other Deloitte companies abroad in the 2017 and 2016 fiscal years were as follows:

	2017		2016	
	Total	Thereof Austria	Total	Thereof Austria
Audit fees	370	223	338	211
Tax consulting fees	433	430	413	410
Other fees	6	6	21	0
Total auditor's fees	**809**	**659**	**772**	**621**

38. Investments

VAMED AG's investments are listed in the Annex to the Notes.

39. Responsibility statement

To the best of our knowledge, and in accordance with applicable reporting principles, the consolidated financial statements of the VAMED Group give a true and fair view of the assets, liabilities, financial position, and profit or loss of the VAMED Group and the Management Report includes a fair review of the development and performance of the business and the position of the VAMED Group together with a description of the principal opportunities and risks associated with the expected development of the VAMED Group.

Vienna, March 5, 2018

The Executive Board

Dr. Ernst Wastler
Chairman of the Executive Board

Mag. Thomas Karazmann
Member of the Executive Board

Mag. Gottfried Koos
Member of the Executive Board

MMag. Andrea Raffaseder
Member of the Executive Board

VAMED AG Group Investments as at December 31, 2017

(without indirect investments, investments of below 10 % as well as non-operating firms)

Fully consolidated companies

Abbreviation	Company, location	Capital interest %
VAG	VAMED Aktiengesellschaft, Vienna, Austria	
ALM	ALMEDA, a.s., Neratovice, Czech Republic	100.00
API	API Betriebs gemeinnützige GmbH, Vienna, Austria	60.00
CLP	Centrum léčby pohybového aparátu, s.r.o., Prague, Czech Republic	100.00
CPH	Cleanpart Healthcare GmbH, Duisburg, Germany	94.90
GHG	Gmundnerberg Holding GmbH, Bad Sauerbrunn, Austria	100.00
HCC	H.C. Hospital Consulting S.p.A., Bagno a Ripoli (Florence), Italy	92.71
HI	hospitalia international gmbh, Bad Homburg v.d.H., Germany	100.00
HSB	Heilbad Sauerbrunn Betriebsgesellschaft m.b.H., Bad Sauerbrunn, Austria	95.00
HTB	HERMED Technische Beratungs GmbH, Kirchheimbolanden, Germany	100.00
HTB-BE	HERMED Medrott Medical BVBA, Antwerp, Belgium	100.00
HTB-CH	HERMED Medizintechnik Schweiz AG, Rapperswil-Jona, Switzerland	56.00
HTB-ES	HERMED INGENIERÍA CLÍNICA ESPAÑA, S.L., Madrid, Spain	100.00
HTB-GB	HERMED BIOMEDICAL ENGINEERING UK LIMITED, London, Great Britain	100.00
HTB-NL	HERMED Medrott Medical B.V., Oostvoorne, The Netherlands	100.00
ICL	Instruclean GmbH, Duisburg, Germany	100.00
ICL-AT	Instruclean Austria GmbH, Vienna, Austria	100.00
KHD	Kneipphof Dussnang AG, Fischingen, Switzerland	100.00
KLB	Krankenhaus-Logistik Berlin-Brandenburg-Niedersachsen GmbH, Bad Saarow, Germany	100.00
KLT	Krankenhaus-Logistik Thüringen GmbH, Erfurt, Germany	100.00
KSB	Krankenhaus-Sterilisation Berlin GmbH, Bad Saarow, Germany	100.00
KSM	Krankenhaus-Service Mecklenburg-Vorpommern GmbH, Stralsund, Germany	100.00
KSW	Krankenhaus-Sterilisation Baden-Württemberg GmbH, Müllheim, Germany	100.00
KTB	Krankenhaus-Technik Berlin-Brandenburg-Niedersachsen GmbH, Bad Saarow, Germany	100.00
KTL	Krankenhaus-Technik-Logistik Mecklenburg-Vorpommern GmbH, Schwerin, Germany	100.00
KTT	KTT Krankenhaus-Technik Thüringen GmbH, Erfurt, Germany	100.00
MED	MEDITERRA s.r.o., Prague, Czech Republic	100.00
MED-H	VAMED MEDITERRA a.s., Prague, Czech Republic	100.00
MEL	Mělnická zdravotní, a.s., Mělník, Czech Republic	100.00
MTN	VSB Medizintechnik NRW GmbH, Berlin, Germany	100.00
NET	MEDNET s.r.o., Prague, Czech Republic	100.00
NFM	Niederosterreichische Facility Management GmbH, Wiener Neustadt, Austria	60.00
NSZ	Nemocnice sv. Zdislavy, a.s., Velke Meziříčí, Czech Republic	100.00
NTG	Neurologisches Therapiezentrum Gmundnerberg GmbH, Altmünster, Austria	60.00
NTK	Neurologisches Therapiezentrum Kapfenberg GmbH, Kapfenberg, Austria	90.00
NTV	Nemocnice Tanvald, s.r.o., Tanvald, Czech Republic	0.30
PKS GmbH	PKS Privatklinik Salzburg GmbH, Salzburg, Austria	100.00

Abbreviation	Company, location	Capital interest %
PKS KG	PKS Privatklinik Salzburg GmbH & Co KG, Salzburg, Austria	100.00
RBB GmbH	Rehaklinik Wien Baumgarten Betriebs-GmbH, Vienna, Austria	100.00
RBB KG	Rehaklinik Wien Baumgarten Betriebs-GmbH & Co KG, Vienna, Austria	100.00
RKB GmbH	Rehabilitationszentrum Kitzbühel Betriebs-GmbH, Kitzbühel, Austria	100.00
RKB KG	Rehabilitationszentrum Kitzbühel Betriebs-GmbH & Co KG, Kitzbühel, Austria	100.00
RMB	Rehabilitationsklinik im Montafon Betriebs-GmbH, Schruns, Austria	100.00
ROB GmbH	Rehabilitationszentrum Oberndorf Betriebs-GmbH, Oberndorf bei Salzburg, Austria	100.00
ROB KG	Rehabilitationszentrum Oberndorf Betriebs-GmbH & Co KG, Oberndorf bei Salzburg, Austria	100.00
RSE	Reha Seewis AG, Seewis im Prättigau, Switzerland	100.00
RZS	Rehaklinik Zihlschlacht AG, Zihlschlacht-Sitterdorf, Switzerland	100.00
SED	MEDITERRA - Sedlčany, s.r.o., Sedlčany, Czech Republic	100.00
STC	Seniorenzentrum St. Corona am Schöpfl Betriebsgesellschaft m.b.H., Vienna, Austria	100.00
TAU	TAU Management und Betriebsfuhrung GmbH, Vöcklabruck, Austria	60.00
TBS	Therme Seewinkel Betriebsgesellschaft m.b.H., Frauenkirchen, Austria	100.00
TMD	TEMAMED Medizintechnische Dienstleistungs GmbH, Kirchheimbolanden, Germany	100.00
UKK	VAMED UKK Projektgesellschaft m.b.H., Berlin, Germany	100.00
UKP	ARGE UK St. Pölten, Vienna, Austria	60.00
VE (P)	PRINSAMED - PROJECTOS INTERNACIONAIS DE SAUDE UNIPESSOAL LDA, Lisbon, Portugal	100.00
VE (U)	TOV "VAMED UKRAINE", Kiev, Ukraine	100.00
VE GMBH	VAMED ENGINEERING GmbH, Vienna, Austria	100.00
VHP	VAMED Health Project GmbH, Berlin, Germany	100.00
VHP-CH	VAMED Health Project Schweiz AG, Zihlschlacht-Sitterdorf, Switzerland	100.00
VHP-CZ	VAMED Health Projects CZ s.r.o., Prague, Czech Republic	100.00
VHP-UK	VAMED HEALTH PROJECTS UK LIMITED, Worcester, Great Britain	100.00
VKMB	VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Vienna, Austria	100.00
VKP	VAMED-Krankenhausmanagement und Projekt GmbH, Vienna, Austria	100.00
VMS GMBH	VAMED Management und Service GmbH, Vienna, Austria	100.00
VMS-CH	VAMED Management und Service Schweiz AG, Zihlschlacht-Sitterdorf, Switzerland	100.00
VMS-D	VAMED Management und Service GmbH Deutschland, Berlin, Germany	100.00
VMT	VAMED Medizintechnik GmbH, Vienna, Austria	100.00
V-NL	VAMED Nederland B.V., Arnhem, The Netherlands	100.00
VPH-F	VAMED Projets Hospitaliers Internationaux France S.A.S, Neuilly-sur-Seine, France	100.00
VSB	VAMED Service- und Beteiligungsges. m.b.H., Berlin, Germany	95.00
VSG GMBH	VAMED Standortentwicklung und Engineering GmbH, Vienna, Austria	100.00
XAG	Xard AG, Seewis im Prättigau, Switzerland	100.00

All company names are shown as locally registered. The names of countries are shown pursuant to ISO 3166.

Non-consolidated companies

Abbreviation	Company, location	Capital interest %
ACL	Alice-Instruclean GmbH, Darmstadt, Germany	28.10
BAP	BAP VAMED JV SPC (DIFC) LTD., Dubai, United Arab Emirates	51.00
BBH	Blumauerplatz Beteiligungs-Holding GmbH, Linz, Austria	100.00
BPB	Burgenlandische Pflegeheim Betriebs-GmbH, Neudörfl, Austria	49.00
CFM	Charité CFM Facility Management GmbH, Berlin, Germany	16.33
CFS	Casalis Facility Services GmbH, Kassel, Germany	49.00
CRS	Circle Rehabilitation Services Limited, London, Great Britain	19.90
CWS	CW Krankenhaus-Service GmbH, Düsseldorf, Germany	25.00
ELB	ELBLAND Sterilgutgesellschaft mbH, Meißen, Germany	49.00
FMS	Facility Management Schleswig-Holstein GmbH, Kiel, Germany	50.00
GOK	Gemeinnützige Oberndorfer Krankenhausbetriebsgesellschaft m.b.H., Oberndorf bei Salzburg, Austria	49.00
GRB	Gesundheitsresort Gars Betriebs GmbH, Gars am Kamp, Austria	19.14
GRG	Gesundheitsresort Gars GmbH, Gars am Kamp, Austria	17.00
HUH	Hainan Unicare Hospital Co., Ltd., Haikou, China	30.00
ITS	UKSH Gesellschaft für IT Services mbH („ITSG"), Lübeck, Germany	49.00
ITT	UKSH Gesellschaft für Informationstechnologie mbH („GfIT"), Lübeck, Germany	49.00
KHR GmbH	PPP - Radioonkologie KHR SZO GmbH, Vienna, Austria	19.00
KHR KG	PPP - Radioonkologie KHR SZO GmbH & Co KG, Vienna, Austria	19.00
LKV	LKV Krankenhaus Errichtungs- und Vermietungs-GmbH, Linz, Austria	49.00
NRZ	Neurologisches Rehabilitationszentrum "Rosenhügel", Errichtungs- und Betriebs-GmbH, Vienna, Austria	49.00
OCB	Oberndorfer Catering Betriebs-GmbH, Oberndorf bei Salzburg, Austria	49.00
PSZ	Psychosomatisches Zentrum Eggenburg GmbH, Eggenburg, Austria	29.00
RBW	Rehabilitationsklinik im Bregenzer Wald Betriebs-GmbH, Lingenau, Austria	100.00
RVB	Rehabilitationszentrum St. Veit im Pongau Betriebs-GmbH, St. Veit im Pongau, Austria	76.00
RZO	Rheuma-Zentrum Wien-Oberlaa GmbH, Vienna, Austria	49.00
SEN	S.EN.AL.PA. S.P.A., Venice, Italy	21.40
TBG	'TBG' Thermenzentrum Geinberg Betriebsgesellschaft m.b.H., Linz, Austria	18.00
TEH	Therapiezentrum Enns Holding GmbH, Linz, Austria	29.70
THG	"THG" Thermenzentrum Geinberg Errichtungs-GmbH, Linz, Austria	27.34
THL	THL Therme Laa a.d. Thaya - Projektentwicklungs- und Errichtungsgesellschaft m.b.H., Laa a.d. Thaya, Austria	19.96

Abbreviation	Company, location	Capital interest %
TLG	Aqua Dome Tirol Therme Längenfeld GMBH & CO KG, Längenfeld, Austria	12.31
TLGGMBH	Aqua Dome Tirol Therme Längenfeld GMBH, Längenfeld, Austria	12.31
TWB GMBH	Tauern SPA World Betriebs-GmbH, Kaprun, Austria	20.99
TWB KG	Tauern SPA World Betriebs-GmbH & Co KG, Kaprun, Austria	19.07
TWE GMBH	Tauern SPA World Errichtungs-GmbH, Kaprun, Austria	20.99
TWE KG	Tauern SPA World Errichtungs-GmbH & Co KG, Kaprun, Austria	19.07
TWO GmbH	Therme Wien Ges.m.b.H., Vienna, Austria	19.99
TWO KG	Therme Wien GmbH & Co KG, Vienna, Austria	19.99
UKS	VAMED / DIF UKSH PPP GmbH, Frankfurt am Main, Germany	10.00
VAROM	VAMED ROMANIA S.R.L., Bucharest, Romania	100.00
VBH	"VAMED B&H" d.o.o. Banja Luka, Banja Luka, Bosnia and Herzegovina	100.00
VE (M)	VAMED ENGINEERING (M) SDN. BHD., Kuala Lumpur, Malaysia	16.00
VE (T)	Vamed (Thailand) Co., Ltd., Bangkok, Thailand	15.00
VEE	VAMED EMIRATES LLC, Abu Dhabi, United Arab Emirates	20.00
VE-GAB	VAMED GABON SAS, Libreville, Gabon	100.00
VE-NIG	VAMED ENGINEERING NIGERIA LIMITED, Abuja, Nigeria	15.00
VE-PHD	Philippine Hospital Project Development Corporation, Manila Makati City, Philippines	40.00
VHC	VAMED Healthcare Co. Ltd., Beijing, China	100.00
VHH	VAMED Hungaria Health Care Ltd., Budapest, Hungary	100.00
VHT	VAMED Healthcare Services (Thailand) Ltd., Bangkok, Thailand	49.00
VIH	VAMED International Hospital Management and Consulting (Beijing) Co., Ltd., Beijing, China	100.00
VME	VAMED Middle East Healthcare Management and Consultancy Services LLC, Abu Dhabi, United Arab Emirates	49.00
VMR	Health Institution - Institute for diagnostics "VAMED" Novi Sad, Novi Sad, Serbia	75.00
VMS-CZ	VAMED CZ s.r.o., Prague, Czech Republic	100.00
VPC	VAMED Project CR d.o.o., Rijeka, Croatia	100.00
VPL	VAMED Polska Sp. z o.o., Warsaw, Poland	100.00
V-RU	OOO VAMED, Moscow, Russian Federation	100.00
VSK	"VAMED Services Kosovo" L.L.C., Pristina, Kosovo	100.00
V-TR	VAMED TURKEY MÜHENDİSLİK İNŞAAT TAAHHÜT MEDİKAL SAĞLIK HİZMETLERİ LİMİTED ŞİRKETİ, Ankara, Turkey	100.00

All company names are shown as locally registered. The names of countries are shown pursuant to ISO 3166.

Auditor's Report

Qualified opinion

We have audited the "condensed consolidated financial statements" of VAMED AG, Vienna, comprising the balance sheet as at December 31, 2017, the income statement, statement of changes in equity, and cash flow statement for the fiscal year then ended. The condensed consolidated financial statements are based on the Group Reporting Package prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable within the EU, and the stipulated consolidated group.

In our opinion, the condensed financial statements of the VAMED AG subgroup, except for the points indicated in "Basis of our qualified opinion", were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable within the EU and give a true and fair view of the financial position of the VAMED AG subgroup as at December 31, 2017 and of its financial performance for the financial year then ended.

Basis of our qualified opinion

The condensed consolidated financial statements vary from the currently applicable IFRS and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) in the following points:

- The condensed consolidated financial statements include goodwill from the acquisition of the VAMED group by the parent ("push down accounting") as well as goodwill from the acquisition of other segments of the parent by the VAMED Group that result from "push down accounting" or have been recognized at the difference between the purchase prices and the carrying amounts, always using the amounts provided by the parent. As for details – also regarding figures – we refer to the "General notes on the financial statements of the VAMED Group" as contained in the "Notes" to the condensed consolidated financial statements.
- As indicated in "General notes on the financial statements of the VAMED Group", the "Notes" to the VAMED subgroup's financial statements do not include all disclosures required under IRFS.
- The VAMED subgroup's condensed financial statements comprise two non-profit organizations with total sales of € 14.3 million, from which the VAMED Group does not benefit directly.

We conducted our audit in accordance with the Generally Accepted Accounting Principles in Austria. These principles require the application of the International Standards on Auditing (ISA). Our responsibilities under these rules and standards are described in the section "Responsibilities of the auditor for the audit of the condensed financial statements of the subgroup" of our opinion in more detail. We are independent from the subgroup in accordance with the Austrian corporate and professional rules and regulations and in compliance with our other professional obligations under these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

On signing the audit contract, our mandate and our responsibility, also with regard to third parties, are subject to the General Conditions of Contract for the Public Accounting Professions (AAB) of March 8, 2000 as amended on February 21, 2011 (AAB 2011), as published by the Chamber of Public Accountants and attached to the audit report. Therefore, our liability is excluded for cases of slight negligence. For gross negligence, a maximum liability limit of € 2 million, applicable vis-a-vis the company and third parties, was agreed upon in accordance with Section 275 Para 2 Austrian Business Code.

Management Board and Supervisory Board responsibilities for the condensed consolidated financial statements

The management is responsible for the preparation of the condensed consolidated financial statements of the subgroup as well as for them to present a true and fair view of the assets, financial position, and financial performance of the subgroup in accordance with IFRS as adopted by the EU, and the Group Reporting Package for the consolidated group stipulated therein. Management is also responsible for internal controls which the Management considers necessary to enable the preparation of the consolidated financial statements for the subgroup free of material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements for the subgroup, management is responsible for assessing the subgroup's ability to continue as going concern, disclosing, as applicable, matters related to going concern, and using the going-concern basis of accounting unless the management either intends to liquidate the subgroup or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the subgroup's financial reporting process.

Auditor's responsibilities for the audit of the condensed financial statements of the subgroup

Our objectives are to obtain reasonable assurance about whether the condensed financial statements of the subgroup as a whole are free of material misstatements – whether due to fraud or error – and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, yet not a guarantee, that an audit conducted in accordance with Generally Accepted Accounting Principles in Austria, which require the application of ISA, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of the condensed financial statements of the subgroup.

The audit does not provide any assurance of the future continued existence of the audited subgroup or on the efficiency or effectiveness of the current or future management.

As part of an audit in accordance with Generally Accepted Accounting Principles in Austria, which require the application of ISA, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatements of the financial statements whether due to fraud and error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the subgroup's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the subgroup's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed financial statements of the subgroup or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the subgroup to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the condensed financial statements of the subgroup, including the disclosures, and whether the condensed financial statements of the subgroup

represent the underlying transactions and events in a manner gives a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the subgroup to express an opinion on the financial statements of the subgroup. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

Vienna, March 5, 2018

Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Christoph Waldeck m.p.
Certified Public Accountant

ppa. Dr. Claudia Brunnhuber-Holzinger m.p.
Certified Public Accountant

The condensed consolidated financial statements with our auditor’s report may only be disclosed in the version as audited by us. This auditor’s report exclusively refers to pages 47 to 85 of the condensed consolidated financial statements in German. This English translation is provided for convenience only. The German original is solely valid.

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