ANNUAL REPORT 2016

HEALTH CARE VITALITY

www.vamed.com

	2016	2015
Order intake (€ m)	1,017.2	903.9
Orders on hand (€ m)	1,961.3	1,650.4
Sales (€ m)	1,160.5	1,117.6
International sales (%)	68.3	64.0
EBIT (€ m)	68.8	63.6
EBT (€ m)	66.5	61.2
Staff (as at Dec. 31)	8,198	8,262

Acc. to International Financial Reporting Standards (IFRS)

VAMED

VAMED Aktiengesellschaft
Sterngasse 5 | Vienna | Austria
office@vamed.com | www.vamed.com

VAMED

VAMED Group Report

Selected pages of the Annual Report 2016 show Quick Response (QR) Codes. Use your smartphone or tablet to scan the QR Codes and access further information contained on websites linked to the QR Codes.

FOREWORD OF THE EXECUTIVE BOARD

In 2016 VAMED continued its long-term path to success. For the first time, the volume of new orders received exceeded the one billion euro mark, which provides an excellent basis for continued growth.

As the leading international healthcare provider, VAMED plans, builds, and operates healthcare facilities all over the world. VAMED's experience, gained from over 800 projects in 79 countries and backed up by its commitment to quality and the continuous development in all areas of business – from prevention, acute care, and rehabilitation to nursing – makes the company unique in the healthcare sector. We meet the challenges of a constantly changing environment, charcterized by complex economic and geopolitical conditions, with innovative energy and know-how, the full commitment and motivation of our entire team, through lean and efficient structures, and the global orientation of our service portfolio.
Our efficient cost management and consistent efforts at optimizing structures and processes, as well as our sustainable management of resources have contributed to our excellent results in 2016.

VAMED's value chain comprises the entire health sector portfolio, from project development, planning and project management via all areas of technical, commercial, and infrastructure facility management to total operational management. From the vantage point of sustainable healthcare management, the growing interest in lifecycle models is encouraging. With these models, VAMED accompanies customers with all services of its value chain. For our clients, this ensures the continued availability of a healthcare facility which, as required, will be enlarged or renewed in the course of its lifecycle. As a pioneer in implementing projects on the basis of cooperation models, VAMED has also continuously developed into the leading provider of public private partnership (PPP) models. By the end of 2016, 24 PPP models had been implemented or were in the implementation stage.
Within the project business, we completed the major contract for the Charité hospital in Berlin and handed over the project in good time. While work on existing projects was continued, a number of new contracts were signed – including in Austria, Germany, and Switzerland. About one third of the newly received orders in 2016 came from Africa, as for instance from Ghana and Tunisia. Our business continued to expand also in Asia, in Laos and China among other countries, as well as in Latin America.
Within the service business, VAMED today provides technical services for more than 600 healthcare facilities worldwide with a total of 143,000 beds and has total operational management responsibility for 52 healthcare facilities with more than 7,000 beds on four continents. With a total of twelve rehabilitation centers, VAMED is the largest private provider of rehabilitation services in Austria. VAMED also operates renowned rehabilitation and healthcare facilities in Switzerland and the Czech Republic. In the key area of rehabilitation for children and teenagers we were awarded the contract for a facility in St. Veit, Salzburg, for oncologic patients and patients suffering from metabolic disorders, as well as for family-oriented aftercare.
Benefitting from the know-how of about 650 physicians networked in the International Medical Board, we have developed the innovative and pioneering "personal rehabilitation" concept at our Kitzbühel Rehabilitation Center, which will be rolled out to all our Austrian rehabilitation centers within 2017.
In the area of prevention, we are the market leader in Austria with eight VAMED Vitality World thermal spa and health resorts. In Hungary we operate Aquaworld Budapest, Hungary's largest thermal spa.
Right from the very beginning, sustainability and corporate social responsibility have been key aspects of VAMED's activities and principles, implemented in our daily practice as healthcare provider. In this annual report we present a small selection of special VAMED projects.
Once again in 2016, we managed to extend our presence and to further improve our financial ratios. We owe this success above all to our staff, and we take this opportunity to express our sincere thanks for their outstanding efforts. Likewise, we owe thanks to our customers, partners, and shareholders for the trust they placed in us and for their support during the past fiscal year.

The Executive Board of VAMED AG

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

REPORT OF THE SUPERVISORY BOARD

Based on a current resolution, the Supervisory Board now has five shareholder representatives, viz. Dr. Gerd KRICK, Dkfm. Stephan STURM, KR Karl SAMSTAG, Mag. Andreas SCHMIDRADNER and Dr. Robert HINK, who have been appointed Supervisory Board Members until the end of the Annual General Meeting in which the Supervisory Board's acts for the fiscal year 2017 are officially approved.

In the fiscal year 2016, the Supervisory Board's deliberations focused on project and corporate acquisitions and on activities to strengthen the corporate areas 'Services' and 'Total Operational Management', as well as on measures to further expand and strengthen the position of the VAMED group in the healthcare industries in Central Europe and internationally.

The Executive Board informed the Supervisory Board in writing and orally on the future corporate policy, the future development of the assets, financial position and performance of VAMED Aktiengesellschaft and of the VAMED group, as well as on the corporate business, the situation of the company and of the entire VAMED group. Where required in accordance with the provisions of the Companies Act, the Memorandum and Articles of Associations, or the company's rules and regulations, the Supervisory Board's approval was obtained.

The Financial Statements and the Management Report of VAMED Aktiengesellschaft were audited by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, who issued an unqualified report.

As regards the preparation of separate consolidated financial statements, the Executive Board made use of the exemption provisions under the Austrian Business Code, section 245, under which, as a result of the group's inclusion into the majority shareholder's consolidated financial statements, no separate consolidated financial statements had to be prepared; (condensed) financial statements of the subgroup, representing the VAMED segment in the majority shareholder's consolidated financial statements, were made available to the Supervisory Board.

The consolidated financial statements of the majority shareholder were also submitted to the Supervisory Board.

The Supervisory Board set up a Balance Sheet Committee to audit the financial statements of VAMED Aktiengesellschaft and the (condensed) financial statements of the VAMED subgroup; after detailed audits and following the Balance Sheet Committee's meeting on March 3, 2017, the Committee recommended the Supervisory Board to approve of the financial statements.

In its meeting of March 23, 2017, the Supervisory Board accordingly approved of the Financial Statements, including Management Report, of VAMED Aktiengesellschaft, thereby adopting them under the Companies Act, section 96, para. 4.

At the same meeting the Supervisory Board agreed to the proposal from the Executive Board on the distribution of profits. The Supervisory Board suggests appointing Deloitte Audit Wirtschaftsprüfungs GmbH, 1010 Vienna, Renngasse 1/Freyung, as auditors for the Financial Statements 2017 of VAMED Aktiengesellschaft.

Thanks and recognition are due to the staff for their contribution in the fiscal year 2016.

Vienna, March 23, 2017

Dr. Gerd Krick
Chairman of the Supervisory Board

CORPORATE ORGANS OF VAMED AG

The 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**

The 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 Managing Director of B&C Holding GmbH
DELEGATED BY THE WORKS COUNCIL	**Josef Artner**
	Mag. (FH) Thomas Hehle
	Ing. Robert Winkelmayer

VAMED GROUP **STRUCTURE**

PROJECTS		SERVICES	
INTERNATIONAL	CENTRAL EUROPE	AKH and KAV, VIENNA	CENTRAL EUROPE and INTERNATIONAL
VAMED ENGINEERING GmbH, Vienna	VAMED Standortentwicklung und Engineering GmbH, Vienna	VAMED-KMB Krankenhaus-management und Betriebsführungs-ges.m.b.H., Vienna	VAMED Management und Service GmbH, Vienna

» With competence and professionalism we realize projects on a worldwide basis for the health of tomorrow. «

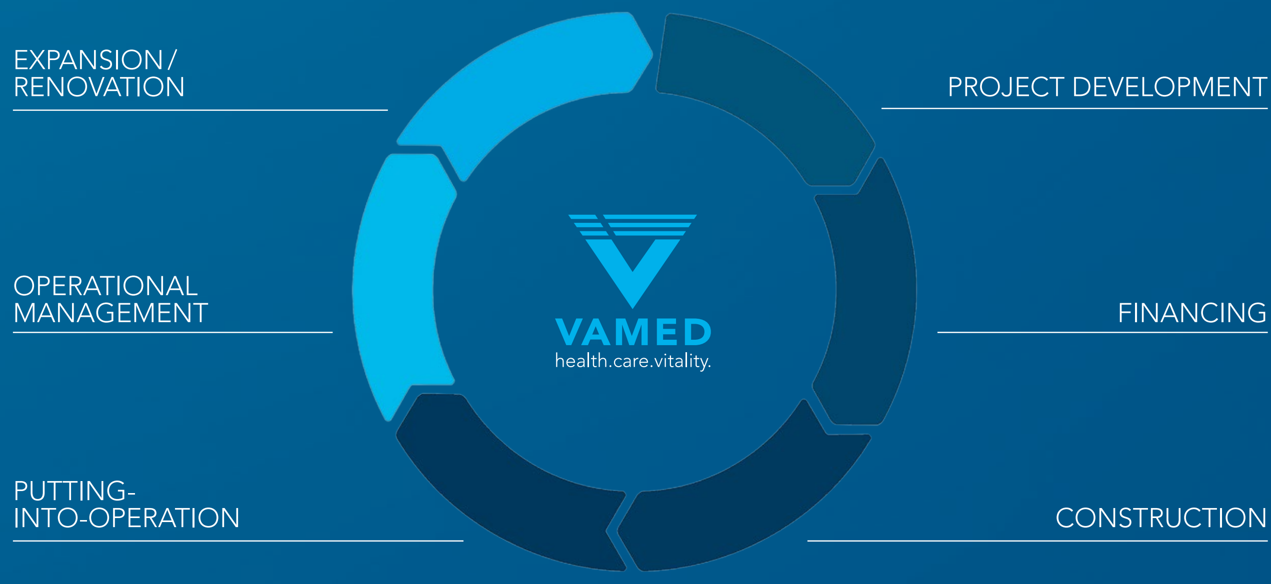
VAMED'S LIFECYCLE MODEL SUSTAINABILITY IN HEALTHCARE

VAMED's unique range of services enables us to plan, build, and operate modern integrated healthcare facilities over their entire lifecycle and in all areas of healthcare, from prevention via acute treatment and rehabilitation to nursing.

In all its activities, VAMED has applied a holistic approach and always focused on the integration of all processes in patient care. VAMED's responsibility for healthcare projects based on the lifecycle model, therefore, does not come to an end upon the successful handing-over and training of the staff. Instead our subsequent operational management then forms a sustainable healthcare cycle: from consultation via project development, planning and financial engineering, on to project management and construction and, in our lifecycle model, to extension and renovation.

SERVICE BUSINESS

PROJECT BUSINESS



Our service offer focuses exclusively on health – and covers a facility's entire lifecycle.

HEALTH. CARE. VITALITY.

Health is our most valuable asset. VAMED's activities are all focused on human health and well-being. As we understand health in a holistic way, VAMED provides the full range of services, from health tourism and prevention via acute care and rehabilitation to nursing.

create health.

From the very beginning, the planning and construction of healthcare projects, followed by operational management, have been VAMED's core competences. Unique customer-specific solutions, efficient cost management, adherence to schedules, and reliability have substantiated VAMED's outstanding reputation worldwide. Our impressive service and country portfolios, as well as the 'think global – act local' principle, are further factors that have strengthened VAMED's leading position as an international healthcare provider.

manage care.

As an integrated healthcare provider, VAMED offers all management services for healthcare facilities worldwide. Our service business has a modular structure and comprises facility management in technical, commercial, and infrastructure terms. In total operational management, with its varied medical and nursing services, the human being and human health are at the center of our attention. With its offer of integrated solutions VAMED ensures a high level of patient and staff satisfaction and warrants an optimum management and operation of a facility over its entire lifecycle, from the construction of buildings to the end of their primary useful life, or to their modernization and extension.

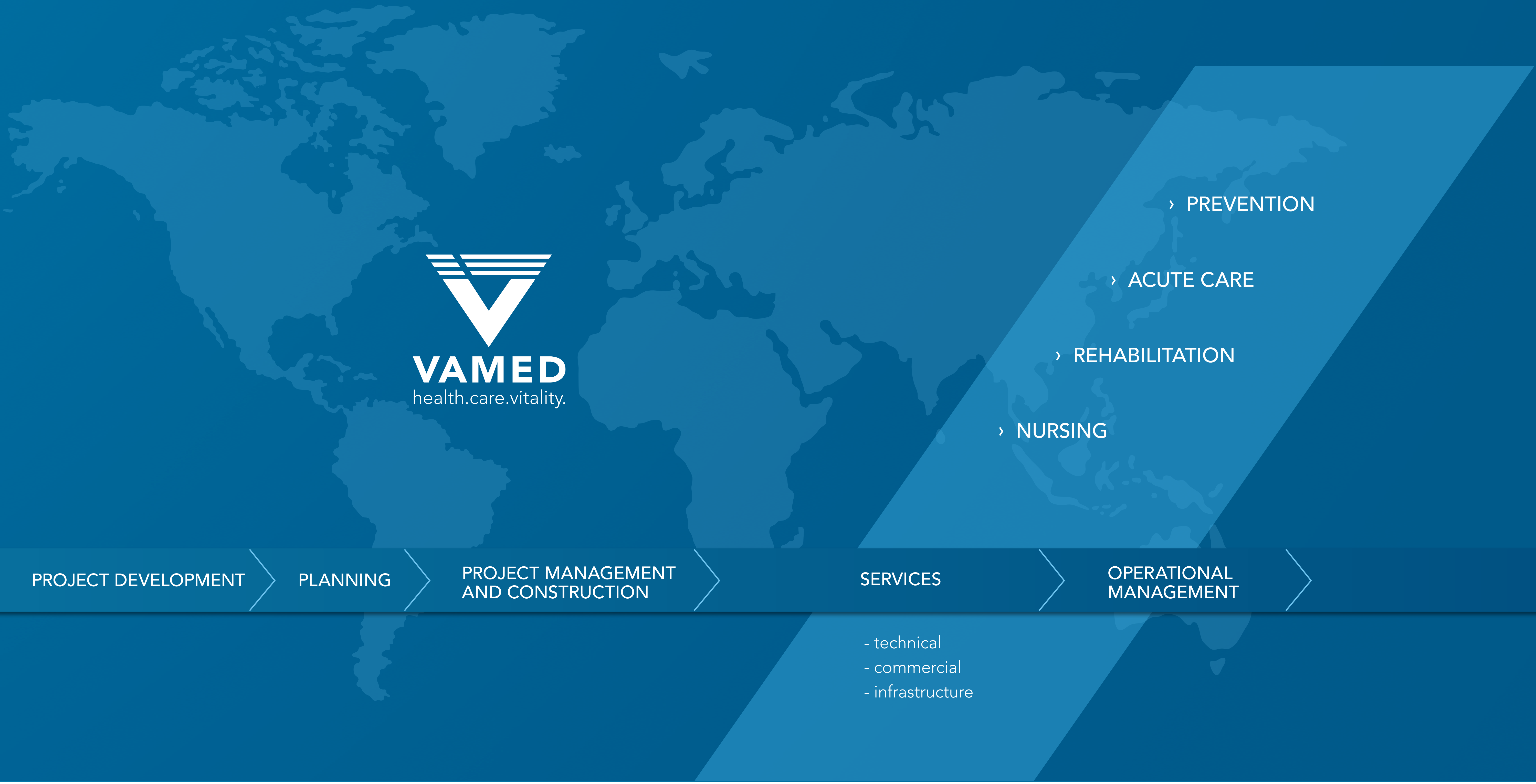
enjoy vitality.

The VAMED Vitality World spa and health resorts offer medical and therapeutic methods and extensive applications to improve our health-conscious guests' physical and mental well-being. The thermal spa and health resorts of VAMED Vitality World do not just ensure best service quality but also offer innovative approaches. VAMED has put its many years of experience in healthcare to good use and has managed to bridge the gap between preventive medicine and health tourism.

VAMED VALUE CHAIN

VAMED, the international healthcare group, operates in all areas of healthcare: in prevention, acute care, rehabilitation, and nursing.

In all these areas of activity, VAMED offers wide-ranging services, from project development via planning, project management, and construction to services in technical, commercial, and infrastructure areas as well as all aspects of operational management.



ASSUMING RESPONSIBILITY

VAMED's experience as an internationally operating health group in the areas prevention, acute care, rehabilitation and nursing forms the basis for successful solutions across the entire portfolio: project development, planning, project management and construction, services and operational management.

PROJECT DEVELOPMENT

The initial idea for a project is the driving force behind a plan. Sparked by this project idea, VAMED develops individually adjusted and customized solutions to put the healthcare project on the right track in functional, technical, and economic terms.

PLANNING

The complex challenges faced when planning projects in the healthcare sector require a professional team that can put its experience and know-how to good use in designing new solutions – a team that can be trusted. VAMED's experts, forming a competent and well-coordinated team, plan projects from the very beginning and assume responsibility for their complete implementation.

PROJECT MANAGEMENT AND CONSTRUCTION

VAMED is the professional partner for healthcare projects, from initial planning to turnkey construction and the final handing-over of the project. Implementation meeting all requirements in terms of deadlines, costs, and quality is ensured, as are suitable financing solutions and accompanying control.

SERVICES

VAMED offers a full range of services for healthcare facilities. VAMED's service business has a modular structure and ranges from facility management aspects in technical, commercial, and infrastructure terms to total operational management. Through process optimization VAMED minimizes costs and ensures the required quality of healthcare.

OPERATIONAL MANAGEMENT

As one of very few providers worldwide, VAMED has the know-how it takes to manage a healthcare facility over its entire life cycle – from the initial project idea to total operational management – using our own resources. VAMED stands ready to provide whatever management service is desired, from outsourcing solutions for partial operations via partnership models to total operational management.






FURTHER INFORMATION ON SERVICES

FOCUSED ON HEALTH

With technical expertise, competence, and professionalism VAMED realizes ideas and visions, which are all focused on human health and well-being.

PREVENTION

The VAMED Vitality World spa and health resorts offer medical and therapeutic methods and extensive applications to improve our guests' physical and mental well-being. The thermal spa and health resorts of VAMED Vitality World do not just ensure best service quality to visitors but also provide innovative approaches. VAMED has put its many years of experience in healthcare to good use and has bridged the gap between preventive medicine and health tourism.

REHABILITATION

At all our rehabilitation facilities VAMED aims at reducing restraints that patients encounter as a result of illnesses or accidents to the extent possible so that our patients can participate fully in society and family life. The personal and individual treatment of our patients and the patient-oriented design of all facilities ensure that we achieve the best results of our therapeutic measures.

ACUTE CARE

Innovative and sustainable approaches are the pillars on which VAMED's leading international position in the hospitals and clinics sector rests: together with our partners, we implement major projects in the areas of hospital development, construction, and all aspects of operational management. In all of these areas, VAMED refers to longstanding international experience.

NURSING

The salutogenesis methodological concept applied by VAMED opens up new paths in nursing, where those affected can lead a self-determined life in dignity. In terms of the spatial and functional design of our nursing facilities, the focus is on contemporary standards to benefit residents and the staff alike.

» Innovation evolves through vision. «











FURTHER INFORMATION ON BUSINESS FIELDS

VAMED LOCATIONS WORLDWIDE

Employing more than 17,000 staff on four continents, VAMED works on ideas and their implementation for healthcare facilities of the future. VAMED has so far successfully implemented more than 800 facilities in healthcare and health tourism in 79 countries.

Antwerp, Belgium
Banja Luka, Bosnia and Herzegovina
Bijeljina, Bosnia and Herzegovina
Bad Homburg, Germany
Berlin, Germany
Düsseldorf, Germany
Frankfurt am Main, Germany
Kassel, Germany
Kiel, Lübeck, Germany
Kirchheimbolanden, Germany
Cologne, Germany
Mülheim an der Ruhr, Germany
Paris, France
Athens, Greece
Florence, Italy
Milan, Italy

Pristina, Kosovo
Arnheim, The Netherlands
Oostvoorne, The Netherlands
Vienna, Austria – VAMED Headquarters
Warsaw, Poland
Lisbon, Portugal
Bucharest, Romania
Dussnang, Switzerland
Rapperswil-Jona, Switzerland
Zihlschlacht-Sitterdorf, Switzerland
Novi Sad, Serbia
Prague, Czech Republic
Ankara, Turkey
Budapest, Hungary

Baku, Azerbaijan
Astana, Kazakhstan
Yalta, Crimea
Krasnodar, Russia
Moscow, Russia
St. Petersburg, Russia
Ashgabat, Turkmenistan
Donetsk, Ukraine
Kiev, Ukraine

La Paz, Bolivia
Quito, Ecuador
Tegucigalpa, Honduras
Bogotá, Colombia
Lima, Peru
Port-of-Spain, Trinidad and Tobago

Libreville, Gabon
Accra, Ghana
Baghdad, Iraq
Tehran, Iran
Praia, Cape Verde
Doha, Qatar
Nairobi, Kenya
Tripoli, Libya
Maputo, Mozambique
Abuja, Nigeria
Muscat, Oman
Abu Dhabi, UAE
Dubai, UAE

Jakarta, Indonesia
Kuala Lumpur, Malaysia
Ulan Bator, Mongolia
Port Moresby, Papua New Guinea
Manila, Philippines
Bangkok, Thailand
Hanoi, Vietnam
Haikou, China
Beijing, China
Shanghai, China

FURTHER INFORMATION ON LOCATIONS

VAMED **PROJECTS**

By the end of 2016, VAMED had implemented more than 800 projects worldwide, 24 of which were Public Private Partnership models.

VAMED is a leader in the implementation, together with the public sector, of Public Private Partnership (PPP) models in healthcare. For these business models, public and private partners jointly plan, build, finance, and operate hospitals and other healthcare facilities. In order to increase efficiency and ensure a competitive edge, VAMED is always trying to develop new ideas and find innovative approaches.

Apart from partnership-based implementation models, as for instance life cycle and PPP models, these include international financing management and the continuous further development of instruments and processes for the implementation and operational management of complex health care facilities. Selected VAMED projects are presented on the following pages.

» From individual services to overall implementation projects, including operational management: VAMED is the partner for all healthcare sector projects where overall solution competence is required – worldwide. «

CHARITÉ CAMPUS CHARITÉ MITTE BERLIN, GERMANY

Handover of the keys to the new Charité Mitte Emergency Center and the bed block after only 35-month of construction time.

In early 2014, Charité Berlin commissioned the joint venture of VAMED Germany and Ed. Züblin AG as contractors with the renovation of the 21-storey bed block of the University Hospital Charité Berlin and the new construction of the operating theatres, intensive care units and the central emergency department. In September 2016, the Charité Mitte Emergency Center – Rudolf-Nissen-Haus – a new five-storey building housing central operating and intensive medical care units with 15 modern operating theatres, including two hybrid operating rooms with integrated imaging technology, and 71 intensive-care beds, was handed over within the agreed timeline. At the end of November, the newly designed 21-storey bed block was inaugurated. Built in 1982, the building was completely renovated and an energy-efficient facade added. The equipment of all wards and rooms, featuring 543 beds, is based on state-of-the-art-medical medical expertise and designed to support optimum patient recovery.

Charité ranks among Europe's leading university hospitals and is renowned for being an excellent training center.

UNIVERSITY HOSPITAL SCHLESWIG-HOLSTEIN
KIEL/LÜBECK, GERMANY

First milestone at the largest PPP project in the German healthcare sector.

With a staff of 13,000 working at 80 clinics at the locations Kiel and Lübeck, the University Hospital Schleswig-Holstein (UKSH) ranks among the largest centers of university medicine. The contract for implementing the construction master plan for university medicine in Schleswig-Holstein in conjunction with BAM as consortial partner is one of VAMED's flagship lifecycle projects.

The project comprises new construction and adaptation work as well as the renovation of existing structures. As

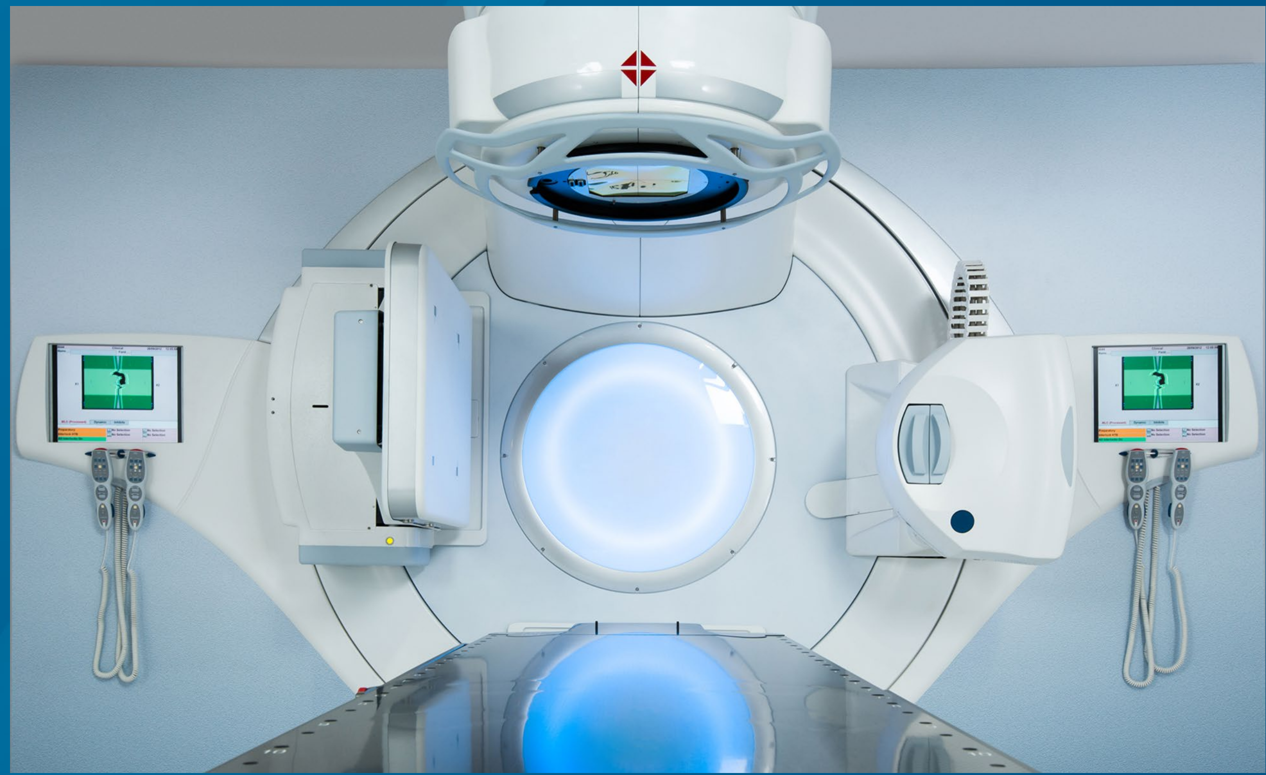
Germany's second largest university hospital, UKSH is structured and designed in such a way that requirements regarding health care, research, and teaching can be met. The project takes account of the demographic changes of an aging society and of medical advances alike. The forward looking approach to construction and energy supply ensures a sustainable and stringent energy standard.

The groundbreaking ceremony in September 2015 marked the official project start. In August 2016, the new hematology-oncology ward was the first unit that was completed and handed over as contractually agreed. Overall completion is planned for 2021.

VAMED's involvement, however, does not end upon completion; the consortium has been put in charge of the hospital's technical operation of this lifecycle project.

At a total contract volume of ca. € 1,700 million, this is the largest Public Private Partnership project implemented to date in the German healthcare sector.

RADIATION ONCOLOGY AT THE HIETZING AND SMZ-OST HOSPITALS
VIENNA, AUSTRIA



Implementation of radiation oncology units at the Krankenhaus (KH) Hietzing and the Sozialmedizinisches Zentrum (SMZ) Ost - Donauspital.

Radiation therapy is a relatively new field, which has developed rapidly in recent years. Modern radiotherapy units (linear accelerators) and the integration of imaging technologies such as computer tomography (CT) and magnetic resonance imaging (MRI) have made significant contributions to improving the effectiveness of radiation therapy while at the same time largely protecting neighboring organs and the surface of the skin. In April VAMED was awarded the contract for the radiation oncology units at the Hietzing Hospital and the SMZ Ost Hospital. The contract comprises planning and construction work, but also technical and infrastructure management, including maintenance of the medical technology equipment and reinvestments.
Six state-of-the-art linear accelerators, areas for teletherapy and CT simulation as well as a special room for brachytherapy (a form of radiation therapy for the treatment of small-sized tumors) improve the standard of care for cancer patients in the eastern part of Austria. Financing is based on a Public Private Partnership (PPP) model. The radiation oncology units for the Hietzing Hospital and the SMZ Ost Hospital will be completed in 2017 and 2020, respectively.

FURTHER INFORMATION ON UKSH (CLIP)

RADIATION THERAPY CENTER
VIENTIANE, LAOS

In Laos, the first oncological radiation therapy center was officially opened in the capital city Vientiane in the spring of 2016.

The implementation of this turnkey contract for the construction of an oncological radiation therapy center in Laos by VAMED is an important contribution to public healthcare in that fast growing country. The project, which was completed within two years, also includes the installation of a modern linear accelerator.

The sustainable establishment of such facilities by VAMED includes the training of local medical staff (radio oncologists, radiation therapists, and nurses), as a key aspect of the project. An important factor to ensure success was VAMED's personal and professional support during the first months after the center's inauguration.

ONCOLOGY CENTER JENDOUBA
JENDOUBA, TUNESIA

Contract to build an oncology center in Jendouba, Tunisia.

At the end of March, VAMED was awarded the contract for the turnkey construction of an oncology center in Tunisia. The project is being implemented in the city of Jendouba, in the Northwest of Tunisia, about 140 km west of the capital Tunis.
On a total area of 3,250 m² we will build a laboratory, an area for imaging techniques, and specialized treatment zones with a focus on radiation therapy, brachytherapy (a form of radiation therapy for the treatment of small-sized tumors), and chemotherapy.

The new healthcare facility will have a capacity of about one hundred therapy patients a day. This makes the Jendouba Oncology Center an important reference center for the treatment of oncological diseases in the region.

TAMALE TEACHING HOSPITAL
NORTHERN REGION,
TAMALE, GHANA

In the North of the West African Republic Ghana VAMED is building a general university clinic with a focus on obstetrics and gynecology.

In Ghana's Northern Region VAMED has already built five polyclinics and one regional hospital. Following the opening of the Tamale Teaching Hospital in 2018 VAMED will have provided the region with all categories of its modular hospital concept.

In 2015, VAMED started work in the Northern Region of Ghana on the construction of the Tamale Teaching Hospital as a university clinic with 387 beds featuring the complete medical infrastructure of a supra-regional healthcare facility. The clinic focuses on obstetrics and gynecology and will have 50 incubators for premature babies in the neonatology ward. There will be 192 beds for the optimal treatment of a wide range of indications in the clinic's general medical department. In connection with this project, VAMED will also implement infrastructure projects, as for instance staff quarters, power supply and wastewater treatment facilities.

HOSPITAL VILLA TUNARI
COCHABAMBA,
VILLA TUNARI, BOLIVIA

Contract for the turnkey construction of a 200-bed hospital in Villa Tunari, Bolivia.

Towards the end of 2015, VAMED received its first order from the South American Andean state Bolivia. In the Cochabamba province, an acute care hospital with 200 beds is to be built, with specialist clinics and technical departments at standards that ensure the provision of maximum regional medical care.

For the coming years, Bolivia is planning to accelerate the development of their national healthcare system. The Villa Tunari project, a turnkey hospital, therefore constitutes an important step in that key market for VAMED.

KNEIPP-HOF DUSSNANG
CANTON THURGAU, DUSSNANG, SWITZERLAND

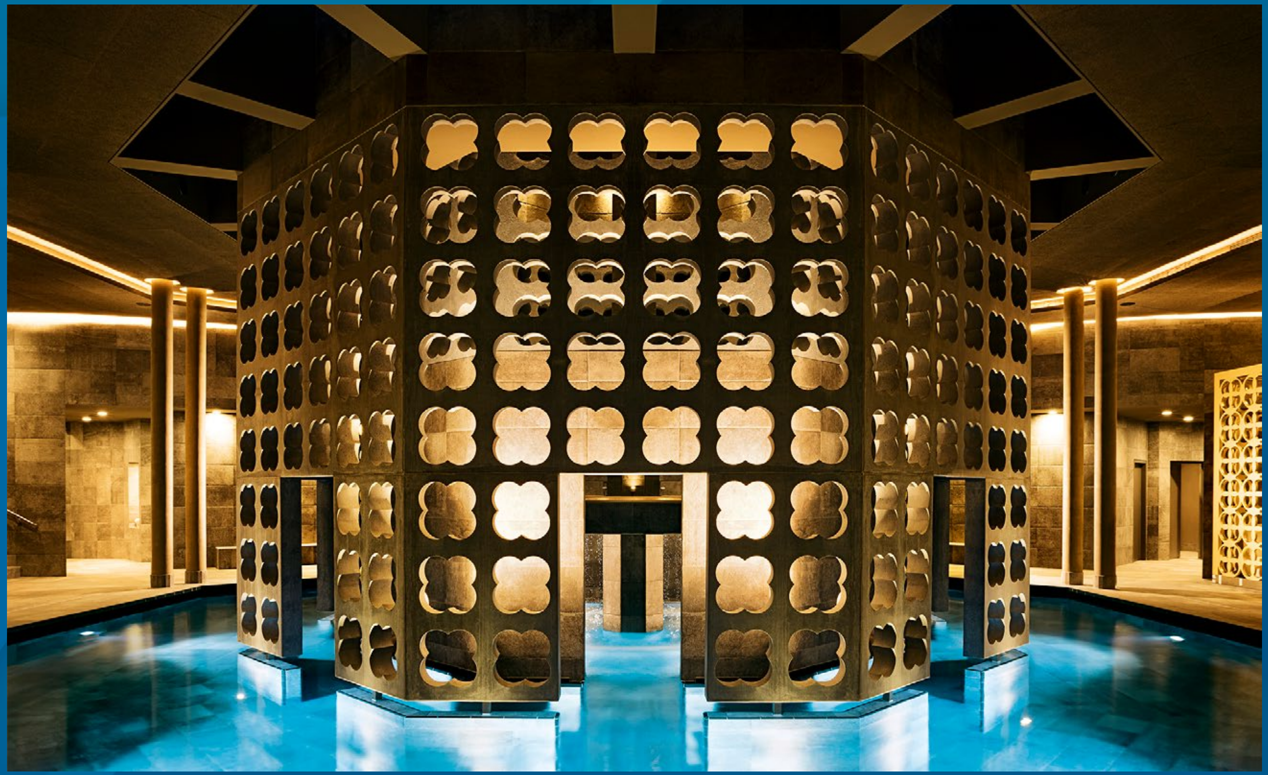
Extension of kneipp-hof

kneipp-hof Dussnang offers customized rehabilitation solutions for professional follow-up care, in particular after surgery of the musculoskeletal system. The rehabilitation center is specialized in musculoskeletal therapies, for instance after implantation of a hip, knee, or shoulder joint. The treatment required is offered to both inpatients and outpatients.

VAMED acquired the reputed Swiss rehabilitation center in mid-2014. In 2015, the decision was taken to extend inpatient rehabilitation by a total of 60 beds, one third each for the geriatric admission ward and for geriatric and orthopedic rehabilitation. It was also decided to build a new medical center. Construction work was commenced in the third quarter of 2016 and is planned to be completed at the end of 2017, with patient admission to the new building starting in early 2018.

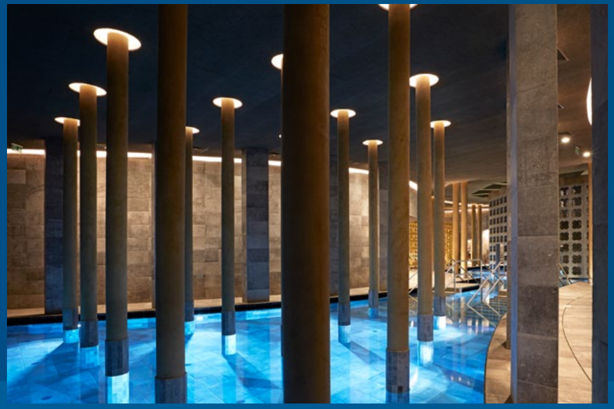
VAMED is also the owner/operator of Rehabilitation Clinic Zihlschlacht and as such the second largest provider of rehabilitation services in Switzerland.

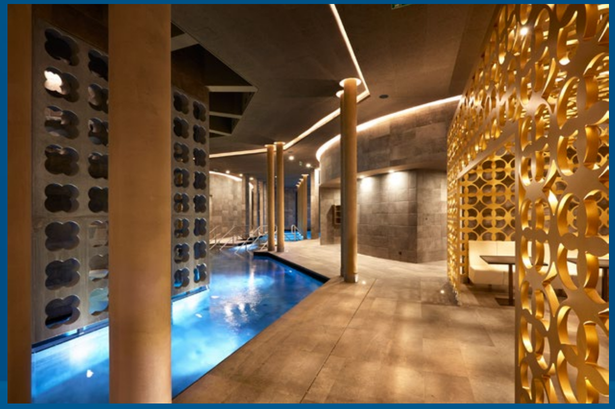
THERME LAA – HOTEL & SILENT SPA
LAA AN DER THAYA, AUSTRIA



Extension of Thermal Center Laa by an exclusive SILENT SPA.

Since its opening in 2002, Thermal Center Laa – Hotel & Silent Spa is a showcase and lead project for health related tourism, where VAMED's wide-ranging competences have been put to good use from project development via planning and construction to total operational management. In 2016, this thermal spa and health resort added a trendsetting offer. For the first time, a separate resort has been made available for day guests. With its focus on guests in need of tranquility the new SILENT SPA constitutes a novel and unique premium offer in Austria's health tourism. The Premium Day Spa has a capacity for 160 guests and constitutes an innovative extension to the existing range of attractive offers of VAMED Vitality World.





FURTHER INFORMATION ON KNEIPP-HOF DUSSNANG (CLIP)
FURTHER INFORMATION ON SILENT SPA (CLIP)

ROBOTIC SURGERY VAMED MEDITERRA
MOSTIŠTĚ, CZECH REPUBLIC

At the St. Zdislava Hospital in Mostiště VAMED Mediterra now offers robotic surgery.

This specialized hospital puts a therapeutic focus on robotic-assisted surgery using the da Vinci surgical system. This enables surgeons to perform a wide range of minimally invasive surgery and has converted the clinic into one of Europe's leading centers for this type of surgery.

Advantages of using robotic surgery are minimal loss of blood, a particularly precise and careful handling of the body's own tissue, and very short operating times. These advantages combine to speed up healing and shorten hospitalization periods. Compared to laparoscopy, the da Vinci surgical robot ensures an incomparably greater number of movements of surgical instruments during intervention.

This makes it possible to treat areas for which the human hand would be either too large or not flexible enough. The current main areas of application of robotic surgery are in urology as well as in abdominal and vascular surgery.

The Mostiště Clinic, one of seven leading VAMED-managed acute care facilities in the Czech Republic, is located about 50 km west of Brno.

FURTHER INFORMATION ON ROBOTIC SURGERY (CLIP)

PERSONALIZED REHABILITATION
KITZBÜHEL, AUSTRIA

An innovative approach developed by the VAMED International Medical Board has made the extent of successful rehabilitation measurable.

VAMED operates 15 rehabilitation centers in Austria, Switzerland, and the Czech Republic. Overall, VAMED employs more than 1,100 therapists, 2,800 nurses, and 650 physicians; their know-how and experience has been clustered and networked in the "International Medical Board". Medical experts in the various areas of rehabilitation use the insights gained to develop new scientifically founded programs for personalized rehabilitation of the future.

A patient admitted for "personalized rehabilitation" receives a wide-ranging activity-oriented and participation-based assessment for an individual and effective treatment process. The rehabilitation team, supervised by medical specialists, together with the patient, agrees on an individualized therapy plan based on the number of points scored. Together with the rehabilitation team, each patient identifies his or her very personal objectives. Based on objectively measured values and a patient's actual progress, the therapy plan is also optimized during the course of rehabilitation in interdisciplinary therapy meetings for a best possible achievement of individual objectives.

The new "personalized rehabilitation" approach is already being applied at the Rehabilitation Center Kitzbühel. By the end of 2017, that approach will have been rolled out step by step to all of VAMED's orthopedic, neurologic, and oncologic rehabilitation centers.

FURTHER INFORMATION ON VAMED REHABILITATION (CLIP)

HEALING ENVIRONMENTS SUPPORT ONCOLOGICAL REHABILITATION
ST. VEIT IM PONGAU AND BAD SAUERBRUNN, AUSTRIA

For people recovering from cancer, oncological rehabilitation is of vital importance. VAMED´s two oncological rehabilitation facilities provide leading-edge medical and therapeutic care whilst applying a pioneering design plan.

Persons recovering from cancer react particularly sensitively to environmental factors. Oncological facilities must therefore take account of their patients' special needs, introduce an element of normality into everyday life, and radiate positive life energy.

Putting our medical and therapeutic competencies to good use, VAMED has become a pioneer in oncological rehabilitation. The innovative "healing environments" concept applied in this context uses architecture in a focused manner to achieve therapeutic purpose, help reduce stress, and activate the patients.

The materials, lights, and furnishings are specifically chosen so that patients become more mobile and are not burdened with the environmental stress of a conventional hospital. Each individual design element aims to activate all of the patients' senses. This array of measures ultimately aims at improving the quality of life of our patients, facilitating their social and professional reintegration.

The showcase project St. Veit im Pongau is the first Austrian healthcare facility to receive the Sustainability Certificate in Silver from the Austrian Society for Sustainable Real-Estate Management (ÖGNI). The building is not only a "green building", meeting the most stringent ecological criteria, but also a "blue building" that fulfills economic, social, and functional tasks in an exemplary manner.

SUSTAINABLE LIFECYCLE MODEL AT THE VIENNA GENERAL HOSPITAL
VIENNA, AUSTRIA

VAMED is responsible for the technical operation of the Vienna General Hospital (AKH). In that role VAMED successfully provides assistance in reducing the consumption of resources at one of the largest and leading European hospitals.

For more than 30 years, VAMED-KMB has been in charge of the technical operation of the Vienna General Hospital – Medical University Campus. The AKH is Vienna's largest healthcare facility, where about 1,000 top-qualified staff are in charge of 20,000 technical installations and more than 50,000 medical devices. VAMED's clear operational target at the AKH Vienna is to optimize processes and reduce the consumption of resources.

This includes hazardous waste and septic consumables (Category 1), the disposal of which causes great expense and constitutes a particular challenge. During the past 12 years, the quantity of Category 1 waste materials was reduced by about 107 metric tons a year, or by over 40 %. AKH's energy consumption is a key pivotal point for measures to save resources. These measures resulted in a 25 % reduction of energy usage per patient at AKH Vienna over the past 20 years. In absolute figures this is equivalent to an annual CO_2 emission reduction by more than 20,000 metric tons.

In order to ensure that targets are achieved, VAMED-KMB has introduced the Quality Management Excellence Model of EFQM (the European Foundation For Quality Management) and, since 2003 has for the sixth time received an award for the exemplary application of this model.

REGIONAL HEALTH CARE IN EMERGING COUNTRIES
ASIA, AFRICA, SOUTH AMERICA

VAMED is always there when healthcare systems need urgent support – in many cases this is not in urban centers but in rural regions of countries in emerging countries.

In implementing healthcare infrastructure, VAMED has repeatedly been working at the frontline. While in many metropolitan regions of Africa, general hospitals and university clinics already form part of the general infrastructure, the situation is different in sparsely populated rural areas. Where the burden of disease is largest, patients still lack access to appropriate medical care. This is why VAMED has developed a modular hospital concept, which helps to substantially reduce both construction costs and construction times of medical facilities.

One aim is to make it easier for developing countries to expand their healthcare infrastructure, illustrated on the basis of a project in a village of 3,000 inhabitants in the north of Ghana. Here, VAMED has handed over the Polyclinic Janga as a turnkey project. On an area of about 2,000 square meters all facilities required to ensure basic healthcare for the area are available: examination rooms, a laboratory, a pharmacy, a ward for ten patients, a delivery suite and newborn infant´s ward, staff quarters and even a small waste management plant. The equipment is based on WHO guidelines. Patients suffering from more severe diseases are taken to the Gushiegu District Hospital, about 100 km away, which was also built by VAMED.

WITH THE POWER OF MIND INTERNATIONAL BIONICS COMPETITION
ZURICH, SWITZERLAND

VAMED supports the first international bionic competition for athletes with severe disabilities.

The first international bionic competition took place at the SWISS Arena in Zurich in early October. More than 70 severely handicapped athletes started in six disciplines. There they had to master challenging tasks with the aid of the latest prosthetics technology and robotics-based assistance systems. A total of 25 countries were present at this world premiere, which received much attention worldwide.

At the event, VAMED was a key cooperation partner and put its experience in the development of new rehabilitation approaches to good use. This includes robotics at the Rehabilitation Clinic Zihlschlacht Competence Center, where rehabilitation patients receive substantial assistance. Gerhard Kleinhofer was one of the Austrian athletes. He was nominated by the Neurological Therapy Center Kapfenberg for the "Mirage 91" team of the Graz University of Technology. After having suffered a severe stroke two years ago, he has been motorically severely restricted and can neither move arms nor legs.

At the Cybathlon, he contested the "Brain-Computer-Interface-Race" (BCI), where he controlled a computer avatar just by using the power of his mind. In neurological rehabilitation, BCI training, through targeted stimulation techniques, can help train paralyzed extremities systematically to an extent that their functional use is possible again.

FURTHER INFORMATION ON CYBATHLON (CLIP)

GROUP MANAGEMENT REPORT 2016

VAMED achieved excellent results in 2016.
VAMED may refer to a successful fiscal year 2016 – sales increased by 3.8 %, EBIT is up 8.1 %, and earnings before tax (EBT) improved by 8.7 %. A 12.5 % rise in order intake and a plus of almost 18.8 % in our orders on hand form a solid basis for continued future growth.

1. Economic report

1.1 General economic and business situation

VAMED is specialized in international projects and services for hospitals and healthcare centers. Our range of services comprises the complete value chain in the healthcare sector, ranging from consulting, project development, planning and turnkey completion via maintenance and technical management to total facility management. Our wide-ranging competencies warrant an efficient and successful support of complex healthcare facilities over their entire life cycles. VAMED is also a pioneer in the area of Public Private Partnership (PPP) models for hospitals and other healthcare facilities.

As a global provider for the healthcare industry with a wide-ranging service portfolio, VAMED has achieved a unique market position.

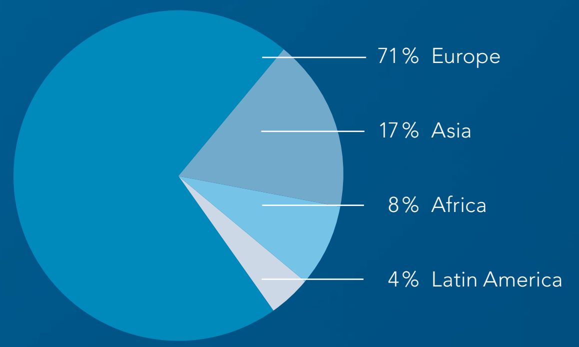
VAMED has so far successfully implemented more than 800 projects in 79 countries dispersed over four continents.

1.2 Business development

Economic development
In the fiscal year 2016, VAMED managed to increase sales by 3.8 % to a total of € 1,160 million (2015: € 1,118 million). Sales by divisions developed as follows:

in T€	2016	2015	Changes
Project business	594,270	574,981	3.4 %
Service business	566,215	542,637	4.3 %
Total	**1,160,485**	**1,117,618**	**3.8 %**

Sales broken down by regions
In 2016, the strongest region was Europe, accounting for 71 % of total sales. Asia, Africa, and Latin America contributed 17 %, 8 %, and 4 %, respectively, to total sales.



2016: T€ 1,160,485

In the year under review, project business again developed excellently and orders on hand rose by 18.8 % to € 1,961 million.

VAMED's earnings performance also was outstanding. EBIT rose by 8.1 % to € 69 million (2015: € 64 million), of which the project business and the service business accounted for € 27 million (2015: € 25 million) and € 42 million (2015: € 39 million), respectively. The EBIT margin was 5.9 %.

A result of our business's low capital intensity, VAMED's return on equity (ROE) before taxes was excellent at 19.5 % (2015: 19.5 %).

The net income of VAMED attributable to the parent's shareholders was € 45 million, an increase of 1.3 % against the previous period (2015: € 44 million).

VAMED'S VALUE CHAIN

PROJECT BUSINESS

- Project development
- Consulting
- Financial engineering
- Planning
- Project management and construction

SERVICE BUSINESS

- Total operational management
- Facility management
- Medical technology management
- Logistics/procurement
- IT solutions
- Quality management
- Training programs

Project business

Our project business comprises consulting, development and planning, and the turnkey completion of projects, including financing management.

VAMED is a leader in the area of Public Private Partnership (PPP) models for healthcare facilities. For these business models, public and private partners set up a joint project company to plan, build, finance and operate hospitals and other healthcare facilities. So far, 24 PPP models have been, or are currently being implemented. In the following, brief information is given about important projects in individual project business target markets.

Europe

In Germany, VAMED handed over the newly built operating rooms, intensive care units, and central emergency admission, as well as the completely renovated bed block to Charité in Berlin.

The modernization and construction of the University Hospital Schleswig-Holstein was continued as planned. That contract, the largest PPP model in the German healthcare sector, includes operation and building maintenance up to the year 2044.

In Austria, VAMED is working on the master planning, construction, and financing of radiation oncology units at the Krankenhaus Hietzing and Sozialmedizinisches Zentrum Ost - Donauspital. The contract is carried out on the basis of a PPP model together with the Vienna Hospital Association (KAV) and includes facility management.

At the rehabilitation center, Vienna, the enlargement by 70 neurological rehabilitation beds of the existing orthopedic rehabilitation unit was finished in December 2016, and patients have been admitted since the end of January 2017.

In connection with the awarding of contracts for rehabilitation of children and teenagers, VAMED won a contract for the St. Veit, Salzburg, location for 82 beds for oncologic patients and patients suffering from metabolic disorders, as well as for family-oriented aftercare.

In Switzerland, work on the enlargement by a geriatric rehabilitation unit at the Dussnang Rehabilitation Center was continued.

In Bosnia and Herzegovina, VAMED has been working on the modernization and extension of the University Hospital Clinical Center Banja Luka.

Africa

In Ghana, VAMED won contracts for the various stages of the modular hospital concept, including the construction of five polyclinics in the Greater Accra Region, and ten further polyclinics in the Central Region. In Tamale, work on the ca. 400-bed university hospital was continued as planned. In Jendouba, Tunisia, VAMED is building a turnkey radiation therapy center, including chemotherapy and brachytherapy.

VAMED is also in charge of further projects in Nigeria, Cape Verde, Kenya, Mozambique, and Senegal.

Middle East and Asia

On the Arabian Peninsula, work was continued in 2016 on the construction of the Al Reem Integrated Health & Care Center in Abu Dhabi – an integrated healthcare center with an acute care hospital, rehabilitation center, and outpatients department – for which VAMED provides all services on the basis of a lifecycle project. Contracts for further medical technology projects were won in Oman and in the United Arab Emirates.

In the important Asian markets China, Malaysia, and Vietnam VAMED has already been operating successfully for many years - in China, for instance, construction work has been continued on the Hainan Unicare Hospital, the first private hospital VAMED is building, and will operate, on a joint-venture basis together with the HNA group. VAMED also received further orders for the supply of medical technology in China. In neighboring Laos work was continued on the modernization and extension of the Friendship Hospital, and a new contract for the turnkey construction of a District Hospital in Pakse was received – the fifth order from Laos since 2011. VAMED is also active in Oceania. In Goroka, Papua New Guinea, VAMED is planning and building a new diagnosis and operating center.

Latin America

VAMED has already continued to develop and strengthen its market position in Latin America for years with great success. In Bolivia, VAMED is building a regional hospital in Villa Tunari, the first major project in that market.

Service business

Services on offer range from the maintenance of buildings and of all technical devices, service of medical technology equipment, via facility management to the total operational management of healthcare facilities. VAMED's service business has a modular structure and comprises all facility management aspects in technical, commercial, and infrastructure terms for healthcare objects. The digitalization topic is becoming more important in VAMED's service business; examples are the successful implementation of a new e-health system in Kosovo, and the use of state-of-the-art technology in operational management.

On a global basis, VAMED was responsible in 2016 for the total operational management of 52 healthcare facilities with a total of some 7,000 beds on four continents. In facility management, VAMED provided services for more than 600 hospitals with a total of 143,000 beds. With its offer of integrated solutions including energy and waste management e.g., VAMED ensures the optimum operation of a facility over its entire life cycle, from its construction to the end of its primary useful life, or to its modernization and extension. VAMED also takes over logistics tasks in healthcare. The streamlining of procedures minimizes logistics costs and ensures the required quality of medical care. The numerous certificates received and awards earned both nationally and internationally bear impressive evidence of VAMED's meeting of exacting quality standards. Yet VAMED also offers a series of healthcare training and further training courses. Currently we are running nine such programs on three continents; in China, the first year of our executive MBA program was successfully completed.

The following survey outlines relevant developments and events in our service business target markets.

Europe

In Austria, VAMED successfully continued its more than 30-year long partnership in 2016 with the General Hospital of the City of Vienna – Medical University Campus (AKH). VAMED has been in charge of facility management of the AKH since as early as 1986. As one of Europe's largest hospitals, the AKH Vienna comprises more than 30 clinics and institutes with about 2,100 beds.

As the operator of a total of twelve rehabilitation centers, VAMED is the largest private provider of rehabilitation services in Austria. Ensuring high-quality service standards and using innovative treatment methods at all our rehabilitation centers is an essential VAMED objective.

The successful Joint Commission International (JCI) recertifications for the locations Gmundnerberg and Montafon in recognition of the high quality offered at these VAMED rehabilitation facilities bear evidence of VAMED's leading edge by international standards.

In Switzerland, VAMED operates two important rehabilitation facilities: the renowned Rehabilitation Clinic Zihlschlacht, and kneipp-hof Dussnang in Canton Thurgau. In the Czech Republic, VAMED in 2016 continued its successful management of the 'Mediterra Hospitals' at eight locations with a total of about 1,000 beds.

In Germany, the VAMED and BAM consortium continued operating activities for the technical operation and maintenance of the University Hospital Schleswig-Holstein at the Kiel and Lübeck locations.

In Berlin, Charité CFM Facility Management GmbH, the consortium led by VAMED, has been in charge of all technical and infrastructure services at the University Hospital Charité Berlin since 2006. A staff of about 2,600 is busy fulfilling this contract, one of the largest ever placed in the European hospitals sector.

In connection with VAMED's facility management of HELIOS Clinics in Germany in 2016, services for 66 clinics were provided in the areas building technology, medical technology, logistics, and sterilization.

New technical service contracts were received from Austria, Germany, Switzerland, and Italy.

Africa

In Gabon, VAMED is in charge of the facility management of nine hospitals with a total of 1,242 beds.

Middle East and Asia

In the United Arab Emirates, the contract for the lifecycle model Al Reem Integrated Health & Care Center, Abu Dhabi, also includes 20 years of total operational management.

In technical services, VAMED was commissioned to provide support for the start of operations of Princess Nourah University, Riyadh, and implemented related services with success.

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 has managed to bridge the gap between preventive medicine and health tourism.

Operating eight thermal spa and health resorts, VAMED is the market leader in Austria and, for more than three years now, VAMED has highly successfully operated Aquaworld Resort Budapest, the city's largest thermal resort.

In 2016, the renovation and expansion of Therme Laa – Hotel & Spa was completed, and in December 2016 an innovative offer, the SILENT SPA, a high-quality and separate Premium Day Spa, was launched. The new special offer builds on the concept of the "power of silence".

Also in 2016, the decision was taken for AQUA DOME Tirol – Therme Spa Längenfeld to extend services.

In recognition of outstanding services provided, the VAMED Vitality World resorts, once again in 2016, received numerous national and international prizes of renown. Among others, VAMED Vitality World received the prestigious Seven Star Global Luxury Award as well as the World Travel Award "World's Leading Medical Wellness & Spa Operator 2016". Relax Guides 2016 again awarded the highest rating to Geinberg[5] Private Spa Villas.

At the World Travel Awards, Geinberg[5] Private Spa Villas won the prestigious "Europe's Best Lifestyle Resort 2016" award. For a full list of awards received, please see the homepage of VAMED Vitality World.

1.3 Results of operations, financial position, assets and liabilities of the VAMED group

1.3.1 Results of operations

In the fiscal year 2016, the VAMED group managed to increase consolidated sales from T€ 1,117,618 to T€ 1,160,485, or by about 4%.

Breakdown of sales by division:

in T€	2016	2015	Changes
Project business	594,270	574,981	3.4%
Service business	566,215	542,637	4.3%
Total	**1,160,485**	**1,117,618**	**3.8%**

Earnings before taxes and non-controlling interests (EBT) amounted to € 66.5 million, up € 5.3 million (or 8.7%) against the previous year.
The financial result is € -2.3 million, unchanged against the previous year.
Taxes on income and earnings rose by about € 4.6 million to about € 20.6 million.

1.3.2 Assets and liabilities

in T€	Dec. 31, 2016	%	Dec. 31, 2015	%
ASSETS				
Current assets	792,462	71%	659,770	67%
Property, plant and equipment; goodwill; other intangible assets	175,448	16%	174,865	18%
Other non-current assets	140,369	13%	153,787	15%
Balance sheet total	**1,108,279**	**100%**	**988,422**	**100%**
PASSIVA				
Current liabilities	556,998	50%	461,337	46%
Non-current liabilities	209,990	19%	212,949	22%
Shareholders' equity	341,291	31%	314,136	32%
Balance sheet total	**1,108,279**	**100%**	**988,422**	**100%**

Investments

The following investments were made by the VAMED group:

in T€	2016	2015
Property, plant and equipment	9,474	10,378
Other intangible assets	1,703	1,034
Total	**11,177**	**11,412**

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

1.3.3 Financial position

in T€	2016	2015	Veränderung
Order intake (project business)	1,017,230	903,852	12.5%
Sales	1,160,485	1,117,618	3.8%
Operating result before interest, taxes, depreciation, amortization (EBITDA)	79,727	74,813	6.6%
EBITDA margin	6.9%	6.7%	
Operating result (EBIT)	68,780	63,646	8.1%
EBIT margin	5.9%	5.7%	
Earnings before taxes (EBT)	66,523	61,223	8.7%
EBT margin	5.7%	5.5%	
Result attributable to the parent's shareholders	44,726	44,169	1.3%
Balance sheet total	1,108,279	988,422	12.1%
Shareholders' equity	341,291	314,136	8.6%
Equity ratio	30.8%	31.8%	

1.4 Non-financial performance indicators

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

- our unique overall competencies in the healthcare sector;
- the skills and potentials of our staff members, the result of their training, expertise, and project experience;
- their ability and readiness to extend cooperation to beyond organizational units and geographic boundaries;
- our internationalism, multi-cultural experience and the resulting ability to develop adequate solutions worldwide;
- producer-independence; our product and producer neutrality ensures optimum benefits for our customers;
- the ability of the entire VAMED group – in the sense of a 'learning organization' – to put to good use and further develop the experience gathered in connection with projects;
- the setting of demanding standards by management and the committed promotion of staff complying with such standards;
- integration into a large international group operating in the healthcare sector, tapping all opportunities an international network offers.

VAMED is committed to respecting ethical standards (Compliance Rules) with regard to our staff and in our relations with customers, suppliers and all other business partners.

In order to ensure that these high requirements are met, VAMED has implemented a group-wide Compliance System to monitor adherence to all (self-imposed) obligations as stipulated in our Code of Conduct. The VAMED Code of Conduct, the first e-learning project, was made available to all VAMED staff already in 2013.

The Clinical Code of Conduct, introduced in 2015, governs the professional relationship between medical staff and patients. The contents of the Clinical Code of Conduct are also available in the form of an e-learning unit, ensuring continuous awareness of the demanding ethical standards for the responsible operation of healthcare facilities.

In 2016, VAMED's IT Security Guidelines were revised and enhanced, and the contents of the e-learning module adapted as required. A particular focus was also put on the topic cybercrime. All newly employed staff members must complete this e-learning module. The Code of Conduct module in particular must be repeated by all staff members annually to ensure they all are adequately trained on that topic.
For more than a decade already VAMED has attached top priority to further developing their human capital, the single most important factor to ensure lasting success, and established a Human Capital Management (HCM) program.

Related processes within the lead companies of the VAMED group aim at raising individual training levels and improving qualitative and quantitative resources, thus promoting and further developing the organization's capability to perform. Within the scope of strategic personnel planning, processes are being implemented for the identification of high potentials, i.e. top performers capable of assuming managerial responsibilities. The aim is to specifically train them to fulfill future tasks.
The HCM program is an important instrument that helps to promote employee identification with the company, to support training of high potentials and to prepare best-trained staff well familiar with the relevant sector in each case for responsible positions, and in general to both widen and deepen know-how over the entire value chain of the VAMED group. This at the same time helps to shorten familiarization periods and to substantially reduce placement risks.

The expansion of the 'VAMED Academy', our internal training and further training center, by additional technical fields and topics on issues like personality development, leadership skills, social and methodological competencies was advanced in 2016 with consistency and will be continued in a targeted manner in 2017.

The year 2008 saw the start of the VAMED group's first trainee program. In 2016, the fifth VAMED Trainee Program, focusing on Technical Service, was launched.

The further development of staff is supplemented and supported by knowledge management systems and quality management systems established at individual company level to meet most challenging standards. In technical terms, all requirements for the various knowledge management components (e.g. knowledge portal, panel of experts, Communities of Practice, etc.) could be put in place already in 2008.

Currently, there are nine Communities of Practice across entities. Furthermore, 66 project-specific Teamspaces were used. VAMED staff access the knowledge portal about 9,100 times a day to retrieve information and actively exchange information beyond the limits of their departments or companies.

The know-how of about 650 physicians working for VAMED has been networked and clustered into the International Medical Board (IMB), a knowledge platform. Thus VAMED has generated a basis for innovative concepts, as for instance personalized rehabilitation. Our partners' trust, on which the success of the VAMED group is effectively based, is built on the potential of our staff, our supporting processes, and our overall competencies.

Staff

In 2016, the consolidated companies of the VAMED group had on average 951 manual employees, 6,936 non-manual employees, and 165 apprentices (previous period: 919 manual employees, 6,970 non-manual employees, and 166 apprentices). The total average number of staff employed fell by as a result of deconsolidation.

2. Risk report

2.1 General risks

Professional project control and professional project management have become well-established core competencies of the VAMED group in the construction as well as services sector.

General risks associated with the project and services business are covered by operating well-tested systems for their identification, assessment and mitigation, adjusted to the business activity at issue.

These systems for a reasonable avoidance of default, liquidity and cash-flow risks comprise organizational measures (as for instance risk calculation standards for working out offers; risk assessment prior to acceptance of orders; ongoing project controlling including project supervisory meetings and continuously updated risk evaluation; budget checking at regular intervals, etc.), quality assurance measures (quality standards comprising several business fields, in particular according to ISO 9001, ISO 13485, ISO 17020, ISO 17025, ISO 14001, ISO 19600, ISO 50001, ISO 27001, EFQM, Joint Commission International (JCI)), and measures regarding financial issues (credit reviews; dunning system; ensuring receipt of payment through requiring advance payment, L/Cs, or guaranteed loans; safe investments; sufficient prudential reserves). In the year 2016, VAMED continued its successful strategy to increasingly offer overall implementation models with a major focus on total operational management of healthcare facilities.

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

While such long development periods are usual in the trade, VAMED may 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.

All countries are currently experiencing enormous cost pressure in meeting healthcare demands, which can be felt in the hospital and rehabilitation sectors in particular. In Europe, strategies to reduce hospital bed capacity, to close down or to merge hospitals and to implement specialized hospitals continue to dominate in the acute care sector.

VAMED addresses this trend through holistic implementation models including financing (e.g., lifecycle models and innovative PPP models along the entire VAMED value chain). Fair and reasonable sharing of opportunities and risks with mostly public partners/sponsors and a clear focus on core competencies in each situation usually constitute the only chance to implement investment projects and increase cost effectiveness in the healthcare sector.
A targeted further development of core competencies from the services division and the project business for their synergetic application against the backdrop of wide-ranging international experience is required to implement such models.

Associated risks can be minimized through competent quality management, professional knowledge management and by operating broadly-based development programs for the staff and the management alike. For cases in which an event of risk occurs despite wide-ranging measures to mitigate risks, a crisis management system has been established which provides for a clearly defined plan to proceed by stages.

Using simulated cases, this system is being trained systematically and on a regular basis. In particular with regard to our responsibility as operators of healthcare facilities we have detailed plans and protective measures for our staff, our patients and guests in place to ensure the continued functioning of those healthcare facilities we are in charge of.

2.2 Specific risks

Hedging transactions tailored to the scope of individual projects and their duration are entered into to provide cover against foreign currency receivables and future purchases of products and services quoted in foreign currencies.

3. Supplementary report

No events of significant importance with regard to the results of operations, financial position, assets and liabilities of the VAMED group have occurred after the end of the year under review.

4. Outlook

VAMED's tasks in Europe also in the year 2017 will largely be determined by holistic implementation models and PPP projects. Outside of Europe, our focus will be on tailored solutions and customer-oriented financial engineering for healthcare facilities along VAMED's value chain. A particular future focus will be on the development of integrated healthcare models. With its unique product portfolio in the prevention, acute care, rehabilitation and nursing areas VAMED will continue its successful path in the fiscal year 2017.

VAMED in general differentiates between established and developing healthcare markets. In particular in the established healthcare markets, characterized by increasing cost pressure and rising cost awareness, our services are much in demand. In addition to increasing efficiency through professional technical, infrastructure or commercial management, there are a vast number of novel 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, the adaptation of healthcare facilities' infrastructure in the established target markets, in particular in connection with lifecycle and PPP models, is much in demand.
In the developing healthcare markets, providing efficient healthcare systems that meet people's needs continues to have priority for the VAMED group. While work to develop primary supply structures has largely been completed, a considerable focus in many markets is now on promoting the availability of secondary healthcare and on creating tertiary as well as teaching and research structures within Centers of Excellence.
Also in a large number of Asian, Middle Eastern as well as African markets there is increasing demand for professional services in accordance with European standards. This in turn generates demand in developing markets for VAMED's core competencies in the project as well as service business divisions. In the vast majority of cases, contracts are procured via our project business. Customer-oriented offers in the areas prevention, acute care, rehabilitation, and nursing meet with increasing interest in these markets, too. Through a comprehensive service portfolio, professionalism and reliability, VAMED has managed to build up an excellent reputation at both national and international levels over the past years.

Also in 2017, VAMED will be determined to live up to the standards of high reputation and trust placed by partners and customers at home and abroad in our competence and our ability to successfully implement projects meeting all requirements as to costs, deadlines, and quality. Also in the future we will attach top priority to pursuing innovative approaches, developing quality solutions, and ensuring their successful implementation. Living up to the VAMED motto: 'think global, act local' also in 2017, VAMED will continue to offer and expand for all our customers and partners our wide-ranging international network of branches and joint ventures in Central and Eastern Europe, the Middle East, in Asia, Africa and Latin America, including our total value chain – for the benefit of people's health and to ensure quality for our patients and our staff alike.

Vienna, March 3, 2017

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 2016

Condensed CONSOLIDATED FINANCIAL STATEMENTS of VAMED AG VIENNA for the fiscal year January 1 to December 31, 2016

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 referred to herein as "financial statements of the VAMED group".

VAMED **GROUP – INCOME STATEMENT**

January 1 to December 31, in T€	Note(s)	2016	2015
Sales	3	1,160,485	1,117,618
Cost of sales	4, 5	-1,021,224	-982,789
Gross profit		**139,261**	**134,829**
Selling and general administrative expenses	6	-73,879	-74,379
Other expenses	7	-378	-186
Other income	7	3,776	3,382
Operating result (EBIT)		**68,780**	**63,646**
Interest income	8	2,345	2,383
Interest expenses	9	-4,602	-4,806
Earnings before taxes (EBT)		**66,523**	**61,223**
Income taxes	10	-20,625	-16,062
Earnings after income taxes (EAT) = net income		**45,898**	**45,161**
Net income attributable to non-controlling interests	11	-1,172	-992
Net income attributable to the parent's shareholders		**44,726**	**44,169**

VAMED **GROUP – STATEMENT OF COMPREHENSIVE INCOME**

January 1 to December 31, in T€	Note(s)	2016	2015
Earnings after income taxes (EAT) = net income		**45,898**	**45,161**
Other Comprehensive Income (Loss)			
Positions which will be reclassified into net income in subsequent years		**-698**	**-904**
Cash flow hedges		-155	791
Foreign currency translation		-582	-1,416
Income taxes on positions which will be reclassified		39	-279
Positions which will not be reclassified into net income in subsequent years		**-5,103**	**-3,298**
Actuarial losses on defined pension plans		-3,789	-3,136
Other items (mainly severance pay provisions)		-2,780	-708
Income taxes on positions which will not be reclassified		1,466	546
Other Comprehensive Income (Loss)		**-5,801**	**-4,202**
Total Comprehensive Income		**40,097**	**40,959**
Attributable to non-controlling interests		**-941**	**-553**
Comprehensive income attributable to the parent's shareholders		**39,156**	**40,406**

VAMED **GROUP – BALANCE SHEET**

ASSETS

as at December 31, in T€	Note(s)	2016	2015
Cash and cash equivalents	12	143,983	80,441
Trade accounts receivable less allowances for doubtful accounts	13	190,089	176,667
Accounts receivable from and loans to related parties	14	11,635	56,302
Inventories	15	399,114	283,953
Prepaid expenses and other current assets	16	47,641	62,407
Total current assets		**792,462**	**659,770**
Property, plant and equipment	17	72,099	71,351
Goodwill	18	99,133	99,133
Other intangible assets	18	4,216	4,381
Deferred taxes	10	5,880	15,124
Other non-current assets	13, 16, 19	134,489	138,663
Total non-current assets		**315,817**	**328,652**
Total assets		**1,108,279**	**988,422**

LIABILITIES AND SHAREHOLDERS' EQUITY

as at December 31, in T€	Note(s)	2016	2015
Trade accounts payable	20	256,915	195,092
Short-term trade accounts payable to related parties	21	1,163	822
Short-term accrued expenses and other short-term liabilities	22, 23	197,349	200,447
Short-term borrowings	24	7,040	8,045
Short-term loans from related parties	24	82,793	48,442
Current portion of long-term debt and liabilities from capital lease obligations	24	2,027	1,880
Short-term accruals for income taxes	25	9,711	6,609
Total current liabilities		**556,998**	**461,337**
Long-term debt and liabilities from capital lease obligations, less current portion	24	19,012	21,014
Long-term liabilities and loans from related parties	24	65,397	82,067
Long-term accrued expenses and other long-term liabilities	22, 23	73,569	56,659
Pension liabilities	26	35,419	30,519
Deferred taxes	10	16,593	22,690
Total non-current liabilities		**209,990**	**212,949**
Equity attributable to non-controlling interests		**7,377**	**6,552**
Subscribed capital	27	10,000	10,000
Capital reserve	27	37,209	41,033
Other reserves	27	321,693	285,969
Accumulated Other Comprehensive Income (Loss)	28	-34,988	-29,418
Equity attributable to the parent's shareholders' equity		**333,914**	**307,584**
Total shareholders' equity		**341,291**	**314,136**
Total liabilities and shareholders' equity		**1,108,279**	**988,422**

VAMED GROUP – CASH FLOW STATEMENT

January 1 to December 31, in T€	2016	2015
Cash provided by/used for operating activities		
Net income attributable to the parent's shareholders	44,726	44,169
Net income attributable to non-controlling interests	1,172	992
Adjustments to reconcile group net income (EAT) to cash and cash equivalents provided by operating activities		
Depreciation and amortization	10,947	11,167
Changes in deferred taxes	3,147	2,566
Gain/loss on sale of fixed assets	50	-45
Other expenses/income not recognized as cash	1,498	1,127
Change in assets and liabilities, net of amounts from businesses acquired or disposed of		
Changes in accounts receivable, net	-9,964	3,409
Changes in inventories	-115,164	-48,461
Changes in prepaid expenses and other current assets	17,967	-21,273
Changes in accounts receivable from/payable to related parties	-1,556	-2,087
Changes in accounts payable, accruals and other liabilities	71,164	62,242
Changes in accruals for income tax	3,105	-671
Cash provided by/used for operating activities	**27,092**	**53,135**
Cash provided by/used for investment activities		
Purchase of property, plant and equipment	-11,177	-11,412
Sale of property, plant and equipment	-374	405
Acquisition of investments, net	-340	-3,619
Divestitures	-638	103
Proceeds from/repayment of borrowings to related parties	44,744	-11,148
Cash provided by/used for investment activities	**32,215**	**-25,671**
Cash provided by/used for financing activities		
Proceeds from/repayment of short-term loans	-1,005	-5,907
Proceeds from/repayment of borrowings from related parties	17,681	1,128
Proceeds from/repayment of long-term debt and liabilities from capital lease obligations	-1,827	-403
Dividends paid	-10,500	-10,035
Changes in non-controlling interests	-114	-68
Cash provided by/used for financing activities	**4,235**	**-15,285**
Net change in cash and cash equivalents	**63,542**	**12,179**
Cash and cash equivalents at the beginning of the year	**80,441**	**68,262**
Cash and cash equivalents at the end of the year	**143,983**	**80,441**
thereof: cash and cash equivalents subject to restricted disposition	2,500	2,500

VAMED GROUP – STATEMENT OF SHAREHOLDERS' EQUITY

in T€	Subscribed capital	Reserves Capital reserve	Reserves Other reserves	Other Comprehensive Income (Loss)	Equity attributable to the parent's shareholders	Equity attributable to non-controlling interests	Total shareholders' equity
As at December 31, 2014	**10,000**	**41,119**	**253,489**	**-25,655**	**278,953**	**6,067**	**285,020**
Effects of the inclusion of items in connection with FSE segment reporting (VAMED's goodwill and option reserve)	0	0	1,127	0	1,127	0	1,127
Other Comprehensive Income (Loss) Cash flow hedges	0	0	0	512	512	0	512
Foreign currency translation	0	0	0	-1,416	-1,416	0	-1,416
Actuarial losses on defined pension plans	0	0	0	-2,632	-2,632	0	-2,632
Other items (mainly severance pay provisions)	0	0	0	-227	-227	-439	-666
Effect of changes of the consolidated group	0	0	-2,781	0	-2,781	0	-2,781
Creation and/or reversal of reserves	0	-86	0	0	-86	0	-86
Dividends	0	0	-10,035	0	-10,035	-68	-10,103
Net income	0	0	44,169	0	44,169	992	45,161
As at December 31, 2015	**10,000**	**41,033**	**285,969**	**-29,418**	**307,584**	**6,552**	**314,136**
Effects of the inclusion of items in connection with FSE segment reporting (VAMED's goodwill and option reserve)	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 losses on defined pension plans	0	0	0	-2,972	-2,972	0	-2,972
Other items (mainly severance pay 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**

GENERAL NOTES

GENERAL NOTES

1. General

I. Group structure

The VAMED group is a global provider of services in healthcare. The headquarters and the 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, as well as the medical care of 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 draws up the consolidated financial statements in the German language in accordance with IFRS under the German Commercial Code, section 315a. Therefore, the financial statements of the VAMED group have been drawn up 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 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 be seen. The VAMED group's financial statements vary from the International Financial Reporting Standards (IFRS) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) in the following points:

- The 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);
- The 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 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 see List of Participating Interests. Broken down into 'fully consolidated companies' and 'non-consolidated companies', that list gives company names in alphabetical order on the basis of their abbreviations as used within the group. Also those companies are 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 financial statements of the VAMED group have been drawn up in accordance with the parent's guidelines (in particular as regards the application of IFRS, materiality thresholds, and the determination of the consolidated group) and for purposes of drawing up FSE's consolidated financial statements and are included into FSE's consolidated financial statements according to IFRS as the 'Fresenius Vamed' segment. In order to improve 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 the 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 revenues, 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 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 fiscal year 2016, VAMED's consolidated financial statements include VAMED AG and 23 (2015: 26) Austrian as well as 37 (2015: 40) foreign companies.

In the year under review, the composition of the group changed as follows:

The assets of the limited partnerships VE KG, VSG KG, and VMS KG were taken over by the limited companies acting as their respective general partners; the limited partnerships ceased to exist, reducing the consolidated group by three entities.

As at January 1, 2016, the following companies based in Germany were transferred to the Fresenius Helios segment ('transaction under common control'):

- Krankenhaus-Technik Nordrhein-Westfalen GmbH (KTN)
- Krankenhaus-Technik Schleswig-Holstein GmbH (KTS)
- Krankenhaus-Logistik Schleswig-Holstein GmbH (KLS)

In the year under review, there was no first consolidation of a company.

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., receives essentially 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, viz. the construction and operation of thermal spas. These project companies are SPEs, yet as VAMED does not exercise a controlling interest they have not been consolidated. In the year under review, the project companies, on a preliminary basis, turned over € 114 million (in 2015: € 110 million). 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 projects 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 given 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's consolidated financial statements under IFRS. To the extent required, certain items in the consolidated financial statements 2015 have been reclassified to conform with the presentation in 2016.

d) Sales recognition policy

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

Product sales are recognized when risks pass 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 for 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 increase up to the assets' amortized costs of acquisition and production is effected, 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 ceased. In the year under review, no such assets are shown.

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. In the fiscal year 2016, as in the previous period, no interest on borrowed capital was capitalized.

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 the future consequences attributable to temporary differences between the 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 that 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. In order to assess the appropriateness of allowances, the VAMED group checks regularly whether there have been any divergences to previous payment history.

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, incl. 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 can not yet be invoiced, valuation is effected 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, as for instance customer relations, are amortized using the straight-line method over the remaining useful lives of the assets (usually 4 to 5 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. Should 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 as, 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 certain management contracts acquired in connection with M&As, are recognized and reported apart from goodwill. They are recorded at acquisition costs.
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. An intangible asset's fair value is determined using a 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 amortized but tested for impairment annually or when an event becomes known that could trigger an impairment (impairment test). 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 to it assets and liabilities. As a rule, a CGU is determined to be one level below division level in line with operative control ('management approach').
At least once a year, the fair value of each group of CGUs is compared to its carrying amount. 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 at first recorded as an impairment of the fair value of

such CGU's goodwill. 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, badwill), after reviewing 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 goodwill impairment losses in 2016 and 2015.

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 on receipt date at their fair values, as long as the present values of lease payments are not lower. Leased assets are depreciated in straight-line 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, if this is shorter. An impairment loss is recognized if the recoverable amount is lower than the amortized cost of the leased asset. Should the reasons for impairments no longer apply, adequate increases are effected. Finance lease liabilities are measured at the present value of the future lease payments and are recognized as financial liability.

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, upon initial recognition, to be classified at fair value through profit or loss.

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, available for sale financial assets as well as financial liabilities/assets measured at fair value in the consolidated statement of income. Within the VAMED group, other categories of financial instruments exist to an insignificant extent only or not at all. In the fiscal year 2016, no financial instruments were reclassified.

The VAMED group categorizes its financial instruments as follows: cash and cash equivalents, assets recognized at carrying amount, liabilities recognized at 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 recognized in earnings immediately. 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 with their repayment amount.

r) Legal contingencies

In the ordinary course of 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 accrued expenses

Accruals 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.
Accruals for warranties and complaints are estimated based on historical experience.
Tax accruals include obligations for the current year and for prior years.
Non-current accruals 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 effected in accordance with 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, 2016, as the measurement date in determining the funded status of all plans.
In accordance with the new standard (IAS 19R), 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) Stock option plans

The total issue-day value of FSE stock options and convertible bonds granted to members of the VAMED group's Executive Board and to the VAMED group's staff is determined in accordance with financial mathematics models and recognized as expenses over the blocking period of the stock option plans.

The fair value at 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 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 revenues 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€ 213 (previous period: T€ 137) as other expenses and T€ 403 (previous period: T€ 808) 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, 2016	Dec. 31, 2015	2016	2015
AED (United Arab Emirates dirham) per €	3.872	3.999	4.066	4.075
CHF (Swiss franc) per €	1.074	1.084	1.090	1.068
CZK (Czech crown) per €	27.020	27.025	27.034	27.279
SAR (Saudi riyal) per €	3.955	4.087	4.152	4.162
QAR (Quatari riyal) per €	3.838	3.965	4.030	4.040
PEN (Peruvian sol) per €	3.547	3.720	3.736	3.535
TTD (Trinidad and Tobago dollar) per €	7.049	6.991	7.306	6.923
USD (US dollar) per €	1.054	1.089	1.107	1.110

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 revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates and discretionary decisions are required in particular for the positions trade accounts receivable, inventory, deferred tax assets, and pension liabilities as well as for the examination 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 in particular when they place construction orders.

z) Recent pronouncements

The year under review is based on IFRS as mandatorily required for fiscal years starting on January 1, 2016. In the fiscal year 2016, no standards of importance for the business activity of the VAMED group have been applied for the first time.

aa) Recent pronouncements not yet applied

The International Accounting Standards Board (IASB) issued the following for the VAMED Group relevant new standards, which are mandatory for fiscal years commencing on or after January 1, 2017:
In January 2016, the IASB issued IFRS 16, Leases, which supersedes 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, Revenue from Contracts with Customers. The VAMED Group expects a balance sheet extension due to the on 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.

In January 2016, the IASB issued 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. Earlier application is permitted. The VAMED Group will apply the amendments to IAS 7 as soon as possible.
In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. This new standard specifies how and when companies reporting under IFRS will recognize revenue as well as providing users of financial statements with more informative and relevant disclosures. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts and a number of revenue-related interpretations. This standard applies to nearly all contracts with customers, the main exceptions are leases, financial instruments and insurance contracts. In September 2015, the IASB issued the amendment 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.

In July 2014, the IASB issued a new version of IFRS 9, Financial Instruments. This IFRS 9 version is considered 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 12 months. If credit risk deteriorates significantly, from that point in time impairment losses shall amount to lifetime expected losses. 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 and is currently evaluating the impact on its consolidated financial statements. In accordance with IAS 39, the majority of the non-derivative financial assets are measured at amortized costs. The requirements on the classification and measurement of non-derivative financial liabilities have not changed significantly. Thus, the VAMED Group expects a limited impact on its consolidated financial statements.

The EU Commission's endorsements of IFRS 16 and of the amendments to IAS 7 are still outstanding.
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, 2016, and December 31, 2015, the carrying amounts of these items were € 99.1 million each. This represented 8.9% and 10.0% of the balance sheet total and 29.0% and 31.6% 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.

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 for every reporting unit its three-year budget, projections for years four to ten, and a corresponding growth rate for all remaining years. These growth rates are assumed to be about 1.0% at a planned income tax rate for the group of 27.3%. In the VAMED group, WACC (after income tax) is 5.93%. 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 sales 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 goodwill impairment losses 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, results of operations or cash flows of the VAMED group. See also "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 made by the Management. Trade accounts receivable, net of allowance, were € 200.4 million and € 190.6 million in 2016 and 2015, respectively.

The allowance for doubtful accounts was € 4.3 million and € 8.5 million as of December 31, 2016 and December 31, 2015, respectively.

2. Acquisitions and divestitures

In the year under review no companies were acquired. The inclusion in 2016 for a complete fiscal year of the new acquisitions during the previous period did not materially impact sales or earnings.

As at January 1, 2016, the following companies were transferred to the Fresenius Helios segment and thus removed from the consolidated group:

- Krankenhaus-Technik Nordrhein-Westfalen GmbH, Bad Berleburg, Germany
- Krankenhaus-Technik Schleswig-Holstein GmbH, Damp, Germany
- Krankenhaus-Logistik Schleswig-Holstein GmbH, Damp, Germany

NOTES ON THE INCOME STATEMENT

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

3. Sales

Sales by division were as follows:

	2016	2015
Project business	594,270	574,981
Service business	566,215	542,637
Sales	**1,160,485**	**1,117,618**

Sales broken down by regions:

	2016	2015
Austria	367,991	402,623
Germany	228,068	210,513
Other European countries	232,094	219,440
Africa	97,759	96,279
Latin America	41,265	32,910
Asia	193,308	155,853
Sales	**1,160,485**	**1,117,618**

4. Cost of sales

Cost of sales comprised the following:

	2016	2015
Personnel	298,504	289,794
Material and third-party services, depreciation and amortization	722,720	692,995
Cost of sales	**1,021,224**	**982,789**

5. Personnel expenses

Cost of sales, selling and general administrative expenses included personnel expenses of T€ 344,736 and T€ 335,078 in 2016 and 2015, respectively.

	2016	2015
Wages and salaries	271,169	262,908
Social security contributions, cost of retirement benefits (incl. severance payments) and other personnel expenses	73,567	72,170
Personnel expenses	**344,736**	**335,078**

The VAMED group's annual average number of employees by function is shown below:

	2016	2015
Production and services	7,357	7,398
General administration	608	570
Sales and marketing	87	87
Total employees (heads)	**8,052**	**8,055**

6. Selling and general administrative expenses

Selling and general administrative expenses are broken down as follows

	2016	2015
Selling expenses	18,178	16,799
General administrative expenses	55,701	57,580
Selling and general administrative expenses	**73,879**	**74,379**

7. Other expenses, other income

Other expenses mainly include 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 in the parent companies FSE and FPS, 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, vis-à-vis FSE and FPS, from the acquisition of investments.

10. Income taxes

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

A reconciliation between the expected and actual income tax expense is shown below.

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

	2016	2015
Computed 'expected' income tax expense	16,631	15,306
Increase (reduction) in income taxes resulting from: Items not recognized for tax purposes	1,792	1,809
Foreign tax rate differentials	293	27
Tax-free income	-1,029	-919
Taxes for previous years	2,689	129
Other	249	-290
Income tax according to income statement	**20,625**	**16,062**
Effective tax rate	31.0%	26.2%

Income tax expenses for the reporting years consisted of the following:

	2016			2015		
	Current tax	Deferred tax	Income taxes	Current tax	Deferred tax	Income taxes
Austria	7,148	2,645	9,793	4,218	1,294	5,512
Germany	4,471	-1	4,470	3,564	1,196	4,760
Other foreign countries	4,372	1,990	6,362	5,447	343	5,790
Total	**15,991**	**4,634**	**20,625**	**13,229**	**2,833**	**16,062**

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) and the valuation of social capital provisions.

As at the balance sheet date, deferred tax assets amount to T€ 5,880, deferred tax liabilities to T€ 16,593, resulting in net deferred tax liabilities of T€ 10,713. As at the balance sheet date, deferred tax assets from loss carryforwards are recognized in the amount of T€ 6,312. In the previous period, that amount was T€ 8,975. According to budget, the loss carryforwards 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, HMT, NFM, NTG, TAU, VSB, and in the MED subsidiaries NTV and ALM; their profit shares are 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, 2016 and December 31, 2015, cash and cash equivalents included restricted items in the amount of T€ 2,500.

13. Trade accounts receivable

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

	2016			2015		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Trade accounts receivable	194,121	10,523	204,644	184,786	14,333	199,119
Less allowance for doubtful accounts	-4,032	-255	-4,287	-8,119	-390	-8,509
Trade accounts receivable, net	**190,089**	**10,268**	**200,357**	**176,667**	**13,943**	**190,610**

14. Accounts receivable from and loans to related parties

As at December 31, these receivables were as follows:

	2016	2015
Trade accounts receivable	8,764	6,878
Receivables from financing and other clearing	2,871	49,424
Accounts receivable from and loans to related parties	**11,635**	**56,302**

As at December 31, 2016, and December 31, 2015, this item included receivables from the group companies FPS, FSE, and the Fresenius Kabi and Helios segments, in the amount of T€ 3,069 and T€ 49,033, respectively.

15. Inventories

As of December 31, inventories consisted of the following:

	2016	2015
Raw materials and purchased components	2,432	2,506
Services not yet invoiced valued acc. to CCM	80,752	57,533
valued acc. to PoC	313,706	221,715
Finished goods	2,224	2,199
Inventories	**399,114**	**283,953**

Advance payments from customers that could be directly allocated to individual projects were offset against the gross amount of services not yet invoiced.

As at December 31, 2016, and December 31, 2015, advance payment offset amounts totaled T€ 420,004 and T€ 563,920, respectively.

The companies of the VAMED group are obliged to purchase T€ 29,138 of goods and services on fixed terms, of which, on December 31, T€ 21,958 was committed for purchases for 2017. The terms of these agreements do not exceed eight years. VAMED's purchase obligations that are matched by same-size purchase obligations on the customers' part are not shown.

VAMED also has contingent purchase obligations vis-à-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:

	2016 Short-term	2016 Long-term	2016 Total	2015 Short-term	2015 Long-term	2015 Total
Prepayments	8,576	0	8,576	20,443	222	20,665
Receivables from fiscal authorities	8,045	309	8,354	14,311	356	14,667
Interest receivable	0	0	0	205	0	205
Prepaid expenses	8,549	12,071	20,620	6,761	12,404	19,165
Derivative financial instruments	94	0	94	83	0	83
Investments and long-term loans	0	84,863	84,863	0	82,025	82,025
Other assets	22,481	26,978	49,459	20,630	29,713	50,343
Prepaid expenses and other assets, gross	**47,745**	**124,221**	**171,966**	**62,433**	**124,720**	**187,153**
Less allowances	-104	0	-104	-26	0	-26
Prepaid expenses and other current and non-current assets	**47,641**	**124,221**	**171,862**	**62,407**	**124,720**	**187,127**

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.

In the fiscal year 2016, as in 2015, no depreciation was recognized on these assets.

'Other non-current assets' also includes the long-term part of accounts receivable in the amount of T€ 10,268 (previous period: T€ 13,943).

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

17. Property, plant and equipment

As at December 31, 2016, and December 31, 2015, 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, 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 and amortization	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**

Acquisition and manufacturing costs	As at January 1, 2015	Changes in entities consolidated	Additions/ Transfer	Disposals	Foreign currency translation	As at December 31, 2015
Land and land facilities	5,468	0	363	0	53	**5,884**
Buildings and improvements	56,835	11	1,204	-6	646	**58,691**
Machinery, equipment and rental equipment under capital leases	58,661	291	8,398	-4,257	1,251	**64,344**
Construction in progress	1,471	93	1,411	-73	39	**2,941**
Total	**122,435**	**395**	**11,376**	**-4,335**	**1,989**	**131,860**

Depreciation and amortization	As at January 1, 2015	Changes in entities consolidated	Additions/ Transfer	Disposals	Foreign currency translation	As at December 31, 2015
Land and land facilities	0	0	0	0	0	**0**
Buildings and improvements	16,716	1	2,085	-6	219	**19,016**
Machinery, equipment and rental equipment under capital leases	37,265	30	7,337	-3,973	834	**41,493**
Construction in progress	0	0	0	0	0	**0**
Total	**53,981**	**31**	**9,422**	**-3,979**	**1,053**	**60,509**

Carrying amounts	December 31, 2016	December 31, 2015
Land and land facilities	5,177	5,884
Buildings and improvements	39,912	39,675
Machinery, equipment and rental equipment under capital leases	21,618	22,851
Construction in progress	5,392	2,941
Total	**72,099**	**71,351**

Depreciation and amortization are allocated within 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. As at December 31, 2016, and December 31, 2015, the carrying amounts of these items were T€ 2,085 and T€ 2,316, respectively.

18. Goodwill and other intangible assets

As at December 31, 2016, and December 31, 2015, 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, 2016	Changes in entities consolidated	Additions/ Transfer	Disposals	Foreign currency translation	As at December 31, 2016
Goodwill (non-regular amortization)	99,758	0	0	0	0	**99,758**
Other (regular amortization)	25,140	-1	2,022	-1,048	18	**26,131**
Total	**124,898**	**-1**	**2,022**	**-1,048**	**18**	**125,889**

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

Acquisition and manufacturing costs	As at January 1, 2015	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2015
Goodwill (non-regular amortization)	99,969	7	156	-374	0	**99,758**
Other (regular amortization)	23,676	539	1,081	-282	126	**25,140**
Total	**123,645**	**546**	**1,237**	**-656**	**126**	**124,898**

Depreciation and amortization	As at January 1, 2015	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2015
Goodwill (non-regular amortization)	625	0	0	0	0	**625**
Other (regular amortization)	18,242	217	2,427	-279	153	**20,759**
Total	**18,867**	**217**	**2,427**	**-279**	**153**	**21,384**

Carrying amounts	December 31, 2016	December 31, 2015
Goodwill (non-regular amortization)	99,133	99,133
Other (regular amortization)	4,216	4,381
Total	**103,349**	**103,514**

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. As for a breakdown, see Note 16.

20. Trade accounts payable

Trade accounts payable are mainly project business related.

21. Accounts payable to related parties

Accounts payable include amounts payable to consolidated FSE companies of T€ 359 (previous period: T€ 315) and to non-consolidated companies of T€ 804 (previous period: T€ 507).

22. Accrued expenses

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

	2016			2015		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Personnel expenses	16,040	38,039	54,079	16,575	33,459	50,034
Warranty	1,509	80	1,589	1,435	80	1,515
Goods and services received	64,028	3,458	67,486	56,878	3,907	60,785
Other accrued expenses	10,161	413	10,574	9,193	461	9,654
Accrued expenses	**91,738**	**41,990**	**133,728**	**84,081**	**37,907**	**121,988**

The following table shows the development of accrued expenses in the fiscal year:

	As at January 1, 2016	Changes in entities consolidated	Additions	Transfer	Consumption	Dissolution	As at December 31, 2016
Personnel expenses	50,034	-177	15,510	-68	-10,879	-341	54,079
Warranty	1,515	0	789	0	-160	-555	1,589
Goods and services received	60,785	0	48,150	7	-35,698	-5,758	67,486
Other accrued expenses	9,654	-29	8,329	-7	-6,860	-513	10,574
Accrued expenses	**121,988**	**-206**	**72,778**	**-68**	**-53,597**	**-7,167**	**133,728**

Accruals for personnel expenses mainly refer to bonuses, severance payments, anniversary bonuses, holidays not yet taken and obligations to make additional contributions to pension funds.

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

Accruals for goods and services received mainly refer to suppliers' deliveries and services already provided but not yet invoiced.

Other accrued expenses comprise auditing and consulting services, interest, and other operating expenditure.

23. Other liabilities and advance payments received

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

	2016			2015		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Social-security-related liabilities	5,694	0	5,694	5,368	0	5,368
Personnel liabilities	5,929	0	5,929	5,698	170	5,868
Tax liabilities	11,349	123	11,472	18,938	26	18,964
Non-current trade accounts payable	0	3,709	3,709	0	4,375	4,375
Deferred income	9,019	1,101	10,120	7,409	342	7,751
Derivative financial instruments	919	176	1,095	665	245	910
Miscellaneous other liabilities	19,890	7,655	27,545	19,954	3,986	23,940
Other liabilities	**52,800**	**12,764**	**65,564**	**58,032**	**9,144**	**67,176**
Long-term accruals for income taxes	**0**	**21**	**21**	**0**	**18**	**18**
Advance payments received	**52,811**	**18,794**	**71,605**	**58,333**	**9,590**	**67,923**

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 debt and liabilities from capital lease obligations
As at December 31, long-term debt 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.

	2016			2015		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Long-term borrowings	1,797	17,140	18,937	1,585	18,968	20,553
Lease obligations	230	1,872	2,102	295	2,046	2,341
Long-term debt and liabilities from capital lease obligations	**2,027**	**19,012**	**21,039**	**1,880**	**21,014**	**22,894**

25. Short-term accruals for income taxes

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

26. Pensions and similar obligations

Guaranteed benefit obligations have largely been transferred to pension funds. Benefit claims (pension) are contingent on 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 effected to pension funds. For defined contribution plans there are no liabilities exceeding continuous contribution payments so that no accruals or liabilities are shown.

External experts are in charge of determining accrued amounts (for companies in Austria this is done by Mercer (Austria) GmbH 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 include only benefit payments from VAMED group's funded benefit plans.

	2016	2015
Benefit obligations at the beginning of the year	**76,760**	**65,759**
Changes in entities consolidated	0	0
Foreign currency translation	481	3,594
Service cost	3,498	2,927
Prior service cost	59	74
Interest cost	1,139	1,160
Contributions by plan participants	1,554	1,452
Transfer	4,718	3,365
Revaluation gains (-) and losses (+)	4,742	2,030
Thereof adjustments according to experience	*77*	*1,517*
Thereof changes in financial and demographic assumptions	*4,665*	*513*
Benefits paid	-5,785	-3,601
Amendments	0	0
Benefit obligations at the end of the year	**87,166**	**76,760**
Thereof vested	60,662	54,082
Fair value of plan assets at the beginning of the year	**46,241**	**39,143**
Changes in entities consolidated	0	0
Foreign currency translation	365	2,759
Interest income arising from plan assets	692	775
Revaluation gains (-) and losses (+)	1,109	-379
Contributions by the employer	2,655	2,520
Contributions by plan participants	1,554	1,452
Transfer	4,718	3,374
Benefits paid	-5,587	-3,404
Fair value of plan assets at the end of the year	**51,747**	**46,241**
Funded status as of December 31	**35,419**	**30,519**

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:

	2016	2015
Discount rate	0.99 %	1.44 %
Rate of compensation increase	1.66 %	1.60 %
Rate of pension increase	0.73 %	0.74 %

In the year under review, benefit costs in the amount of T€ 4,003 (previous period: T€ 3,385) accrued for VAMED group's defined benefit pension plans, which are composed as follows:

	2016	2015
Service cost	3,557	3,001
Interest cost, net	446	384
Net periodic benefit cost	**4,003**	**3,385**

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 net periodic pension cost (NPPC) for the current year:

	2016	2015
Discount rate	1.44 %	1.74 %
Rate of compensation increase	1.60 %	1.86 %
Rate of pension increase	0.74 %	0.85 %

Losses in connection with accumulated benefit obligations mainly result from changes in the discount rates on which actuarial computations are based.

Sensitivity analysis

A rise or fall in essential actuarial assumptions by 0.5 points would have the following effects on pension obligations as at December 31, 2016:

Rate of pension increase	0.5 points rise	0.5 points fall
Discount rate	-6,621	7,355
Rate of compensation increase	716	-874
Rate of pension increase	4,644	-2,374

Sensitivity calculations are based on the average term of pension obligations as at December 31, 2016. 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, 2016.

The following table shows the expected future benefit payments:

	Expected benefit payments	**For the fiscal years**
	4,608	2017
	3,802	2018
	4,000	2019
	3,832	2020
	3,706	2021
	19,913	2022 until 2026
Total	**39,861**	**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:

	2016	2015
Investment fund for shares	27.41 %	25.96 %
Bond funds	41.18 %	43.67 %
Real estate funds	13.21 %	13.16 %
Other	18.20 %	17.21 %

The 'Other' portion of the plan assets is determined on the basis of Level 1 and 2 ('Fair Value Measurement'; approx. 28 % and 72 %, respectively).

Defined contribution plans

VAMED group's total expense under defined contribution plans for the year under review was T€ 1,428 (previous period: T€ 1,412).

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

27. Shareholders' equity

Subscribed capital

There were no changes of 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 parent company level), as well as one subsidiary's capital reserve, which is not available for distribution. Also included are changes in the value of non-controlling interests subject to put options recognized at fair value.

Other reserves

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

Dividends

Under the Austrian Companies 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, 2016	Changes	Before taxes December 31, 2016	Tax effect January 1, 2016	Changes	Tax effect December 31, 2016	After taxes January 1, 2016	After taxes December 31, 2016
Cash flow hedges	-847	-155	-1,002	212	39	251	-635	-751
Foreign currency translation	-4,457	-586	-5,043	0	0	0	-4,457	-5,043
Actuarial losses from defined benefit plans	-22,454	-3,789	-26,243	4,726	817	5,543	-17,728	-20,700
Other items (mainly severance pay provisions)	-8,561	-2,527	-11,088	1,963	631	2,594	-6,598	-8,494
Other Comprehensive Income (Loss)	**-36,319**	**-7,057**	**-43,376**	**6,901**	**1,487**	**8,388**	**-29,418**	**-34,988**

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 through 2049.

Rental expenses in 2016 amounted to T€ 30,684, in the previous period to T€ 29,896.

For the first to the fifth subsequent year, obligations under these contracts amount to T€ 99,804, then to T€ 118,900 (previous period: T€ 92,773, and T€ 123,218).

The VAMED group has contingent liabilities in an assessable amount of € 27.9 million max. (previous period: € 30.4 million) resulting from guarantees and similar obligations (mainly in connection with various construction and service projects). No amount is indicated for those 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 such proceedings have been covered by write-downs and accruals, 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 like accounts receivable and payable, and 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.

Valuation of derivatives (foreign currency forwards) is done 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 the market interest rates prevailing at the balance sheet date for the respective currency. 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. In order to manage foreign exchange rate fluctuation risks, the VAMED group enters into certain hedging transactions with highly rated banks or the parent's Treasury.

Market risk

The VAMED group has determined 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. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the VAMED group enters into foreign exchange forward contracts. These 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 discharge of existing and future financial obligations. In light of cash and cash equivalents and receivables from cash pooling and investments as existent on the balance sheet date and 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 of 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 and of payments as work progresses, there is little need for debt in the project business division.

Due to the company's diversification within the healthcare sector and its strong market positions in global, growing and non-cyclical markets, fundamentally predictable and sustainable cash flows are generated. VAMED group's customers are almost invariably of high credit quality. Moreover, the downpayments 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 '1.3 Results of operations, financial position, assets and liabilities of the VAMED group'.

32. Notes on division reporting

The VAMED group has identified the business divisions 'Project Business' and 'Service Business', which corresponds to internal organizational and reporting structures (management approach) as at December 31 of the year under review.

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

33. Related party transactions

In the year under review, 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.

34. Subsequent events

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 personnel.

35. Compensation report

The Executive Board's total compensation amounted to T€ 2,082 (previous period: T€ 2,026).
In the year under review, no loans or advance payments on future compensation elements 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:

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

The Supervisory Board compensation is fixed by the VAMED AG General Meeting and, in the year under review, amounted to T€ 102 (previous period: T€ 103).

37. Auditor's fees

In 2016 and 2015, the fees for the auditor Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, and other Deloitte companies abroad, were expensed as follows:

	2016		2015	
	Total	Thereof Austria	Total	Thereof Austria
Audit fees	338	211	340	228
Tax consulting fees	413	410	224	209
Other fees	21	0	17	17
Total auditor's fee	**772**	**621**	**581**	**454**

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 3, 2017

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

This English translation is provided for convenience only. The German original is solely valid.

LIST OF INVESTMENTS OF VAMED GROUP AS AT DECEMBER 31, 2016

(Without indirect investments, investments of below 10%, as well as closed-down/non-operating firms)

Fully consolidated companies:

Abbreviation	Company, location	Capital interest %
VAG	VAMED Aktiengesellschaft, Vienna, Austria	
ALM	ALMEDA, a.s., Neratovice, Czech Republic	95.20
API	API Betriebs gemeinnützige GmbH, Vienna, Austria	60.00
CLP	Centrum léčby pohybového aparátu, s.r.o., Prague, Czech Republic	100.00
GHG	Gmundnerberg Holding GmbH, Bad Sauerbrunn, Austria	100.00
HBE	HERMED Medrott Medical BVBA, Antwerp, Belgium	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
HMT	HERMED Medizintechnik Schweiz AG, Rapperswil-Jona, Switzerland	56.00
HNL	HERMED Medrott Medical B.V., Oostvoorne, The Netherlands	100.00
HSB	Heilbad Sauerbrunn Betriebsgesellschaft m.b.H., Bad Sauerbrunn, Austria	95.00
HTB	HERMED Technische Beratungs GmbH, Kirchheimbolanden, Germany	100.00
KHD	kneipp-hof 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., Mělnik, Czech Republic	100.00
MTN	VSB Medizintechnik NRW GmbH, Berlin, Germany	100.00
NET	MEDNET s.r.o., Prague, Czech Republic	100.00
NFM	Niederösterreichische Facility Management GmbH, Wiener Neustadt, Austria	60.00
NSZ	Nemocnice sv. Zdislavy, a.s., Velké 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

LIST OF INVESTMENTS OF VAMED GROUP AS AT DECEMBER 31, 2016

(Without indirect investments, investments of below 10%, as well as closed-down/non-operating firms)

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
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 Betriebsführung 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
VE (P)	PRINSAMED - PROJECTOS INTERNACIONAIS DE SAÚDE 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 Ltd, Berlin, Germany	100.00
VHP-CZ	VAMED Health Projects CZ s.r.o., Prague, Czech Republic	100.00
VKMB	VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., 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., Arnheim, 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

All company names are shown as registered; the names of countries are according to ISO 3166.

LIST OF INVESTMENTS OF VAMED GROUP AS AT DECEMBER 31, 2016

(Without indirect investments, investments of below 10%, as well as closed-down/non-operating firms)

Non-consolidated companies:

Abbreviation	Company, location	Capital interest %
BAP	BAP VAMED JV SPC (DIFC) LTD., Dubai, United Arab Emirates	51.00
BBH	Blumauerplatz Beteiligungs-Holding GmbH, Linz, Austria	100.00
BPB	Burgenländische 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
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
PHR	POPOVACA NEUROPSYCHIATRIC HOSPITAL RENOVATION PROJECT COMPANY d.o.o., Zagreb, Croatia	15.00
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

LIST OF INVESTMENTS OF VAMED GROUP AS AT DECEMBER 31, 2016

(Without indirect investments, investments of below 10%, as well as closed-down/non-operating firms)

Abbreviation	Company, location	Capital interest %
TLG	Aqua Dome Tirol Therme Längenfeld GMBH & CO KG, Längenfeld, Austria	11.66
TLGGMBH	Aqua Dome Tirol Therme Längenfeld GMBH, Längenfeld, Austria	11.66
TWB GMBH	Tauern SPA World Betriebs-GmbH, Kaprun, Austria	20.99
TWB KG	Tauern SPA World Betriebs-GmbH & Co KG, Kaprun, Austria	18.96
TWE GMBH	Tauern SPA World Errichtungs-GmbH, Kaprun, Austria	20.99
TWE KG	Tauern SPA World Errichtungs-GmbH & Co KG, Kaprun, Austria	18.96
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, Berlin, 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
VE-TUR	VAMED TURKEY MÜHENDİSLİK İNŞAAT TAAHHÜT MEDİKAL SAĞLIK HİZMETLERİ LİMİTED ŞİRKET, Ankara, Turkey	100.00
VHC	VAMED Healthcare Co. Ltd., Beijing, China	100.00
VHH	VAMED Hungaria Health Care Ltd., Budapest, Hungary	100.00
VHR	VARAŽDIN GENERAL HOSPITAL RENOVATION PROJECT COMPANY d.o.o., Zagreb, Croatia	15.00
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
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

All company names are shown as registered; the names of countries are according 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, 2016, 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 consolidated group stipulated therein.

In our opinion, the condensed financial statements of the VAMED AG subgroup, subject to the qualifications stipulated 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, 2016 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 the '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 ('Notes').

- The Notes to the VAMED subgroup's financial statements ('Notes'), as stated therein in 'General notes on the financial statements of the VAMED group', do not include all disclosures required under IRFS.

- The VAMED subgroup's financial statements comprises two non-profit organizations, which turn over a total of € 13.0 million, from which the VAMED group does not benefit directly.

We conducted our audit in accordance with Generally Accepted Accounting Principles in Austria. These principles require the application of the International Standards on Auditing (ISAs). 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. Independent of the subgroup we are 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 of our audit opinion.
On signing the audit contract, our mandate, and our responsibility, also vis-à-vis third parties, are subject to the General Conditions of Contract for the Public Accounting Professions (AAB) of March 8, 2000, 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 EUR 2 million, applicable vis-à-vis the company and third parties, was agreed upon in accordance with the Austrian Business Code, section 275, para 2.

Management's and Supervisory Board's responsibilities for the condensed consolidated financial statements
Management is responsible for the preparation of the condensed consolidated financial statements of the subgroup and also for these to present, in accordance with IFRS as adopted by the EU, and the Group Reporting Package for the consolidated group stipulated therein, a true and fair view of the assets, the financial position and the financial performance of the subgroup. Management is also responsible for internal controls which the Management considers necessary to enable the preparation of consolidated financial statements for the subgroup free of material misstatements, whether due to fraud or error. In preparing the consolidated financial statement for the subgroup, Management is responsible for assessing the subgroup's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless Management either intends to liquidate the subgroup or to cease operations, or has no realistic alternative but to do so.

The Supervisor 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 and 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 the 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 3, 2017

Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Christoph Waldeck m.p.
Certified Public Accountant

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

This English translation is provided for convenience only. The German original is solely valid.

VAMED Aktiengesellschaft
Sterngasse 5 | 1230 Vienna | Austria
office@vamed.com | www.vamed.com

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