



**REPORT ON THE  
FIRST QUARTER OF 2017**

*Asklepios Kliniken GmbH,  
Hamburg*



*1 January -  
31 March 2017*

# FOREWORD BY THE GROUP MANAGEMENT

Ladies and gentlemen,

In the first three months of 2017, Asklepios treated 576,375 patients in its healthcare facilities, 3,941 more than in the same period of the previous year. The business performance in the first quarter was solid but, all in all, not as positive as we expect it to be over the year as a whole.

From January to March, revenue increased from EUR 803.1 million to EUR 812.5 million. This was partly due to a slight rise in valuation ratios of 1.7%, which allowed for higher remuneration for invoiced treatments. At the beginning of the year, we achieved a year-on-year increase in the number of patients for our hospitals, which also had a positive impact on revenue development.

At 1.2%, the development of revenue is solid, but remains below our growth rate target of 1.5% to 2.5%. We also see further potential for improvement in the operating EBITDA margin over the course of the year. In the first three months, it amounted

to 9.6%, down 0.8 percentage points as against the previous year's level of 10.4%. This is mainly attributable to the rise in the staff costs ratio to 66.2% parallel to the restrained sales trend (same quarter of the previous year: 64.6%). The equity ratio of 36.3% was slightly lower than 36.8% figure at the end of the year.

Nonetheless, we are confirming our forecast for the current financial year. Asklepios has a stable foundation from an economic and financial point of view. We are confident that we can achieve a small rise in valuation ratios and slightly increase EBITDA and the equity ratio year-on-year by means of organic revenue growth.

Quality, innovation and social responsibility will remain the backbone of our strategic framework and will pave the way for our business performance in the long term – for a good result at the end of the 2017 financial year.

Hamburg, 24 May 2017



Kai Hankeln



Dr. Thomas Wolfram



Hafid Rifi



Marco Walker

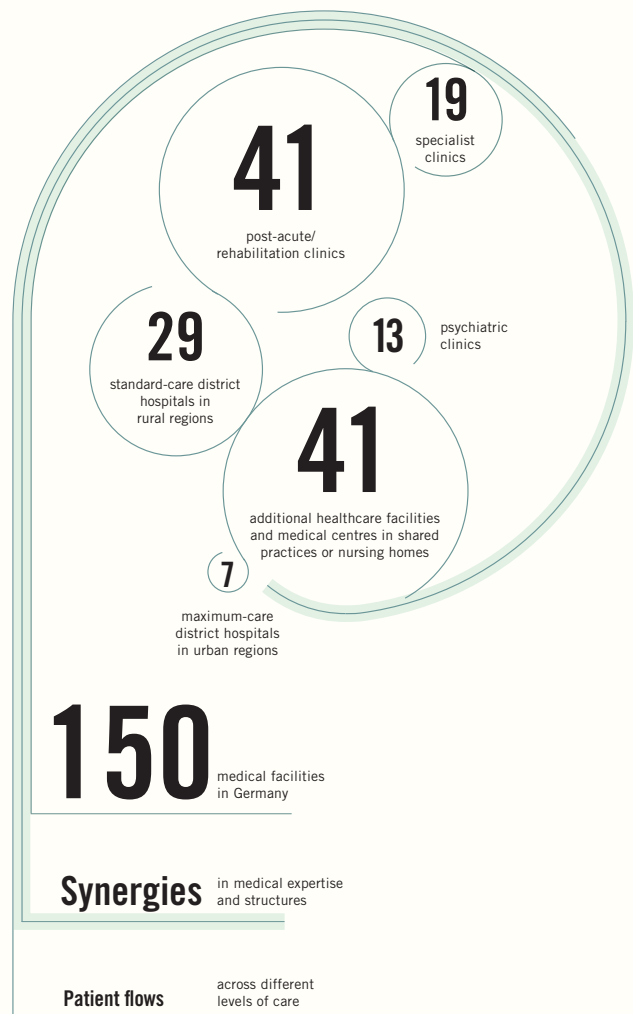
GROUP KEY FIGURES

| EUR million             | 3 months 2017 | 3 months 2016 | Change   | 12 months 2016 | 12 months 2015 |
|-------------------------|---------------|---------------|----------|----------------|----------------|
| Revenue                 | 812.5         | 803.1         | 1.2 %    | 3,211.2        | 3,082.0        |
| EBITDA                  | 77.7          | 83.7          | -7.1 %   | 390.4          | 374.0          |
| EBITDA margin (in %)    | 9.6           | 10.4          | -0.8 pp. | 12.2           | 12.1           |
| Consolidated net income | 33.0          | 35.0          | -5.7 %   | 192.1          | 176.8          |
| Net debt/EBITDA         | 1.6           | 1.5           |          | 1.3            | 1.6            |
| Patients                | 576,375       | 572,884       | 0.6 %    | 2,279,477      | 2,217,987      |
| Valuation ratio         | 154,065       | 151,451       | 1.7 %    | 595,210        | 583,517        |
| Employees (FTEs)        | 34,884        | 34,668        | 0.6 %    | 34,887         | 34,670         |

FINANCIAL CALANDER

|            |                                      |
|------------|--------------------------------------|
| 27.04.2017 | Annual Report 2016                   |
| 24.05.2017 | Report on the first quarter          |
| 24.08.2017 | Report on the first half of the year |
| 23.11.2017 | Report on the third quarter          |

HEALTHCARE-CLUSTER



# BUSINESS PERFORMANCE

In the period from January to March 2017, the hospitals and medical facilities of the Asklepios Group cared for a total of 576,375 patients, 0.6% more than in the same period of the previous year (3M 2016: 572,884). Revenue saw a slight increase of 1.2% to EUR 812.5 million in total, reflecting the rise in valuation ratios and the slightly higher patient numbers.

EBITDA amounted to EUR 77.7 million in the first three months of 2017, down 7.1% on the same period of the previous year (3M 2016: EUR 83.7 million). The operating EBITDA margin was 9.6%. Although the cost of materials ratio in the first quarter of 2017 was reduced to 21.2% (3M 2016: 21.6%), the staff costs ratio climbed to 66.2% in relation to the modest revenue performance (3M 2016: 64.6%). The other expenses ratio (not including rental expenditure) was 8.0% at the level of the previous year (3M 2016: 8.0%).

In total, consolidated interim income for January to March 2017 amounted to EUR 33.0 million, corresponding to a return on sales of 4.1% (3M 2016: 4.3%).

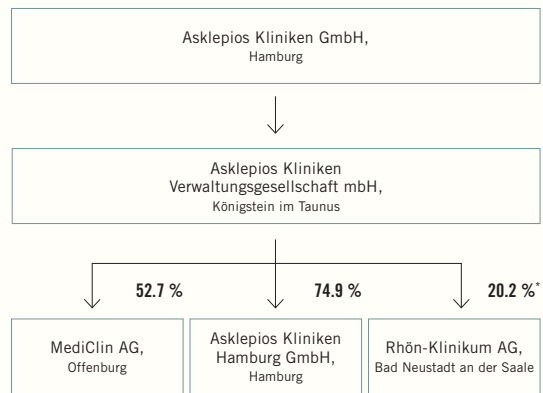
In the first quarter of 2017, net cash flow from operating activities amounted to EUR 52.1 million (3M 2016: EUR 60.1 million) and thus decreased by 13.3% year-on-year. Gross investments amounted to EUR 61.2 million in the period under review and the proportion of own funds was 79.5% (3M 2016: 70.3%).

The Asklepios Group's financial position is stable. As at 31 March 2017, the Group's net debt amounted to EUR 618.6 million (31 December 2016: EUR 524.3 million). The debt ratio came to 1.6 times EBITDA (31 December 2016: 1.3 times). The equity ratio of 36.3% was slightly lower than at the end of 2016 (31 December 2016: 36.8%). Cash and cash equivalents amounted to EUR 378.0 million and unused credit facilities to

EUR 456.1 million as at 31 March 2017 (31 December 2016: EUR 460.5 million). The Group thus has sufficient financial resources to fund further corporate growth.

As part of the optimisation of the investment structure under company law, the financial structure and the financing instruments were standardised at a single level. A central measure was the debt pushdown for the most important financing instruments. This involved replacing Asklepios Kliniken GmbH as the borrower with the new holding company, Asklepios Verwaltungsgesellschaft mbH. In the second half of 2016, in preparation for the debt pushdown, Asklepios made a change offer to the 2013 promissory note investors, which was enthusiastically accepted. The investors were essentially transferred to the 2015 standard documentation, and investors avoided structural subordination in this way. The debt pushdown in the first quarter of 2017 constitutes the end of extensive restructuring measures.

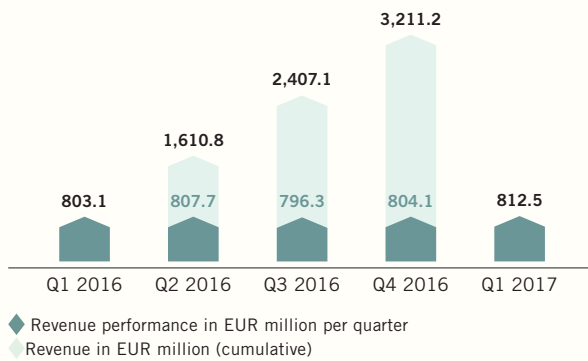
## COMPANY STRUCTURE



\* As at 31. Mar. 2017

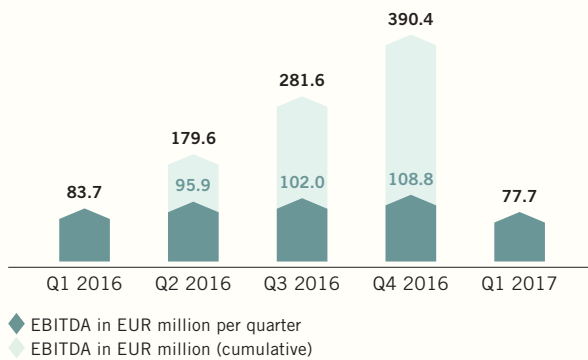
# ECONOMIC REPORT

## REVENUE PERFORMANCE



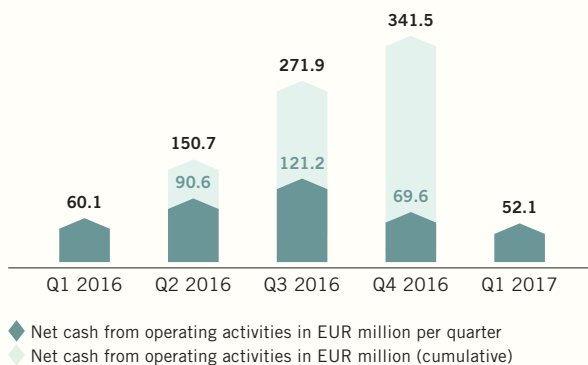
- › Revenue increased slightly by 1.2% in the first three months of the year from EUR 803.1 million to EUR 812.5 million as a result of the increase in valuation ratios and slightly higher patient numbers.
- › The valuation ratios, an indicator of our revenue, rose by 1.7% to 154,065.

## EBITDA



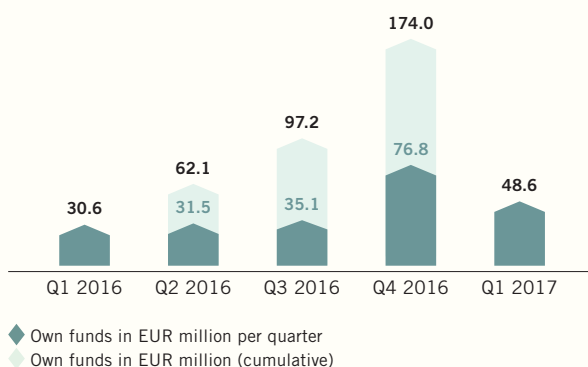
- › EBITDA decreased by EUR 6.0 million to EUR 77.7 million in the first three months of 2017 (3M 2016: EUR 83.7 million).
- › This corresponds to a margin of 9.6% (3M 2016: 10.4%) and a year-on-year difference of 0.8 percentage points.

## OPERATING CASH FLOW



- › In the first three months of 2017, operating cash flow amounted to EUR 52.1 million.
- › In relation to EBITDA, operating cash flow amounted to 67,0%.

## INVESTMENTS / OWN FUNDS



- › In the first three months, Asklepios invested EUR 48.6 million of its funds in its healthcare facilities.
- › Its share in total investments amounted to EUR 61.2 million or 79,5%.

## SUBSEQUENT EVENTS

With the publication of the voting rights notification dated 22 May 2017, Asklepios Kliniken announced that it had exceeded the threshold of 25% and now held a share of 25.1% in RHÖN-KLINIKUM AG.

After 31 March 2017, Asklepios Kliniken Verwaltungsgesellschaft mbH drew down EUR 40.0 million from the existing syndicated loan of EUR 365 million.

No other events significant for the assessment of the net assets, financial position and results of operations of the Asklepios Group occurred after 31 March 2017 up to the publication of this report.

## FORECAST

In the first quarter of 2017, Asklepios posted organic revenue growth of 1.2% year-on-year, which was thus below the forecast for revenue development. In the first quarter of 2017, the operating margin at EBITDA level was 9.6%, down on the previous year's level of 10.4%. The number of valuation ratios increased by 1.7% to 154.065 VR. The equity ratio of 36.3% was thus slightly down on the level at the end of the year (31 December 2016: 36.8%).

The Asklepios Group's growth prospects are generally positive thanks to its sound economic and financial foundation and its future-oriented overall strategic concept. The regulatory environment remains challenging. We view the developments here critically, not just with regard to the fixed cost degression discount. For the financial year 2017 as a whole, we anticipate a slight increase in patient numbers and valuation ratios, as well as organic revenue growth of between 1.5% and 2.5%. We expect a slight but sustained increase in both EBITDA and the equity ratio year on year.

The stated goal remains sustainable business success - particularly in the interests of the patients. With regard to 2017 as a whole, the trend of previous years of a greater increase of outpatients than of inpatients is expected to be borne out. Efforts also to increase the number of inpatients on an organic basis, like in the previous year, are currently expected to be successful.

As well as financial figures, management will include valuation ratios as a non-financial performance indicator when managing the company. The priority is a slight year on year increase in valuation ratios. The new compensation system in psychiatric care is expected to be implemented cautiously - certain risks exist here based on the performance of valuation ratios, for which the Group is preparing itself.

# CONSOLIDATED INCOME STATEMENT

(UNAUDITED)

| EUR '000  | 3 months<br>2017 | 3 months<br>2016 <sup>3)</sup> |
|---|------------------|--------------------------------|
| Revenue   | 812,532          | 803,094                        |
| Other operating income  | 54,387           | 50,894                         |
| <b>Total operating revenue</b>  | <b>866,919</b>   | <b>853,989</b>                 |
| Cost of materials   | 172,508          | 173,455                        |
| Staff costs   | 537,597          | 518,847                        |
| Other operating expenses  | 79,101           | 78,026                         |
| <b>Operating result/EBITDA<sup>1)</sup></b>   | <b>77,712</b>    | <b>83,661</b>                  |
| Depreciation, amortisation and impairment<br>- on intangible assets and property, plant and equipment | 34,000           | 30,245                         |
| <b>Operating result/EBIT<sup>2)</sup></b>   | <b>43,712</b>    | <b>53,416</b>                  |
| Net investment income   | -51              | 0                              |
| Interest and similar income   | 1,195            | 1,152                          |
| Interest and similar expenses   | -8,959           | -10,299                        |
| <b>Interest result</b>  | <b>-7,765</b>    | <b>-9,146</b>                  |
| <b>Financial result</b>   | <b>-7,815</b>    | <b>-9,146</b>                  |
| <b>Earnings before income taxes</b>   | <b>35,897</b>    | <b>44,270</b>                  |
| Income taxes  | -2,935           | -9,303                         |
| <b>Consolidated interim income</b>  | <b>32,961</b>    | <b>34,967</b>                  |
| <i>of which attributable to the parent company</i>  | <i>29,610</i>    | <i>28,191</i>                  |
| <i>of which attributable to non-controlling interests</i>   | <i>3,351</i>     | <i>6,776</i>                   |

<sup>1)</sup> Earnings before financial result, taxes and depreciation and amortisation

<sup>2)</sup> Earnings before financial result and taxes

<sup>3)</sup> To provide a better insight into the results of operations, staff costs of EUR 48.5 million were offset against revenue of EUR 17.3 million and other operating income of EUR 31.2 million in the same period of the previous year, as these were assumed by third parties. The previous year's figures have therefore been adjusted accordingly in line with IAS 8.41.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

| EUR '000   | 3 months<br>2017 | 3 months<br>2016 |
|--|------------------|------------------|
| <b>Consolidated interim income</b>   | <b>32,961</b>    | <b>34,967</b>    |
| Changes in the fair value of cash flow hedges  | 0                | 0                |
| Measurement of financial assets  | -729             | -3,963           |
| Income taxes   | 11               | 59               |
| Reclassifications due to financial assets in the "available-for-sale" category that were sold during the financial year. | 718              | 0                |
| <b>Total changes in value that are reclassified to profit or loss if certain conditions are met</b>                      | <b>0</b>         | <b>-3,904</b>    |
| Change in actuarial gains (+)/ losses (-) from defined benefit pension commitments and similar obligations               | 0                | -47,652          |
| Income taxes   | 0                | 6,844            |
| <b>Total changes in value that are not reclassified to profit or loss</b>  | <b>0</b>         | <b>-40,808</b>   |
| <b>Total changes in value recognised in equity (other comprehensive income)</b>  | <b>0</b>         | <b>-44,711</b>   |
| <b>Total comprehensive income (total consolidated interim income and other comprehensive income)</b>                     | <b>32,961</b>    | <b>-9,744</b>    |
| <i>of which attributable to the parent company</i>   | <i>29,610</i>    | <i>-5,356</i>    |
| <i>of which attributable to non-controlling interests</i>  | <i>3,351</i>     | <i>-4,388</i>    |



# CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

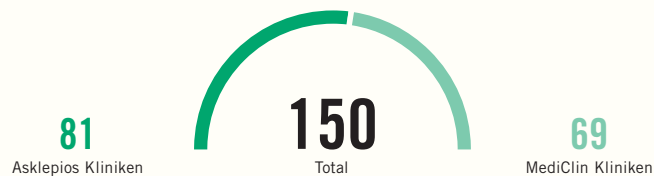
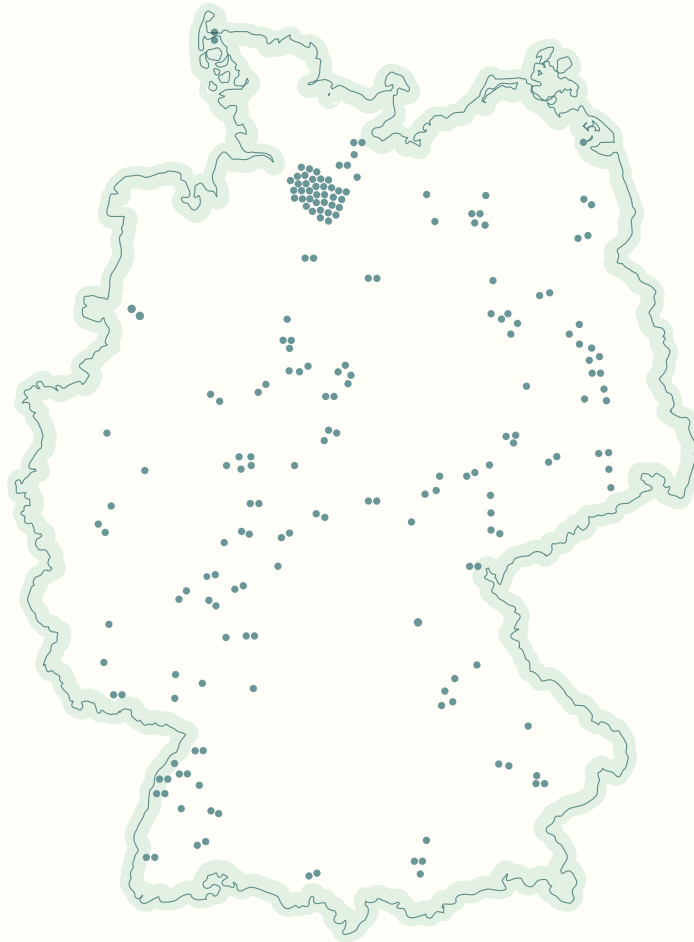
| EUR '000  | 3 months<br>2017 | 3 months<br>2016 |
|---|------------------|------------------|
| <b>Consolidated interim income</b>  | <b>32,961</b>    | <b>34,967</b>    |
| Income taxes  | 2,935            | 9,303            |
| Interest result   | 7,765            | 9,146            |
| Net investment income   | 51               | 0                |
| Amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment | 34,000           | 30,245           |
| <b>Gross cash flow (EBITDA)</b>   | <b>77,712</b>    | <b>83,661</b>    |
| Other non-cash transactions   | 953              | 1,007            |
| Changes in inventories, receivables and other assets  | -42,228          | -22,708          |
| Changes in liabilities and provisions   | 22,507           | 5,624            |
| Dividends received  | 0                | 0                |
| Interest income   | 99               | 347              |
| Income taxes paid   | -6,913           | -7,855           |
| <b>Cash flow from operating activities/net cash flow</b>  | <b>52,130</b>    | <b>60,100</b>    |
| Investments in property, plant and equipment  | -28,684          | -21,601          |
| Investments in intangible assets  | -20,598          | -8,758           |
| Proceeds from the disposal of non-current assets  | 3,821            | 824              |
| Acquisitions of subsidiaries, equity investments and financial assets   | -69,765          | -336             |
| <b>Net cash used in investing activities</b>  | <b>-115,226</b>  | <b>-29,871</b>   |
| Proceeds from borrowings  | 0                | 0                |
| Proceeds from the repayment of financial liabilities  | -6,315           | -89,954          |
| Cash flow from hospital financing   | -7,516           | 869              |
| Interest expenses   | -1,699           | -21,987          |
| Change in equity  | 0                | 0                |
| <b>Cash flow from financing activities</b>  | <b>-15,530</b>   | <b>-111,072</b>  |
| <b>Change in cash and cash equivalents</b>  | <b>-78,626</b>   | <b>-80,843</b>   |
| Cash and cash equivalents at the start of the period  | 456,611          | 554,898          |
| <b>Cash and cash equivalents at the end of the period</b>   | <b>377,985</b>   | <b>474,055</b>   |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(UNAUDITED)

| EUR '000  | 31 March<br>2017 | 31 December<br>2016 |
|---|------------------|---------------------|
| <b>ASSETS</b>                                     |                  |                     |
| <b>Non-current assets</b>                         |                  |                     |
| Intangible assets                                 | 427,217          | 413,996             |
| Property, plant and equipment                     | 1,496,855        | 1,498,597           |
| Investments accounted for using the equity method | 351,514          | 14,042              |
| Financial assets                                  | 3,535            | 305,333             |
| Other financial assets                            | 60,631           | 62,276              |
| Trade receivables                                 | 548              | 66                  |
| Other assets                                      | 1,354            | 80                  |
| Deferred taxes                                    | 99,673           | 75,150              |
| <b>Total non-current assets</b>                   | <b>2,441,327</b> | <b>2,369,540</b>    |
| <b>Current assets</b>                             |                  |                     |
| Inventories                                       | 114,036          | 103,110             |
| Trade receivables                                 | 467,349          | 452,573             |
| Current income tax assets                         | 4,159            | 3,716               |
| Other financial assets                            | 90,684           | 71,003              |
| Other assets                                      | 15,320           | 4,297               |
| Cash and cash equivalents                         | 377,985          | 456,611             |
| <b>Total current assets</b>                       | <b>1,069,532</b> | <b>1,091,308</b>    |
| <b>Total ASSETS</b>                               | <b>3,510,860</b> | <b>3,460,849</b>    |

| EUR '000   | 31 March<br>2017 | 31 December<br>2016 |
|--|------------------|---------------------|
| <b>EQUITY AND LIABILITIES</b>                    |                  |                     |
| <b>Equity attributable to the parent company</b> |                  |                     |
| Issued capital                                   | 1,022            | 1,022               |
| Reserves   | 957,436          | 835,944             |
| Consolidated net profit                          | 29,610           | 154,819             |
| Non-controlling interests                        | 284,801          | 281,590             |
| <b>Total equity</b>                              | <b>1,272,869</b> | <b>1,273,375</b>    |
| <b>Non-current liabilities</b>                   |                  |                     |
| Trade payables                                   | 0                | 12                  |
| Financial liabilities                            | 826,171          | 814,264             |
| Finance lease liabilities                        | 12,571           | 12,770              |
| Pensions and similar obligations                 | 267,152          | 268,295             |
| Other provisions                                 | 217,063          | 219,628             |
| Deferred taxes                                   | 33,881           | 33,423              |
| Other financial liabilities                      | 71,887           | 80,051              |
| Other liabilities                                | 10,259           | 9,156               |
| <b>Total non-current liabilities</b>             | <b>1,438,985</b> | <b>1,437,598</b>    |
| <b>Current liabilities</b>                       |                  |                     |
| Trade payables                                   | 54,668           | 72,125              |
| Financial liabilities                            | 170,388          | 166,605             |
| Finance lease liabilities                        | 1,108            | 860                 |
| Pensions and similar obligations                 | 5,848            | 5,883               |
| Other provisions                                 | 100,463          | 98,120              |
| Current income tax liabilities                   | 34,011           | 14,994              |
| Other financial liabilities                      | 168,500          | 167,081             |
| Other liabilities                                | 264,020          | 224,208             |
| <b>Total current liabilities</b>                 | <b>799,005</b>   | <b>749,875</b>      |
| <b>Total EQUITY AND LIABILITIES</b>              | <b>3,510,860</b> | <b>3,460,849</b>    |



## ASKLEPIOS HOSPITAL NETWORK

### Imprint

#### Contact

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Gesund werden, Gesund leben.

### Disclaimer

This quarterly report contains forward-looking statements. Such forward-looking statements are based on certain assumptions and expectations at the time of publication of this annual report. They therefore involve risks and uncertainties, and the actual results may diverge considerably from those described in the forward-looking statements. Many of these risks and uncertainties are affected by factors that lie beyond Asklepios Kliniken GmbH's sphere of influence and that cannot be estimated with certainty from today's perspective. This includes future market conditions and economic developments, the conduct of other market participants, the achievement of expected synergy effects as well as decisions by legislators and policy makers. Asklepios Kliniken GmbH is not obliged to publish corrections to these forward-looking statements in order to reflect events or conditions occurring after the publication date of this material.