



REPORT ON THE THIRD QUARTER OF 2018

Asklepios Kliniken GmbH & Co. KGaA, Hamburg

1 January - 30 September 2018

KEY FIGURES FOR THE ASKLEPIOS GROUP THIRD QUARTER OF 2018

EUR MILLION	9 MONTHS 2018	9 MONTHS 2017	CHANGE
Revenue	2,536.5	2,425.7	+4.6%
EBITDA	252.9	270.9	-6.7%
EBITDA margin (in %)	10.0	11.2	-1.2 Pp
EBIT	141.9	163.1	-13.0%
EBIT margin (in %)	5.6	6.7	-1.1 Pp
EAT	98.8	123.5	-20.0%
EAT margin (in %)	3.9	5.1	-1.2 Pp
Net debt/ EBITDA LTM	2.4x	2.2x ¹⁾	+0.2x
Patients	1,681,074	1,684,196	-0.2%
Cost weight	430,663	442,411	-2.7%
Employees (FTEs)	35,041	34,932	+0.3%

¹⁾ As at 31 December 2017

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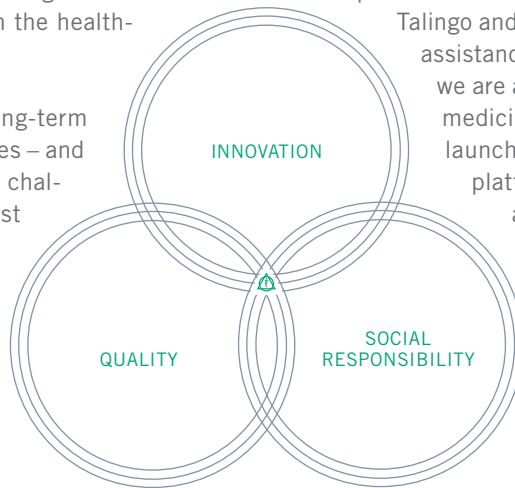
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FOREWORD BY THE GROUP MANAGEMENT

Ladies and gentlemen,

While the number of patients treated was stable year-on-year at 1,681,074, Asklepios has again succeeded in increasing its revenue. We generated revenue of EUR 2,536.5 million in the first nine months of the financial year, an increase of 4.6% as against the same period of the previous year. The past nine months were characterised by investment in human resources – and thus by the process of establishing a deliberate positioning for future challenges in the health-care industry.

Demographic change will result in long-term growth in demand for healthcare services – and at the same time presents us with the challenge of continuing to employ the best doctors and nurses at our facilities in the face of the nascent shortage of skilled workers. Moreover, regulatory changes such as the Pflegepersonalstärkungsgesetz (German Act on Support for Nursing Staff) are impacting revenue structures and placing additional challenges on hospitals’ ability to plan and invest. This development is also reflected in our operating earnings figures, which are lower than in the same period of the previous year. Overall, operating earnings for the reporting period have fallen slightly short of our forecast.



The German hospital market is facing major challenges that will forever alter the conditions under which hospitals operate. We would like to play a key role in shaping this change. To do so, we intend to increasingly supplement our sustainable organic revenue growth with strategic investments along our entire value chain. Recently, for instance, we expanded our position as a pioneer in the field of Connecting Health and acquired Talingo and Insite, two leading providers of employee assistance programme (EAP) services. In addition, we are advancing the expansion of our outpatient medicine services and, medium-term, we will be launching a new, open discharge management platform allowing our patients to organise all aspects of follow-up treatment. The third pillar of our growth strategy is still targeted acquisitions in the hospital sector. Thanks to selected transactions over recent years, we have earned a respectable reputation in turnaround management and made good progress in developing the hospitals we have acquired.

As well as a clear strategy and the necessary expertise, Asklepios also has a solid and dynamic financial situation that allows us to broaden our value chain and cultivate new revenue streams. On this basis, we can look to the future with confidence and eagerly anticipate continuing the outlined growth strategy in the remaining three months and beyond.

Kind regards

Hamburg, 22 November 2018

Kai Hankeln

Dr. Thomas Wolfram

Hafid Rifi

Marco Walker

Prof. Dr. Christoph U. Herborn

BUSINESS PERFORMANCE IN THE THIRD QUARTER OF 2018

In the period from January to September 2018, the healthcare facilities of the Asklepios Group cared for a total of 1,681,074 patients, 0.2% fewer than in the same period of the previous year (9M 2017: 1,684,196). The number of cost weights likewise declined by 2.7% to 430,663 (9M 2017: 442,411).

Our revenue totalled EUR 2,536.5 million in the third quarter of 2018, up EUR 110.8 million or 4.6% year-on-year (9M 2017: EUR 2,425.7 million). We thus exceeded our forecast for revenue development (1.5% - 2.0%).

By contrast, EBITDA in the first nine months of 2018 was down 6.7% on the same period of the previous year at EUR 252.9 million (9M 2017: EUR 270.9 million). The operating EBITDA margin was 10.0% (9M 2017: 11.2%). EBIT amounted to EUR 141.9 million (9M 2017: EUR 163.1 million) for the first nine months of 2018 with a margin of 5.6% (9M 2017: 6.7%). The cost of materials ratio was stable year-on-year in the first nine months of 2018 at 21.5% (9M 2017: 21.5%). The staff costs ratio increased to 64.6% (9M 2017: 64.3%). The other expenses ratio (not including rental expenditure) was up year-on-year at 8.8% (9M 2017: 8.3%).

Consolidated net income for the period from January to September 2018 amounted to EUR 98.8 million in total (9M 2017: EUR 123.5 million), corresponding to a return on sales of 3.9% (9M 2017: 5.1%).

Net cash flow from operating activities fell by EUR 24.3 million to EUR 238.1 million in the first nine months of 2018 (9M 2017: EUR 262.4 million), a decline of 9.3% as against the same period of the previous year. Investments financed with the Group's own funds amounted to EUR 125.9 million in the reporting period (9M 2017: EUR 110.4 million). The share of own funds was 66.3% in the third quarter of 2018 (9M 2017: 69.7%).

The Asklepios Group's financial position is stable. The Group's net debt amounted to EUR 912.9 million as at 30 September 2018 (31 December 2017: EUR 874.6 million). The ratio of net debt to EBITDA for the past 12 months was 2.4x (31 December 2017: 2.2x). The equity ratio was 34.9% and therefore slightly higher than the figure as at 31 December 2017 (34.4%). Cash funds amounted to EUR 471.7 million (31 December 2017: EUR 612.3 million) and unused credit facilities to EUR 450.7 million as at 30 September 2018 (31 December 2017: EUR 461.1 million). The Group thus has sufficient financial resources to fund further corporate growth.

Supplementary report

There were no events of material significance to the financial position and performance of the Asklepios Group between 30 September 2018 and the publication of this report.

Forecast

Asklepios reported organic revenue growth of 4.6% year-on-year in the first nine months of 2018, thereby outperforming its forecast for revenue development. The operating EBITDA margin was 10.0% in the first nine months of 2018, down on the previous year's level of 11.2%. The equity ratio was 34.9% and therefore slightly higher than as at 31 December 2017 (34.4%).

Asklepios has successfully established solutions to regulatory challenges that will have a positive impact on earnings and liquidity as the year progresses. On this basis, Asklepios is confirming its forecast for a slim but sustainable increase in EBIT and EBITDA for the year as a whole. At 5.0%, organic revenue growth will surpass the anticipated growth of between 1.5% and 2.0%. In keeping with the ongoing trend, the development in the equity ratio will remain stable as against the previous year.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

EUR '000	9 months 2018	9 months 2017
Revenue	2,536,543	2,425,731
Other operating income	166,702	170,420
Total operating revenue	2,703,245	2,596,151
Cost of materials	545,848	522,071
Staff costs	1,638,216	1,559,562
Other operating expenses	266,285	243,583
Operating result/ EBITDA ¹⁾	252,895	270,936
Depreciation, amortisation and impairment on intangible assets and property, plant and equipment	111,019	107,855
Operating result/ EBIT ²⁾	141,876	163,082
Net investment income	6,649	4,012
Interest and similar income	417	1,063
Interest and similar expenses	-27,499	-19,751
Net interest income	-27,082	-18,688
Net finance costs	-20,433	-14,676
Earnings before income taxes	121,443	148,405
Income taxes	-22,639	-24,860
Consolidated net income for the period	98,804	123,545
<i>of which attributable to the parent company</i>	76,956	96,393
<i>of which attributable to non-controlling interests</i>	21,848	27,152

¹⁾ Earnings before interest, taxes, depreciation and amortisation

²⁾ Earnings before interest and taxes

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

EUR '000	9 months 2018	9 months 2017
Consolidated net income for the period	98,804	123,545
Share in OCI of an associate accounted for using the equity method	268	39
Measurement of financial assets	0	-729
Income taxes	0	11
Reclassifications due to available-for-sale financial assets sold in the financial year	0	718
Total changes in value reclassified to profit or loss if certain conditions are met	268	39
Change in actuarial gains (+)/ losses (-) from defined benefit pension commitments and similar obligations	0	19,005
Income taxes	0	-3,008
Total changes in value not reclassified to profit or loss	0	15,997
Total changes in value recognised in equity (other comprehensive income)	268	16,036
Total comprehensive income (total consolidated net income and other comprehensive income)	99,072	139,582
<i>of which attributable to the parent company</i>	<i>77,224</i>	<i>108,064</i>
<i>of which attributable to non-controlling interests</i>	<i>21,848</i>	<i>31,518</i>

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

EUR '000	9 months 2018	9 months 2017
Consolidated net income for the period	98,804	123,545
Income taxes	22,639	24,860
Net interest income	27,082	18,688
Net investment income	-6,649	-4,012
Amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment	111,019	107,855
Gross cash flow (EBITDA)	252,896	270,936
Other non-cash transactions	10,914	4,668
Changes in inventories, receivables and other assets	-34,193	-61,412
Changes in liabilities and provisions	34,169	73,219
Dividends received	3,698	4,012
Interest income	647	742
Income taxes paid	-29,983	-29,795
Cash flow from operating activities/net cash flow	238,148	262,370
Investments in intangible assets	-18,028	-12,401
Investments in property, plant and equipment	-170,111	-100,591
Proceeds from the disposal of non-current assets	6,523	5,416
Acquisitions of subsidiaries, equity investments and financial assets	-33,548	-171,407
Net cash used in investing activities	-215,164	-278,983
Proceeds from borrowings	30,000	40,695
Proceeds from the repayment of financial liabilities	-138,595	0
Distributions to non-controlling interests	-1,155	0
Cash flow from hospital financing	57,254	-3,990
Interest expenses	-11,121	-4,817
Withdrawal	-100,000	0
Cash flow from financing activities	-163,617	31,889
Change in cash and cash equivalents	-140,633	15,276
Cash and cash equivalents at the start of the period	612,333	220,364
Cash and cash equivalents at the end of the period	471,700	235,640

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

EUR '000	30. September 2018	31. December 2017
ASSETS		
Non-current assets		
Intangible assets	668,287	655,714
Property, plant and equipment	1,546,791	1,546,773
Investments accounted for using the equity method	430,791	427,247
Financial assets	4,363	3,443
Other financial assets	83,243	67,302
Other assets	12	1,025
Deferred taxes	71,929	78,968
Total non-current assets	2,805,416	2,780,472
Current assets		
Inventories	120,485	114,531
Trade receivables	547,005	500,469
Current income tax assets	8,983	5,758
Other financial assets	75,286	88,508
Other assets	21,281	10,938
Cash and cash equivalents	471,700	612,333
Total current assets	1,244,740	1,332,537
Total ASSETS	4,050,156	4,113,009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

EUR '000	30. September 2018	31. December 2017
EQUITY AND LIABILITIES		
Equity attributable to the parent company		
Issued capital	100	100
Reserves	993,463	939,096
Consolidated net profit	76,956	153,965
Non-controlling interests	344,648	323,418
Total equity	1,415,167	1,416,579
Non-current liabilities		
Trade payables	39	110
Financial liabilities	1,216,440	1,328,978
Finance lease liabilities	5,565	6,026
Pensions and similar obligations	275,464	276,559
Other provisions	222,205	215,311
Deferred taxes	47,026	53,885
Other financial liabilities	58,760	67,868
Other liabilities	7,332	7,530
Total non-current liabilities	1,832,831	1,956,268
Current liabilities		
Trade payables	61,372	83,763
Financial liabilities	168,185	157,921
Finance lease liabilities	6,809	6,943
Pensions and similar obligations	5,923	5,999
Other provisions	102,987	107,630
Current income tax liabilities	8,347	15,238
Other financial liabilities	172,670	155,710
Other liabilities	275,866	206,956
Total current liabilities	802,158	740,161
Total EQUITY AND LIABILITIES	4,050,156	4,113,009

FINANCIAL CALENDAR

26 April 2018	Annual Report 2017
24 May 2018	Report on the first quarter
23 August 2018	Report on the first half of the year
22 November 2018	Report on the third quarter

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Disclaimer

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Gesund werden. Gesund leben.