



Asklepios Kliniken GmbH, Hamburg

**Report on the first quarter 2016**

Q1 FY 2016 / 1 January - 31 March 2016

## FOREWORD BY GROUP MANAGEMENT

*Ladies and gentlemen,*

As the new management team of the Asklepios Group, we are looking back at a successful first quarter in financial year 2016. We have improved all of the Group's key figures compared to the figures of the previous year. As a result, Asklepios continued to grow profitably and sustainably in the first three months of 2016. We have thus created the basis for an economically and financially successful financial year and are maintaining our targets for 2016 as a whole.

More than 572,000 patients entrusted their health to Asklepios facilities in the first three months of this year. This represents a significant increase of 2.5% compared to the previous year. Rising patient numbers together with a jump in valuation ratios and a base rate rise have resulted in revenue growth of 4.3% to EUR 807.8 million. In addition, we have achieved an increase in both the efficiency and the profitability of our facilities. Due to a less aggressive increase in the cost of materials, we improved the operating EBITDA margin year-on-year by 0.8 percentage points to 10.4%.

Pleasing business performance in the first quarter has given us momentum for the year, which has been shaped by considerable changes. This particularly applies to the implementation of the Hospital Structure Act that came into force at the beginning of the year. Despite all of the challenges associated with this, we will seize opportunities and come out of this implementation phase as a stronger clinic group overall. In the coming months, we will further strengthen the future viability of our Group and unlock additional cost-effectiveness potential with focused measures.

Our growth strategy is based on clearly focused criteria: the expansion of the Centres of Excellence, investments in the existing facilities and opportunistic acquisitions along the value chain. With this strategic focus and by maintaining our fundamental values – medical quality, innovation and social responsibility – we will continue Asklepios' success story, which has been ongoing for more than 30 years.



Kai Hankeln



Dr. Thomas Wolfram



Hafid Rifi

## KEY GROUP FIGURES

		3 months 2016	3 months 2015	Change	31 Dec. 2015	31 Dec. 2014
Patients (in millions)		572,884	558,690	+2.5%	2,285,694	2,186,876
Beds (number)		26,557	26,550	+0.0%	26,669	26,508
Employees (full-time equivalents)		34,668	34,396	+0.8%	34,690	34,255
Revenue	EUR million	807.8	774.1	+4.3%	3,099.3	3,020.2
EBITDA	EUR million	83.7	74.6	+12.2%	374.0	330.4
EBITDA margin in %		10.4	9.6	+0.8Pp	12.1	10.9
Consolidated net income	EUR million	35.0	31.3	+11.8%	176.8	151.8
Net debt/EBITDA		1.5x	1.7x		1.6x	1.8x

## DATES

25 May 2016	Publication of 1st quarterly statement
25 August 2016	Publication of 2nd quarterly statement
24 November 2016	Publication of 3rd quarterly statement

## BUSINESS PERFORMANCE

In the first three months of 2016, the Asklepios Group generated revenue totalling EUR 807.8 million, a 4.3% increase on the same period of the previous year. The increase in valuation ratios and the base rate rise particularly had an impact here. The hospitals and medical facilities cared for a total of 572,884 patients from January to March 2016, 14,194 more (+2.5%) than in the same period of the previous year.

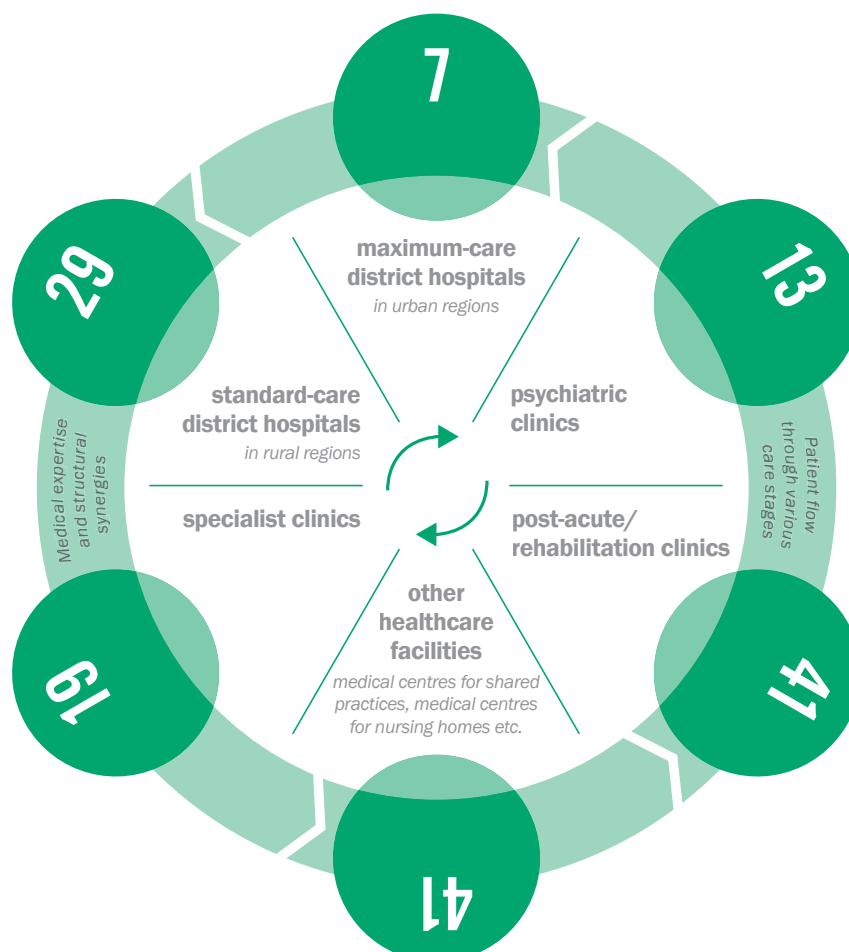
EBITDA also saw a year-on-year increase to EUR 83.7 million in the first three months. The operating EBITDA margin was thus 10.4% and rose by 12.2% (31 March 2015: 9.6%). Cost items that increased at a lower rate than revenue had a particularly positive effect. The cost of materials ratio fell 0.8 percentage points year-on-year to 21.5% (31 March 2015: 22.3%). A significant factor here was the substantial decline in energy expenses resulting from the energy model established by Asklepios in addition to the structured purchase of energy. The personnel expenses ratio amounted to 65.6% of revenue, which was slightly below the cost/income ratio of the previous year's quarter (65.8%).

In total, consolidated interim income for January to March 2016 amounted to EUR 35.0 million after EUR 31.3 million in the same period of the previous

year. This is an increase of 11.8%. For the reporting period, this resulted in a 0.3-percentage-point improvement year-on-year in the return on sales to 4.3% (31 March 2015: 4.0%).

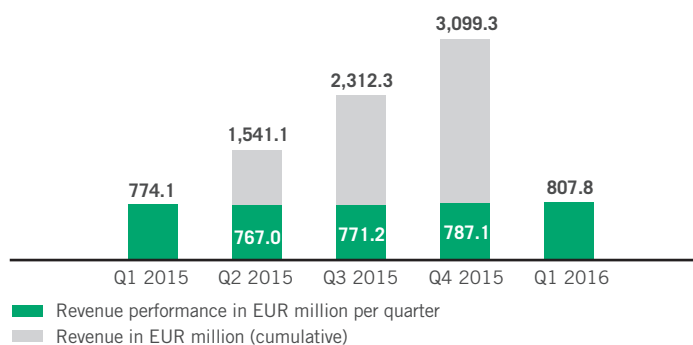
After the first three months, net cash from operating activities totalled EUR 60.1 million. Investments amounted to EUR 30.6 million in the period under review and the proportion of own funds was 70.3%, thus slightly higher than in the previous year (70.1%).

The Group's net debt amounted to EUR 572.3 million as of 31 March 2016, representing a EUR 23.6 million decrease compared to 31 December 2015 (EUR 595.9 million). The debt ratio improved year-on-year (31 December 2015: 1.6 x) to 1.5 times EBITDA. The equity ratio was influenced by a further decrease in the market interest rate for measuring pension provisions. It amounted to 34.9%, which was above the figure at the end of 2015 (31 December 2015: 34.7%). Cash and cash equivalents amounted to EUR 474.1 million and unused credit facilities to EUR 481.1 million as of 31 March 2016 (31 December 2015: EUR 462.1 million). This indicates that the Group continues to have a high level of financial reserves available at short notice.



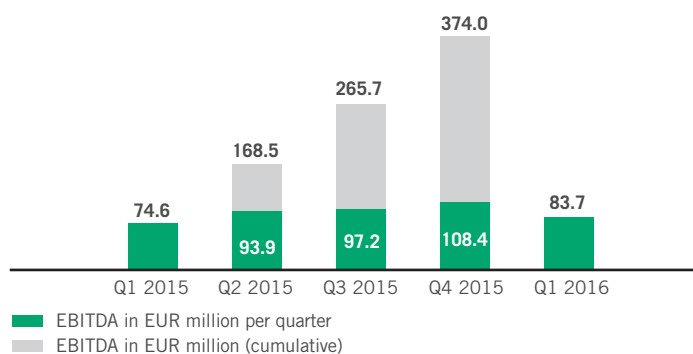
## ECONOMIC REPORT

### Revenue performance



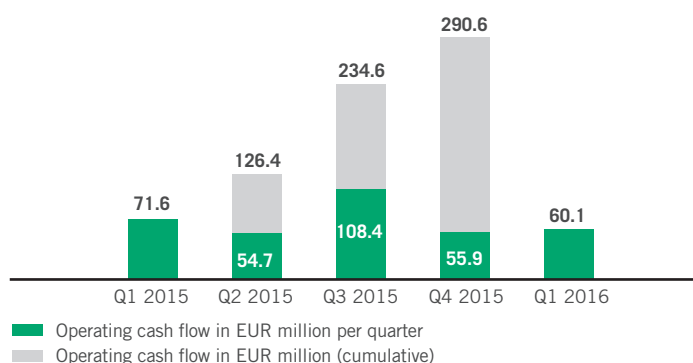
- In the first quarter of 2016, Group revenue increased year-on-year by 4.3% or EUR 33.7 million to EUR 807.8 million (Q1 2015: EUR 774.1 million).
- Significant factors in the jump in revenue were another increase in the number of patients and a rise in valuation ratios. Overall, 572,884 patients were treated at Asklepios in the first three months of 2016, which represents a year-on-year increase of 2.5%.

### EBITDA



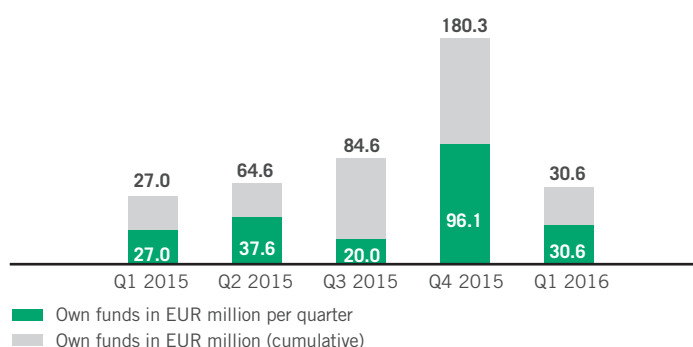
- In the first quarter of 2016, EBITDA rose year-on-year by 12.2% from EUR 74.6 million to EUR 83.7 million.
- The EBITDA margin – based on revenue – rose to 10.4% in the first quarter of 2016 after 9.6% in the same period of the previous year. This corresponds to an increase of 0.8 percentage points.

### Operating cash flow



- In the first quarter of 2016, operating cash flow amounted to EUR 60.1 million, which fully covers the high investments made with our own funds.
- In relation to total revenue, operating cash flow amounted to 7.5% in the first quarter of 2016.

### Investments/own funds



- The high investments of own funds in individual locations that Asklepios is continuously able to make thanks to its financial strength clearly distinguish the Group's facilities from financially weaker groups and hospitals.
- As of 31 March 2016, own funds invested amounted to EUR 30.6 million, which equates to a rise of 13.3% as against the previous year (Q1 2015: EUR 27.0 million).

## SUBSEQUENT EVENTS

No events significant for the assessment of the net assets, financial position and results of operations of the Asklepios Group occurred after 31 March 2016 up to the publication of this report.

## FORECAST

On the basis of the good business development in the first quarter, Asklepios is also optimistic for 2016 as a whole. The continuous growth in patient numbers and the increase in revenue in particular are at the upper end of the industry average according to the Group's estimate. The good development is mainly due to medical services of outstanding quality that are in line with demand and often selected by patients as a preference.

The high investments of own funds in individual locations that Asklepios is continuously able to make thanks to its financial strength clearly distinguish the Group's facilities from financially weaker groups and hospitals. The investments allow Asklepios to continue improving clinical processes and thus reduce the consumption of resources. In addition, Asklepios invests continuously in the education and training of its staff. The investments increase patient satisfaction and induce increasing numbers of people to choose Asklepios hospitals.

The Asklepios Group will continue to pursue the specialism concept ("Centres of Excellence") in future. "Centres of Excellence" are high-performance centres that focus on the treatment of certain diseases. To this end, specialists are employed at these centres. Specialisms have already been defined for many Asklepios hospitals. This concept is supported by stronger cooperation and targeted network building within the Group. With these measures, it remains possible for Asklepios to prevail in the present environment and to achieve above-average growth.

For the inpatient sector, the reform of the hospital sector is of overriding importance. The adoption of the Hospital Structure Act will comprehensively affect virtually all areas of hospital operator financing.

The focus here is on pricing, quantity control, structural requirements, the reduction of overcapacity and quality. This law presents Asklepios with both opportunities and risks. For example, refinancing centres may have a positive effect. However, hospitals with increasing performance will be penalised, as the discount for this will be considerably higher than before. The quality issue is a key aspect of the hospital reform for politicians, while indicators for structural and process quality, in addition to the quality of medical outcomes, will also form a basis for decisions in planning at state level. It is striking that politicians tend to equate quality more with structural quality and less with the quality of results. Politicians primarily understand structural quality as meaning a minimum number of staff.

The stated goal remains sustainable business success - particularly in the interests of the patients. The number of beds is to increase on a continual basis over the current year on the basis of Group-wide quality management (2015 report on the quality of medical outcomes). With regard to 2016 as a whole, the trend of previous years of a greater increase of outpatients than of inpatients is expected to be borne out. As things stand, efforts also to tangibly increase the number of inpatients on an organic basis, like in the previous year, are 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.

Based on good performance in the first quarter of 2016, the Asklepios Group confirms its outlook for the year as a whole. The Group's business goals for 2016 include organic revenue growth in a range of around 2.0% to 3.5% and a slight but sustainable increase in EBIT and EBITDA compared to the previous year. The equity ratio is expected to increase slightly in the 2016 financial year as a whole compared to the previous year.

## CONSOLIDATED INCOME STATEMENT

EUR '000	Q1 2016	Q1 2015
Revenue	807,765	774,115
Other operating income	57,520	59,561
<b>Total operating revenue</b>	<b>865,285</b>	<b>833,676</b>
Cost of materials	173,455	172,729
Personnel expenses	530,143	509,735
Other operating expenses	78,026	76,625
<b>Operating result/EBITDA <sup>1)</sup></b>	<b>83,661</b>	<b>74,587</b>
Amortisation on non-current intangible assets and depreciation on property, plant and equipment	-30,245	-28,160
<b>Operating result/EBIT <sup>2)</sup></b>	<b>53,416</b>	<b>46,427</b>
Interest and similar income	1,152	211
Interest and similar expenses	-10,299	-9,183
<b>Financial result</b>	<b>-9,146</b>	<b>-8,971</b>
<b>Earnings before income taxes</b>	<b>44,270</b>	<b>37,455</b>
Income taxes	-9,303	-6,188
<b>Consolidated net income</b>	<b>34,967</b>	<b>31,268</b>
of which attributable to the parent company	28,191	25,963
of which attributable to non-controlling interests	6,776	5,304

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

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Q1 2016	Q1 2015
<b>Consolidated net income</b>	<b>34,967</b>	<b>31,268</b>
Change in intrinsic value of interest cap	0	68
Measurement of financial assets	-3,963	848
Income taxes	59	-134
<b>Total changes in value reclassified to profit or loss if certain conditions are met</b>	<b>-3,903</b>	<b>782</b>
Change in actuarial gains (+)/losses (-)	-47,652	-92,854
Income taxes	6,844	14,782
<b>Total changes in value not reclassified to profit or loss</b>	<b>-40,808</b>	<b>-78,072</b>
<b>Total changes in value recognised in equity (other comprehensive income)</b>	<b>-44,711</b>	<b>-77,290</b>
<b>Total comprehensive income (total consolidated net profit and other comprehensive income)</b>	<b>-9,744</b>	<b>-46,022</b>
of which attributable to the parent company	-5,356	-29,886
of which attributable to non-controlling interests	-4,388	-16,136

## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Q1 2016	Q1 2015
<b>Consolidated net income</b>	<b>34,967</b>	<b>31,268</b>
Income taxes	9,303	6,188
Financial result	9,146	8,971
Amortisation of intangible assets and financial assets and depreciation of property, plant and equipment	30,245	28,160
<b>Gross cash flow (EBITDA)</b>	<b>83,661</b>	<b>74,586</b>
Other non-cash transactions	1,007	823
Changes in inventories, receivables and other assets	-22,708	-29,619
Changes in liabilities and provisions	5,624	30,624
Interest income	347	196
Income taxes paid	-7,855	-4,969
<b>Net cash from operating activities</b>	<b>60,100</b>	<b>71,641</b>
Investments in property, plant and equipment, intangible and financial assets	-30,359	-112,253
Proceeds from the disposal of non-current assets	824	3,722
Investments in subsidiaries, equity investments, financial assets and shares of NCIs	-336	-2,165
<b>Net cash used in investing activities</b>	<b>-29,871</b>	<b>-110,696</b>
Borrowing (+)/repayment (-) of financial liabilities	-89,955	-12,080
Net cash used in hospital financing	869	-13,180
Interest expenses	-21,987	-2,686
<b>Cash flow from financing activities</b>	<b>-111,072</b>	<b>-27,946</b>
Change in cash and cash equivalents	-80,843	-67,001
Cash and cash equivalents at the start of the period	554,898	161,240
<b>Cash and cash equivalents at the end of the period</b>	<b>474,055</b>	<b>94,239</b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	31 Mar. 2016	31 Dec. 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	410,278	410,977
Property, plant and equipment	1,458,101	1,457,868
Investments accounted for using the equity method	14,135	14,045
Financial assets	324,650	328,673
Other financial assets	62,986	65,721
Trade receivables	256	264
Non-current income tax assets	157	720
Other assets	11	0
Deferred taxes	71,950	69,077
<b>Total non-current assets</b>	<b>2,342,524</b>	<b>2,347,345</b>
<b>Current assets</b>		
Inventories	112,013	101,289
Trade receivables	429,262	403,954
Current income tax assets	2,876	2,440
Other financial assets	68,621	80,880
Other assets	14,357	4,146
Cash and cash equivalents	474,056	554,898
<b>Total current assets</b>	<b>1,101,186</b>	<b>1,147,607</b>
<b>Total assets</b>	<b>3,443,710</b>	<b>3,494,952</b>

EUR '000	31 Mar. 2016	31 Dec. 2015
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to the parent company</b>		
Issued capital	1,022	1,022
Reserves	923,586	822,075
Consolidated profit	28,191	135,058
Non-controlling interests	250,411	255,323
<b>Total equity</b>	<b>1,203,210</b>	<b>1,213,478</b>
<b>Non-current liabilities</b>		
Trade payables	239	377
Financial liabilities	1,023,306	1,063,465
Finance lease liabilities	13,387	13,519
Pensions and similar obligations	275,045	227,232
Other provisions	219,884	224,099
Deferred taxes	28,874	32,953
Other financial liabilities	84,707	87,811
Other liabilities	6,433	6,675
<b>Total non-current liabilities</b>	<b>1,651,876</b>	<b>1,656,130</b>
<b>Current liabilities</b>		
Trade payables	50,568	64,570
Financial liabilities	23,100	87,321
Finance lease liabilities	565	644
Pensions and similar obligations	5,501	5,640
Other provisions	91,397	92,862
Current income tax liabilities	12,744	14,061
Other financial liabilities	154,979	149,666
Other liabilities	249,770	210,580
<b>Total current liabilities</b>	<b>588,625</b>	<b>625,344</b>
<b>Total equity and liabilities</b>	<b>3,443,710</b>	<b>3,494,952</b>



## IMPRINT

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### Disclaimer

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