



Asklepios Kliniken GmbH, Hamburg

Consolidated interim report

as at 30 June 2016

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Foreword by the group management

Ladies and gentlemen,

The name Asklepios stands for a dynamic and profitable growth story in the German healthcare sector. For over 30 years, we have been combining economic success with high-quality patient care. Over this period, we have developed into an integrated healthcare group and a leading hospital operator in Germany. We continued this success story in the first half of 2016.

Asklepios Kliniken can look back at rising revenue and patient numbers in almost all facilities in the first half of 2016. The steadily increasing influx of patients to our hospitals clearly demonstrates that the path we have taken is the right one. Our hospitals' clear, future-oriented medical performance profiles, which are geared towards the highest quality standards, are more and more frequently attracting patients from outside the direct catchment area of our facilities, too. We will therefore press ahead with the expansion of our high-performance medical centres, known as Centres of Excellence. In the first half of 2016, the almost 150 medical facilities of our Group provided treatment to nearly 1.2 million patients – a year on year increase of 4.2%.

Rising patient numbers together with a jump in valuation ratios and a base rate rise resulted in revenue growth of 4.5% to EUR 1,610.8 million. The operating EBITDA margin improved to 11.1%. Efficiency enhancements and a lower increase in the cost of materials had a positive impact here.

Using financial strength for further growth

The Asklepios Group has a very sound financial position. We have a healthy financial structure with a balanced maturity profile. As at 30 June 2016, the equity ratio was 35.4%. In the past year, the Asklepios Group was able to borrow external funds at attractive conditions on the capital market. As a result of the liquidity obtained, Asklepios has very good financial scope that enables it to act flexibly on the market.

In the first half of 2016, the Group implemented various financing measures in order to create a clear and transparent financing structure. These included the successful restructuring of the syndicated loan in the form of 'amend & extend', with an increase in its volume to EUR 365.0 million and an extension of its term, as well as the refinancing of the syndicated loan to MediClin AG in the amount of EUR 60.0 million and the repayment of existing bilateral loans of EUR 100.0 million.

We are using this financial strength to fund our further growth. Our ambitious growth strategy is based on a focussed trio of goals: expansion of the Centres of Excellence, investments in the existing facilities and opportunistic acquisitions along our value chain.

To support this growth, Asklepios is planning to make total investments at a high level that is expected to exceed half a billion euros over the coming years. Examples include our construction projects initiated at the locations in Höxter and Melsungen, which have a total volume of approximately EUR 61.0 million over the following years.

To modernise the facilities and provide even better nursing care, Asklepios continuously invests high amounts of its own funds in its acute hospitals, clinics and nursing homes. This not only results in successful restructuring in the short term, but also healthy and economically successful healthcare facilities in the long term. With these measures, Asklepios is increasing the appeal of its hospitals and strengthening its market position.

Environment remains both challenging and promising

Following the Hospital Structure Act that came into force on 1 January 2016, the healthcare sector now faces a new challenge in the form of the draft bill for the further development of the provision of and remuneration for psychiatric and psychosomatic services (PsychVVG). The aim of this bill is to promote cross-sector treatment in psychiatric care and to improve the transparency and performance orientation of the associated remuneration.

With the draft bill for the PsychVVG, the German federal government is returning to the principle of independent cost coverage. However, the government regulation this time stipulates that the staff must be documented and kept available but that external financing will not be provided. This structure leads to an imbalance and smaller clinics in particular will suffer as a result.

The effects of the PsychVVG could go in two directions. Firstly, it is likely that statutory health insurance funds will have to assume considerable additional costs. Secondly, a refusal to provide external financing combined with the hospital comparison could result in margin losses for private and public operators. This could pose considerable challenges for public hospital operators in particular.

At the same time, this gives rise to opportunities for privatisation. Asklepios continuously evaluates opportunistic acquisitions along the value chain. By opportunistic acquisitions, we mean acquisitions of facilities at particularly good conditions. We integrate these facilities into our group by means of a tried-and-tested, systematic development plan, while also exploiting potential for increased efficiency and synergies.

Positive outlook

In the first half of 2016, Asklepios achieved all of its business goals. The Asklepios Group's growth prospects are positive thanks to its sound economic and financial foundation and its future-oriented overall concept. In 2016, we aim to convince even more patients of the expertise and appeal of our facilities. For the current financial year, we anticipate a further increase in patient numbers and organic revenue growth of between 2.0% and 3.5%.

Asklepios is constantly developing further in an attractive and crisis-resistant growth market. Our Group is healthy and full of life. Our goal is clear: we want to contribute to improving healthcare provision in Germany over the coming years and in doing so will focus on our fundamental values of quality, innovation and social responsibility.



KAI HANKELN



DR. THOMAS WOLFRAM



HAFID RIFI



MARCO WALKER

Group key figures as at 30 June 2016

Group key figures	6 months 2016	6 months 2015	Change in %
Number of patients	1,152,425	1,105,516	+4.2
Valuation ratio	303,600	293,758	+3.4
Number of beds	26,584	26,577	+0.0
Employees (full-time equivalents)	34,709	34,464	+0.7

EUR million	6 months 2016	6 months 2015	Change in %
Net cash from operating activities	150.7	126.3	+19.3
Revenue	1,610.8	1,541.1	+4.5
EBITDAR ¹	207.2	194.7	+6.4
<i>EBITDAR margin in %</i>	<i>12.9</i>	<i>12.6</i>	
EBITDA	179.6	168.5	+6.6
<i>EBITDA margin in %</i>	<i>11.1</i>	<i>10.9</i>	
EBIT	119.2	111.7	+6.7
<i>EBIT margin in %</i>	<i>7.4</i>	<i>7.2</i>	
Consolidated interim income	83.7	86.4	-3.2
<i>Return on sales in %</i>	<i>5.2</i>	<i>5.6</i>	
Investments in property, plant and equipment and intangible assets (own funds)	62.1	64.5	-3.7
<i>Own funds ratio in %²</i>	<i>62.7</i>	<i>65.2</i>	

EUR million	30 June 2016	31 Dec. 2015	Change in %
Total assets	3,431.9	3,494.9	-1.8
Equity	1,214.2	1,213.5	+0.1
<i>Equity ratio in %</i>	<i>35.4</i>	<i>34.7</i>	
<i>Return on equity in %</i>	<i>14.3</i>	<i>14.6</i>	
Financial liabilities ³	986.8	1,150.8	-14.3
Cash and cash equivalents	457.0	554.9	-17.6
Net debt	529.8	595.9	
Net debt/EBITDA ⁴	1.4x	1.6x	
Interest coverage factor (EBITDA/interest result) ⁵	7.4x	9.8x	

¹ Earnings before financial result, taxes, depreciation and amortisation and rent

² In relation to investments at hospital locations

³ Previous year's figure includes subordinated capital

⁴ EBITDA of the preceding twelve months

⁵ As at 30 June of the current year

Interim Group management report

A. Asklepios Group increases revenue and earnings in first half of 2016

In the period from January to June 2016, the hospitals and medical facilities of the Asklepios Group cared for a total of 1.152 million patients, 4.2% more than in the same period of the previous year. Revenue climbed by 4.5% to a total of EUR 1,610.8 million. The increase in valuation ratios, the base rate rise and further growth in patient numbers particularly had an impact here.

The positive revenue trend contributed to a gratifying earnings performance. EBITDA amounted to EUR 179.6 million in the first six months of 2016, up 6.6% on the same period of the previous year (EUR 168.5 million). The operating EBITDA margin of 11.1% was above the level of the previous year. This again reflected cost items that in some cases increased less sharply than revenue. For example, the cost of materials ratio for the first half of 2015 was reduced by 0.5 percentage points from 21.9% to 21.4% in the first half of 2016.

In total, consolidated interim income for January to June 2016 amounted to EUR 83.7 million, corresponding to a return on sales of 5.2% (H1 2015: 5.6%).

In the first half of 2016, net cash from operating activities totalled EUR 150.7 million compared to EUR 126.3 million in the same period of the previous year. Investments amounted to around EUR 99.0 million in the period under review and the proportion of own funds was 62.7% (H1 2015: 65.2%).

The Asklepios Group's financial position remained positive. As at 30 June 2016, the Group's net debt amounted to EUR 529.8 million (31 December 2015: EUR 595.9 million). The debt ratio came to 1.4 times EBITDA (31 December 2015: 1.6x). The equity ratio of 35.4% was higher than at the end of 2015 (31 December 2015: 34.7%). Cash and cash equivalents amounted to EUR 457.0 million and unused credit facilities to EUR 481.4 million as of 30 June 2016 (31 December 2015: EUR 462.1 million). The Group thus has sufficient financial resources to fund further corporate growth.

B. General economic conditions

The German economy is continuing to expand. In the first few months, economic activity increased by 0.7 % after adjustment for seasonal effects.¹ This growth was primarily driven by the components of gross domestic product relating to the domestic economy. However, exports have also picked up somewhat in recent months. Employment continued to rise significantly in the first half of the year, with new jobs being created mainly in the service sectors. Industrial production in the first few months was considerably better than many had expected in view of the difficult environment for foreign trade, while construction activity benefited significantly from the mild winter. The stable price level, increasing employment and rising income of private households allowed for a further increase in private consumer spending. Government spending to provide for refugees also helped boost the economy.²

After the positive start to 2016, the growth of the German economy is likely to have been somewhat slower in the second quarter, as the usual spring upturn will probably be somewhat less pronounced in the second quarter due to the very positive development already seen in the first quarter. For 2016 as a whole, the German federal government anticipates a 1.7 % increase in gross domestic product.³

In Europe, the economic recovery continued in the first half of 2016. By contrast, general conditions on a global level are deteriorating further. The International Monetary Fund recently adjusted its growth forecast for 2016 downward by 0.2 percentage points to 3.2 %. According to the IMF experts, the uncertainties for the global economy have increased overall. They cite the biggest risks as being further turbulence on the financial markets, persistently low oil prices, a hard landing in China, and non-economic shocks such as geopolitical conflicts, terrorism, migration of refugees, or global epidemics. The economists regard the low oil price as a hindrance for the global economy, since the positive effects for importing countries do not compensate for the negative impact on exporting countries.⁵

C. General sector conditions

The hospital sector is a growth market with non-cyclical, growing demand. Key growth drivers include an increasing need for medical treatment, an ageing population, a growing number of chronically ill patients and greater health awareness. While the hospital market is growing overall, the demand dynamics in Germany's different federal states continue to vary. In non-city states, demographic influences are generally tending to result in lower growth, while in urban regions services are still increasing more clearly. In particular, metropolitan regions such as Hamburg with a comprehensive range of services are displaying performance increases from surrounding federal states and regions.

Performance varies between different hospitals. Clear performance profiles result in increasing demand. Almost all of the Asklepios hospitals can look back at rising performance figures in the first half of 2016. The development for individual indications remains very positive, particularly in areas with typical age-related illnesses – cardiac diseases, nutritional and metabolic diseases, pulmonary diseases and diseases of the digestive system. This development has become more stable over the course of the year.

¹ German Federal Ministry for Economic Affairs and Energy (BMWi) (2016), 2016 Annual Economic Report. Making Germany fit for the future – taking the opportunities of digital transformation, Berlin 2016, p. 7

² BMWI (2016), The economic situation in Germany in May 2016, Berlin, p.1

³ BMWI (2016), The economic situation in Germany in May 2016, Berlin, p.1

⁴ International Monetary Fund (IMF), World Economic Outlook, April 2016

⁵ International Monetary Fund (IMF), World Economic Outlook, April 2016

For the rehabilitation segment, Asklepios continues to expect increasing demand on the basis of medium and long-term trends. Demographic development is creating a rising number of workers aged 55 plus and consequently increased demand for rehabilitative services with a focus on professionally oriented medical rehabilitation. However, the corresponding case load is currently covered only to a limited extent by the payers' funds due to the capped budgets for rehabilitation measures.

Performance in psychiatry is increasing only slightly or stagnating. A further increase in performance is possible here by means of planning measures (increasing bed numbers, setting up new day clinics, etc.).

The rate of change for 2016, based on the base remuneration rate, is 2.95%. In deviation from this, the German Federal Statistical Office's orientation value was only 1.57%. The rate of change is the benchmark for the maximum increase in base rates at state level. As a result of performance and the development of expenditure in other performance segments, such as additional fees, the actual increase in unweighted base rates at state level for 2016 averages approximately 2.7%.

Starting from 2017, the additional services discount will be replaced by the fixed cost degression discount (FCDD). This FCDD is to be agreed at state level. Initial estimates put it at between 35.0% and 55.0% per year with a term of three years. Additional services will no longer be taken into account as a reducing factor in the base rate at state level, meaning that the change rate will take full effect. There are now renewed moves to base the fixed cost degression discount on the provisions of the current additional services discount. It is assumed that the German Federal Arbitration Board will make a decision on this in the future.

As a result of the amendments to the German Statutory Health Insurance Care Structure Act at the end of 2014, the care surcharge of 0.8% of invoiced services will continue until the end of 2016. Starting from 2017, the care surcharge will be transferred to the base rates as a result of the amendments to the Hospital Structure Act. The nursing care surcharge will continue to be implemented. The surcharge will be calculated based on the level of nursing care costs at the individual hospital. However, the legislators' aim is that the EUR 500 million previously paid out through the care surcharge should continue to benefit the hospital sector.

The hygiene programme has become established procedure following various arbitration rulings and legislative changes. Since 2013, this programme has partially funded the cost increases necessitated by the provisions of the German Infection Prevention Act. However, its share of the total budget is small at 0.1%. Based on the provisions of the German Hospital Structure Act, it will be continued beyond 2016 until 2019, and in some areas until 2022. This is intended to support training of additional hygiene employees. Only the funding for doctors responsible for hygiene management is being dropped, but this accounts for the largest share of the total funding.

In psychiatry, the German Federal Ministry of Health announced in February 2016 that it would change future financing for psychiatric facilities. In future, the budgets for psychiatric clinics/departments are to be negotiated individually for each hospital, taking account of the individual structures. In May 2016, the German Federal Ministry prepared a draft bill that is currently being debated.

D. Outlook

On the basis of the positive development in the first half of the year, the Asklepios Group is also optimistic for the financial year 2016 as a whole. The continuous growth in patient numbers and the increase in revenue, which are at the upper end of the industry average according to the Group's estimate, are continuing to provide momentum.

A crucial factor for future hospital financing is the Hospital Structure Act. All further legislative developments bring considerable advantages for the health insurance funds. The significantly higher discount for additional services, the quality requirements and the defined minimum quantities result in increased expense for hospitals, particularly for compliance with structural requirements, that is not matched by corresponding funding. However, the change in legislation also brings opportunities. For example, the intended procurement models are easier for a group to implement than for individual clinics and the refinancing of centres may also have a positive effect. Asklepios offers medical services of outstanding quality that are in line with demand and often selected by patients as a preference. This satisfaction is already reflected in the figures.

In 2016, Asklepios will again invest continuously in the education and training of its staff and in individual locations. The Asklepios Group will also have additional potential for increasing profitability in the future as a result of further integration and optimisation of existing hospitals. In addition, 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. With these measures and targeted offerings in high-demand medical fields, it remains possible for Asklepios to prevail in the present environment and to generate growth at the upper end of the industry. Our 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 EBITDA compared to the previous year.

E. Net assets, financial position and results of operations

1) Business performance and results of operations

EUR'000	6 months 2016	6 months 2015	Relative change
Revenue	1,610,824	1,541,124	4.5%
Other operating income	102,119	113,807	-10.3%
Cost of materials	344,490	337,804	2.0%
Personnel expenses	1,031,871	998,440	3.3%
Other operating expenses (not including rental expenditure)	129,410	124,033	4.3%
EBITDAR	207,172	194,654	6.4%
Rental expenditure	27,578	26,201	5.3%
EBITDA	179,594	168,453	6.6%
Depreciation, amortisation and impairment	60,401	56,723	6.5%
EBIT	119,193	111,730	6.7%
Financial result	-14,863	-8,146	82.5%
Income taxes	-20,632	-17,143	20.4%
Consolidated interim income	83,698	86,441	-3.2%

Revenue increased by 4.5% in the first six months from EUR 1,541.1 million to EUR 1,610.8 million as a result of organic growth in the number of patients. The valuation ratios, an indicator of our revenue, rose by 3.4% to 303,600.

A total of 84.7% (H1 2015: 84.6%) of revenue was generated in acute-care hospitals, 14.6% (H1 2015: 14.6%) in rehabilitation clinics and 0.7% (H1 2015: 0.8%) in other facilities.

Other operating income of EUR 102.1 million (H1 2015: EUR 113.8 million) includes income from other services, additional operations, cost reimbursements and other grants. The decline here is particularly attributable to lower income for settlements in prior years.

Group key figures	6 months 2016	6 months 2015	Absolute change
Total patients	1,152,425	1,105,516	+46,909
Valuation ratio	303,600	293,758	+9,842
Number of beds	26,584	26,577	+7

Patient numbers increased from 1,105,516 in the same period of the previous year to 1,152,425. This growth was organic and resulted primarily from the stronger cooperation and targeted network building between Asklepios hospitals. In inpatient care, Asklepios treated 358,938 patients. The number of patients we treated as outpatients rose to 793,487, which is 5.4% higher than in the same period of the previous year. The further expansion of care structures that are as comprehensive as possible in combination with targeted offerings in high-demand medical fields was the focus here. In the acute sector, the valuation ratios increased by 9,842 (+ 3.4%) to 303,600 in the first six months of 2016. The valuation ratio is a key figure used to bill medical

services in hospitals. Multiplying the valuation ratio by the base case value gives you the amount which a health insurance fund has to pay to a hospital for a case such as this. Treatment days in the post-acute sector increased by 28,945 (+ 2.1 %) to 1,434,982 days. In psychiatry, 29,392 more days (+ 4.4 %) and thus a total of 691,260 days were worked.

Average inpatient case income increased from EUR 3,882.2 to EUR 4,006.0. With a slight increase in the number of beds and in the number of hospitalisation days in the post-acute area, utilisation increased to 84.7 % (H1 2015: 84.0%).

The individual ratios of cost and earnings to revenue developed as follows:

	6 months 2016	6 months 2015
Cost of materials ratio	21.4 %	21.9 %
Staff costs ratio	64.1 %	64.8 %
Other expenses ratio (not including rental expenditure)	8.0 %	8.1 %
Rental expense ratio	1.7 %	1.7 %
EBITDA	11.1 %	10.9 %
Depreciation and amortisation expense ratio	-3.7 %	-3.7 %
EBIT	7.4 %	7.2 %

The cost of materials ratio was reduced again in the first six months. The staff costs ratio is slightly lower than in the previous year. Other expenses not including rental expenditure were on a par with the previous year at 8.0 % of revenue.

The absolute cost of materials increased only very slightly by EUR 6.7 million year on year to EUR 344.5 million (H1 2015: EUR 337.8 million). There was a particular decrease in expenses for energy. Purchased services under cost of materials were reduced by EUR 6.0 million.

In absolute terms, staff costs rose at a lower rate than revenue (+ 3.3 %) in the first six months from EUR 998.4 million to EUR 1,031.9 million. The staff costs ratio was down year on year at 64.1 % (H1 2015: 64.8 %). The average number of full-time equivalents employed was 34,709 (H1 2015: 34,464).

Asklepios reported a change in other operating expenses (excluding rental expenditure) in the first six months of EUR 5.4 million to EUR 129.4 million (H1 2015: EUR 124.0 million). The ratio was stable year on year at 8.0 %.

EBITDA improved significantly by EUR 11.1 million to EUR 179.6 million in the first six months of 2016 (H1 2015: EUR 168.5 million). This corresponds to a margin of 11.1 % (H1 2015: 10.9 %) and a year on year increase of 6.6 %.

Depreciation and amortisation of EUR 60.4 million (3.7 %) remained stable year on year in relation to revenue (H1 2015: EUR 56.7 million or 3.7 %). The absolute increase of EUR 3.7 million year on year resulted from investments in expansion in the previous year.

With EBIT amounting to EUR 119.2 million after EUR 111.7 million in the same period of the previous year, the EBIT margin of 7.4 % was slightly higher than the previous year's level (7.2 %).

The financial result was EUR 14.9 million (H1 2015: EUR 8.1 million). At EUR 2.4 million, interest income was up on the previous year (EUR 0.4 million). At EUR –26.7 million, interest expenses in the first six months were up on the previous year (EUR –17.9 million).

Tax expense rose by EUR 3.5 million year on year to EUR 20.6 million (H1 2015: EUR 17.1 million), resulting in a tax rate of 19.8% (H1 2015: 16.5%).

Consolidated interim income changed from EUR 86.4 million in the same period of the previous year to EUR 83.7 million. The return on sales totalled 5.2% in the first six months of 2016 (H1 2015: 5.6%).

2) Financial position and net assets

The Group's balance sheet and financing structures remain sound. As was the case on 31 December 2015, non-current assets are financed at a rate of over 100% with matching maturities via equity or long-term borrowings. As a conservative company in terms of finance, the Group's financing structure is generally long-term in nature. Accordingly, most underlying credit volumes are hedged against interest fluctuation risks in the long term. The operating management of cash and cash equivalents and the financing of Group entities are performed via the Group holding company. Cash and cash equivalents are invested carefully and with a view to creditworthiness, involving broad diversification across banks within the three major deposit protection systems in Germany.

In August 2015, Asklepios Kliniken Gesellschaft mit beschränkter Haftung placed a promissory note loan of EUR 580.0 million, successfully concluding one of the largest promissory note issues in the healthcare sector. The Group accordingly has a substantial level of cash and cash equivalents at its disposal. In addition to cash and cash equivalents of EUR 457.0 million, the Group has unutilised credit facilities of EUR 481.4 million at its disposal. The high internal financing power and the relatively moderate level of net debt protect the Group from financial market risks.

The starting point for the Group's central financing strategy is the long-term limitation of financial risks in the organisation of the operating business. Accordingly, sound financial structures are considered to form an important basis for all significant stages of growth.

The decrease in cash and cash equivalents is influenced by the almost complete repayment of existing loans of our sub-group Asklepios Kliniken Verwaltungsgesellschaft mbH, which has enabled the Group to achieve significant savings on interest expenses.

According to internal guidelines, the debt ratio – measured as net debt/EBITDA – must not exceed 3.5x. The following table illustrates how this performance indicator was calculated as at 30 June 2016:

EUR million	30 June 2016	31 Dec. 2015
Financial liabilities ¹	986.8	1,150.8
Cash and cash equivalents	457.0	554.9
Net debt	529.8	595.9
EBITDA (for the preceding four quarters)	385.2	374.0
Net debt/EBITDA	1.4x	1.6x

¹ Previous year's figure includes subordinated liabilities

This means that, at 1.4x (31 December 2015: 1.6x), this indicator is within the internally specified guidelines in the current financial year. The Group's credit rating is in the investment grade range.

Compared with German industry as a whole and the relevant competitors within the industry, this leverage can be considered positively low. In addition, the interest coverage factor (EBITDA/interest result) amounted to 7.4x in the first half of 2016 (H1 2015: 9.8x).

Summarised statement of financial position in EUR million	30 June 2016		31 Dec. 2015	
	Value	%	Value	%
Non-current assets	2,327.1	67.8%	2,347.3	67.2%
Current assets	1,104.8	32.2%	1,147.6	32.8%
ASSETS	3,431.9	100.0%	3,494.9	100.0%
Equity	1,214.2	35.4%	1,213.5	34.7%
Non-current liabilities and provisions	1,610.1	46.9%	1,656.1	47.4%
Current liabilities and provisions	607.6	17.7%	625.3	17.9%
EQUITY AND LIABILITIES	3,431.9	100.0%	3,494.9	100.0%

The balance sheet and financing structures are sound. Total assets declined from EUR 3,494.9 million as at 31 December 2015 to EUR 3,431.9 million. Current assets fell by EUR 42.8 million to EUR 1,104.8 million. Despite dampening effects from the decrease in the market interest rate for pension provisions, equity amounted to EUR 1,214.2 million as at 30 June 2016 and was thus slightly higher than its year-end level as at 31 December 2015 (EUR 1,213.5 million). The equity ratio was 35.4% (31 December 2015: 34.7%). The return on equity based on the last four quarters was 14.3% (31 December 2015: 14.6%). In 2016, the Group endowed a subsidiary with equity of EUR 70.0 million. It plans to hive off this company to an affiliate of the Group. This will accordingly reduce the level of cash and cash equivalents and of Group equity. Non-current assets are covered by long-term disposable capital. Asklepios has permanent interest-free and redemption-free access to subsidies of approximately EUR 1,226.6 million (H1 2015: EUR 1,241.9 million), which were offset against non-current assets in accordance with IAS 20. As these subsidies will fall due for repayment only in the hypothetical event of no longer being included in the hospital plan, these funds are in effect similar to equity.

The following table shows the change in cash and cash equivalents over the course of the year:

EUR million	6 months 2016	6 months 2015
EBITDA	179.6	168.5
Net cash from operating activities	150.7	126.3
Net cash used in investing activities	-61.1	-164.4
Net cash from/used in financing activities	-187.5	-32.0
Change in cash and cash equivalents	-97.9	-70.1
Cash and cash equivalents on 1 January	554.9	161.2
Cash and cash equivalents on 30 June	457.0	91.1

As at 30 June 2016, cash and cash equivalents had decreased by EUR 97.9 million compared with 31 December 2015 to EUR 457.0 million. Cash flow from operating activities rose significantly by EUR 24.2 million to EUR 150.5 million. Alongside the rise in EBITDA, the increase in trade receivables, particularly from health insurance funds, had an impact here. Cash flow from operating activities was offset by net cash used in investing activities of EUR 61.1 million (H1 2015: EUR 164.4 million). Capital expenditure was fully financed by cash flow from operating activities. Financing activities saw a cash outflow of EUR 187.5 million (H1 2015: EUR 32.0 million), mainly due to the repayment of existing loans.

3) Acquisitions

In the first half of the financial year, capital expenditure on hospital operations related mainly to the following locations:

EUR million	6 months 2016
Asklepios Klinik Wandsbek, Hamburg	4,5
Asklepios Neurologische Klinik Bad Salzhausen	3,9
Asklepios Klinik, Burglengenfeld	3,0
Fachkrankenhaus Klinik Schildautal, Seesen	2,3
Asklepios Klinik Wiesbaden	2,2
Asklepios Klinik Nord, Hamburg	1,8
MediClin MVZ Müritz, Waren	1,6
MVZ Nord, Hamburg	1,5
Asklepios Klinik Altona, Hamburg	1,5
Asklepios Nordseeklinik, Westerland	1,4

After deducting subsidised capital expenditure, net capital expenditure on property, plant and equipment and intangible assets totalled EUR 61.1 million (H1 2015: EUR 64.5 million), or 62.7% of own funds (H1 2015: 65.2%). Capital expenditure on hospitals was financed by cash flow from operating activities. Without deducting subsidies, capital expenditure amounted to EUR 99.0 million, the same level as in the previous year. This corresponded to 3.9% of revenue (H1 2015: 4.2%).

Maintenance and servicing expenses changed year on year from EUR 45.7 million to EUR 47.5 million. Expressed as a percentage of revenue, 2.9 % (H1 2015: 3.0%) was invested in ongoing maintenance. Asklepios therefore used 6.7% (H1 2015: 7.2%) of revenue for internally financed capital expenditure and maintenance.

F. Forecast and risk and opportunity management

1) Risk and opportunity management

For basic explanations and details of the existing risk management system and the unchanged opportunities and risks of the Group, please refer to the 2015 annual report.

Our business environment is characterised by complex business interrelations, increasing regulatory requirements, scientific, medical and technological progress and the permanent demand for greater efficiency and effectiveness with regard to the increasing demands of our patients. Opportunities and risks develop slowly most of the time. Economic fluctuations have no major impact on the services we provide. Severe, sudden changes in the market environment are therefore the exception. Furthermore, the development in terms of services is supported by ongoing demographic change. Nonetheless, competition in the hospital sector has become increasingly fierce in recent years. Hospitals attract a great deal of public attention, meaning that reputation and trust are key success factors for exploiting growth potential.

With regard to performance, the statutory regulation of the compensation system is proving to be a challenge. Performance increases are remunerated with price reductions of up to 75% (165% from 2017 onwards) and budget shortfalls can also entail reduction risks. When it comes to cost development, we have to deal with steadily rising expenses, especially staff costs and material expenses, which can be higher than growth due to performance increases. Adequately accounting for resulting income and cost risks is therefore one of the primary tasks of management in order to deal with the gap between income and cost increases that has been widening for years. On the other hand, such risks give rise to additional acquisition opportunities that we will continue to exploit in a selective but targeted way.

The examination procedure agreement for examinations by the MDK was concluded in July 2014. At present, the German Hospital Federation (DKG) and the GKV have yet to issue joint guidance on the interpretation of the examination procedure agreement, meaning that uncertainties concerning the agreed procedure will remain. Although it is generally assumed that the examination procedure will be accelerated, our view is that retrospective coding and, in particular, recoding within the examination procedure will be significantly impaired, while the previous flat-rate expenses of the health insurance funds for unsuccessful MDK examinations at hospitals will become less important. In June 2015, the agreement was terminated by the DKG as of 31 December 2015. A follow-up agreement for 2016 onwards that, overall, contains improvements benefiting hospitals, was signed in 2015. The main elements of this will not take effect until 1 January 2017 as extensive IT changes must first be implemented.

The transition to a flat-rate fee system for psychiatric and psychosomatic facilities (PEPP) in stationary acute care will also have an impact on our results of operations. The transition to PEPP is intended to be mandatory in 2017 but is designed to be budget-neutral until 2018. We are currently adjusting our internal processes to reflect these new requirements. The precise impact on our results of operations is generally expected to be low, although the corresponding empirical data will become more stable over the coming months and years.

The Group is subject to capital market risks. The management of short-term liquidity risks and longer-term financing risks is the central responsibility of the Finance department, which employs a treasury system for this purpose – with a focus on efficient management of current cash and cash equivalents. As a conservative company in terms of finance, and on the basis of the investment terms of the assets, Asklepios' financing strategy is generally long-term in nature and contains manageable short-term refinancing risks.

The high levels of cash and cash equivalents, constant cash flow, favourable capital structure (low level of debt), broad diversification of financing partners, access to the capital market and extensive undrawn lines of credit demonstrate that we are largely independent of general developments on the capital markets and ensure that we have full financial freedom of action, including for non-organic growth. The profitability and credit structure was partially negatively affected by the acquisition of MediClin Aktiengesellschaft and the accompanying rental and financing structure. The majority of financial liabilities is hedged by fixed interest rate agreements. Accordingly, Asklepios considers the probability of occurrence of financing and liquidity risks that could also lead to rising interest expenses as moderate. Falling interest rates could have the opposite effect on key credit rating ratios such as the equity ratio.

We purposefully use our financial strength for a high proportion of proprietary investments in the hospitals. This increases the attractiveness of our facilities and in large measure supports sustainable organic growth. At the same time, investments improve efficiency and result in lower consequential costs. For the construction and extension of buildings and the furnishing and equipment of our hospitals, we utilise third-party services alongside internal ones. These services can cause delivery problems in the supply chains as well as quality deficits. Therefore, we base purchasing decisions, procurement and project implementation on careful and continuous monitoring of all our construction projects, our suppliers and the entire market in order to limit these risks efficiently. For some of the properties used by Asklepios, rent reductions were granted and performance-based refunds agreed prior to their recognition by the Group. The resultant risk is currently considered to be low.

In order to meet its own standard of first-class medicine, the Group makes substantial investments in the hospitals at the individual locations. However, investments in our hospitals are being financed with an ever smaller proportion of subsidies, meaning that the subsidy ratio of the federal states is declining. This results in a risk of decreasing cash flow that has to be compensated by efficiency measures in operating business.

In addition, training and education of specialist and service staff are a high priority for us. By ensuring optimum qualification of our employees, we guarantee high innovation potential and forward-looking processes, not just in the field of first-class medicine, but also in relation to our business activities. In addition, we implement targeted staff retention measures in order to get qualified and motivated employees enthusiastic about Asklepios in the long term. We can thus systematically prevent a lack of qualified staff. Using this approach, we fulfil both our economic and our social responsibility and take advantage of the opportunity to strengthen our brand.

Our goal is to offer modern medical services that are geared towards proximity to the patient. This is supported by cooperation within the Group and targeted network building, with a focus on establishing care structures that are as comprehensive as possible. The Asklepios strategy, which includes targeted offerings in high-demand medical fields, will also contribute to generating above-average growth in future. Sales risks in the healthcare market can nevertheless arise in the areas where location changes have to be made or the quality assessment by patients and referring doctors is lower than for other hospitals in the market. At the same time, we are aware that risks can arise from our patients' treatment processes due to unexpected disruptions.

We minimise these operating risks firstly by maximising the quality of treatment that we ensure with our well educated and continually trained staff as part of our predefined courses of treatment. Secondly, our modern hospitals guarantee high-level care in terms of quality and technology. Furthermore, our clinical risk management (e.g. CIRS) and structured quality management ensure that we possess adequate preventive systems that we can use to identify potential error sources as well as increasing quality standards and the safety and efficiency of our processes. This ultimately allows us to achieve a permanent improvement in patient safety and treatment quality as well as process quality.

We have insured against claims from our patients, which are not completely avoidable, by using our own insurance model with an appropriate externally arranged deductible. This allows us to partially respond to the steadily rising insurance premiums of external insurers throughout the market, to increase the Group's liquidity and process claim notifications in the interest of patients and the Group itself while also taking account of the increasing claims from overwhelmingly isolated cases in risk management. In addition to patients' willingness to take legal action, there is a risk of frequent recourse claims by payers. Steadily rising premiums are being observed throughout the market for property insurance, particularly due to unfavourable loss ratios in the construction sector. This correlates with the significant rise in our property insurance expenses. Our internal insurance unit actively observes the markets, develops measures aimed at minimising the number and amount of claims where possible, and uses targeted insurance management to control insurability by way of deductibles and premiums.

These measures are supported by intensified cooperation and targeted network building within the Group, with a focus on establishing care structures that are as comprehensive as possible. The Asklepios strategy, which includes targeted offerings in high-demand medical fields, will also support us in generating above-average growth in future.

Membership in the hospital network "Wir für Gesundheit" gives Asklepios the chance to continue establishing itself in an environment of highly qualified service providers. The hospital network's offer includes a multi-operator, nationwide and quality-oriented supply network with the target of promoting members' growth and increasing case numbers.

As one of the largest providers of healthcare services in Germany, our offering is subject to a great deal of public scrutiny. Our aim is to maintain the trust in Asklepios and the Group's reputation and to be permanently open to coverage in all media. At the same time, we cannot rule out the possibility that negative press reports, e.g. on public television, or incriminatory accounts by our employees at some locations that we do not consider to fully reflect the true nature of conditions in our hospitals will damage our public perception and hence represent a risk to our reputation. We will counter these risks by providing comprehensive information to the public and involving it in our strategies, conducting image campaigns and offering ample dialogue.

Potential hygiene and infection risks (e.g. Ebola) are countered by way of appropriate hygiene management concepts, structured workflows and processes and continuous employee training. Our activities take adequate account of hygiene needs and requirements, while the process evaluations and improvements forming part of the quality management processes contribute to the further improvement of our workflow quality and efficiency.

Since the reporting as of 31 December 2015, there have been no significant changes in relation to opportunities and risks. As before, we do not see any risks jeopardising the continued existence of the individual companies or the Group.

2) Report on post-balance sheet date events and expected developments

MediClin AG has prolonged the existing syndicated loan as a bullet loan of EUR 30.0 million and a revolving credit facility of EUR 30.0 million to five years with an option to extend the term by two years in each case.

No other events significant for the assessment of the net assets, financial position and results of operations of the Asklepios Group occurred after 30 June 2016 up to the publication of this report.

Based on the growth in patient numbers, the business goals for 2016 still include organic revenue growth in a range of around 2.0% to 3.5% and a slight but sustainable increase of earnings at EBIT and EBITDA level 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. We achieved and in some cases exceeded these goals in the first half of the year and are confirming our forecast for the financial year.

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.

Consolidated interim financial statements

Consolidated income statement (unaudited)

EUR'000	Note no.	6 months 2016	6 months 2015
Revenue	V. 1	1,610,824	1,541,124
Other operating income	V. 2	102,119	113,807
Total operating revenue		1,712,943	1,654,931
Cost of materials		344,490	337,804
Personnel expenses		1,031,871	998,440
Other operating expenses	V. 3	156,988	150,235
Operating result/EBITDA¹		179,594	168,453
Depreciation, amortisation and impairment – of intangible assets and – property, plant and equipment		60,401	56,723
Operating result/EBIT²		119,193	111,730
Net investment income		9,411	9,345
Interest and similar income		2,448	433
Interest and similar expenses		–26,722	–17,924
Interest result		–24,274	–17,491
Financial result	V. 4	–14,863	–8,146
Earnings before income taxes		104,330	103,584
Income taxes	V. 5	–20,632	–17,143
Consolidated interim income		83,698	86,441
<i>of which attributable to the parent company</i>		<i>68,958</i>	<i>68,706</i>
<i>of which attributable to non-controlling interests</i>		<i>14,739</i>	<i>17,734</i>

¹ Earnings before financial result, taxes and depreciation and amortisation

² Earnings before financial result and taxes

Consolidated statement of comprehensive income (unaudited)

EUR'000	6 months 2016	6 months 2015
Consolidated interim income	83,697	86,441
Changes in the fair value of cash flow hedges	0	135
Measurement of financial assets	-17,347	9,147
Income taxes	256	-1,448
Total changes in value reclassified to profit or loss if certain conditions are met	-17,091	7,834
Change in actuarial gains (+)/losses (-) from defined benefit pension commitments and similar obligations	-77,305	-18,249
Income taxes	12,299	2,628
Total changes in value not reclassified to profit or loss	-65,006	-15,621
Total changes in value recognised in equity (other comprehensive income)	-82,097	-7,787
Total comprehensive income (total consolidated interim income and other comprehensive income)	1,600	78,654
<i>of which attributable to the parent company</i>	<i>4,652</i>	<i>65,201</i>
<i>of which attributable to non-controlling interests</i>	<i>-3,052</i>	<i>13,454</i>

Consolidated statement of cash flows (unaudited)

EUR'000	Note no.	6 months 2016	6 months 2015
Consolidated interim income		83,697	86,440
Income taxes		20,632	17,143
Interest result		14,864	8,145
Amortisation of intangible assets and financial assets and depreciation of property, plant and equipment		60,401	56,723
Gross cash flow (EBITDA)		179,594	168,451
Other non-cash transactions		2,894	2,937
Changes in inventories, receivables and other assets		-24,826	-56,310
Changes in liabilities and provisions		3,854	17,702
Changes in liabilities and provisions		9,411	9,345
Interest income		890	372
Income taxes paid	V. 5	-21,143	-15,865
Cash flow from operating activities/Net cash flow		150,674	126,352
Investments in property, plant and equipment		-56,599	-149,488
Investments in intangible assets		-5,508	-5,302
Proceeds from the disposal of non-current assets		1,465	3,930
Acquisitions in subsidiaries, equity investments and financial assets and shares of NCIs		-480	-13,545
Net cash used in investing activities		-61,122	-164,405
Proceeds from the repayment of financial liabilities		-174,957	-14,964
Cash flow from hospital financing		-4,661	-11,084
Interest expenses	V. 4	-7,522	-5,407
Distributions		-365	-584
Net cash used in financing activities		-187,505	-32,040
Change in cash and cash equivalents		-97,953	-70,094
Cash and cash equivalents at the start of the period		554,898	161,240
Cash and cash equivalents at the end of the period	VI. 4	456,945	91,146

Consolidated statement of financial position (unaudited)

EUR'000	Note no.	30 June 2016	31 Dec. 2015
ASSETS			
Non-current assets			
Intangible assets	VI. 1	410,344	410,977
Property, plant and equipment	VI. 2	1,458,795	1,457,868
Investments accounted for using the equity method		14,141	14,045
Financial assets	VI. 5	311,966	328,672
Other financial assets	VI. 5	54,937	65,722
Trade receivables		126	264
Non-current income tax assets		159	720
Other assets		1,563	0
Deferred taxes		75,100	69,077
Total non-current assets		2,327,132	2,347,345
Current assets			
Inventories		112,188	101,289
Trade receivables		442,827	403,954
Current income tax assets		5,449	2,440
Other financial assets	VI. 5	69,827	80,880
Other assets		17,579	4,146
Cash and cash equivalents	VI. 4	456,945	554,898
Total current assets		1,104,815	1,147,607
Total ASSETS		3,431,947	3,494,952

EUR'000	Note no.	30 June 2016	31 Dec. 2015
EQUITY AND LIABILITIES			
Equity attributable to the parent company			
Issued capital		1,022	1,022
Reserves		892,828	822,074
Consolidated profit		68,958	135,058
Non-controlling interests		251,405	255,323
Total equity	VI. 3	1,214,212	1,213,477
Non-current liabilities			
Trade payables		230	377
Financial liabilities	VI. 5	965,655	1,063,465
Finance lease liabilities		13,135	13,519
Pensions and similar obligations		304,333	227,232
Other provisions		214,306	224,099
Deferred taxes		28,667	32,953
Other financial liabilities		76,642	87,811
Other liabilities		7,113	6,675
Total non-current liabilities		1,610,082	1,656,131
Current liabilities			
Trade payables		49,317	64,570
Financial liabilities	VI. 5	21,112	87,321
Finance lease liabilities		606	644
Pensions and similar obligations		4,504	5,640
Other provisions		102,315	92,862
Current income tax liabilities		9,329	14,061
Other financial liabilities		162,661	149,665
Other liabilities		257,809	210,581
Total current liabilities		607,654	625,344
Total EQUITY AND LIABILITIES		3,431,947	3,494,952

Statement of changes in consolidated equity 2016 (unaudited)

2016 EUR'000	Equity attributable to the parent company				Total	Non-controlling interests	Equity
	Issued capital	Revenue reserve	Fair value reserve	Consolidated profit			
As at 1 January 2016	1,022	764,449	57,625	135,058	958,155	255,323	1,213,478
Consolidated interim income	0	0	0	68,958	68,958	14,739	83,697
Other comprehensive income	0	-47,215	-17,090	0	-64,306	-17,791	-82,097
Total comprehensive income	0	-47,215	-17,090	68,958	4,652	-3,052	1,601
Compensation payment obligations	0	0	0	0	0	-266	-266
Change in equity interests in consolidated companies	0	0	0	0	0	-234	-234
Other changes	0	0	0	0	0	-367	-367
Allocation to reserves	0	135,058	0	-135,058	0	0	0
Total transactions recognised directly in equity	0	135,058	0	-135,058	0	-867	-867
As at 30 June 2016	1,022	852,292	40,535	68,958	962,807	251,404	1,214,211

2015 EUR'000	Equity attributable to the parent company				Total	Non-controlling interests	Equity
	Issued capital	Revenue reserve	Fair value reserve	Consolidated profit			
As at 1 January 2015	1,022	657,756	5,152	118,625	782,555	219,163	1,001,717
Consolidated interim income	0	0	0	68,706	68,706	17,734	86,440
Other comprehensive income	0	-11,341	7,835	0	-3,506	-4,280	-7,786
Total comprehensive income	0	-11,341	7,835	68,706	65,200	13,454	78,654
Compensation payment obligations	0	0	0	0	0	0	0
Change in equity interests in consolidated companies	0	317	0	0	317	-713	-396
Other changes	0	0	0	0	0	0	0
Allocation to reserves	0	118,625	0	-118,625	0	0	0
Total transactions recognised directly in equity	0	118,942	0	-118,625	317	-713	-396
As at 30 June 2015	1,022	765,357	12,987	68,706	848,072	231,904	1,079,976

Notes to the consolidated interim financial statements (unaudited)

I. Basis of the consolidated interim financial statements

The Company is named Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Rübenkamp 226, Hamburg, Germany (hereinafter also referred to as “AKG”, the “Group” or the “Company”), and is entered in the commercial register at the Hamburg district court, HRB 98981. The company was formed on 19 June 1985.

Asklepios Kliniken Gesellschaft mit beschränkter Haftung and its subsidiaries operate primarily on the German market in the clinical acute care and rehabilitation sectors as well as, to a very limited extent, in the nursing sector. The purpose of the company is the acquisition and operation of healthcare institutions and the provision of consulting services.

The Group operates facilities in numerous federal states in Germany. The Group structure is geared towards regional differences in terms of personnel and company law. The operating entities are mainly equity investments in the three sub-group financial statements of Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein (100% equity investment), Asklepios Kliniken Hamburg GmbH, Hamburg (74.9% equity investment), and MediClin AG, Offenburg (52.73% equity investment), included in the consolidated financial statements.

The Group also has selected foreign operations; this relates almost exclusively to the investment in Greece (Athens Medical Center S.A.).

II. Accounting principles

The consolidated interim financial statements for the period as of 30 June 2016 have been prepared for the results of the first six months of 2016 in accordance with the requirements of IAS 34 and, pursuant to section 315a of the German Commercial Code (HGB), in accordance with the requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board valid at the end of the reporting period and endorsed by the European Union in the versions effective from 2016.

The fair value reserve changed by EUR –17,090 thousand in the reporting period, with a balance of EUR 40,535 thousand as of 30 June 2016 (31 December 2015: EUR 57,625 thousand). This reserve shows the measurement of financial assets. Non-controlling interests do not participate in this reserve.

Recognition

The consolidated interim financial statements do not contain all of the information that is required in the consolidated financial statements prepared at the end of the financial year and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2015.

In order to prepare the consolidated interim financial statements, the accounting policies presented in detail in the 2015 consolidated financial statements were applied unchanged with the exception of the following IFRSs that were required to be applied for the first time as at 1 January 2016. For details, please refer to the corresponding explanations.

The following new versions and amendments of IFRS standards and interpretations have come into force but did not have any impact on the figures and disclosures made in the consolidated interim financial statements of the Group when they were applied for the first time, with the exception of the description of accounting policies:

- Amendments to IAS 1 and IAS 27: Disclosure Initiative and Equity Method in Separate Financial Statements
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants
- Improvements to the International Financial Reporting Standards, 2012-2014 cycle

The new regulations have no impact on the disclosures in the interim financial statements.

The new standard from the IASB on accounting for leases will also result in a significant increase in the lease arrangements to be recognised in the Asklepios Group. This is expected to lead to an increase of non-current assets, standard market financial liabilities, total assets and, because of the omission of rental expenditure, an increase in EBITDA.

Assets and liabilities and expenses and income have been offset in accordance with IAS 1.33 when offsetting reflects the substance of the transaction. Receivables and liabilities were netted at the level of each German federal state pursuant to the KHG ("Krankenhausfinanzierungsgesetz": German Hospital Financing Act). To provide a better insight into the results of operations, staff costs of EUR 22.4 million were offset against revenue and other operating income in the previous year, as these were assumed by third parties.

III. Basis of consolidation

In addition to Asklepios Kliniken Gesellschaft mit beschränkter Haftung as the ultimate parent, the consolidated group also includes the subsidiaries over which Asklepios Kliniken Gesellschaft mit beschränkter Haftung exercises control, either directly or indirectly. The Group controls a subsidiary when it is exposed to variable returns from its investment in the subsidiary or has rights to these returns and has the ability to use its power over the subsidiary to affect these returns. The subsidiaries are consolidated from the day the Group obtains control. The subsidiaries are removed from the consolidated group as soon as the Group loses control.

Associates are entities over which the Group has significant influence but no control. Investments in associates are reported using the equity method and initially measured at cost. The share of the Group in associates contains the goodwill incurred on acquisition.

As at 30 June 2016, Asklepios operates a total of around 150 healthcare facilities such as hospitals, nursing homes, medical centres for shared practices and other medical centres.

IV. Accounting methods

1) Goodwill and investments measured using the equity method

Goodwill and the carrying amounts of investments recognised using the equity method are tested for impairment once a year as at 30 September. Impairment testing also takes place if circumstances indicate that the carrying amount may be impaired. The key assumptions used to determine the recoverable amount are explained in the consolidated financial statements as of 31 December 2015.

2) Sensitivity in relation to changes to the assumptions made

There were no items subject to significant estimates with regard to the calculation of the value in use of the cash-generating units to which the goodwill is allocated or the assumptions applied when calculating provisions, with the exception of the assumptions and estimates regarding the interest rate for the defined benefit pension obligation resulting from the termination with a pension institution and the change in the interest rate for pension provisions in this interim Group management report.

V. Selected notes to the consolidated income statement

1) Revenue

Revenue breaks down as follows:

EUR million	Q2 2016	Q2 2015	6 months 2016	6 months 2015
Business segments				
Clinical acute care	681.0	645.7	1,363.6	1,303.7
Post-acute and rehabilitation treatment	120.9	115.0	235.6	225.0
Social and welfare facilities	3.9	4.9	7.8	9.7
Miscellaneous	2.0	1.4	3.8	2.7
Total	807.7	767.0	1,610.8	1,541.1

Revenue is generated from the rendering of services.

2) Other operating income

Other operating income is broken down as follows:

EUR million	6 months 2016	6 months 2015
Income from ancillary, additional and other operations	38.0	36.5
Income from operations	41.6	37.9
Income from other grants	3.4	16.8
Income from cost reimbursements	11.8	14.6
Miscellaneous other operating income	7.3	8.0
Total	102.1	113.8

Income from operations includes income from pharmacy sales as a major item. Income from ancillary, additional and other operations includes rental income of EUR 7.5 million (H1 2015: EUR 7.2 million).

3) Other operating expenses

Other operating expenses relate to:

EUR million	6 months 2016	6 months 2015
Maintenance and servicing	47.5	45.7
Rental expenditure	27.6	26.2
Taxes, dues and insurance (including outstanding claims reserves)	19.0	17.0
Contributions, consulting and audit fees	14.5	14.3
Office supplies, postage and telephone charges	10.0	10.5
Other administrative and IT expenses	11.6	8.7
Advertising and travel expenses	7.7	6.8
Training expenses	6.7	6.8
Miscellaneous	12.4	14.2
Total	157.0	150.2

4) Financial result

Net finance costs break down as follows:

EUR million	6 months 2016	6 months 2015
Investment income	9.4	9.4
Interest and similar income	2.4	0.4
Interest and similar expenses	-26.7	-17.9
Financial result	-14.9	-8.1

5) Income taxes

Income taxes break down as follows:

EUR million	6 months 2016	6 months 2015
Current income taxes	-18.4	-13.8
Deferred income taxes	-2.2	-3.3
Total	-20.6	-17.1

VI. Selected notes to the consolidated interim statement of financial position

1) Intangible assets

2016 EUR'000	Goodwill	Other intangible assets	Prepayments for intangible assets	Total
Acquisition cost				
As at 1 January 2016	367,031	118,554	1,505	487,090
Additions/investments similar to acquisitions and changes in the consolidated group	1,239	2,593	1,297	5,129
Disposals	0	-162	0	-162
Reclassification	0	399	-19	380
As at 30 June 2016	368,270	121,384	2,783	492,437
Cumulative depreciation, amortisation and impairment				
As at 1 January 2016	-12,576	-63,537	0	-76,113
Additions	0	-6,138	0	-6,138
Disposals	0	159	0	159
Reclassification	0	0	0	0
As at 30.06.2016	-12,576	-69,516	0	-82,092
Residual carrying amounts				
As at 31 December 2016	354,455	55,017	1,505	410,977
As at 30 June 2016	355,694	51,867	2,783	410,344

2) Property, plant and equipment

2016 EUR'000	Land and buildings including buildings on third-par- ty land	Technical equipment and machinery	Operating and office equipment	Assets under construction	Total
Acquisition cost					
As at 1 January 2016	1,621,766	128,665	489,991	89,227	2,329,649
Additions/investments similar to acquisitions and changes in the consolidated group	3,986	1,348	15,624	36,078	57,036
Disposals	-2,163	-480	-8,756	-751	-12,149
Reclassification	13,196	4,254	3,404	-21,233	-380
As at 30 June 2016	1,636,785	133,786	500,263	103,321	2,374,156
Cumulative depreciation, amortisation and impairment					
As at 1 January 2016	-514,980	-57,789	-299,012	0	-871,781
Additions	-25,171	-5,030	-24,061	0	-54,262
Disposals	2,103	476	8,109	0	10,687
Reclassification	7	0	-7	0	0
As of 30.06.2016	-538,041	-62,343	-314,972	0	-915,357
Residual carrying amounts					
As at 31 December 2016	1,106,786	70,876	190,979	89,227	1,457,868
As at 30 June 2016	1,098,744	71,443	185,287	103,321	1,458,795

In the financial year, statutory health insurance physicians' offices were acquired for which all of the effectiveness conditions were met in 2016, meaning that they were included in the consolidated interim financial statements in 2016. No expenses were incurred in relation to the acquisitions. The revenue and annual results generated since inclusion in the consolidated interim financial statements are of minor importance to the consolidated interim financial statements. In the final purchase price allocations, the acquisition costs of EUR 1.2 million resulted in goodwill of EUR 1.2 million. No net assets were acquired and, similarly, no cash and cash equivalents were assumed in the course of the acquisitions.

3) Equity

In accordance with IAS 1, the development of equity is presented in a statement of changes in consolidated equity, which is a separate component of the interim financial statements. In 2016, the Group established a subsidiary and endowed it with equity of EUR 70.0 million. It plans to hive off this company to an affiliate of the Group. This will accordingly reduce the level of cash and cash equivalents and of Group equity.

4) Cash and cash equivalents

Cash and short-term deposits are subject to variable interest rates. Short-term deposits are made for different periods of time depending on the Group's liquidity requirements. Interest is charged at the respective interest rates applicable for short-term deposits. The fair value of cash and cash equivalents corresponds to their carrying amount.

5) Additional information on financial instruments

Determination of fair value

The following table shows financial instruments measured at fair value analysed in terms of measurement method. The different levels are as follows:

- Level 1: market prices (unadjusted) used on the active market for identical assets and liabilities
- Level 2: data, apart from the level 1 market prices, that are observable for the assets and liabilities either directly (i.e. as price) or indirectly (i.e. derived from price).
- Level 3: inclusive data for assets and liabilities not based on market data (on this level, the Group's investments are reported at amortised cost, as no market price can be observed for them)

The fair value of financial instruments that are traded on the active market is based on the quoted market bid price at the close of business at the end of the reporting period. The market is considered active if quoted prices are readily and regularly available from an exchange, dealer, industry group, pricing service or regulatory agency, and those prices represent current and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded on an active market is calculated using a valuation technique. Fair value is thus estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs. If all inputs required for measuring fair value are observable, the instrument is assigned to level 2.

If one or more significant inputs are not based on observable market data, the instrument is assigned to level 3. There were no reclassifications in this financial year or the previous year.

There were no transfers between the different measurement levels.

30 June 2016

EUR million	Level 1	Level 2	Level 3	Net total
Financial assets	0	0	2.2	2.2
Available-for-sale financial assets and derivatives	308.3	0	0	308.3
Financial liabilities	0	0.6	0	0.6

31 December 2015

EUR million	Level 1	Level 2	Level 3	Net total
Financial assets	0	0	1.4	1.4
Available-for-sale financial assets and derivatives	325.7	0	0	325.7
Financial liabilities	0	1.0	0	1.0

The increase in equity investments classified in level 3 is due to the acquisition of a 45.45% interest in a company whose business purpose is to develop and operate web-based platforms, devices and apps for cancer screening.

Carrying amounts, amounts recognised and fair values by class and measurement category

Amount recognised in statement of financial position as per IAS 39								
2016 EUR'000	Mea- sure- ment cate- gory as per IAS 39	Carrying amount 30 June 2016	Amortised cost	Acqui- sition cost	Fair value in other compre- hensive income	Fair value through profit or loss	Amount recog- nised in state- ment of finan- cial position as per IAS 17	Fair value 30 June 2016
ASSETS		1,336,628	1,028,280	0	308,348	0	0	1,336,628
Cash and cash equivalents	LaR	386,945	386,945	0	0	0	0	386,945
Trade receivables	LaR	442,953	442,953	0	0	0	0	442,953
Other financial assets	AfS	308,348	0	0	308,348	0	0	308,348
Other financial assets (derivatives)	n.a.	0	0	0	0	0	0	0
Other financial assets	LaR	198,382	198,382	0	0	0	0	198,382
EQUITY AND LIABILITIES		1,289,359	1,288,722	0	637	0	13,742	1,310,044
Trade payables	FLAC	49,547	49,547	0	0	0	0	49,547
Financial liabilities	FLAC	986,767	986,767	0	0	0	0	993,920
Participation capital / subordinated capital	FLAC	0	0	0	0	0	0	0
Finance lease liabilities	n.a.	13,742	13,742	0	0	0	13,742	13,742
Other financial liabilities (derivatives)	FLAC	637	0	0	637	0	0	637
Other financial liabilities	FLAC	238,666	238,666	0	0	0	0	252,198
<i>Of which: aggregated by measurement category according to IAS 39</i>								
Loans and receivables	LaR	1,028,280	1,028,280	0	0	0	0	1,028,280
Available-for-sale financial assets	AfS	308,348	0	0	308,348	0	0	308,348
Financial liabilities at amortised cost	FLAC	1,274,980	1,274,980	0	0	0	0	1,295,665

Amount recognised in statement of financial position as per IAS 39

2015 EUR'000	Mea- sure- ment cate- gory as per IAS 39	Carrying amount 31 December 2015	Amortised cost	Acqui- sition cost	Fair value in other compre- hensive income	Fair value through profit or loss	Amount recog- nised in state- ment of finan- cial position as per IAS 17	Fair value 31 December 2015
ASSETS		1,434,390	1,108,694	0	325,696	0	0	1,434,550
Cash and cash equivalents	LaR	554,898	554,898	0	0	0	0	554,898
Trade receivables	LaR	404,218	404,218	0	0	0	0	404,378
Other financial assets	AfS	325,696	0	0	325,696	0	0	325,696
Other financial assets (derivatives)	n.a.	0	0	0	0	0	0	0
Other financial assets	LaR	149,578	149,578	0	0	0	0	149,578
EQUITY AND LIABILITIES		1,467,372	1,466,363	0	1,009	0	14,162	1,487,357
Trade payables	FLAC	64,947	64,947	0	0	0	0	64,947
Financial liabilities	FLAC	1,150,786	1,150,786	0	0	0	0	1,157,697
Participation capital / subordinated capital	FLAC	0	0	0	0	0	0	0
Finance lease liabilities	n.a.	14,162	14,162	0	0	0	14,162	14,162
Other financial liabilities (derivatives)	FLAC	1,009	0	0	1,009	0	0	1,009
Other financial liabilities	FLAC	236,468	236,468	0	0	0	0	249,542
<i>Of which: aggregated by measurement category according to IAS 39:</i>								
Loans and receivables	LaR	1,108,694	1,108,694	0	0	0	0	1,108,694
Available-for-sale financial assets	AfS	325,696	0	0	325,696	0	0	325,696
Financial liabilities at amortised cost	FLAC	1,452,201	1,452,201	0	0	0	0	1,472,186

Other notes

1) Contingent liabilities and other financial obligations

Other financial obligations break down as follows:

EUR'000	30 June 2016	31 Dec. 2015
Rental and lease agreements	501,930	511,565
Capital commitments	14,584	17,101
Maintenance and supply agreements	57,105	46,226
Purchase commitments	57,391	56,551
Insurance contracts	1,279	1,659
Miscellaneous	28,102	34,896
Total	660,391	667,999

The obligation arising from rental and lease agreements primarily relates to the real property of MediClin AG that is rented on a long-term basis, excluding obligations already recognised during purchase price allocation. The underlying rental agreements have a term until 31 December 2027. The agreements provide for an annual rent adjustment in the amount of the change in the German Consumer Price Index, but in any case no more than 2% p.a.

The purchase commitments mainly relate to service contracts concluded for construction measures at hospitals in Hamburg and Thuringia.

All other financial obligations are carried at their nominal amount and are due as follows:

EUR'000	30 June 2016	31 Dec. 2015
Less than one year	133,103	135,673
Between 2 and 5 years	201,837	195,205
More than 5 years	325,450	337,121
Total	660,391	667,999

2) Related party disclosures

For Asklepios Kliniken Gesellschaft mit beschränkter Haftung, related parties within the meaning of IAS 24.9 include entities controlled by the Group and/or entities over which the Group has a significant influence and vice versa. In particular, subsidiaries and equity investments are therefore defined as related parties.

Transactions with these companies are conducted at arm's-length conditions.

Dr Bernard gr. Broermann, Königstein-Falkenstein, is the sole shareholder of Asklepios Kliniken Gesellschaft mit beschränkter Haftung.

Compared with the consolidated financial statements as at 31 December 2015, the group of related parties increased due to the addition of Broermann Invest GmbH and Broermann Beteiligungs GmbH. There has been no change to the transactions with related parties in terms of the transaction type and the amount of the proportionate business volume. The same applies to the financial receivables and liabilities that existed with related parties.

It must be mentioned that Group companies have received purchase offers for financial assets from a related party. The related party is contractually obliged to commit to the purchase offer indefinitely. However, the related party can call on the companies in writing to accept the offer within a period of 30 days at any time. Thereafter, the offer lapses without a requirement for further clarification. The hedging transaction is classified as a fair value hedge.

3) Consolidated statement of cash flows

In the first six months of 2016, cash and cash equivalents decreased by EUR 97.9 million to EUR 457.0 million compared to 31 December 2015. Net cash from operating activities amounted to EUR 150.7 million.

Net cash used in investing activities in the amount of EUR 61.1 million was financed from operating cash flow.

Net cash used in financing activities is dominated by the repayment of existing loans in the Asklepios Kliniken Verwaltungsgesellschaft mbH sub-group.

4) Legal disputes

MediClin AG has filed a lawsuit with the Offenburg District Court to assert claims to the repayment of rent payments above the normal market rate. The company is assuming that the rents paid in total for the period from 2005 to 2015 were higher than the applicable market rent for this period.

The lawsuit was filed against existing and former shareholders of the company who hold units in the property fund to which the hospitals acquired and leased back between 1999 and 2001 were contributed.

In weighing up the risks and opportunities of the lawsuit, MediClin took account of the fact that the subject of this legal dispute – particularly with regard to measuring the market conformity of the rents in question – will be a complex matter and will involve difficult legal questions, some of which have not yet been answered at the highest judicial level.

In the opinion of the Management Board, this matter does not necessitate any accounting consequences.

Affirmation of the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial statements of Asklepios Kliniken Gesellschaft mit beschränkter Haftung give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Hamburg, 25 August 2016



KAI HANKELN



DR. THOMAS WOLFRAM



HAFID RIFI



MARCO WALKER

Disclaimer

This interim report includes forward-looking statements. Such forward-looking statements are based on certain assumptions and expectations at the time of publication of this 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.

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