



Asklepios Kliniken GmbH, Hamburg

Report on the third quarter of 2016

Q3 FY 2016 / 1 January – 30 September 2016

FOREWORD BY THE GROUP MANAGEMENT

Ladies and gentlemen,

Asklepios continued its growth trajectory in the first nine months of 2016. Revenue growth exceeded the Group's own expectations with an increase of 4.1% to EUR 2.4 billion. This development was attributable largely to a further increase in our patient numbers and to the valuation ratios, which resulted in higher remuneration for invoiced treatments. Whereas we had previously been aiming for revenue growth of between 2.0% and 3.5%, we now expect to exceed our revenue forecast for 2016 as a whole on the basis of this strong performance.

In addition to the pleasing revenue performance, we also achieved a further improvement in profitability. We increased our EBITDA margin by 0.2 percentage points year-on-year to 11.7%, due largely to efficiency enhancements and a lower cost of materials. Asklepios is thus continuing to grow profitably and sustainably. We also see further potential to increase profitability in the future, for example by means of further integration and optimisation of existing hospitals, as well as by simplifying our Group structures. To this end, we once again made significant investments in our hospitals and their medical technology in the first nine months of 2016. In total, we invested around EUR 150.2 million or 8.4% more than in the same period of the previous year.

Our financial strength will also enable us to invest more than half a billion euros over the coming years in modernising the facilities and providing even better nursing care. In this way, we will further enhance the quality of our medical care in the interests of our patients and thereby gain more patients for our hospitals.

The business performance in the first three quarters of this year provides confirmation of the path we have taken. Our growth strategy is based on a solid foundation: the expansion of our high-performance medical centres, the Centres of Excellence, investments in the existing facilities and opportunistic acquisitions along our value chain. With this strategic focus and by maintaining our fundamental values – quality, innovation and social responsibility – we believe that we are well equipped to deal with the continuous new regulatory challenges in our sector. Especially with Centres of Excellence, private clinics and targeted offerings in high-demand medical fields, it will be possible to generate further sustainable growth and continue Asklepios' success story.




Kai Hankeln



Dr. Thomas Wolfram



Hafid Rifi



Marco Walker

KEY GROUP FIGURES

	9 months 2016	9 months 2015	Change	31 Dec. 2015	31 Dec. 2014
Revenue (in EUR million)	2,407.1	2,312.3	4.1 %	3,099.3	3,020.2
EBITDA (in EUR million)	281.6	265.7	6.0 %	374.0	330.4
EBITDA margin (in %)	11.7	11.5	0.2 Pp	12.1	10.9
Consolidated net income (in EUR million)	138.5	135.1	2.5 %	176.8	151.8
Net debt/EBITDA	1.3x	1.6x		1.6x	1.8x
Patients	1,718,513	1,670,351	2.9 %	2,285,694	2,186,876
Valuation ratio	448,800	436,610	2.8 %	583,517	577,773
Employees (full-time equivalents)	34,818	34,549	+0.8 %	34,690	34,255

DATES

24 Nov. 2016	Publication of 3rd quarterly statement
27 April 2017	Publication of annual report
24 May 2017	Publication of 1st quarterly statement
24 Aug. 2017	Publication of 2nd quarterly statement
23 Nov. 2017	Publication of 3rd quarterly statement

BUSINESS PERFORMANCE

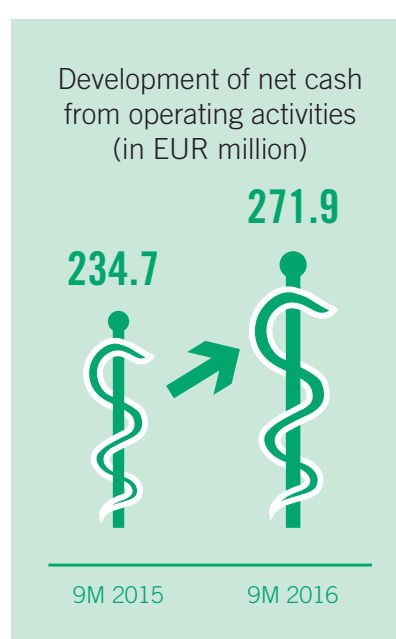
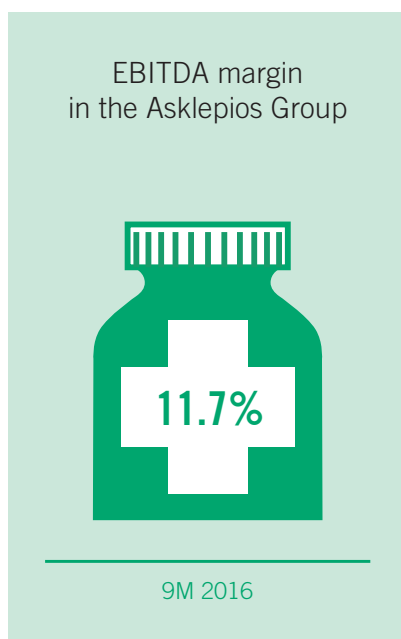
The Asklepios Group increased its revenue by 4.1% to EUR 2.4 billion in the first nine months of 2016. This reflected in particular the increase in the valuation ratios, which climbed by 2.8% to 448,800 (9M 2015: 436,610). The number of patients treated increased by 2.9% to 1,718,513 (9M 2015: 1,670,351).

EBITDA grew by 6.0% to EUR 281.6 million in the first nine months of the year, resulting in an EBITDA margin of 11.7% (9M 2015: 11.5%). Cost items that increased at a lower rate than revenue had a particularly positive effect. The cost of materials ratio fell 0.5 percentage points year-on-year to 21.6% (9M 2015: 22.1%). The staff costs ratio also decreased to 63.0% (9M 2015: 63.8%).

In total, consolidated interim income for January to September 2016 amounted to EUR 138.5 million after EUR 135.1 million in the same period of the previous year. This is an increase of 2.5%. For the reporting period, this resulted in a return on sales of 5.8% (9M 2015: 5.8%).

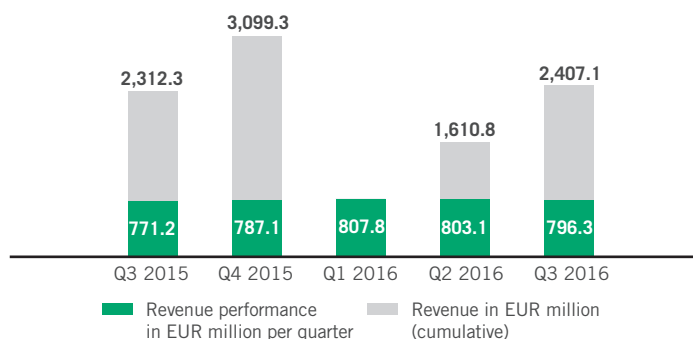
Net cash from operating activities for the nine-month period totalled EUR 271.9 million (9M 2015: EUR 234.7 million). In the first nine months of the year, the company invested EUR 150.2 million in intangible assets and property, plant and equipment, 8.4% more than in the previous year (9M 2015: EUR 138.5 million). The portion of own funds amounted to EUR 97.2 million.

The Group's net debt amounted to EUR 507.4 million as of 30 September 2016, representing a 14.9% decrease compared to 31 December 2015 (EUR 595.9 million). The debt ratio improved to 1.3 times EBITDA compared to 1.6 times as of 31 December 2015. As of 30 September 2016, equity amounted to EUR 1,183.8 million and was thus slightly below its year-end level as of 31 December 2015 (EUR 1,213.5 million). The slight decrease is attributable in particular to the lower market interest rate for pension provisions. For the first nine months of 2016, this resulted in an equity ratio of 34.2% (31 December 2015: 34.7%). The return on equity came to 15.2% (31 December 2015: 14.6%). Cash and cash equivalents amounted to EUR 476.5 million and unused credit facilities to EUR 552.0 million as of 30 September 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.



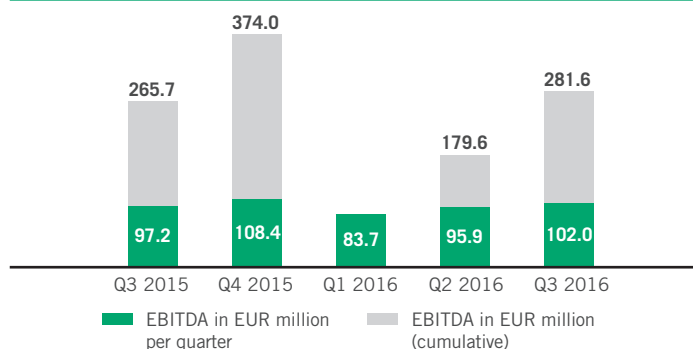
ECONOMIC REPORT

Revenue performance



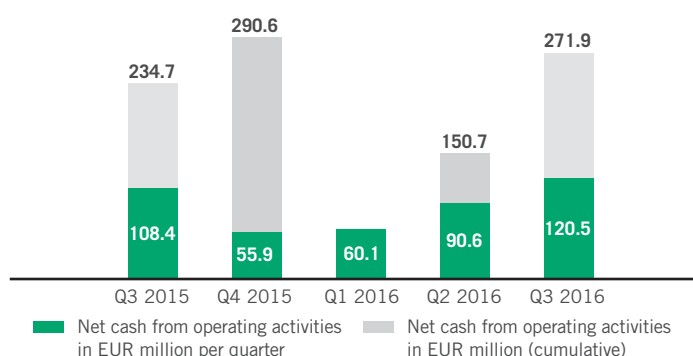
- In the first nine months of 2016, Group revenue increased year-on-year by 4.1% or EUR 94.8 million to EUR 2,407.1 million (9M 2015: EUR 2,312.3 million).
- This revenue growth was largely attributable to increases in the valuation ratios (up 2.8% at 448,800) and in the number of patients (up 2.9% at 1,718,513).

EBITDA



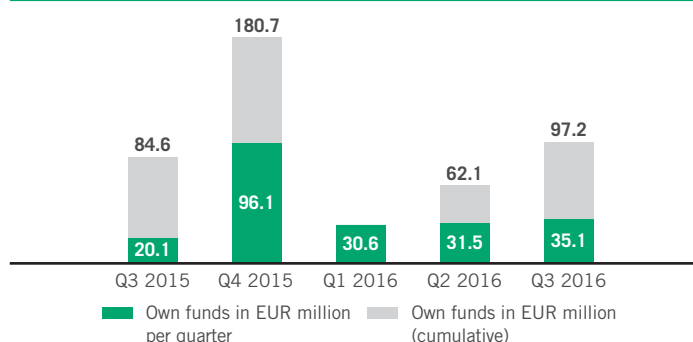
- In the first nine months of 2016, Group EBITDA rose year-on-year by 6.0% from EUR 265.7 million to EUR 281.6 million.
- The EBITDA margin – based on revenue – rose to 11.7% in the first nine months of 2016 after 11.5% in the same period of the previous year. This corresponds to an increase of 0.2 percentage points.

Operating cash flow



- In the first nine months of 2016, operating cash flow amounted to EUR 271.9 million, which fully covers the high investments made with our own funds.
- In relation to total revenue, operating cash flow amounted to 11.3% in the first nine months 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 30 September 2016, own funds invested amounted to EUR 97.2 million, which equates to a rise of 14.9% as against the previous year (9M 2015: EUR 84.6 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 30 September 2016 up to the publication of this report.

FORECAST

On the basis of the positive development in the first nine months of 2016, the Asklepios Group is also optimistic for the current financial year. The increase in revenue, which is at the upper end of the industry average according to the Group's estimate, backs up this assessment.

A trend towards increasingly strict healthcare regulation can be observed. One new challenge currently facing the healthcare sector is a bill for the further development of the provision of and remuneration for psychiatric and psychosomatic services (PsychVVG). With this bill, the legislators basically plan to establish new regulations for psychiatry financing starting from 2017. The introduction of hospital comparisons and proof of staff should be viewed particularly critically. Both of these aspects are still under discussion at present and representatives of Asklepios recently held talks with the responsible politicians to clarify the effects for hospital operators. According to the schedule, this law is to be adopted in December 2016 with effect from 1 January 2017.

Asklepios is actively countering the effects of the German Hospital Structure Act that came into force on 1 January 2016 and the associated discounts for additional services. Especially with Centres of Excellence, private clinics and targeted offerings in high-demand medical fields, it remains possible to break away from the general situation and generate above-average growth.

Asklepios offers medical services of outstanding quality that are in line with demand and often selected by patients as a preference. This satisfaction is continuously reflected in the figures. Based on the strong revenue performance in the first nine months of 2016, the Asklepios Group now expects to exceed its revenue forecast for the year as a whole. Asklepios previously anticipated an increase in revenue of between 2.0% and 3.5%. With regard to its EBITDA development, Asklepios is still forecasting a slight but sustainable increase compared to the previous year. The equity ratio is also expected to increase slightly in the financial year as a whole.

In the financial year 2016, the Group implemented various financing measures in order to create a clear and transparent financing structure. These included restructuring the syndicated loan and increasing its volume to EUR 365.0 million. The Group will continue to use this financial strength for further growth in the future. Over the coming years, Asklepios therefore plans to invest more than half a billion euros in modernising the facilities and providing even better nursing care.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

EUR '000	9 months 2016	9 months 2015
Revenue	2,407,107	2,312,289
Other operating income	151,935	170,144
Total operating revenue	2,559,042	2,482,433
Cost of materials	520,151	510,862
Personnel expenses	1,517,508	1,475,680
Other operating expenses	239,756	230,212
Operating result/EBITDA ¹⁾	281,628	265,679
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	91,448	85,792
Operating result/EBIT ²⁾	190,180	179,886
Net investment income	9,411	9,345
Interest and similar income	4,656	827
Interest and similar expenses	-36,557	-26,866
Interest result	-31,902	-26,038
Financial result	-22,491	-16,693
Earnings before income taxes	167,689	163,193
Income taxes	-29,176	-28,067
Consolidated net income	138,513	135,126
of which attributable to the parent company	114,963	104,986
of which attributable to non-controlling interests	23,550	30,140

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	9 months 2016	9 months 2015
Consolidated net income	138,513	135,126
Changes in the fair value of cash flow hedges	0	203
Measurement of financial assets	-8,056	25,106
Income taxes	119	-3,973
Total changes in value reclassified to profit or loss if certain conditions are met	-7,937	21,336
Change in actuarial gains (+)/losses (-) from defined benefit pension commitments and similar obligations	-106,424	-18,517
Income taxes	16,844	2,889
Total changes in value not reclassified to profit or loss	-89,580	-15,628
Total changes in value recognised in equity (other comprehensive income)	-97,517	5,708
Total comprehensive income (total consolidated interim income and other comprehensive income)	40,996	140,834
of which attributable to the parent company	41,701	114,974
of which attributable to non-controlling interests	-705	25,860

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

EUR '000	9 months 2016	9 months 2015
Consolidated net income	138,513	135,126
Income taxes	29,176	28,067
Interest result	22,491	16,693
Amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment	91,448	85,792
Gross cash flow (EBITDA)	281,627	265,678
Other non-cash transactions	3,390	3,278
Changes in inventories, receivables and other assets	-25,797	-54,638
Changes in liabilities and provisions	29,650	34,178
Dividends received	9,411	9,345
Interest income	2,389	749
Income taxes paid	-28,789	-23,981
Cash flow from operating activities/net cash flow	271,881	234,610
Investments in property, plant and equipment	-88,302	-171,537
Investments in intangible assets	-7,845	-7,424
Proceeds from the disposal of non-current assets	2,561	6,494
Acquisitions in subsidiaries, equity investments and financial assets and shares of NCIs	-1,326	-13,681
Net cash used in investing activities	-94,912	-186,148
Proceeds from the repayment of financial liabilities	-182,470	472,031
Repayment of subordinated loans	0	-47,000
Cash flow from hospital financing	8,277	-9,419
Interest expenses	-11,136	-18,548
Effects from spin-off of a subsidiary	-70,025	-507
Net cash used in financing activities	-255,354	396,557
Change in cash and cash equivalents	-78,384	445,019
Cash and cash equivalents at the start of the period	554,898	161,240
Cash and cash equivalents at the end of the period	476,513	606,258

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

EUR '000	30 Sept. 2016	31 Dec. 2015
ASSETS		
Non-current assets		
Intangible assets	409,379	410,977
Property, plant and equipment	1,461,990	1,457,868
Investments accounted for using the equity method	14,141	14,045
Financial assets	321,965	328,673
Other financial assets	54,606	65,721
Trade receivables	145	264
Non-current income tax assets	428	720
Other assets	21	0
Deferred taxes	80,566	69,077
Total non-current assets	2,343,242	2,347,345
Current assets		
Inventories	106,435	101,289
Trade receivables	441,986	403,954
Current income tax assets	4,106	2,440
Other financial assets	73,261	80,880
Other assets	14,509	4,146
Cash and cash equivalents	476,514	554,898
Total current assets	1,116,811	1,147,607
Total assets	3,460,053	3,494,952

EUR '000	30 Sept. 2016	31 Dec. 2015
EQUITY AND LIABILITIES		
Equity attributable to the parent company		
Issued capital	1,022	1,022
Reserves	813,847	822,075
Consolidated profit	114,963	135,058
Non-controlling interests	253,962	255,323
Total equity	1,183,792	1,213,478
Non-current liabilities		
Trade payables	230	377
Financial liabilities	816,034	1,063,465
Finance lease liabilities	12,921	13,519
Pensions and similar obligations	332,531	227,232
Other provisions	225,932	224,099
Deferred taxes	29,139	32,953
Other financial liabilities	75,848	87,811
Other liabilities	6,927	6,675
Total non-current liabilities	1,499,561	1,656,130
Current liabilities		
Trade payables	53,249	64,570
Participation capital/subordinated capital	0	0
Financial liabilities	167,856	87,321
Finance lease liabilities	609	644
Pensions and similar obligations	4,537	5,640
Other provisions	95,566	92,862
Current income tax liabilities	10,147	14,061
Other financial liabilities	181,908	149,666
Other liabilities	262,827	210,580
Total current liabilities	776,699	625,344
Total equity and liabilities	3,460,053	3,494,952



- Asklepios: Acute hospital somatic
- ▲ Asklepios: Specialist hospital psychiatry
- Asklepios: Post-acute/rehabilitation clinic
- Asklepios: Other healthcare facilities (among others: day hospital, healthcare centre, care facilities)
- * Facilities under management
- MediClin: Acute hospital somatic
- ▲ MediClin: Specialist hospital psychiatry
- MediClin: Post-acute/rehabilitation clinic
- MediClin: Other healthcare facilities (among others: day hospital, healthcare centre, care facilities)

IMPRINT

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Disclaimer

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