Interim report of MEDICLIN Aktiengesellschaft

for the period from 1 January 2019 to 30 June 2019

MEDICLIN – A company of the Asklepios Group

MEDICLIN: Key data on business development

	H1 2019	H1 2018
Number of shares in millions	47.5	47.5
Number of cases (inpatient)	61,321	61,573
Number of beds as of 30.06.	8,346	8,290
Occupancy rates in %	88.8	89.6
Number of full-time employees (average number)	7,347	7,166

In millions of €	H1 2019	H1 2018
Cash flow from operating activities	26.0	5.4
Cash flow from operating activities per share in €	0.55	0.11
Sales	335.4	321.4
EBITDA	41.3	17.1
EBITDA margin in %	12.3	5.3
EBIT (operating result)	6.1	6.3
EBIT margin in %	1.8	2.0
Financial result	–5.0	–1.3
Total consolidated result	0.7	4.1
Earnings per share in €	0.02	0.09
Gross capital expenditure (without right-of-use assets pursuant to IFRS 16)	21.7	19.7
Thereof subisdies	2.7	4.1
Interest coverage factor (EBITDA/interest result)	8.2x	12.7x

In millions of €	30.06.2019	31.12.2018
Balance sheet total	885.2	444.7
Equity	182.0	191.4
Equity in ratio in %	20.6	43.0
Return on equity in % [1]	2.4	4.1
Financial liabilities (to banks)	82.0	75.7
Cash and cash equivalents	19.3	33.8
Net debt	62.7	41.9
Net debt/EBITDA [2]	1.0x	1.1x

[1] Total consolidated result in the last 12 months/equity
[2] EBITDA in the last 12 months

Due to arithmetical reasons, calculation differences of +/– one unit (€, % etc.) may occur; percentage rates and changes in % were calculated on the basis of non-rounded € values.

Interim Group management report of MEDICLIN Aktiengesellschaft

for the period from 1 January 2019 to 30 June 2019

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Report on the economic position for the first six months of 2019

General statement on results of operations, financial position and net assets

Development of the Group

In the first six months of the 2019 financial year, MEDICLIN generated Group sales of EUR 335.4 mill. Group sales were thus up EUR 14.0 mill. or 4.3 % on sales in the previous year's comparable period. The Group operating result was EUR 6.1 mill. down from EUR 6.3 mill. in the first six months of the 2018 financial year.

The significant increase in sales in the first quarter of 2019 indicates a catch-up effect from the previous year's weak December. Continued growth in the second quarter of 2019 shows that MEDICLIN sustainably grows. The capacity expansions initiated in 2018 are slowly starting to enhance sales.

The business performance to date and the outlook for the third quarter, which is traditionally the strongest season in terms of sales and earnings, indicate that the Group will reach its targets for the 2019 financial year. In the second half of the 2019 financial year, the Management Board expects growing sales for the Group and a significantly better Group operating result than in the first six months, despite rising staff costs and raw materials and consumables used.

Performance of the segments and the nursing care business area

Sales in the post-acute segment rose by EUR 10.4 mill. (+5.3 %). The segment EBIT was EUR 9.4 mill., up from EUR 7.6 mill. in the prior-year period (EBIT margin: 4.5 %; H1 2018: 3.9 %). In the post-acute segment, full year sales growth is expected to remain at the percentage level seen in the first six months of 2019, with a better segment result.

In the acute segment sales rose by EUR 3.8 mill. (+3.3 %). The segment EBIT was EUR –1.3 mill., down from EUR 1.2 mill. in the prior-year period. The good sales development in the acute segment in the first six months of the year is set to continue in the second half of the 2019 financial year. However, given the legislative and regulatory burdens in the acute segment, the Management Board does not expect this segment to achieve a positive segment result in the 2019 financial year.

Sales in the nursing care business area were at EUR 7.6 mill. and thus at prior-year level.

Financial position and net assets

Gross investments amounted to EUR 21.7 mill. in the first six months of the 2019 financial year (H1 2018: EUR 19.7 mill.), pertaining mainly to the reconstruction and expansion of clinics and the acquisition of medical equipment. Capital expenditure is thus in line with the annual budget. Cash and cash equivalents as of 30 June 2019 amounted to EUR 19.3 mill. (31.12.2018: EUR 33.8 mill.).

The Management Board assesses MEDICLIN's results of operations as secure and the financial position and net assets of the Group as sound.

The macroeconomic and sector-related environment

In its spring projections issued in April 2019, the German government lowered its earlier forecast from January 2019. Instead of 1.0 %, the gross domestic product is now expected to rise only 0.5 %. In 2020, the German government expects 1.5 % growth. It mainly attributes this development to a global economic weakness caused by trade conflicts and the Brexit process. Both these problems hit the exporting German industrial enterprises particularly badly.

Thanks to a positive labour market trend, higher salaries and the corresponding higher available incomes, domestic economy remains intact. As domestic economy and, in particular, a stable labour market are essential for the health market, MEDICLIN assumes that the demand for medical, therapeutic and nursing care services will continue to grow.

Nevertheless, MEDICLIN has no influence on the legislature and the budget policy of coverage providers. MEDICLIN regularly monitors and analyses the situation in these areas to be able to react to potential changes. The risks in connection with attracting qualified personnel have increased. Simulative figures for the resulting potential limitations and additional expenses are incorporated into the sales and earnings guidance for the 2019 financial year.

In summary, the effects of the macroeconomic and sector-related framework conditions that MEDICLIN is facing have not changed materially compared to the statements in the 2018 Annual Report. As such, there are no changed or additional effects that would have a positive or negative impact on MEDICLIN's business development.

Results of operation, financial position and net assets

Results of operation

Group sales in the first six months of the 2019 financial year were up on the previous year's value, increasing by EUR 14.0 mill. or 4.3 %, respectively.

SALES AND EARNINGS PERFORMANCE OF THE GROUP

	H1 2019	H1 2018
Group sales in millions of €	335.4	321.4
Raw materials and consumables used in millions of €	59.9	56.9
Cost of materials ratio in %	17.9	17.7
Staff costs in millions of €	209.5	198.3
Staff costs ratio in %	62.4	61.7
Depreciation and amortisation in millions of €	35.1	10.8
Other operating expenses in millions of €	29.3	53.1
Group operating result in millions of €	6.1	6.3

Due to cost increases and another rise in external medical services used, the cost of raw materials and consumables used increased by EUR 3.0 mill. (+5.3 %). Staff costs rose by EUR 11.2 mill. (+5.6 %), which is due to payment increases and a higher number of employees (+181 full-time employees). The changes in depreciation and amortisation and other operating expenses compared to the prior-year value are mainly attributable to the first-time adoption of the new IFRS 16 "Leases" accounting standard (depreciation and amortisation: EUR +23.1 mill.; other operating expenses: EUR –25.3 mill.). The introduction of IFRS 16 accounting contributed EUR +2.2 mill. to Group EBIT in the first six months of the 2019 financial year.

The financial result of EUR –5.0 mill. was EUR 3.6 mill. lower than in the previous year. Interest payments for right-of-use assets resulting from the application of IFRS 16 "Leases" account for EUR 4.1 mill. of the interest expenses totalling EUR 5.1 mill.

The total consolidated result attributable to shareholders of MEDICLIN Aktiengesellschaft was EUR 0.7 mill. (H1 2018: EUR 4.1 mill.). Earnings per share came to EUR 0.02 (H1 2018: EUR 0.09).

The sales and earnings performance at segment level is illustrated in more detail in the segment reporting section.

Financial position and net assets

The main change in the consolidated balance sheet as of 30 June 2019 compared to the balance sheet as of 31 December 2018 is attributable to the transition to the new IFRS 16 accounting standard. The same applies to changes in the cash flow statement versus the first half of the previous year, in particular with regard to the cash flow from financing activities.

LIQUIDITY

In millions of €	H1 2019	H1 2018
Cash flow from operating activities	26.0	5.4
Thereof total consolidated result	0.7	4.1
Cash flow from investing activities	–20.1	–18.1
Cash flow from financing activities	–20.4	17.3
Cash flow for the period	**–14.5**	**4.6**
Cash and cash equivalents at the beginning of the period	33.8	26.9
Cash and cash equivalents at the end of the period	**19.3**	**31.5**

The cash flow from financing activities for the first six months of 2019 shows EUR –21.2 mill. for the repayment of financial liabilities from right-of-use assets and EUR –4.1 mill. for interest payments in connection with right-of-use assets. The first six months of 2018 included a new annuity loan in the amount of EUR 20.0 mill. in connection with subsidies for the new clinic to be built at the Lingen site.

BALANCE SHEET STRUCTURE

In millions of €	30.06.2019	In % of balance sheet total	31.12.2018	In % of balance sheet total
Assets				
Non-current assets	734.7	83.0	296.2	66.6
Current assets	150.4	17.0	148.5	33.4
	885.1	**100.0**	**444.7**	**100.0**
Equity and liabilities				
Equity	182.0	20.6	191.4	43.0
Non-current liabilities	562.6	63.5	165.3	37.2
Current liabilities	140.5	15.9	88.0	19.8
	885.1	**100.0**	**444.7**	**100.0**

Compared with 31 December 2018, the balance sheet total has nearly doubled, mainly due to the application of IFRS 16. EUR +430.3 mill. of this increase refers to non-current assets, EUR +388.4 mill. to non-current liabilities and EUR +43.5 mill. to current liabilities.

Segment reporting

SALES

In millions of €	H1 2019	H1 2018	Change in %
Post-acute	207.3	196.9	+5.3
Acute	118.2	114.4	+3.3
Other activities and reconciliation	9.9	10.1	−2.2
Thereof nursing care business area	7.6	7.7	−0.1
Group	**335.4**	**321.4**	**+4.3**

Sales in the post-acute segment were EUR 10.4 mill. or 5.3 % higher than in the first half of the previous year. Sales growth was driven mainly by demand for services in the fields of neurology and psychosomatics. The segment’s raw materials and consumables used rose by EUR 2.8 mill. Staff costs also increased, in fact by EUR 6.0 mill. The segment EBIT improved by EUR 1.7 mill., up from EUR 7.6 mill. to EUR 9.4 mill. Without the effect from IFRS 16 (EUR +2.1 mill.), the segment result would be EUR 0.4 mill. lower than the previous year’s value.

Sales in the acute segment were EUR 3.8 mill. higher than in the first six months of 2018. Following the measures initiated in this segment, the sales performance is stable. The segment’s raw materials and consumables used increased by EUR 1.8 mill, while staff costs went up EUR 3.5 mill. The segment EBIT decreased from EUR 1.2 mill. in the previous year’s period to EUR −1.3 mill. in the first six months of the 2019 financial year. The IFRS 16 effect accounted for EUR +0.1 mill.

In the other activities segment, sales of the nursing care business area decreased by EUR 0.1 mill.

RAW MATERIALS AND CONSUMABLES USED

	H1 2019	H1 2018	Change in %
Post-acute			
Raw materials and consumables used in millions of €	39.6	36.8	+7.6
Cost of materials ratio in %	19.1	18.7	
Acute			
Raw materials and consumables used in millions of €	31.2	29.4	+6.0
Cost of materials ratio in %	26.4	25.7	

STAFF COSTS

	H1 2019	H1 2018	Change in %
Post-acute			
Staff costs in millions of €	111.8	105.8	+5.6
Staff costs ratio in %	53.9	53.8	
Acute			
Staff costs in millions of €	70.2	66.6	+5.3
Staff costs ratio in %	59.4	58.3	

SEGMENT RESULT

In millions of €	H1 2019	H1 2018
Post-acute	9.4	7.6
Acute	−1.3	1.2
Other acitivities and reconciliation	−2.0	−2.5
Group	**6.1**	**6.3**

SEGMENT RESULTS AND NET ASSETS IN THE FIRST HALF OF 2019

In millions of €	Post-acute	Acute	Other activities	Subtotal	Reconciliation	Group
Sales	207.3	118.2	37.0	362.5	–27.1	335.4
Total sales	210.2	118.9	39.0	368.1	0.0	368.1
Internal sales	2.9	0.7	2.0	5.6	27.1	32.7
Raw materials and cosumables used	–39.6	–31.2	–14.4	–85.2	25.3	–59.9
Staff costs	–111.8	–70.2	–27.0	–209.0	–0.5	–209.5
Other operating exepenses	–23.2	–14.2	–6.7	–44.1	14.8	–29.3
Segment result	**9.4**	**–1.3**	**–1.3**	**6.8**	**–0.7**	**6.1**
Thereof non-cash items:						
Scheduled depreciation/write-ups	–28.2	–9.2	–2.1	–39.5	0.0	–39.5
Unscheduled depreciation/write-ups	0.0	0.0	0.0	0.0	0.0	0.0
Release of special item	0.6	3.8	0.0	4.4	0.0	4.4
Allowances	–0.3	–0.1	–0.1	–0.5	0.0	–0.5
Allocation of provisions/liabilities	–12.2	–8.9	–11.9	–33.0	–0.7	–33.7
Release of provisions/liabilities	0.5	0.5	0.1	1.1	0.2	1.3
Financial revenues	0.2	0.1	0.2	0.5	–0.4	0.1
Financial costs	–4.1	–0.7	–0.6	–5.4	0.3	–5.1
Financial result	**–3.9**	**–0.6**	**–0.4**	**–4.9**	**–0.1**	**–5.0**
Taxes on income	**0.3**	**0.0**	**1.3**	**1.6**	**–2.0**	**–0.4**
Assets	**602.4**	**214.9**	**37.3**	**854.6**	**30.5**	**885.1**
Liabilities	**449.5**	**60.5**	**107.7**	**617.7**	**85.4**	**703.1**
Gross capital expenditure	434.3	28.9	11.5	474.7	0.0	474.7
Gross capital expenditure without right-of-use assests pursuant to IFRS 16	9.6	6.7	5.4	21.7	0.0	21.7

SEGMENT RESULTS AND NET ASSETS IN THE FIRST HALF OF 2018

In millions of €	Post-acute	Acute	Other activities	Subtotal	Reconciliation	Group
Sales	196.9	114.4	35.5	346.8	−25.4	321.4
Total sales	199.9	115.8	37.7	353.4	0.0	353.4
Internal sales	3.0	1.4	2.2	6.6	25.4	32.0
Raw materials and consumables used	−36.8	−29.4	−14.5	−80.7	23.8	−56.9
Staff costs	−105.8	−66.6	−25.4	−197.8	−0.5	−198.3
Other operating expenses	−44.9	−15.0	−7.4	−67.3	14.2	−53.1
Segment result	**7.6**	**1.2**	**−1.7**	**7.1**	**−0.8**	**6.3**
Thereof non-cash items:						
Scheduled depreciation/write-ups	−6.3	−7.4	−1.4	−15.1	0.0	−15.1
Unscheduled depreciation/write-ups	0.0	0.0	0.0	0.0	0.0	0.0
Release of special item	0.6	3.7	0.0	4.3	0.0	4.3
Allowances	0.1	0.2	0.0	0.3	0.0	0.3
Allocation of provisions/liabilities	−11.6	−8.4	−2.4	−22.4	−0.8	−23.2
Release of provisions/liabiities	0.4	0.2	0.1	0.7	0.0	0.7
Financial revenues	0.2	0.0	0.2	0.4	−0.3	0.1
Financial costs	−0.5	−0.6	−0.7	−1.8	0.4	−1.4
Financial result	**−0.3**	**−0.6**	**−0.5**	**−1.4**	**0.1**	**−1.3**
Taxes on income	**−0.2**	**−0.1**	**−0.6**	**−0.9**	**0.0**	**−0.9**
Assets	**183.8**	**172.2**	**21.6**	**377.6**	**39.8**	**417.4**
Liabilities	**47.6**	**19.1**	**96.0**	**162.7**	**67.8**	**230.5**
Gross capital expenditure	10.9	4.5	4.3	19.7	0.0	19.7

Development of the coverage provider structure

Pursuant to IFRSs (IFRS 8.34 "Information about major customers"), an entity is required to disclose information on the degree of dependency on major customers. The statutory social security pension funds and the public health insurance funds are the two largest funding agencies for medical rehabilitation. In the acute sector, the public health insurance funds are the main funding agencies.

Sales generated with coverage providers are monitored and controlled on a monthly basis. In the first six months of the 2019 financial year, the social security pension funds accounted for 48.9 % (H1 2018: 50.2 %) of the demand for services in the post-acute segment, while the public health insurance funds made up 42.3 % (H1 2018: 41.4 %) of the demand for services in this segment. In the acute segment, 91.5 % of requested services (H1 2018: 92.1 %) were attributable to the public health insurance funds.

Capital expenditure

All in all, the Group invested some EUR 10.6 mill. in new buildings and expansions as well as capacity expansions of clinics and nursing care homes in the first six months of 2019. Some EUR 3.3 mill. were invested in medical equipment and about EUR 3.3 mill. in EDP and licenses.

GROSS ADDITIONS TO NON-CURRENT ASSETS (WITHOUT RIGHT-OF-USE ASSETS)

In millions of €	H1 2019	H1 2018
Licences, concessions	1.3	1.8
Land, buildings	2.7	1.3
Technical Equipment, EDP	0.6	0.7
Operating and office equipment	8.6	6.7
Payments on account and assets under construction	8.5	9.2
Total	**21.7**	**19.7**

Employees

The average number of full-time employees has increased by 181 employees compared to the prior-year six-month period. On average, this means that MEDICLIN employed about 281 more persons than in the comparable prior-year period. The Group employed an average of 317 trainees in the first six months of 2019 (H1 2018: 289 trainees). All in all, an average of 10,244 employees worked for MEDICLIN in the first half of the 2019 financial year.

AVERAGE NUMBER OF EMPLOYEES IN THE GROUP AND IN THE SEGMENTS IN THE FIRST HALF OF THE YEAR

Shown in full-time employees	H1 2019	H1 2018	Change
Post-acute	3,959	3,836	+123
Acute	2,116	2,091	+25
Other activities	1,272	1,239	+33
Thereof nursing care business area	204	215	−11
Thereof service business area (including administration)	1,068	1,024	+44
Group	**7,347**	**7,166**	**+181**

KEY DATA PER FULL-TIME EMPLOYEE IN THE GROUP

In €	H1 2019	H1 2018
Sales per full-time employee	45,652	44,858
Staff costs per full-time employee	28,509	27,671

Report concerning related parties

Business relations to related parties are handled at normal market conditions and amount to the following:

In millions of €	H1 2019	H1 2018
Income		
Sales from post-acute, acute and nursing care services	1.5	0.9
Real estate management income	0.2	0.2
Pension payments of MAUK[1]	0.5	0.5
Service contracts	0.4	0.3
Expenses		
Lease expenses[2]	22.8	22.8
Real estate management costs	0.5	0.4
Insurance premiums	0.9	0.9
Service contracts	1.7	2.6
Remuneration for key management personnel	1.3	1.2
Payments to MAUK[1]	0.3	0.4
EDP services	1.5	1.4
Other purchased goods and services	0.1	0.0

In millions of €	30.06.2019	31.12.2018
Receivables		
Repayment claims from preliminary financing of clinic expansion/building measures	0.2	0.1
Receivables from post-acute, acute and nursing care services	0.3	0.4
Receivables from payroll accounting	0.1	0.1
Liabilities		
Service contracts	0.2	0.5
EDP services	0.2	0.2
Provisions for insurance payments	0.4	0.0
Provisions for remuneration for key management personnel	0.9	0.7

[1] Mitarbeiterunterstützungskasse der vereinigten Klinikbetriebe (MAUK)
[2] Lease expenses include EUR 22.8 mill. (H1 2018: EUR 22.4 mill.) in rental payments to the OIK-Immobilienfonds; due to the application of IFRS 16 they are shown in the consolidated interim profit and loss account through depreciation and amortisation and interest expenses.

The provisions for remuneration for key management personnel in the amount of EUR 833 thou. are due within the time frame of one year (31.12.2018: EUR 641 thou.).

OIK-Immobilienfonds

In mid-2016 MEDICLIN filed a suit with the District Court of Offenburg claiming repayment of rental payments above the usual market rate. The Company assumes that the rents paid for the period 2005 to 2015 were higher than the usual market rents.

The suit was filed against current and former shareholders of the Company, who hold shares of the real estate fund into which the hospitals acquired and rented back between 1999 and 2001 were incorporated. The first oral hearing took place on 16 November 2018 at the District Court (Landgericht) of Offenburg.

MEDICLIN carefully weighed up the opportunities and risks of the suit in view of the fact that the subject matter of the legal dispute is highly complex, especially with regard to the evaluation whether rents conform to usual market rates, and that some of the very difficult questions of law involved have not yet been decided by the highest courts.

Therefore the Management Board is of the opinion that no changes to the balance sheet are required in this respect.

Forecast, risk and opportunity report

Forecast report

As of today there have been no changes compared to the information published in the forecast report section of the 2018 Annual Report that could have a material impact on MEDICLIN's future business development.

Risk and opportunity report

No new noteworthy risks or opportunities have arisen during the first six months of the 2019 financial year, and there were no changes in the risk and opportunity management; hence we refer to the information provided in the 2018 Annual Report.

Forward-looking statements

This report contains forward-looking statements that are based on management's current expectations. Words such as "anticipate", "assume", "believe", "estimate", "expect", "intend", "can/could", "plan", "project", "should" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties that are based on the current assumptions and forecasts of MEDICLIN AG management. Should any of these risks and uncertainties materialise, or if the assumptions underlying any of the forward-looking statements prove incorrect, then the actual results may be materially different from those expressed or implied by such statements. MEDICLIN AG does not intend or assume any obligation to continuously update these forward-looking statements, so as to adapt them to events or developments that occur after the release of this interim report.

Consolidated interim financial statements of MEDICLIN Aktiengesellschaft

for the period from 1 January 2019 to 30 June 2019

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Consolidated interim balance sheet as of 30 June 2019

ASSETS

In thousands of €	30.06.2019	31.12.2018
NON-CURRENT ASSETS		
Goodwill and other intangible assets		
Concessions, licences	3,406	3,797
Goodwill	48,830	48,830
Payments on account	4,415	4,008
	56,651	**56,635**
Property, plant and equipment		
Land, land rights and buildings including buildings on third-party land	116,534	113,727
Right-of-use assets on land, land rights and buildings including buildings on third-party land	427,518	0
Technical equipment and machines	12,678	13,105
Operating and office equipment	43,446	42,590
Right-of-use assets on operating and office equipment	2,501	0
Payments on account and assets under construction	28,725	25,134
	631,402	**194,556**
Financial assets		
Investment in stock of subsidiaries	65	65
Reinsurance cover	830	830
Other financial investments	2	2
	897	**897**
Other financial assets		
Receivables pursuant to hospital financing law	37,120	37,644
	37,120	**37,644**
Deferred tax assets	**8,680**	**6,476**
	734,750	**296,208**
CURRENT ASSETS		
Inventories	**7,270**	**7,461**
Trade receivables	**102,381**	**93,099**
Current income tax claims	**2,118**	**1,017**
Other financial assets		
Receivables pursuant to hospital financing law	10,451	7,095
Other current financial assets	4,518	4,818
	14,969	**11,913**
Other assets	**4,348**	**1,207**
Cash and cash equivalents	**19,317**	**33,829**
	150,403	**148,526**
	885,153	**444,734**

EQUITY AND LIABILITIES

In thousands of €	30.06.2019	31.12.2018
EQUITY		
Shares MEDICLIN Group		
Subscribed capital	47,500	47,500
Capital reserve	129,392	129,392
Revenue reserve	–29,331	–21,667
Consolidated balance sheet result	34,744	36,382
	182,305	**191,607**
Non-controlling interests	**–273**	**–203**
	182,032	**191,404**
NON-CURRENT LIABILITIES		
Financial liabilities		
Liabilities to banks	54,144	54,853
	54,144	**54,853**
Liabilities from finance leases	**61**	**73**
Financial liabilities from right-of-use assets	**388,384**	**0**
Pensions and similar commitments	**64,414**	**54,707**
Other provisions	**22,690**	**22,755**
Other financial liabilities		
Liabilities pursuant to hospital financing law	30,672	30,672
Other financial liabilities	176	245
	30,848	**30,917**
Other payables	**2,047**	**2,051**
	562,588	**165,356**
CURRENT LIABILITIES		
Trade payables	**14,098**	**17,105**
Financial liabilities		
Liabilities to banks	27,879	20,831
	27,879	**20,831**
Liabilities from finance leases	**25**	**24**
Financial liabilities from right-of-use assets	**43,540**	**0**
Other provisions	**11,654**	**11,968**
Other financial liabilities		
Liabilities pursuant to hospital financing law	10,357	9,281
Other financial liabilities	4,521	4,846
	14,878	**14,127**
Other payables	**28,459**	**23,919**
	140,533	**87,974**
	885,153	**444,734**

Consolidated interim profit and loss account

In thousands of €	January – June 2019	January – June 2018	April – June 2019	April – June 2018
Sales	335,405	321,450	167,798	163,511
Other operating income	4,565	3,977	2,207	2,262
Total operating performance	**339,970**	**325,427**	**170,005**	**165,773**
Raw materials and consumables used				
a) Cost of raw materials and supplies	–37,113	–35,085	–18,810	–18,120
b) Cost of purchased services	–22,781	–21,796	–11,822	–10,732
	–59,894	**–56,881**	**–30,632**	**–28,852**
Staff costs				
a) Wages and salaries	–177,929	–169,425	–86,623	–83,581
b) Social security, pension and retirement	–31,527	–28,867	–16,513	–15,066
	–209,456	**–198,292**	**–103,136**	**–98,647**
Other operating expenses	–29,337	–53,115	–14,007	–27,220
Result before interest, taxes, depreciation and amortisation / EBITDA	**41,283**	**17,139**	**22,230**	**11,054**
Depreciation and amortisation	–35,141	–10,824	–17,709	–5,414
Operating result / EBIT	**6,142**	**6,315**	**4,521**	**5,640**
Financial result				
a) Income from participations	51	0	51	0
b) Interest and similar income	63	50	6	36
c) Interest and similar expenses	–5,101	–1,395	–2,526	–812
	–4,987	**–1,345**	**–2,469**	**–776**
Result before tax	**1,155**	**4,970**	**2,052**	**4,864**
Taxes on income	–432	–900	–405	–1,042
Total consolidated result	**723**	**4,070**	**1,647**	**3,822**
Thereof attributable to shareholders of MEDICLIN AG	737	4,061	1,646	3,827
Thereof attributable to non-controlling interests	–14	9	1	–5
Total consolidated result attributable to shareholders of MEDICLIN AG per share				
Undiluted in €	0.02	0.09	0.04	0.08
Diluted in €	0.02	0.09	0.04	0.08

Consolidated interim statement of comprehensive income

In thousands of €	January – June 2019	January – June 2018	April – June 2019	April – June 2018
Total consolidated result	**723**	**4,070**	**1,647**	**3,822**
Other comprehensive income				
Revaluation from defined benefit plans and similar obligations	–9,171	0	–4,076	0
Taxes on income	1,451	0	645	0
Additions to value adjustments that are not reconciled to the total consolidated result	–7,720	0	–3,431	**0**
Thereof attributable to shareholders of MEDICLIN AG	–7,664	0	–3,406	0
Thereof attributable to non-controlling interests	–56	0	–25	0
Additions to value adjustments that are reconciled to the total consolidated result	**0**	**0**	**0**	**0**
Group comprehensive income	**–6,997**	**4,070**	**–1,784**	**3,822**
Thereof attributable to shareholders of MEDICLIN AG	–6,927	4,061	–1,760	3,827
Thereof attributable to non-controlling interests	–70	9	–24	–5

Consolidated cash flow statement

In thousands of €	January – June 2019	January – June 2018
Total consolidated result	**723**	**4,070**
Result of finance activities	4,987	1,345
Result of income taxes	432	900
Operating result (EBIT)	**6,142**	**6,315**
Depreciation on fixed asset items	35,141	10,824
Result before interest, taxes, depreciation and amortisation (EBITDA)	**41,283**	**17,139**
Change in non-current provisions	9,128	–49
Change in current provisions	–314	–105
Result from the disposal of fixed asset items	–25	–4
Result from other non-cash items	–11,023	–1,277
Change in other current assets	–12,707	–10,428
Change in other non-current liabilities	–20	–555
Change in other current liabilities	1,865	2,761
Payments received from interest	62	49
Income taxes paid	–2,281	–2,084
Cash flow from operating activities	**25,968**	**5,447**
Payments received from the disposal of fixed assets	**116**	**127**
From the disposal of property, plant and equipment	116	127
Income from participations	**51**	**0**
Cash used for investments	**–20,265**	**–18,241**
For intangible assets	–1,072	–1,451
For property, plant and equipment	–19,193	–16,790
Cash flow from investing activities	**–20,098**	**–18,114**
Dividend payout to shareholders of MEDICLIN AG	–2,375	–2,375
Cash used for/received from dual hospital financing	1,426	1,369
Repayment of financial liabilities from right-of-use assets	–21,175	0
New financial liabilities	7,000	20,000
Repayment of financial liabilities	–759	–866
Interest paid from right-of-use assets	–4,085	0
Interest paid	–414	–848
Cash flow from financing activities	**–20,382**	**17,280**
Cash flow for the period	**–14,512**	**4,613**
Cash and cash equivalents at the beginning of the period	33,829	26,907
Cash and cash equivalents at the end of the period	**19,317**	**31,520**

The cash and cash equivalents at the end of the period correspond to the balance sheet item "cash an cash equivalents" and encompass primarily cash in hand and current bank credit balances.

Statement of changes in equity

In thousands of €	Subscribed capital	Capital reserve	Revenue reserve	Consolidated balance sheet result	Shares MEDICLIN Group	Non-controlling interests	Total equity
As of 01.01.2018	47,500	129,392	−22,440	31,079	185,531	−271	185,260
Total consolidated result	–	–	–	4,061	4,061	9	4,070
Other comprehensive income	–	–	0	–	0	0	0
Group comprehensive income	**–**	**–**	**0**	**4,061**	**4,061**	**9**	**4,070**
Dividend payout	–	–	–	−2,375	−2,375	–	−2,375
As of 30.06.2018	**47,500**	**129,392**	**−22,440**	**32,765**	**187,217**	**−262**	**186,955**

In thousands of €	Subscribed Capital	Capital reserve	Revenue reserve	Consolidated balance sheet result	Shares MEDICLIN Group	Non-controlling interests	Total equity
As of 01.01.2019	47,500	129,392	−21,667	36,382	191,607	−203	191,404
Total consolidated result	–	–	–	737	737	−14	723
Other comprehensive income	–	–	−7,664	–	−7,664	−56	−7,720
Group comprehensive income	**–**	**–**	**−7,664**	**737**	**−6,927**	**−70**	**−6,997**
Dividend payout	–	–	–	−2,375	−2,375	–	−2,375
As of 30.06.2019	**47,500**	**129,392**	**−29,331**	**34,744**	**182,305**	**−273**	**182,032**

Notes

General information

The unaudited consolidated interim financial statements of MEDICLIN for the first six months of the 2019 financial year were prepared in accordance with International Accounting Standard (IAS) 34. In the interim report, the Group principally applied the same accounting policies as in the consolidated financial statements for the 2018 financial year. It should thus be read in conjunction with the Annual Report published by the Group for the 2018 financial year and the interim report for the first quarter of 2019. The 2019 first-time adoption of the IFRS 16 "Leases" accounting standard, however, forms an exception which leads to significant changes compared to the previous year's financial statements.

The discount rate for pension obligations pursuant to IAS 19 amounts to 1.0 % as of 30 June 2019 (31.03.2019: 1.4 %; 31.12.2018: 1.9 %).

Effects of the IFRS 16 "Leases" accounting standard

In addition to changes in the figures, the transition to IFRS 16 also led to formal adjustments as some items were added to the consolidated interim balance sheet and the consolidated cash flow statement. The items "Right-of-use assets on land, land rights and buildings including buildings on third-party land" and "Right-of-use assets on operating and office equipment" were added to non-current assets, whereas the item "Financial liabilities from right-of-use assets" was added to both current and non-current liabilities. In the consolidated cash flow statement, the items "Repayment of financial liabilities from right-of-use assets" and "Interest paid from right-of-use assets" were added to the cash flow from financing activities.

The Group adopted the modified retrospective approach for the transition to IFRS 16. As such, the Group recognised right-of-use assets for leased objects of EUR 452.0 mill. and the corresponding lease liabilities in the same amount in the balance sheet as of 1 January 2019. The comparative figures of previous periods were not adjusted. In the course of the first-time adoption of IFRS 16, the Group first recognised lease liabilities for leases that were classified as operating leases under IAS 17. The liabilities were measured as of 1 January 2019 at the present value of the remaining lease payments, which was discounted using the lessee's incremental borrowing rate.

The new provisions are not applied to leases with terms that end within twelve months of first-time application (01.01.2019). Such leases are recognised like short-term leases and accounted for as an expense. In general, the option to recognise the lease payments for short-term leases (term ≤ 12 months) directly as an expense will be exercised. Leases for low-value assets (IFRS 16.5(b) in conjunction with 16.B3 ff) are not subject to the right-of-use model either; they are still recognised as expenses. In this respect, the Group will apply the quantitative threshold of about EUR 5,000 USD published in the "Basis for Conclusions on IFRS 16, Note BC100". The option to account for the lease components of the contract and the associated non-lease components as a single lease contract pursuant to IFRS 16.15 will be exercised. The non-deductible input tax does not constitute a component of the lease payment and is neither considered in the recognition of the right-of-use asset nor the lease liability.

Reconciliation of the obligations from operating leases as of 31 December 2018 to opening balance of lease liabilities as of 1 January 2019:

RECONCILIATION OF LEASE LIABILITIES

In millions of €	
Off-balance sheet lease and rental obligations as of 31.12.2018	**508.0**
Major rent-related obligations (property tax)	9.3
Contracts/Contract components which were reassessed	–1.4
Short-term leases (< 12 months) recognised as expenses on a straight-line basis	–0.5
Leases for low-value assets recognised as expenses on a straight-line basis	–1.1
Others	–1.0
Gross lease liabilities as of 01.01.2019 pursuant to IFRS 16	**513.3**
Discounting	–61.3
Net lease liabilities as of 01.01.2019 pursuant to IFRS 16	**452.0**
Liabilities from finance leases recognised in the balance sheet as of 31.12.2018	**0.1**
Lease liabilities recognised in the balance sheet as of 01.01.2019	**452.1**

The 21 rented clinic properties recognised as operating leases up to and including 2018 have the most significant impact on the future net assets, financial position and results of MEDICLIN. 20 of these 21 clinic properties belong to the post-acute segment, while one clinic belongs to the acute segment. In addition, the Group has long-term leases for other properties, vehicles and printers and, to a very small extent, medical devices. Compared to the 21 clinic properties, however, these are immaterial.

With the exception of one contract, the 21 clinic leases expire in 2027. One contract was extended by another 20 years in 2018. Due to the indexed rents, the lease liability and the underlying right-of-use asset are redetermined every year in line with the rent increases. This, however, does not affect the underlying interest rate. In addition to the indexed lease payment, the property tax (ancillary operating costs) and the expenses for real estate management are also considered when calculating the lease liability. The calculation of the lease liability is based on interest rates with matching maturities. The right-of-use assets are measured applying the acquisition cost model and depreciated on a straight-line basis over the remaining lease term. Deferred taxes are determined by applying an average tax rate of 15.825 %. The weighted average incremental borrowing rate that was applied to the lease liabilities as of 1 January 2019 is 1.85 %.

Another change affects the cash flow statement. Previously, the payments for operating leases were recognised in the cash flow from operating activities. Following application of IFRS 16, the cash payments for the repayment portion of the lease liability and the interest portion in future will be recognised in the cash flow from financing activities. This means that the cash flow from operating activities will improve by the amount of the lease payments at the expense of the cash flow from financing activities.

Other information

Standards published by the EU Commission and adopted into EU law in the first six months of 2019

The following amendments to standards as well as one new interpretation were published by the EU Commission and adopted into EU law in the first six months of the 2019 financial year. The amendments had to be applied retroactively from 1 January 2019.

Standard	Adopted into EU law by	Must be applied as from
Amendments to IAS 28 "Investments in Associates and Joint Ventures"	Commission Regulation (EU) No 2019/237 of 8 February 2019	01.01.2019
Amendments to IAS 19 "Employee Benefits"	Commission Regulation (EU) No 2019/402 of 13 March 2019	01.01.2019
"Annual Improvements to IFRSs 2015–2017 Cycle"	Commission Regulation (EU) No 2019/412 of 14 March 2019	01.01.2019

Commission Regulation (EU) No. 2019/237 of 8 February 2019 covers amendments to **IAS 28 "Investments in Associates and Joint Ventures"** published by the International Accounting Standards Board (IASB) on 12 October 2017. It was published in the Official Journal of the European Union on 11 February 2019. The amendments to IAS 28 clarify that IFRS 9 must be applied to long-term interests in associates and joint ventures to which the equity method is not applied. The amendments become effective retrospectively for reporting periods beginning on or after 1 January 2019. Premature application is permitted. The amendments are currently of no relevance to MEDICLIN.

Commission Regulation (EU) No. 2019/402 of 13 March 2019 covers amendments to **IAS 19 "Employee Benefits"** published by the International Accounting Standards Board (IASB) on 7 February 2018. It was published in the Official Journal of the European Union on 14 March 2019. These amendments clarify that an entity must apply the assumptions used for the remeasurement of net debt from defined benefit plans (asset) until the end of the remaining reporting period after a plan amendment, curtailment or settlement. In these cases, the current service costs and the net interest for the period after the remeasurement are also determined using the assumptions used for the remeasurement. The current assumptions used are the same as those used for the determination of the net debt. Other than usual, the value is thus not determined on the basis of the values at the beginning of the period; this has an effect on the result (profit or loss) in the period after remeasurement. If the aforementioned circumstances have an effect on the asset ceiling, such effect is recognised in other comprehensive income, meaning that the reclassification has no effect on profit or loss. The amendments become effective retrospectively for reporting periods beginning on or after 1 January 2019. The amendments are currently of no relevance to MEDICLIN.

Commission Regulation (EU) No. 2019/412 of 14 March 2019 covers the **"Annual Improvements to IFRSs 2015–2017 Cycle"** published by the International Accounting Standards Board (IASB) on 12 December 2017. It was published in the Official Journal of the European Union on 15 March 2019. The amendments were as follows:

- **IFRS 3 "Business Combinations"**

  When an entity obtains control of a business that is a joint operation, the principles for step acquisitions must be applied. The interests in that business previously held by the acquirer must be remeasured (IFRS 3.42A).

- **IFRS 11 "Joint Arrangements"**

  When an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business (IFRS 11.B33CA).

- **IAS 12 "Income Taxes"**

  All income tax consequences of dividend payout must be recognised in the same way as the income that gave rise to the dividends. This means they must be recognised in profit or loss, unless the dividends are based on income that is recognised directly in comprehensive income or other equity (IAS 12.57A).

- **IAS 23 „Borrowing Costs"**

  If an entity borrows funds for acquiring qualifying assets, the cost of borrowings taken out specifically in connection with acquiring qualifying assets are not considered when calculating the capitalisation rate on borrowings until the related asset is ready for its intended use or sale (IAS 23.14).

  The amendments must be applied as from 1 January 2019. These amendments will have no material effects on the consolidated financial statements of MEDICLIN.

Annual General Meeting resolutions from 29 May 2019:

- Dividend payout in the amount of EUR 2,375,000.00 (EUR 0.05 per dividend-entitled share) and carryforward of the remaining balance sheet profit of MEDICLIN Aktiengesellschaft amounting to EUR 39,106,927.76 as of 31 December 2018 to new account.

- Approval of the members of the Management Board and Supervisory Board for the 2018 financial year.

- Election of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, as auditor and Group auditor for the 2019 financial year.

- Increase in the number of Supervisory Board members from 12 to 16, 8 of which are elected by the shareholders and 8 by the employees (amendment to the Articles of Incorporation) as well as election of the 8 shareholder representatives for the period until after the Annual General Meeting that will resolve on the approval or the 2023 financial year.

Subsequent events

Since 30 June 2019 there have been no occurrences or events of particular significance which MEDICLIN believes could have a material impact on the Group's net assets, financial position and results of operations.

Responsibility statement by the Management Board

We assure to the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, that the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

MEDICLIN Aktiengesellschaft

Offenburg, 1 August 2019

The Management Board

Quarterly development in the Group

In millions of €	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Sales	167.8	167.6	160.0	163.7	163.5	157.9
EBITDA	22.2	19.1	3.2	17.0	11.0	6.1
EBITDA margin in %	13.2	11.4	2.0	10.4	6.8	3.9
EBIT (operating result)	4.5	1.6	–2.7	11.5	5.6	0.7
EBIT margin in %	2.7	1.0	–1.7	7.0	3.4	0.4
Financial result	–2.5	–2.5	–0.7	–1.2	–0.7	–0.6
Total consolidated result	1.6	–0.9	–3.9	7.6	3.8	0.3
Earnings per share in €	0.04	–0.02	–0.08	0.16	0.08	0.00
Cash flow from operating activities	16.1	9.9	8.2	16.7	–0.1	5.5
Cash flow from operating activities per share in €	0.34	0.21	0.17	0.35	–0.01	0.12
Equity ratio in %	20.6	20.9	43.0	44.8	44.8	44.2
Gross capital expenditure (without right-of-use assets pursuant to IFRS 16)	10.5	11.2	17.1	12.5	10.2	9.5
Net financial debt	62.7	53.7	41.9	29.7	35.3	23.9
Number of cases (inpatient)	30,988	30,333	30,494	30,887	30,790	30,783
Number of beds (end of quarter)	8,346	8,336	8,324	8,321	8,290	8,281
Occupancy rates in %	89.1	88.5	87.2	89.7	90.8	88.4
Number of full-time employees (quarterly average)	7,368	7,325	7,306	7,267	7,193	7,138

Key data on the MEDICLIN share

ISIN: DE 000659 5101; WKN: 659 510; TICKER: MED

In € per share	H1 2019	H1 2018
Earnings, undiluted/diluted	0.02	0.09
Cash flow from operating activities	0.55	0.11
Book value[1] as of 30.06.	3.84	3.94
Share price as of 30.06.	5.200	6.150
52-weeks high	6.200	–
52-weeks low	4.960	–
Market capitalisation as of 30.06. in millions of €	247.0	292.1
Number of shares in millions	47.50	47.50

[1] Equity less non-controlling interests
Source: Deutsche Börse AG; Xetra/as of 05.07.2019

Financial calendar

22 February 2019
Disclosure of the preliminary figures for the 2018 financial year

29 March 2019
Annual press and analysts' conference for the 2018 financial year

6 May 2019
Publication of the interim report from 1 January 2019 to 31 March 2019

29 May 2019
Annual General Meeting

1 August 2019
Publication of the interim report from 1 January 2019 to 30 June 2019

5 November 2019
Publication of the interim report from 1 January 2019 to 30 September 2019

Adresses and imprint

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This Interim Report is also available in German.

This is a translation of the German Interim Report.

In case of divergence from the German version, the German version shall prevail.

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