

**Interim report of
MEDICLIN Aktiengesellschaft**
for the period from 1 January 2019 to 31 March 2019

MEDICLIN: Key data on business development

	Q1 2019	Q1 2018
Number of shares in millions	47.5	47.5
Number of cases (inpatient)	30,432	30,783
Number of beds as of 31.03.	8,336	8,281
Occupancy rates in %	88.6	88.4
Number of full-time employees (average number)	7,325	7,138
In millions of €	Q1 2019	Q1 2018
Cash flow from operating activities	9.9	5.5
Cash flow from operating activities per share in €	0.21	0.12
Sales	167.6	157.9
EBITDA	19.1	6.1
EBITDA margin in %	11.4	3.9
EBIT (operating result)	1.6	0.7
EBIT margin in %	1.0	0.4
Financial result	-2.5	-0.6
Total consolidated result	-0.9	0.2
Earnings per share in €	-0.02	0.00
Gross capital expenditure	11.2	9.5
Thereof subsidies	3.0	1.5
Interest coverage factor (EBITDA/interest result)	7.6x	10.7x
In millions of €	31.03.2019	31.12.2018
Balance sheet total	890.8	444.7
Equity	186.2	191.4
Equity ratio in %	20.9	43.0
Return on equity in % ¹	3.5	4.1
Financial liabilities (to banks)	75.4	75.7
Cash and cash equivalents	21.7	33.8
Net debt	53.7	41.9
Net debt/EBITDA ²	1.1x	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 31 March 2019

Report on the economic position for the first quarter of 2019

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

The corporate strategy of MEDICLIN Aktiengesellschaft (MEDICLIN) provides for annual sales growth of at least 5.0 %. This sales growth is the prerequisite for fulfilling the legislator's regulatory requirements and for being able to at least partially compensate for cost increases. The expenses for skilled staff, in particular, will continue to increase significantly in the health sector in 2019.

In the first quarter of 2019, Group sales of EUR 167.6 mill. were EUR 9.7 mill. or 6.1 % higher than in the comparable prior-year quarter. Sales in the post-acute segment rose by EUR 7.0 mill., while sales in the acute segment climbed by EUR 2.5 mill. Sales in the nursing care business area were slightly higher than the prior-year level. The reported Group operating result for the first quarter (Group EBIT) amounts to EUR 1.6 mill. The segment result of the post-acute segment came out to EUR 2.9 mill., whereas the segment result of the acute segment was EUR –0.5 mill. The transition to the new IFRS 16 "Leases" accounting standard had a positive effect of EUR 1.1 mill. on Group EBIT (EUR 1.0 mill. on the post-acute segment result and EUR 0.1 mill. on the acute segment result) in the first quarter of 2019.

Gross investments amounted to EUR 11.2 mill. in the first three months of the 2019 financial year (Q1 2018: EUR 9.5 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 31 March 2019 amounted to EUR 21.7 mill. (31.12.2018: EUR 33.8 mill.).

Outlook

The sales increase in the first quarter of 2019 implies a good start into the new financial year and the earnings performance is in line with the usual performance in the first three months of a year. Therefore the Management Board assumes that the forecast for the 2019 financial year can be met.

The first quarter of 2019 did not reveal any new risks or opportunities other than those published in the 2018 Annual Report (Risk and opportunity report, page 57 f. of the 2018 Annual Report).

Note

The new IFRS 16 "Leases" accounting standard and the effects of its application on MEDICLIN's Group accounting are explained in detail in the 2018 Annual Report from page 80.

Results of operation, financial position and net assets

Results of operation

SALES AND EARNINGS PERFORMANCE OF THE GROUP

	Q1 2019	Q1 2018
Group sales in millions of €	167.6	157.9
Raw materials and consumables used in millions of €	29.3	28.0
Cost of materials ratio in %	17.5	17.7
Staff costs in millions of €	106.3	99.6
Staff costs ratio in %	63.4	63.1
Depreciation and amortisation in millions of €	17.4	5.4
Other operating expenses in millions of €	15.3	25.9
Group operating result in millions of €	1.6	0.7

Group sales in the first quarter of the 2019 financial year were EUR 9.7 mill. or 6.1 % above the previous year's value. Raw materials and consumables used rose by EUR 1.3 mill. (+4.4 %). Staff costs increased by EUR 6.7 mill. (+6.7 %), which was mainly due to a higher number of employees (+ 187 full-time employees).

The effect of the transition to IFRS 16 on depreciation and amortisation and other operating expenses amounts to EUR +11.5 mill. and EUR –12.6 mill., respectively. In all other respects, depreciation and amortisation and other operating expenses developed in line with expectations.

The financial result amounted to EUR –2.5 mill. (Q1 2018: EUR –0.6 mill.). The IFRS-related change on interest expenses totals EUR –2.1 mill. The total consolidated result attributable to shareholders of MEDICLIN Aktiengesellschaft therefore amounted to EUR –0.9 mill. (Q1 2018: EUR 0.2 mill.). Earnings per share came to EUR –0.02 (Q1 2018: EUR 0.00).

The sales and earnings performance at segment level is shown in the segment reporting section.

FINANCIAL POSITION AND NET ASSETS

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

LIQUIDITY

in millions of €	Q1 2019	Q1 2018
Cash flow from operating activities	9.9	5.5
Thereof total consolidated result	-0.9	0.2
Cash flow from investing activities	-9.1	- 8.6
Cash flow from financing activities	- 12.9	19.7
Cash flow for the period	- 12.1	16.6
Cash and cash equivalents at the beginning of the period	33.8	26.9
Cash and cash equivalents at the end of the period	21.7	43.5

The cash flow from financing activities for the first quarter of 2019 shows EUR -10.5 mill. for repayments of financial liabilities for right-of-use assets and EUR -2.1 mill. for interest payments in connection with right-of-use assets. The first quarter of 2018 includes 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 €	31.03.2019	In % of balance sheet total	31.12.2018	In % of balance sheet total
Assets				
Non-current assets	740.4	83.1	296.2	66.6
Current assets	150.4	16.9	148.5	33.4
	890.8	100.0	444.7	100.0
Equity and liabilities				
Equity	186.2	20.9	191.4	43.0
Non-current liabilities	568.8	63.9	165.3	37.2
Current liabilities	135.8	15.2	88.0	19.8
	890.8	100.0	444.7	100.0

Compared with 31 December 2018, the balance sheet total has doubled, mainly due to the transition of IFRS 16. EUR +440.9 mill. of this increase refers to non-current assets, EUR +398.4 mill. to non-current liabilities and EUR +43.3 mill. to current liabilities.

SEGMENT REPORTING

SALES

In millions of €	Q1 2019	Q1 2018	Change in %
Post-acute	102.7	95.7	+7.4
Acute	59.6	57.1	+4.4
Other activities and reconciliation	5.3	5.1	+2.5
Thereof nursing care business area	3.9	3.9	+0.4
Group	167.6	157.9	+6.1

Sales in the post-acute segment were EUR 7.0 mill. or 7.4 % higher than in the first quarter of the previous year. Sales growth was driven mainly by demand for services in the fields of neurology, psychosomatics and geriatrics. Sales in the acute segment increased by EUR 2.5 mill. or 4.4 %, respectively. In the other activities segment sales rose by EUR 0.2 mill., while the sales in the nursing care business area were slightly above the prior-year quarter.

RAW MATERIALS AND CONSUMABLES USED

	Q1 2019	Q1 2018	Change in %
Post-acute			
Raw materials and consumables used in millions of €	19.4	18.5	+4.8
Cost of materials ratio in %	18.9	19.3	
Acute			
Raw materials and consumables used in millions of €	15.6	14.4	+8.1
Cost of materials ratio in %	26.1	25.2	

STAFF COSTS

	Q1 2019	Q1 2018	Change in %
Post-acute			
Staff costs in millions of €	56.9	52.7	+7.9
Staff costs ratio in %	55.4	55.1	
Acute			
Staff costs in millions of €	35.6	33.7	+5.8
Staff costs ratio in %	59.8	59.0	

Despite the considerable sales increase, raw materials and consumables used in the post-acute segment were only EUR 0.9 mill. higher year-on-year in the first quarter of 2019. Staff costs, in turn, showed a significant increase by 7.9 % or EUR 4.2 mill. In the acute segment the increase in the costs of staff and raw materials and consumables used exceeded the sales increase.

SEGMENT RESULT

in millions of €	Q1 2019	Q1 2018
Post-acute	2.9	1.1
Acute	-0.5	0.6
Other activities and reconciliation	-0.8	-1.0
Group	1.6	0.7

The segment result in the post-acute segment was EUR 2.9 mill. and was thus better than in the first quarter of 2018. The segment EBIT margin was 2.8 %. Earnings in the acute segment dropped to EUR -0.5 mill. The segment EBIT margin was -0.9 %.

Employees

Once more the number of employees, as calculated in full-time employees, increased considerably on the respective previous year's period. The Group employed an average of 323 trainees in the first quarter of 2019 (Q1 2018: 295 trainees).

QUARTERLY AVERAGE OF NUMBER OF EMPLOYEES IN THE GROUP AND THE SEGMENTS

Shown in full-time employees	Q1 2019	Q1 2018	Change
Post-acute	3,948	3,797	+ 151
Acute	2,116	2,087	+ 29
Other activities	1,261	1,254	+ 7
Thereof nursing care business area	202	217	- 15
Thereof service business area (including administration)	1,059	1,037	+ 22
Group	7,325	7,138	+ 187

Consolidated interim financial statements of MEDICLIN Aktiengesellschaft

for the period from 1 January 2019 to 31 March 2019

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as of 31 March 2019
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comprehensive income
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Consolidated interim balance sheet as of 31 March 2019

ASSETS

In thousands of €	31.03.2019	31.12.2018
NON-CURRENT ASSETS		
Goodwill and other intangible assets		
Concessions, licences	3,484	3,797
Goodwill	48,830	48,830
Payments on account	4,260	4,008
	56,574	56,635
Property, plant and equipment		
Land, land rights and buildings including buildings on third-party land	114,603	113,727
Right-of-use assets on land, land rights and buildings including buildings on third-party land	438,258	0
Technical equipment and machines	12,721	13,105
Operating and office equipment	43,109	42,590
Right-of-use assets on operating and office equipment	2,503	0
Payments on account and assets under construction	26,500	25,134
	637,694	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	37,382	37,644
	37,382	37,644
Deferred tax assets	7,834	6,476
	740,381	296,208
CURRENT ASSETS		
Inventories	6,981	7,461
Trade receivables	103,464	93,099
Current income tax claims	1,754	1,017
Other financial assets		
Receivables pursuant to hospital financial law	8,620	7,095
Other current financial assets	4,364	4,818
	12,984	11,913
Other assets	3,524	1,207
Cash and cash equivalents	21,700	33,829
	150,407	148,526
	890,788	444,734

EQUITY AND LIABILITIES

In thousands of €	31.03.2019	31.12.2018
EQUITY		
Shares MEDICLIN Group		
Subscribed capital	47,500	47,500
Capital reserve	129,392	129,392
Revenue reserve	-25,925	-21,667
Consolidated balance sheet result	35,474	36,382
	186,441	191,607
Non-controlling interests	-250	-203
	186,191	191,404
NON-CURRENT LIABILITIES		
Financial liabilities		
Liabilities to banks	54,580	54,853
	54,580	54,853
Liabilities from finance leases	67	73
Financial liabilities from right-of-use assets	398,433	0
Pensions and similar commitments	60,070	54,707
Other provisions	22,671	22,755
Other financial liabilities		
Liabilities pursuant to hospital financing law	30,672	30,672
Other financial liabilities	246	245
	30,918	30,917
Other payables	2,048	2,051
	568,787	165,356
CURRENT LIABILITIES		
Trade payables	12,546	17,105
Financial liabilities		
Liabilities to banks	20,869	20,831
	20,869	20,831
Liabilities from finance leases	25	24
Financial liabilities from right-of-use assets	43,301	0
Other provisions	11,785	11,968
Other financial liabilities		
Liabilities pursuant to hospital financing law	7,099	9,281
Other financial liabilities	4,770	4,846
	11,869	14,127
Other payables	35,415	23,919
	135,810	87,974
	890,788	444,734

Consolidated interim profit and loss account

In thousands of €	January – March 2019	January – March 2018
Sales	167,607	157,939
Other operating income	2,358	1,715
Total operating performance	169,965	159,654
Raw materials and consumables used		
a) Cost of raw materials and supplies	– 18,303	– 16,965
b) Cost of purchased services	– 10,959	– 11,064
	–29,262	–28,029
Staff costs		
a) Wages and salaries	–91,306	–85,845
b) Social security, pension and retirement	– 15,014	– 13,801
	– 106,320	–99,646
Other operating expenses	–15,329	–25,894
Result before interest, taxes, depreciation and amortisation / EBITDA	19,054	6,085
Depreciation and amortisation	–17,433	–5,410
Operating result / EBIT	1,621	675
Financial result		
a) Income from participations	0	0
b) Interest and similar income	57	14
c) Interest and similar expenses	–2,575	–583
	–2,518	–569
Result before tax	–897	106
Taxes on income	–27	142
Total consolidated result	–924	248
Thereof attributable to shareholders of MEDICLIN AG	–908	233
Thereof attributable to the non-controlling interests	– 16	15
Total consolidated result attributable to shareholders of MEDICLIN AG per share		
Undiluted in €	–0.02	0.00
Diluted in €	–0.02	0.00

Consolidated interim statement of comprehensive income

In thousands of €

	January – March 2019	January – March 2018
Total consolidated result	-924	248
Other comprehensive income		
Revaluation from defined benefit plans and similar obligations	-5,095	0
Taxes on income	806	0
Additions to value adjustments that are not reconciled to the total consolidated result	-4,289	0
Thereof attributable to shareholders of MEDICLIN AG	-4,258	0
Thereof attributable to non-controlling interests	-31	0
Additions to value adjustments that are reconciled to the total consolidated result	0	0
Group comprehensive income	-5,213	248
Thereof attributable to shareholders of MEDICLIN AG	-5,166	233
Thereof attributable to the non-controlling interests	-47	15

Consolidated cash flow statement

In thousands of €

	January – March 2019	January – March 2018
Total consolidated result	–924	248
Result of finance activities	2,518	569
Result of income taxes	27	–142
Operating result (EBIT)	1,621	675
Depreciation on fixed asset items	17,433	5,410
Result before interest, taxes, depreciation and amortisation (EBITDA)	19,054	6,085
Change in non-current provisions	5,022	–84
Change in current provisions	–183	–277
Result from the disposal of fixed asset items	–15	–2
Result from other non-cash items	–6,383	–767
Change in other current assets	–12,551	–5,317
Change in other non-current liabilities	–11	21
Change in other current liabilities	6,597	6,562
Payments received from interest	56	13
Income taxes paid	–1,666	–765
Cash flow from operating activities	9,920	5,469
Payments received from the disposal of fixed assets	64	7
From the disposal of property, plant and equipment	64	7
Cash used for investments	–9,134	–8,654
For intangible assets	–477	–671
For property, plant and equipment	–8,657	–7,983
Cash flow from investing activities	–9,070	–8,647
Cash used for/received from dual hospital financing	90	271
Repayment of financial liabilities from right-of-use assets	–10,549	0
New financial liabilities	0	20,000
Repayment of financial liabilities	–214	–210
Interest paid from right-of-use assets	–2,063	0
Interest paid	–243	–321
Cash flow from financing activities	–12,979	19,740
Cash flow for the period	–12,129	16,562
Cash and cash equivalents at the beginning of the period	33,829	26,907
Cash and cash equivalents at the end of the period	21,700	43,469

The cash and cash equivalents at the end of the period correspond to the balance sheet item “cash and cash equivalents” and encompass only 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	-	-	-	233	233	15	248
Other comprehensive income	-	-	0	-	0	0	0
Group comprehensive income	-	-	0	233	233	15	248
As of 31.03.2018	47,500	129,392	-22,440	31,312	185,764	-256	185,508

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	-	-	-	-908	-908	-16	-924
Other comprehensive income	-	-	-4,258	-	-4,258	-31	-4,289
Group comprehensive income	-	-	-4,258	-908	-5,166	-47	-5,213
As of 31.03.2019	47,500	129,392	-25,925	35,474	186,441	-250	186,191

Other information

General information

The unaudited consolidated interim financial statements of MEDICLIN for the first quarter of the 2019 financial year were prepared in accordance with International Accounting Standard (IAS) 34. Save for the changes resulting from the application of IFRS 16 "Leases", the same accounting policies as used in the consolidated financial statements for the 2018 financial year were also applied in this interim report. The interim report should therefore be read in conjunction with the Company's 2018 Annual Report. The discount rate for pension provisions pursuant to IAS 19 is 1.4 % (31.12.2018: 1.9 %).

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.

Subsequent events

Since 31 March 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.

MEDICLIN Aktiengesellschaft

Offenburg, 6 May 2019

The Management Board

Key data on the MEDICLIN share

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

In € per share	Q1 2019	Q1 2018
Earnings, undiluted/diluted	-0.02	0.00
Cash flow from operating activities	0.21	0.12
Book value ¹ as of 29.03.	3.93	3.91
Share price as of 29.03.	5.35	6.20
52-week high	6.40	-
52-week low	5.20	-
Market capitalisation as of 29.03. in millions of €	254.1	294.5
Number of shares in millions	47.5	47.5

¹ Equity less non-controlling interests

Source: Deutsche Börse AG; Xetra/as of 24.04.2019

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.

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.

Dieser Zwischenbericht liegt auch in deutscher Sprache vor.

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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