

Interim report of MEDICLIN Aktiengesellschaft

for the period from 1 January 2018 to 30 June 2018

Key data on business development in the Group

	H1 2018	H1 2017	Change in %
Number of shares in millions	47.5	47.5	0.0
Number of cases (inpatient)	61,731	61,071	+1.1
Number of beds as of 30.06.	8,290	8,268	+0.3
Occupancy rates in %	89.6	88.6	
Number of full-time employees (average number)	7,166	6,860	+4.5

In millions of €	H1 2018	H1 2017	Change in %
Cash flow from operating activities	4.9	-1.0	+567.3
Cash flow from operating activities per share in €	0.10	-0.02	+567.3
Sales	321.4	298.9	+7.5
EBITDAR	41.1	39.2	+4.7
EBITDAR margin in %	12.8	13.1	
EBITDA	17.1	15.7	+9.1
EBITDA margin in %	5.3	5.3	
EBIT (operating result)	6.3	5.6	+12.3
EBIT margin in %	2.0	1.9	
Financial result	-1.3	-0.9	-42.7
Total consolidated result attributable to shareholders of MEDICLIN AG	4.1	3.8	+7.1
Earnings per share in €	0.09	0.08	+7.1
Dividend per share in €	0.05	-	
Gross capital expenditure	19.7	20.6	-4.3
Thereof subsidies	4.1	3.9	+5.4
Proportion of own funds in %	79.0	80.9	
Interest coverage factor (EBITDA/interest result)	12.7x	16.7x	

In millions of €	30.06.2018	31.12.2017	Change in %
Balance sheet total	417.4	368.6	+13.2
Equity	187.0	185.3	+0.9
Equity ratio in %	44.8	50.3	
Return on equity in % ¹	2.3	2.1	
Financial liabilities (to banks)	66.8	47.5	+40.7
Cash and cash equivalents	31.5	26.9	+17.1
Net debt	35.3	20.6	+71.4
Net debt/EBITDA ²	1.2x	0.8x	

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 €-figures.

Interim Group management report of MEDICLIN Aktiengesellschaft

for the period from 1 January 2018 to 30 June 2018

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General information

The unaudited consolidated interim financial statements of MEDICLIN Aktiengesellschaft for the first six months of the 2018 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 2017 financial year. It should thus be read in conjunction with the Annual Report published by the Group for the 2017 financial year and the interim report for the first quarter of 2018. An exception are the standards applied for the first time in the 2018 financial year, i.e. IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". Both these new standards have no or hardly any effects. The prior-year figures were not adjusted.

Report on the economic position for the first six months of 2018

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

In the first six months of 2018, Group sales amounting to EUR 321.4 mill. were up EUR 22.5 mill. or 7.5 % on sales in the previous year's comparable period. The Group operating result improved by EUR 0.7 mill. compared to the previous year, up from EUR 5.6 mill. to EUR 6.3 mill.

Given the business performance in the first six months of the 2018 financial year, the Management Board assumes that the targets defined in the forecast report for 2018 will be reached. In the second half of 2018, the Management Board expects the Group to post sales growth in line with the first six months and a significantly better operating result.

Sales in the post-acute segment climbed by EUR 14.4 mill. (+7.9 %), some EUR 2.9 mill. of which were contributed by the medical facilities acquired in the second quarter of 2017. The segment EBIT was EUR 7.6 mill., up from EUR 7.0 mill. in the prior-year period (EBIT margin: 3.9 %). In the acute segment sales rose on the previous year by EUR 7.5 mill. (+7.0 %). The segment EBIT improved significantly by EUR 2.2 mill. from EUR -1.0 mill. to EUR 1.2 mill. (EBIT margin: 1.0 %). Sales in the nursing care business area rose by EUR 0.1 mill.

In the post-acute segment, full year sales percentage growth is expected to remain at the level seen in the first six months of 2018, with a segment result clearly above the figure in the period under review. The good sales development in the acute segment in the first six months of 2018 is expected to continue in the second half of the financial year, meaning that sales growth and the segment result are expected to meet the guidance.

Gross investments amounted to EUR 19.7 mill. in the first six months of the 2018 financial year (H1 2017: EUR 20.6 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 2018 amounted to EUR 31.5 mill. (31.12.2017: EUR 26.9 mill.).

At the end of the first quarter of 2018, MEDICLIN announced that it will be building a new clinic for neurology, neuro-intensive care and neurophysiology at the location of MediClin Hedon Klinik in Lingen. The construction costs of this new hospital will amount to about EUR 30.0 mill. At the end of March, MEDICLIN took out an annuity loan in the amount of EUR 20.0 mill. to cover part of these costs. The German federal state of Lower Saxony will subsidise this investment under the hospital financing law (Krankenhausfinanzierungsgesetz – KHG) and contribute EUR 20.0 mill., plus the interest for debt service.

The new loan and recognition of the subsidies resulted in a considerable increase in the balance sheet total on 30 June 2018 versus 31 December 2017. In the cash flow statement the cash flow from financing activities also increased accordingly.

The first six months of 2018 did not reveal any new risks or opportunities other than those published in the 2017 Annual Report (risk and opportunity report, page 49 ff. of the 2017 Annual Report).

The macroeconomic and sector-specific environment

The German economy is continuing to grow. However, the current economic indicators imply that the start into the second quarter was somewhat quieter than the German government anticipated in its spring projections in April. In its 2018 spring projections published at the end of April, the German government forecasted a (price-adjusted) increase in the gross domestic product (GDP) of 2.3 % in 2018, and 2.1 % in 2019. Low interests and, notwithstanding the possible trade war with the USA, generally good selling prospects in Germany and abroad as well as relative price stability and an unchanged positive labour and income development are driving the economy.

The sector-related environment has not changed significantly since the publication of the 2017 Annual Report. As such, there are no other 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 2018 financial year were up on the previous year's value, increasing by EUR 22.5 mill. or 7.5 %, respectively. Group sales for the first six months of 2018 include a sales increasing amount of EUR 0.3 mill. due to reclassifications as a consequence of applying IFRS 15. The reversal of impairments through profit or loss in the first half year of 2018 was higher than the impairments recognised. For more information, please refer to the notes on page 24 ff.

SALES AND EARNINGS PERFORMANCE OF THE GROUP

	H1 2018	H1 2017
Group sales in millions of €	321.4	298.9
Raw materials and consumables used in millions of €	56.9	55.1
Cost of materials ratio in %	17.7	18.4
Staff costs in millions of €	198.3	182.9
Staff costs ratio in %	61.7	61.2
Depreciation and amortisation in millions of €	10.8	10.1
Other operating expenses in millions of €	53.1	51.7
Group operating result in millions of €	6.3	5.6

Raw materials and consumables used only increased by EUR 1.8 mill. (+3.3 %) as especially external medical services could be replaced by in-house capacities in the first six months of 2018. Staff costs rose by EUR 15.4 mill. (+8.4 %), which is primarily due to a clearly higher number of employees (+306 full-time employees). The development of depreciation and amortisation and other operating expenses was in line with expectations.

The financial result of EUR –1.3 mill. was EUR 0.4 mill. lower than in the previous year. EUR 0.3 mill. thereof are attributable to interest expenses in connection with the external tax audit.

The total consolidated result attributable to shareholders of MEDICLIN Aktiengesellschaft was EUR 4.1 mill. (H1 2017: EUR 3.8 mill.). Earnings per share came to EUR 0.09 (H1 2017: EUR 0.08).

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 changes in the consolidated balance sheet as at 30 June 2018 versus 31 December 2017 refer to the recognition of the annuity loan and subsidies for the new clinic to be built in Lingen, which also caused the changes in the cash flow statement as compared to the previous year.

LIQUIDITY

In millions of €	H1 2018	H1 2017
Cash flow from operating activities	4.9	-1.0
Thereof total consolidated result	4.1	3.8
Cash flow from investing activities	-16.2	-17.1
Cash flow from financing activities	15.9	-1.6
Cash flow for the period	4.6	-19.7
Cash and cash equivalents at the beginning of the period	26.9	41.6
Cash and cash equivalents at the end of the period	31.5	21.9

The cash flow for the period results primarily from the cash flow from financing activities that includes the new annuity loan amounting to EUR 20.0 mill.

BALANCE SHEET STRUCTURE

In millions of €	30.06.2018	In % of balance sheet total	31.12.2017	In % of balance sheet total
Assets				
Non-current assets	269.1	64.5	239.7	65.0
Current assets	148.3	35.5	128.9	35.0
	417.4	100.0	368.6	100.0
Equity and liabilities				
Equity	187.0	44.8	185.3	50.3
Non-current liabilities	157.0	37.6	118.4	32.1
Current liabilities	73.4	17.6	64.9	17.6
	417.4	100.0	368.6	100.0

The balance sheet total increased by EUR 48.8 mill. since 31 December 2017. The receivables pursuant to hospital financing law, which are recognised under non-current assets, rose by EUR 24.1 mill. Current assets increased by EUR 19.4 mill., which is due primarily to the new annuity loan.

Non-current liabilities rose by EUR 38.6 mill. in total. EUR 19.1 mill. thereof are attributable to an annuity loan and EUR 20.2 mill. to liabilities pursuant to hospital financing law. Both amounts refer to the new MediClin Hedon clinic to be built in Lingen.

Current liabilities rose by EUR 8.5 mill. EUR 0.6 mill. thereof pertain to the aforementioned annuity loan, whereas EUR 4.0 mill. are liabilities pursuant to hospital financing law already mentioned above. Given higher provisions for vacations as of the reporting date, other payables increased by EUR 5.7 mill.

The application of IFRS 9 has no effects on the relevant balance sheet items. For more information, please refer to the notes on page 24 ff.

Segment reporting**SALES**

In millions of €	H1 2018	H1 2017	Change in %
Post-acute	196.9	182.5	+7.9
Acute	114.4	106.9	+7.0
Other activities and reconciliation	10.1	9.5	+7.0
thereof nursing care business area	7.7	7.6	+0.9
Group	321.4	298.9	+7.5

Sales in the post-acute segment were EUR 14.4 mill. or 7.9 % higher than in the prior-year period; EUR 2.9 mill. of this amount was contributed by the facilities acquired in May 2017. Sales growth was driven mainly by demand for services in the fields of neurology and psychosomatics. Sales in the acute segment were EUR 7.5 mill. higher than in the first six months of 2017. Following the measures initiated in this segment, the business performance is stable. In the other activities segment, sales of the nursing care business area improved by EUR 0.1 mill.

Despite a sales increase in the post-acute segment, the cost of raw materials and consumables used declined, which was due in particular to a decline in external medical services used. Staff costs rose significantly by 11.3 % mainly according to the increased number of employees (+245 full-time employees). Segment EBIT improved from EUR 7.0 mill. to EUR 7.6 mill. The segment EBIT margin was 3.9 % (H1 2017: 3.9 %). In the acute segment, the cost of raw materials and consumables used increased by 1.5 %, while staff costs rose by 6.9 %. The number of full-time employees rose by 51 full-time employees. Segment EBIT improved by EUR 2.2 mill. from EUR –1.0 mill. to EUR 1.2 mill. The segment EBIT margin was 1.0 % (H1 2017: –0.9 %).

RAW MATERIALS AND CONSUMABLES USED

	H1 2018	H1 2017	Change in %
Post-acute			
Raw materials and consumables used in millions of €	36.8	37.5	–2.0
Cost of materials ratio in %	18.7	20.6	
Acute			
Raw materials and consumables used in millions of €	29.4	29.0	+1.5
Cost of materials ratio in %	25.7	27.1	

STAFF COSTS

	H1 2018	H1 2017	Change in %
Post-acute			
Staff costs in millions of €	105.8	95.1	+11.3
Staff costs ratio in %	53.8	52.1	
Acute			
Staff costs in millions of €	66.6	62.3	+6.9
Staff costs ratio in %	58.3	58.3	

SEGMENT RESULTS

In millions of €	H1 2018	H1 2017
Post-acute	7.6	7.0
Acute	1.2	–1.0
Other activities and reconciliation	–2.5	–0.4
Group	6.3	5.6

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 item:						
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/liabilities	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

SEGMENT RESULTS AND NET ASSETS IN THE FIRST HALF OF 2017

In millions of €	Post-Acute	Acute	Other activities	Subtotal	Reconciliation	Group
Sales	182.5	106.9	36.1	325.5	-26.6	298.9
Total sales	185.5	108.0	38.0	331.5	0.0	331.5
Internal sales	3.0	1.1	1.9	6.0	26.6	32.6
Raw materials and consumables used	-37.5	-29.0	-13.5	-80.0	24.9	-55.1
Staff costs	-95.1	-62.3	-25.0	-182.4	-0.5	-182.9
Other operating expenses	-42.4	-15.9	-7.1	-65.4	13.7	-51.7
Segment result	7.0	-1.0	0.0	6.0	-0.4	5.6
Thereof non-cash items:						
Scheduled depreciation/write-ups	-5.7	-7.6	-1.0	-14.3	0.0	-14.3
Unscheduled depreciation/write-ups	0.0	0.0	0.0	0.0	0.0	0.0
Release of special item	0.4	3.8	0.0	4.2	0.0	4.2
Allowances	-0.2	0.0	0.0	-0.2	0.0	-0.2
Allocation of provisions/liabilities	-10.0	-7.3	-3.4	-20.7	-0.6	-21.3
Release of provisions/liabilities	0.3	0.2	0.1	0.6	0.2	0.8
Financial revenues	0.2	0.1	0.2	0.5	-0.3	0.2
Financial costs	-0.4	-0.5	-0.6	-1.5	0.4	-1.1
Financial result	-0.2	-0.4	-0.4	-1.0	0.1	-0.9
Taxes on income	0.0	-0.1	-0.3	-0.4	-0.5	-0.9
Assets	145.2	160.4	18.4	324.0	25.2	349.2
Liabilities	21.6	18.9	75.7	116.2	46.8	163.0
Gross capital expenditure	7.6	6.5	6.6	20.7	-0.1	20.6

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 2018 financial year, the social security pension funds accounted for 50.2 % (H1 2017: 49.4 %) of the demand for services in the post-acute segment, while the public health insurance funds made up 41.4 % (H1 2017: 41.8 %) of the demand for services in this segment. In the acute segment, 92.1 % of requested services (H1 2017: 92.8 %) were attributable to the public health insurance funds.

Capital expenditure

All in all, the Group invested some EUR 8.8 mill. in new buildings and expansions as well as capacity expansions of hospitals and nursing care homes in the first six months of 2018. Some EUR 3.7 mill. were invested in medical equipment and about EUR 3.3 mill. in EDP and licenses.

GROSS ADDITIONS TO NON-CURRENT ASSETS

In millions of €	H1 2018	H1 2017
Licences, concessions	1.8	2.9
Goodwill	0.0	0.1
Land, buildings	1.3	3.6
Technical Equipment, EDP	0.7	1.5
Operating and office equipment	6.7	7.9
Payments on account and assets under construction	9.2	4.6
Total	19.7	20.6

Employees

The average number of full-time employees has increased significantly by 306 employees compared to the prior-year six-month period. On average, this means that MEDICLIN employs about 465 more persons than in the previous year. The overall headcount is about 9,963. The Group employed an average of 289 trainees in the first six months of 2018 (H1 2017: 270 trainees).

AVERAGE NUMBER OF EMPLOYEES IN THE GROUP AND IN THE SEGMENTS

Shown in full-time employees	H1 2018	H1 2017	Change
Post-acute	3,836	3,591	+ 245
Acute	2,091	2,040	+ 51
Other activities	1,239	1,229	+ 10
Thereof nursing care business area	215	197	+ 18
Thereof service business area (including administration)	1,024	1,032	- 8
Group	7,166	6,860	+ 306

KEY DATA PER FULL-TIME EMPLOYEE IN THE GROUP

in €	H1 2018	H1 2017
Sales per full-time employee	44,858	43,575
Staff costs per full-time employee	27,671	26,665

Report concerning related parties

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

In millions of €	H1 2018	H1 2017
Income		
Sales from post-acute, acute and nursing care services	0.9	0.9
Real estate management income	0.2	0.2
Pension payments of MAUK ¹	0.5	0.4
Service contracts	0.3	0.3
Expenses		
Lease expenses ²	22.8	22.4
Real estate management costs	0.4	0.4
Insurance premiums	0.9	0.8
Service contracts	2.9	3.4
Remuneration for key management personnel	1.1	1.1
Payments to MAUK ¹	0.4	0.4
IT services	1.4	1.4
Other purchased goods and services	0.0	0.2

In millions of €	30.06.2018	31.12.2017
Receivables		
Repayment claims from preliminary financing of clinic expansion/building measures	0.2	0.3
Receivables from post-acute, acute and nursing care services	0.1	0.2
Liabilities		
Service contracts	0.1	0.2
Provisions for insurance payments	0.4	0.0
Provisions for remuneration for key management personnel	0.5	1.0

¹ Mitarbeiterunterstützungskasse der vereinigten Klinikbetriebe (MAUK)

² Lease expenses include EUR 22.4 mill. (H1 2017: EUR 22.1 mill.) in rental payments to the OIK-Immobilienfonds; for more details, see the following explanatory notes on the OIK-Immobilienfonds.

The provisions for remuneration for key management personnel are due within the time frame of one year (31.12.2017: EUR 985 thou.).

OIK-Immobilienfonds

MEDICLIN Aktiengesellschaft (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 respective 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 have been sold and rented back between 1999 and 2001. 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 2017 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 2018 financial year, and there were no changes in the risk and opportunity management; hence we refer to the information provided in the 2017 Annual Report.

MEDICLIN Aktiengesellschaft

Offenburg, 2 August 2018

The Management Board

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 2018 to 30 June 2018

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Consolidated interim balance sheet as of 30 June 2018

ASSETS

In thousands of €	30.06.2018	31.12.2017
NON-CURRENT ASSETS		
Goodwill and other intangible assets		
Concessions, licences	3,404	3,593
Goodwill	48,830	48,830
Payments on account	3,332	2,485
	55,566	54,908
Property, plant and equipment		
Land, land rights and buildings including buildings on third-party land	110,976	112,883
Technical equipment and machines	12,786	12,711
Operating and office equipment	40,049	39,126
Payments on account and assets under construction	17,703	12,786
	181,514	177,506
Financial assets		
Investment in stock of subsidiaries	65	65
Reinsurance cover	859	859
Other financial investments	2	2
	926	926
Other financial assets		
Receivables pursuant to hospital financing law	24,068	0
	24,068	0
Deferred tax assets	7,051	6,416
	269,125	239,756
CURRENT ASSETS		
Inventories	6,513	7,295
Trade receivables	90,779	84,003
Current income tax claims	642	0
Other financial assets		
Receivables pursuant to hospital financing law	9,839	3,789
Other current financial assets	4,613	5,535
	14,452	9,324
Other assets	4,385	1,341
Cash and cash equivalents	31,520	26,907
	148,291	128,870
	417,416	368,626

EQUITY AND LIABILITIES

In thousands of €	30.06.2018	31.12.2017
EQUITY		
Shares MEDICLIN Group		
Subscribed capital	47,500	47,500
Capital reserve	129,392	129,392
Revenue reserve	-22,440	-22,440
Consolidated balance sheet result	32,765	31,079
	187,217	185,531
Non-controlling interests	-261	-271
	186,956	185,260
NON-CURRENT LIABILITIES		
Financial liabilities		
Liabilities to banks	55,906	37,356
	55,906	37,356
Liabilities from finance leases	85	97
Pensions and similar commitments	55,753	55,237
Other provisions	22,615	22,689
Other financial liabilities		
Liabilities pursuant to hospital financing law	20,215	0
Other financial liabilities	314	382
	20,529	382
Other payables	2,106	2,648
	156,994	118,409
CURRENT LIABILITIES		
Trade payables	10,763	13,717
Financial liabilities		
Liabilities to banks	10,894	10,135
	10,894	10,135
Liabilities from finance leases	6,265	6,358
Other provisions	5,878	5,983
Current income tax liabilities	0	139
Other financial liabilities		
Liabilities pursuant to hospital financing law	7,358	1,870
Other financial liabilities	5,962	6,132
	13,320	8,002
Other payables	26,346	20,623
	73,466	64,957
	417,416	368,626

Consolidated interim profit and loss account

In thousands of €	January – June 2018	January – June 2017	April – June 2018	April – June 2017
Sales	321,450	298,923	163,511	151,835
Other operating income	3,977	6,518	2,262	3,696
Total operating performance	325,427	305,441	165,773	155,531
Raw materials and consumables used				
a) Cost of raw materials and supplies	-35,085	-31,956	-18,120	-15,601
b) Cost of purchased services	-21,796	-23,131	-10,732	-11,870
	-56,881	-55,087	-28,852	-27,471
Staff costs				
a) Wages and salaries	-169,425	-156,277	-83,581	-77,524
b) Social security, pension and retirement	-28,867	-26,646	-15,066	-14,043
	-198,292	-182,923	-98,647	-91,567
Other operating expenses	-53,115	-51,726	-27,220	-25,244
Result before interest, taxes, depreciation and amortisation / EBITDA	17,139	15,705	11,054	11,249
Depreciation and amortisation	-10,824	-10,082	-5,414	-5,149
Operating result / EBIT	6,315	5,623	5,640	6,100
Financial result				
a) Income from participations	0	0	0	0
b) Interest and similar income	50	184	36	179
c) Interest and similar expenses	-1,395	-1,127	-812	-574
	-1,345	-943	-776	-395
Result before tax	4,970	4,680	4,864	5,705
Taxes on income	-900	-865	-1,042	-1,045
Total consolidated result	4,070	3,815	3,822	4,660
Thereof attributable to shareholders of MEDICLIN AG	4,061	3,792	3,827	4,623
Thereof attributable to non-controlling interests	9	23	-5	37
Total consolidated result attributable to shareholders of MEDICLIN AG per share				
Undiluted (in €)	0.09	0.08	0.08	0.10
Diluted (in €)	0.09	0.08	0.08	0.10

Consolidated interim statement of comprehensive income

In thousands of €	January – June 2018	January – June 2017	April – June 2018	April – June 2017
Total consolidated result	4,070	3,815	3,822	4,660
Other comprehensive income				
Revaluation from defined benefit plans and similar obligations	0	964	0	964
Taxes on income	0	-152	0	-152
Additions to value adjustments that are not reconciled to the total consolidated result	0	812	0	812
Thereof attributable to shareholders of MEDICLIN AG	0	805	0	805
Thereof attributable to non-controlling interests	0	7	0	7
Additions to value adjustments that are reconciled to the total consolidated result	0	0	0	0
Group comprehensive income	4,070	4,627	3,822	5,472
Thereof attributable to shareholders of MEDICLIN AG	4,061	4,597	3,827	5,428
Thereof attributable to non-controlling interests	9	30	-5	44

Consolidated cash flow statement

In thousands of €	January – June 2018	January – June 2017
Total consolidated result	4,070	3,815
Result of finance activities	1,345	943
Result of income taxes	900	865
Operating result / EBIT	6,315	5,623
Depreciation on fixed asset items	10,824	10,082
Operating result / EBITDA	17,139	15,705
Change in deferred taxes	-635	-110
Change in non-current provisions	-49	-1,430
Change in current provisions	-105	-36
Result from the disposal of fixed asset items	-4	-126
Result from other non-cash items	0	812
Change in current income tax claims	-642	1
Change in other non-current financial assets	-24,068	0
Change in other current assets	-12,059	-13,362
Change in other non-current financial liabilities	20,215	0
Change in other non-current liabilities	-555	646
Change in other current liabilities	7,650	410
Payments received from interest and participations	48	183
Income taxes paid	-2,084	-3,730
Cash flow from operating activities	4,851	-1,037
Payments received from the disposal of fixed assets	127	787
From the disposal of property, plant and equipment	127	787
Payments received from investment subsidies	1,965	1,399
Cash used for investments	-18,241	-19,328
From company acquisition less cash and cash equivalents acquired	0	-2,719
In intangible assets	-1,451	-2,747
In property, plant and equipment	-16,790	-13,862
Cash flow from investing activities	-16,149	-17,142
Dividend distribution to shareholders of MEDICLIN AG	-2,375	0
New financial liabilities	20,000	0
Repayment of financial liabilities	-866	-1,186
Interest paid	-848	-423
Cash flow from financing activities	15,911	-1,609
Cash flow for the period	4,613	-19,788
Cash and cash equivalents at the beginning of the period	26,907	41,648
Cash and cash equivalents at the end of the period	31,520	21,860

The cash and cash equivalents at the end of the period correspond to the balance sheet item "cash and 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 01.01.2017	47,500	129,392	-22,172	27,172	181,892	-328	181,564
Total consolidated result	-	-	-	3,792	3,792	23	3,815
Other comprehensive income	-	-	805	-	805	7	812
Group comprehensive income	-	-	805	3,792	4,597	30	4,627
As of 30.06.2017	47,500	129,392	-21,367	30,964	186,489	-298	186,191

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
Distribution of dividends	-	-	-	-2,375	-2,375	-	-2,375
As of 30.06.2018	47,500	129,392	-22,440	32,765	187,217	-262	186,955

Notes

General information

The unaudited consolidated interim financial statements of MEDICLIN Aktiengesellschaft for the first six months of the 2018 financial year were prepared in accordance with International Accounting Standard 34. In the interim report, the Group principally applied the same accounting policies as in the consolidated financial statements for the 2017 financial year. It should thus be read in conjunction with the Annual Report published by the Group for the 2017 financial year and the interim report for the first quarter of 2018. An exception are the standards applied for the first time in the 2018 financial year, i.e. IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". Both these new standards have no or hardly any effects.

The discount rate for pension obligations pursuant to IAS 19 amounts to 1.8 % as of 30 June 2018 (31.03.2018: 1.8 %; 31.12.2017: 1.8 %).

Application of IFRS 15 "Revenue from Contracts with Customers"

In principle, the application of IFRS 15 from 1 January 2018 does not entail any material changes regarding the recognition of revenue at MEDICLIN, i.e. the recognition and measurement of hospital and rehabilitation services. MEDICLIN applied the modified retrospective approach for transition and recognised the cumulative effects pursuant to IFRS 15 C3 (b). There was no need to make adjustments to equity.

At MEDICLIN, control is passed, and revenue is recognised over time as the performance is rendered in accordance with the progress towards satisfaction of the performance obligation. Corrections with regard to revenue, for instance following a review by the German Health Insurance Medical Service (Medizinischer Dienst der Krankenversicherung, MDK), have been and are applied on the basis of various parameters as soon as the revenue is recognised.

Pursuant to IFRS 15, revenue has to be classified into different categories reflecting the effect of economic factors on the type, amount, time and uncertainty of revenue and cash flows. The current segment reporting already meets this requirement.

A breakdown of revenue by the degree of dependency on the most important customers is provided in the segment reporting section of the Annual Report in line with IFRS 8.34 "Information about major customers".

MEDICLIN does not break down its business activities into regional segments, as MEDICLIN only operates in Germany and regional characteristics are deemed to be irrelevant for the management of the Company. It does not seem expedient in the view of the management to break sales down any further as this would bring no material added value to the financial statements.

For a detailed description of IFRS 15, we refer to the extensive information in the 2017 Annual Report, pages 71 ff.

Effects of applying IFRS 15 “Revenue from Contracts with Customers”

Allowances on receivables due to validity risks are no longer shown in other operating expenses or other operating income since 1 January 2018. Instead, they are netted and recognised in revenue. MDK receivables with validity risks were already recognised in sales before, which is why the effects of applying IFRS 15 are only minor.

EUR 0.3 mill. were reclassified to sales in the first six months of the 2018 financial year, as the reversal of impairments through profit or loss was higher than impairments recognised.

Application of IFRS 9 “Financial Instruments”

Pursuant to the requirements of IFRS 9, MEDICLIN measures its financial assets as follows since 1 January 2018:

- at amortised cost
- at fair value through other comprehensive income or through profit and loss

In future, not only impairments that have occurred will be considered when determining whether financial instruments are impaired. Instead, these considerations will be based on the losses to be expected.

The classification and measurement rules for financial liabilities have hardly changed through IFRS 9. The market value of financial liabilities to banks depends strongly on the creditworthiness of the debtor. In the past, a deterioration in the debtor's creditworthiness led to gains from the financial liabilities' decreasing market value that were recognised through profit or loss. Improvements in the debtor's creditworthiness, in turn, led to losses due to rising market values. In future, these effects from the change of an entity's own creditworthiness will be taken directly to equity.

For a detailed description of IFRS 9, we refer to the extensive information in the 2017 Annual Report, pages 72 ff.

Effects of applying IFRS 9 “Financial Instruments”

MEDICLIN only has very few non-current financial assets, which is why the changes due to the introduction of IFRS 9 refer primarily to the impairment of current financial assets recognised at amortised cost. The only exception is the disbursement claim for a subsidy loan in the amount of EUR 24.1 mill. committed in 2018.

Current financial assets include mainly trade receivables as well as cash and cash equivalents.

There was no need to adjust trade receivables as MEDICLIN had already been following the approach prescribed by IFRS 9. This is due to the fact that health insurance funds have invoices for services rendered checked in standardised random checks and individual checks by the MDK, resulting in a significant validity risk that MEDICLIN has already taken account of when recognising revenues.

The likelihood that cash and cash equivalents might be impaired is considered very low as bank balances can be called at any time and the creditworthiness of banking counterparties is monitored. Therefore there was no need to make value adjustments.

The market value of financial liabilities to banks depends strongly on the creditworthiness of the debtor. Given the good business performance of MEDICLIN, there was no need for adjustments in this respect.

With respect to trade payables and other financial liabilities with short-term maturities, the carrying amounts as of the reporting date correspond with their fair values. The carrying amount of liabilities from finance leases equals their current fair value.

Application and effects of IFRS 16 “Leases”

For a detailed description of IFRS 16, we refer to the information in the 2017 Annual Report, pages 70 ff.

Other information

Standards published by the EU Commission and adopted into EU law in the first six months of 2018

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 2018 financial year. The amendments to IFRS 12 had to be applied retroactively from 1 January 2017.

Standard	Adopted into EU law by	Must be applied as from
Amendments to IFRS 12 “Disclosure of Interests in Other Entities”	Regulation (EU) No. 2018/182 of 7 February 2018 (Annual Improvements to 2014–2016 Cycle)	01.01.2017
Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”	Regulation (EU) No. 2018/182 of 7 February 2018 (Annual Improvements 2014–2016 Cycle)	01.01.2018
Amendments to IAS 28 “Investments in Associates and Joint Ventures”	Regulation (EU) No. 2018/182 of 7 February 2018 (Annual Improvements 2014–2016 Cycle)	01.01.2018
Amendments to IFRS 2 “Share-based Payment”	Regulation (EU) No. 2018/289 of 26 February 2018	01.01.2018
Amendments to IAS 40 “Investment Property”	Regulation (EU) No. 2018/400 of 14 March 2018	01.01.2018
Amendments to IFRS 9 “Financial Instruments”	Regulation (EU) No. 2018/498 of 22 March 2018	01.01.2019
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	Regulation (EU) No. 2018/519 of 28 March 2018	01.01.2018

The standards in the above table that were already adopted into EU law in February 2018 were already explained in the 2017 Annual Report, which is why this report contains no more additional information. Presently, they are of no relevance to MEDICLIN. The effects of the standards adopted into EU law in March 2018 are explained below:

The amendments to IAS 40 "Investment Property" clarify that entities can only make transfers to, or from, investment properties when, and only when, there is evidence of a change in use. The amendments must be applied to payments that commence, are granted or modified in financial years beginning on or after 1 January 2018. The amendment is of no relevance to MEDICLIN.

The amendments to IFRS 9 "Financial Instruments" clarify how IFRS 9 classifies particular prepayable financial assets, stating that even negative compensation payments can be measured at amortised cost (or, depending on the business model, at fair value through other comprehensive income). The amendments must be applied for financial years beginning on or after 1 January 2019. Premature adoption is permitted. These amendments have no additional effects on MEDICLIN.

The interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration" clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation does not apply to income taxes, insurance contracts or reinsurance contracts. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation is of no relevance to MEDICLIN.

Annual General Meeting resolutions from 29 May 2018:

- Dividend distribution 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 41,883,866.10 as of 31 December 2017 to new account.
- The approval of the acts of the Management Board and Supervisory Board for the 2017 financial year.
- The election of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as auditor and Group auditor for the 2018 financial year.

Subsequent events

Since 30 June 2018 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, 2 August 2018

The Management Board

Quarterly development in the Group

In millions of €	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Sales	163.5	157.9	156.6	153.6	151.8	147.1
EBITDAR	23.1	18.0	24.1	30.9	23.0	16.2
EBITDAR margin in %	14.1	11.4	15.4	20.1	15.2	11.0
EBITDA	11.0	6.1	-7.8	19.1	11.2	4.5
EBITDA margin in %	6.8	3.9	-5.0	12.4	7.4	3.0
EBIT (operating result)	5.6	0.7	-12.7	13.7	6.1	-0.5
EBIT margin in %	3.4	0.4	-8.1	8.9	4.0	-0.3
Financial result	-0.7	-0.6	-0.9	-0.6	-0.4	-0.5
Result attributable to shareholders of MEDICLIN AG	3.9	0.2	-11.4	11.5	4.6	-0.8
Earnings per share in €	0.09	0.00	-0.24	0.24	0.10	-0.02
Cash flow from operating activities	-0.4	5.2	8.4	11.9	-0.3	-0.7
Cash flow from operating activities per share in €	-0.01	0.11	0.18	0.25	-0.01	-0.01
Equity ratio in %	44.8	44.2	50.3	54.6	53.3	51.7
Gross capital expenditure	10.2	9.5	10.9	15.3	9.4	11.2
Net financial debt	35.3	23.9	20.6	19.7	26.3	17.4
Number of cases (inpatient)	30,915	30,816	30,283	30,906	30,911	30,159
Number of beds (end of quarter)	8,290	8,281	8,267	8,267	8,268	8,084
Occupancy rates in %	90.8	88.4	87.1	88.4	89.1	88.2
Number of full-time employees (quarterly average)	7,193	7,138	7,123	7,014	6,921	6,800

Key data on the MEDICLIN share

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

In € per share	H1 2018	H1 2017
Earnings, undiluted/diluted	0.09	0.08
Cash flow from operating activities	0.10	-0.02
Book value ¹ as of 30.06.	3.94	3.93
Share price as of 30.06.	6.150	5.700
52-weeks high	6.880	-
52-weeks low	5.500	-
Market capitalisation as of 30.06. in millions of €	292.1	270.8
Number of shares in millions	47.50	47.50

¹ Equity less non-controlling interests
Source: Deutsche Börse AG; Xetra/as of 04.07.2018

Financial calendar

22 February 2018

Disclosure of the preliminary figures
for the 2017 financial year

23 March 2018

Annual press and analysts' conference
for the 2017 financial year

7 May 2018

Publication of the interim report
from 1 January 2018 to 31 March 2018

29 May 2018

Annual General Meeting

2 August 2018

Publication of the interim report
from 1 January 2018 to 30 June 2018

5 November 2018

Publication of the interim report
from 1 January 2018 to 30 September 2018

Addresses and imprint

MEDICLIN Aktiengesellschaft

Okenstraße 27
77652 Offenburg
Germany
Phone +49 781 488-0
Fax +49 781 488-133
E-Mail info@mediclin.de
www.mediclin.de

Public Relations

Gabriele Eberle
Phone +49 781 488-180
Fax +49 781 488-184
E-Mail gabriele.eberle@mediclin.de

Investor Relations

Alexandra Mühr
Phone +49 781 488-326
Fax +49 781 488-184
E-Mail alexandra.muehr@mediclin.de

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.

www.mediclin.de