

Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg



# Consolidated interim report

as at 30 September 2014

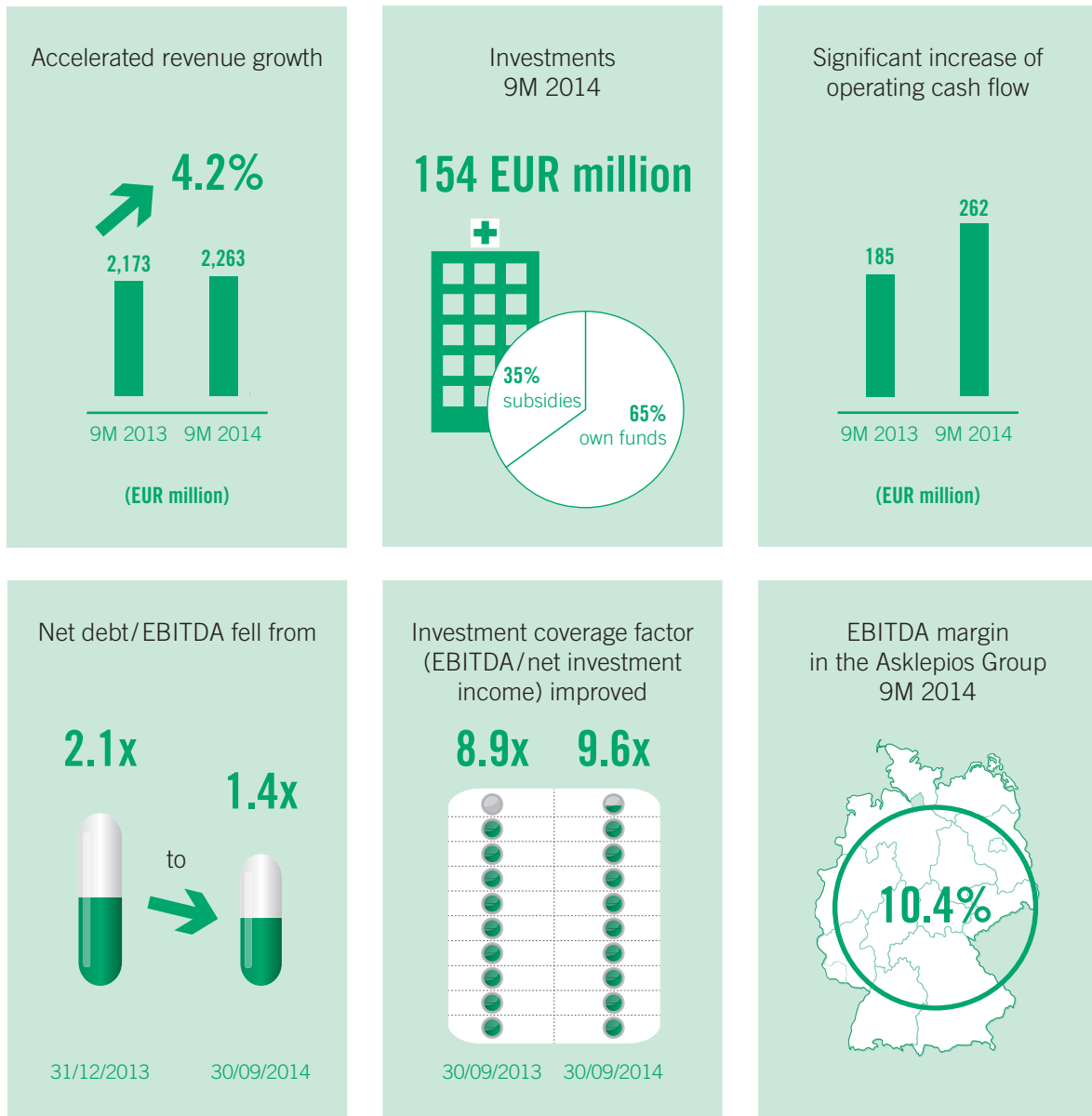
in accordance with International Financial Reporting Standards

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# Facts about the third quarter of 2014

Quality, innovation and social responsibility



## Group key figures as at 30 September 2014

		9 months 2014	9 months 2013 <sup>1)</sup>	Change
Number of patients		1,635,943	1,592,131	2.8%
Valuation ratio		432,890	427,020	1.4%
Number of beds		26,534	26,679	-0.5%
Employees (full-time equivalents)		34,174	34,794	-1.8%
Net cash from operating activities	EUR million	261.5	184.8	41.5%
Revenue	EUR million	2,263.3	2,173.0	4.2%
EBITDAR <sup>**)</sup>	EUR million	276.1	231.7	19.2%
<i>EBITDAR margin in %</i>		12.2	10.7	
EBITDA	EUR million	235.4	191.8	22.7%
<i>EBITDA margin in %</i>		10.4	8.8	
EBIT	EUR million	152.8	112.4	35.9%
<i>EBIT margin in %</i>		6.7	5.2	
Consolidated interim income	EUR million	109.8	73.4	49.6%
<i>Return on sales in %</i>		4.9	3.4	
Investments in property, plant and equipment and intangible assets	EUR million	154.1	171.3	-10.0%
<i>Proportion of own funds in %</i>		65.0	55.6	
Interest coverage factor (EBITDA/interest result)		9,6x	8,9x	

		30 Sep 2014	31 Dec 2013	Change
Total assets	EUR million	2,884.2	2,755.0	4.7%
Equity	EUR million	986.3	926.3	6.5%
<i>Equity ratio in %</i>		34.2	33.6	
Financial liabilities (excluding subordinated capital)	EUR million	706.0	734.9	-3.9%
Cash and cash equivalents	EUR million	289.4	204.1	41.8%
Net debt		416.6	530.8	-21.5%
Net debt/EBITDA <sup>***)</sup>		1.3x	1.9x	
Financial liabilities (including subordinated capital)	EUR million	753.0	802.8	-6.2%
Cash and cash equivalents	EUR million	289.4	204.1	41.8%
Net debt	EUR million	463.6	598.7	-22.6%
Net debt/EBITDA <sup>***)</sup>		1.4x	2.1x	

<sup>1)</sup> Prior-year figures adjusted

<sup>\*\*)</sup> Earnings before financial result, taxes, depreciation and amortisation and rent

<sup>\*\*\*)</sup> EBITDA of the preceding twelve months

# Interim Group management report

## A. Asklepios Group maintains high organic growth in third quarter

In the first nine months of 2014, Asklepios generated Group revenue totalling EUR 2,263.3 million, a 4.2% increase on the same period of the previous year. The income growth resulted primarily from a persistently high, overwhelmingly organic growth of patient numbers. From January to September 2014, a total of 1,635,943 patients were treated at the facilities of the Asklepios Group. Compared to the previous year, this equates to an increase of 43,812 cases or 2.8%.

The trend that saw the major cost items increasing at a partly much lower rate than revenue in the first half of 2014 continued in the third quarter, leading to a further improvement in earnings. In addition to stable human resources development, active management of operating costs made the greatest impact here. Overall, Asklepios achieved an operating margin at EBITDA level of 10.4% in the first nine months of 2014 (9M 2013: 8.8%). The return on sales improved to 4.9% in the reporting period after 3.4% in the same period of the previous year.

Net cash from operating activities amounted to EUR 261.5 million, also significantly higher than in the previous year (EUR 184.8 million). This was particularly due to the improved earnings situation and the optimisation of working capital. Sustained high capital expenditure on property, plant and equipment and debt repayments was financed entirely from operating cash flow.

On 30 September 2014, the Group's net debt had fallen by a further 22.6% to EUR 463.6 million (31 December 2013: EUR 598.7 million). Only EUR 47.0 million (31 December 2013: EUR 67.9 million) of this figure still related to subordinated capital at a higher interest rate. The debt ratio fell further to 1.4 times EBITDA compared to 2.1 times EBITDA as of 31 December 2013. Solid financial and capital structures also continue to characterise the Asklepios Group. The equity ratio improved to 34.2% as of 30 September 2014 (31 December 2013: 33.6%). Cash and cash equivalents of EUR 289.4 million (31 December 2013: EUR 204.1 million) and unutilised credit facilities of approximately EUR 462.0 million mean that the Group has sufficient financial reserves for high internally financed capital expenditure.

### **Investments for the benefit of patients and employees**

In September 2014, Asklepios Klinikum Harburg opened its new building in Hamburg after nearly two years of construction and total investment of EUR 52.0 million. The extended Central Casualty Department, new cardiac catheterisation laboratories, a new computed tomography scanner, a hybrid operating theatre and state-of-the-art intensive care units are a sign of the consistent modernisation of Asklepios hospitals. The investments serve the best possible patient care as well as securing existing jobs and creating new jobs in the region. Alongside job security, Asklepios is particularly concerned with its employees' lasting job satisfaction. To compensate for the increasingly intense workload and to prevent potential overloading, Asklepios promotes the health of its employees, not just with the Asklepios Aktiv programme. As in all major new buildings, conversions and renovations, for example, modern facilities like ceiling hoists were also installed in Harburg to reduce Asklepios employees' physical workload. Furthermore, a total of 600 antimicrobial copper touch surfaces were installed in the intensive care units and other risk areas of the Asklepios Klinikum Harburg as an effective supplement to the established hygiene activities.

Basic, advanced and follow-up training meets high quality requirements with regard to both personal safety and that of the patients. Occupational safety measures through comprehensive training sessions also contribute to

employee safety. Asklepios sees training its employees as its most important success factor and therefore the basis for continuing to offer safe workplaces at all locations in future.

Special attention is paid to employee and patient safety in psychiatry. A special qualification measure – the Asklepios Specialist Qualification in Psychiatric Care – has been launched nationwide, founded on the bedrock of Asklepios employees' knowledge and abilities. Across all of the Asklepios Group's psychiatric facilities, accessible training with a standardised curriculum is being organised by employees for employees. This ensures that as many employees as possible regularly receive training in order to always remain at the cutting edge of therapy and care. Patient and employee safety go hand in hand in the Asklepios Group.

## B. General economic conditions

Economic development in Germany weakened in mid-2014. According to the German Federal Statistical Office, gross domestic product (GDP) in the second quarter of 2014 shrank by 0.2% compared to the first quarter of 2014 (when adjusted for prices, seasonal factors and calendar effects). Compared to the same quarter of the previous year, the German economy was on a moderate course of expansion with a GDP increase of 1.2% in the second quarter when adjusted for prices and calendar effects. In the first quarter of 2014, in contrast, growth was still at a two-year high of 2.3% year-on-year. Positive stimuli also came from private and government consumer demand again in the second quarter. However, investment declined; the drop was particularly drastic in the construction sector at 4.2% compared to the first quarter, although this was probably also a result of investments being brought forward due to the unusually mild winter of 2013/2014.

For the third quarter of 2014, the German Institute for Economic Research (DIW) again expects slight quarter-on-quarter growth of 0.2%, as indicated by the DIW Economic Barometer for September 2014. The Institute assumes that geopolitical crises such as in Ukraine and Iraq may have curbed economic output, but overall they probably had only minor slowing effects.

In its autumn projection of October 2014, the German federal government significantly reduced its forecast for economic growth in Germany in this year and the next. Gross domestic product is now expected to increase by 1.2% in 2014 and 1.3% in 2015. Previously, several economic research institutes had already lowered their growth forecasts. In its autumn forecast from the end of September, the Cologne Institute for Economic Research (IW) predicts growth of just 1.5% in both 2014 and 2015. The German economy is suffering from the sustained weakness of numerous neighbouring European countries and is also feeling the negative effects of the Ukraine conflict. IW argues that investing activity in Germany is also suffering from an economic policy that is inhibiting growth.

However, IW is anticipating continually positive but weakened development in the German employment market, stating that the unemployment rate is set to fall from 6.9% in 2013 to 6.7% in 2014 and further to 6.6% in 2015. According to the IW autumn forecast, consumer prices will rise by 1.25% in 2014 and 1.5% in 2015. In connection with this, however, IW sees a range of indications that the current moderate price development in the entire euro zone is only a temporary phase.

## C. General sector conditions

The Hospital Rating Report 2014 published by the Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) on the present economic situation of the hospital sector assumes that the financial aid enacted in 2013 from the federal government's "Aid package for hospitals" is resulting in stabilisation into 2014, but in the medium term the situation remains tense. According to this report, cost increases will be greater than income growth again 2015, as was the case for many years. Therefore, the prevailing investment backlog throughout the entire sector is also expected to continue. The authors estimate the current accumulated investment backlog at around EUR 15 billion. The report says hospitals would have to raise EUR 5.4 billion a year just to cover the present investment requirements. The central statement of the Hospital Rating Report is therefore that nearly half of the German hospital sector does not have sufficient capacity to invest to ensure the maintenance of assets. Around 13% of hospitals could exit the market by 2020.

Overall, however, cost increases in 2014 are funded somewhat better than in previous years. The financial aid for hospitals enacted prior to the 2013 federal election is contributing to this. The proportional refinancing of wage increases in 2013 and the care surcharge to offset the discounts for additional services are also having a positive impact in 2014. Moreover, the orientation value, the significant value for the increase in base rates at state level in 2014, is well above the values of previous years at 2.81%. The positive development of statutory health insurers' premium income is therefore at least partially passed on directly to the hospitals. The refinancing of the additional costs that arose from the amendment of German hygiene legislation in 2011 likewise enacted by the federal government last year will not have a significant effect, however.

In terms of demand, the situation varies considerably from regional to region and hospital to hospital, but overall the weakening of growth momentum observed in previous years is continuing. In some German states, the hospital market is still characterised by rising demand for medical services. At the same time, the performance of individual hospitals is very diverse. Developments range from declines in performance to growth well into the double-digit percentages. A year-on-year deceleration of growth can now also be discerned in the psychiatric departments, but the growth remains greater than in the somatic segment.

## D. Outlook

Asklepios uses its financial strength to make continuously high investments in its locations from own funds. The opening of Asklepios Klinikum Harburg's extensive new building in September 2014 is an outstanding example of this. But Asklepios also regularly invests in buildings and technical equipment in all other locations throughout Germany. The proportion of own funds in total investments in the current financial year will again be higher than the average in the hospital sector. In connection with substantial expenditure for the training and education of personnel, the Asklepios Group sees this as a significant reason for the ongoing organic growth of patient numbers. As well as increasing the attractiveness of the facilities for patients and referring doctors, the investments also frequently improve efficiency both in terms of the consumption of resources and clinical processes.

The organic growth is likewise supported by stronger cooperation and targeted network building within the Group, with a focus on establishing care structures that are as comprehensive as possible. Asklepios estimates that corresponding measures and targeted offerings in high-demand medical fields will make it possible to prevail in the present environment and to generate above-average growth.

The Asklepios Group's business goals for 2014 include organic revenue growth in a range of around 2% to 4% and a slight but sustainable increase in EBIT and EBITDA compared to the previous year. After the first nine months of 2014, Asklepios is firmly at the upper end of these targets with revenue growth of 4.2% and EBITDA of EUR 235.4 million.

We also expect to achieve our business goals over the year as a whole.

## E. Net assets, financial position and results of operations

### 1) Business performance and results of operations

EUR'000	9 months 2014	9 months 2013	Relative change
Revenue	2,263,305	2,173,002	4.2%
Other operating income	162,820	154,042	5.7%
Cost of materials	510,022	506,145	0.8%
Staff costs	1,456,503	1,410,845	3.2%
Other operating expenses (not including rental expenditure)	183,471	178,346	2.9%
<b>EBITDAR</b>	<b>276,129</b>	<b>231,708</b>	<b>19.2%</b>
Rental expenditure	40,739	39,939	2.0%
<b>EBITDA</b>	<b>235,390</b>	<b>191,769</b>	<b>22.7%</b>
Depreciation, amortisation and impairment	82,631	79,385	4.1%
<b>EBIT</b>	<b>152,759</b>	<b>112,384</b>	<b>35.9%</b>
Net finance costs	-22,871	-19,741	15.9%
Income taxes	-20,044	-19,196	4.4%
<b>Consolidated interim income</b>	<b>109,844</b>	<b>73,447</b>	<b>49.6%</b>

Revenue increased by 4.2% from EUR 2,173.0 million to EUR 2,263.3 million. This resulted from the number of patients increasing by 43,812 or 2.8% to 1,635,943. The growth was almost entirely organic.

84.7% (previous year: 85.0%) of revenue was generated in acute-care hospitals, 14.5% (previous year: 14.2%) in rehabilitation clinics and 0.8% (the same as in the previous year) in other facilities.

Other operating income of EUR 162.8 million (previous year: EUR 154.0 million) includes income from other services, additional operations, cost reimbursements, other grants and miscellaneous other operating income.



<b>Group key figures</b>	<b>9 months 2014</b>	<b>9 months 2013</b>	<b>Absolute change</b>
Total patients	1,635,943	1,592,131	2.8%
Valuation ratio	432,890	427,020	1.4%
Number of beds	26,534	26,679	-0.5%

Patient numbers increased from 1,592,131 in the same period of the previous year to their current level of 1,635,943. This effect primarily resulted from the stronger cooperation and targeted network building between Asklepios hospitals. The further expansion of care structures that are as comprehensive as possible in combination with targeted offerings in high-demand medical fields is the focus here. The somatic segment achieved performance growth (valuation ratio) of +1.4% (+5,870 valuation ratio) due to capex and structural measures.

Average inpatient case income increased slightly from EUR 3,794.88 to EUR 3,893.06 in the third quarter of 2014. With a slight decrease in the number of beds accompanied by a rise in the number of hospitalisation days in the post-acute area, utilisation increased to 84.2% (previous year: 83.2%).

The cost and earnings ratios developed as follows:

	<b>9 months 2014</b>	<b>9 months 2013</b>
Cost of materials ratio	22.5%	23.3%
Staff costs ratio	64.4%	64.9%
Other expenses ratio (not including rental expenditure)	8.1%	8.2%
Rental expense ratio	1.8%	1.8%
<b>EBITDA</b>	<b>10.4%</b>	<b>8.8%</b>
Depreciation and amortisation expense ratio	3.7%	3.7%
<b>EBIT</b>	<b>6.7%</b>	<b>5.2%</b>
Net finance costs ratio	-1.0%	-0.9%
Tax expense ratio	-0.9%	-0.9%
<b>Consolidated interim income</b>	<b>4.9%</b>	<b>3.4%</b>

The Asklepios Group succeeded in reducing the ratio of cost of materials and of staff costs in the third quarter of the current financial year. This was achieved even though, in terms of costs, increases in both staff costs and the cost of materials have been seen for some time due to quantitative and price effects. In addition, the discrepancy between rising costs due to continuously increasing energy prices, material and staff costs and capped remuneration for medical treatment is continuing to widen in 2014.

Cost of materials increased to a lower extent than revenue, rising by 0.8% or EUR 3.9 million to EUR 510.0 million in the third quarter. The cost of materials ratio was lowered from 23.3% in the previous year to 22.5% thanks to active cost management. The measures to cut operating expenses took effect, especially in the field of high-priced implants. Energy costs remained a cost driver, especially as the measures taken in this area will only take full effect in the coming years. Nevertheless, costs relating to water, energy and fuels were reduced. The high production costs for cytostatics also impacted the cost of materials, although these were offset by increased

income from dispensing cytostatics.

In absolute terms, staff costs also rose more slowly than revenue, increasing by 3.2% from EUR 1,410.8 million to EUR 1,456.5 million. This resulted in a reduction in the staff costs ratio from 64.9% to 64.4%. Overall, the absolute increase in staff costs was due to wage increases in collective agreements concluded in the previous year. In the current 2014 financial year, the present collective wage agreements are again having a negative impact on the earnings situation due to rising staff costs.

Asklepios reported a change in other operating expenses (excluding rental expenditure) of EUR 5.2 million to EUR 183.5 million (previous year: EUR 178.3 million). The ratio of 8.1% was slightly lower than the 8.2% of the previous year. Costs were increased in particular by expenses for litigation and damage claims, maintenance and servicing.

EBITDA improved to EUR 235.4 million in the third quarter of 2014 after EUR 191.8 million in the previous year. This corresponds to a margin of 10.4% in the third quarter of 2014 (previous year: 8.8%) and an increase of 1.6 percentage points.

In the third quarter of 2014, the depreciation and amortisation expense ratio was 3.7%, at the same level as in the previous year.

With EBIT amounting to EUR 152.8 million after EUR 112.4 million in the same period of the previous year, the EBIT margin improved to 6.7% (previous year: 5.2%).

The financial result was EUR -22.9 million (previous year: EUR -19.7 million). While interest income increased to EUR 1.9 million, interest expenses climbed by EUR 3.3 million to EUR 26.5 million.

Income taxes increased slightly to EUR -20.0 million (previous year: EUR -19.2 million).

Consolidated net income increased year-on-year, climbing from EUR 73.4 million to EUR 109.8 million in the period under review. In the third quarter of 2014, the return on sales was 4.9% (previous year: 3.4%).

## 2) Comparison of third quarter

July to September	2014	2013	Relative change
Patients	539,773	531,783	1.5%
<b>EUR'000</b>			
Revenue	752,488	728,311	3.3%
Other operating income	50,205	49,465	1.5%
Cost of materials	168,714	169,553	-0.5%
Staff costs	475,306	461,964	2.9%
Other operating expenses (not including rental expenditure)	61,035	61,822	-1.3%
<b>EBITDAR</b>	<b>97,638</b>	<b>84,437</b>	<b>15.6%</b>
Rental expenditure	13,827	13,072	5.8%
<b>EBITDA</b>	<b>83,811</b>	<b>71,365</b>	<b>17.4%</b>
Depreciation, amortisation and impairment	28,040	26,978	3.9%
<b>EBIT</b>	<b>55,771</b>	<b>44,387</b>	<b>25.6%</b>
<b>Operating cash flow</b>	<b>114,200</b>	<b>102,600</b>	<b>11.3%</b>

The quarterly comparison shows that the increase in patient numbers resulted in revenue growth of 3.3%. The Group's active cost management meant that the cost of materials declined in the third quarter compared to the same period of the previous year and the other expense ratios' development was largely stable. EBITDA increased by 17.4% and operating cash flow rose by EUR 11.6 million to EUR 114.2 million.

## 3) Financial position and net assets

As a conservative company in terms of finance, the Group's financing structure is generally long-term in nature. Accordingly, most underlying credit volumes are hedged against interest fluctuation risks in the long term. The operating management of cash and cash equivalents and the financing of Group entities are performed via the Group holding company. Cash and cash equivalents are invested carefully and with a view to creditworthiness, involving broad diversification across banks within the three major deposit protection systems in Germany.

In addition to cash and cash equivalents of EUR 289.4 million, the Group has unutilised credit facilities of around EUR 462.0 million at its disposal. The high internal financing power and the relatively moderate level of net debt protect the Group from further financial market risks.

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

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

EUR million	30 Sep 2014	31 Dec 2013
Financial liabilities (including subordinated capital)	753.0	802.8
Cash and cash equivalents	289.4	204.1
Net liabilities (including subordinated capital)	463.6	598.7
EBITDA (for the preceding four quarters)	328.0	284.4
<b>Net debt/EBITDA</b>	<b>1.4x</b>	<b>2.1x</b>

This means that, at 1.4x (31 December 2013: 2.1x), this indicator is well within the internally specified guidelines in the current financial year.

Compared with German industry as a whole and the relevant competitors within the industry, this leverage can be considered positively low. In addition, the interest coverage factor (EBITDA/interest result) amounted to 9.6x in the third quarter (same period of the previous year: 8.9x).

Summarised statement of financial position in EUR million	30 Sep 2014		31 Dec 2013	
Non-current assets	2,034.3	70.5 %	2,001.1	72.6 %
Current assets	849.9	29.5 %	753.9	27.4 %
<b>ASSETS</b>	<b>2,884.2</b>	<b>100 %</b>	<b>2,755.0</b>	<b>100.0 %</b>
Equity	986.3	34.2 %	926.3	33.6 %
Participation capital/subordinated capital	47.0	1.6 %	67.9	2.5 %
Non-current liabilities and provisions	1,262.0	43.8 %	1,237.4	44.9 %
Current liabilities and provisions	588.9	20.4 %	523.4	19.0 %
<b>EQUITY AND LIABILITIES</b>	<b>2,884.2</b>	<b>100.0 %</b>	<b>2,755.0</b>	<b>100.0 %</b>

The balance sheet and financing structures are sound. Total assets increased from EUR 2,755.0 million in the previous year to EUR 2,884.2 million. Equity rose by EUR 60.0 million to EUR 986.3 million. The equity ratio amounted to 34.2 % (31 December 2013: 33.6 %) of total assets. Non-current assets are covered by long-term disposable capital. Asklepios has permanent interest-free and redemption-free access to subsidies of approximately EUR 1,263.1 million (31 December 2013: EUR 1,287.1 million). As these subsidies will only fall due for repayment in the hypothetical event of no longer being included in the hospital plan, these funds are in effect similar to equity.

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

EUR million	9 months 2014	9 months 2013
EBITDA	235.4	191.8
Net cash from operating activities	261.5	184.8
Net cash used in investing activities	-100.4	-95.8
Net cash used in financing activities	-75.9	-106.4
<b>Change in cash and cash equivalents</b>	<b>85.3</b>	<b>-17.4</b>
Cash and cash equivalents on 1 January	204.1	145.9
<b>Cash and cash equivalents on 30 September</b>	<b>289.4</b>	<b>128.5</b>

As of 30 September 2014, cash and cash equivalents increased by EUR 85.3 million compared with 1 January 2014 to EUR 289.4 million. Net cash from operating activities amounted to EUR 261.5 million. Net cash from operating activities increased year-on-year due to the considerably higher level of EBITDA and the significant optimisation of working capital. A particular success was the three-day reduction of days sales outstanding compared to the third quarter of 2013. Cash flow from operating activities is offset by cash flow from investing activities including acquisitions of EUR 100.4 million (previous year: EUR 95.8 million).

Net cash used in investing activities of EUR 100.4 million primarily includes investments in non-current assets and the acquisition of financial assets. In addition, net cash used in financing activities amounted to EUR 75.9 million (previous year: EUR 106.4 million), largely as a result of the repayment of loans and subordinated loans.

## 4) Capital expenditure

The majority of capital expenditure in the third quarter of the financial year related to the following locations:

EUR million	9 months 2014
Asklepios Klinik Harburg, Hamburg	11.9
Asklepios Kliniken Hamburg corporate headquarters, Hamburg	9.7
Asklepios Klinik Wandsbek, Hamburg	5.6
Asklepios Klinik Altona, Hamburg	3.8
Asklepios Klinik St. Georg, Hamburg	3.5
Asklepios Fachklinikum Brandenburg	3.2
Asklepios Klinik Lindau	2.4
Asklepios Stadtklinik Bad Tölz	2.2
Asklepios Klinik Göttingen	2.0
Fachkrankenhaus Klinik Schildautal, Seesen	2.0

After deducting subsidised capital expenditure, net capital expenditure on property, plant and equipment and intangible assets totalled EUR 100.1 million (previous year: EUR 95.5 million), or 4.4% of revenue (previous year: 4.4%). The capital expenditure was fully financed by net cash from operating activities. Without deducting subsidies, capital expenditure amounted to EUR 154.1 million (previous year: EUR 171.8 million). This corresponded to 6.8% of revenue (previous year: 7.9%).

Maintenance and servicing expenses decreased year-on-year from EUR 67.3 million to EUR 65.1 million. Expressed as a percentage of revenue, 2.9% (previous year: 3.0%) was invested in ongoing maintenance. Asklepios therefore used 7.3% (previous year: 7.4%) of revenue for internally financed capital expenditure and maintenance.

## F. Forecast and risk and opportunity management

### 1) Risk and opportunity management

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

With regard to performance, the statutory regulation of the compensation system is proving to be a challenge. Performance increases are remunerated with price reductions of up to 65%. And when it comes to cost development, we also have to deal with steadily rising costs, especially staff costs and material expenses, which can be higher than growth due to performance increases. Adequately accounting for resulting income and cost risks is therefore one of the primary tasks of management in order to deal with the gap between income and cost increases that has been widening for years. On the other hand, such risks give rise to additional acquisition opportunities that we will continue to exploit in a selective but targeted way.

The examination procedure agreement for examinations by the MDK was concluded in July 2014. At present, the German Hospital Federation (DKG) and the GKV have yet to issue joint guidance on the interpretation of the examination procedure agreement, meaning that uncertainties concerning the agreed procedure will remain. Although it is generally assumed that the examination procedure will be accelerated, our view is that retrospective coding and, in particular, recoding within the examination procedure will be significantly impaired, while the previous flat-rate expenses of the health insurance funds for unsuccessful MDK examinations at hospitals will become less important. The transition to a flat-rate fee system for psychiatric and psychosomatic facilities (PEPP) in stationary acute care will also have an impact on our results of operations. The transition to PEPP is intended to be mandatory in 2015 but is designed to be budget-neutral until 2017. We are currently adjusting our internal processes to reflect these new requirements. The precise impact on our results of operations is generally expected to be low, although the corresponding empirical data will become more stable over the coming months and years.

In terms of financing, the Group is subject to fundamental capital market risks. However, as a conservative company in terms of finance, and on the basis of the investment terms of the real assets, Asklepios' financing strategy is long-term in nature and therefore contains manageable short-term refinancing risks.

The high levels of cash and cash equivalents, the constant cash flow, the favourable capital structure (low level of debt), broad diversification of financing partners as well as the extensive undrawn lines of credit demonstrate that we are largely independent of general developments on the capital markets. Accordingly, Asklepios considers the probability of occurrence of financing and liquidity risks that could also lead to rising interest expenses as moderate.

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

In addition, training and education of specialist and service staff are a high priority for us. By ensuring optimum qualification of our employees, we guarantee high innovation potential and forward-looking processes, not just in the field of advanced medicine, and systematically prevent the lack of qualified staff. Using this approach, we fulfil both our economic and our social responsibility and take advantage of the opportunity to strengthen our brand.

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

At the same time, we are aware that risks can arise from our patients' treatment processes due to unexpected disruptions.

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

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

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

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

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

Since the reporting as of 31 December 2013, there have been no significant changes in relation to opportunities and risks. As before, we do not see any risks jeopardising the continued existence of the individual companies or the Group.



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

No events significant for the assessment of the net assets, financial position and results of operations of the Asklepios Group occurred after 30 September 2014 up to the publication of this report.

The business goals for 2014 include organic revenue growth in a range of around 2% to 4% and a slight but sustainable increase of earnings at EBIT and EBITDA level compared to the previous year. The equity ratio is expected to increase slightly in the 2014 financial year compared to the previous year. After the major growth efforts, especially in connection with the takeover of what is now Asklepios Kliniken Hamburg GmbH and the consolidation of MediClin AG, the Group is now focusing further on increasing margins instead of external growth. However, Asklepios also regularly examines M&A opportunities with ongoing observation of the acute market in particular. The main area of interest is hospitals that offer a regionally and medically interesting addition to the existing portfolio of medical facilities. Market-leading clusters and integrated courses of treatment secure the Group an advantage over the competition. The focus will also remain on the non-cyclical acute market.

The stated goal remains sustainable business success – particularly in the interests of the patients. The number of beds is to increase on a continual basis over the current year on the basis of Group-wide quality management (2013 report on quality of medical outcomes, 8th edition). With regard to 2014 as a whole, the trend of previous years of a greater increase of outpatients than of inpatients is expected to be borne out. As things stand, the efforts also to tangibly increase the number of inpatients on an organic basis, like in the previous year, will be successful.

As well as financial figures, management will concentrate on two non-financial performance indicators when managing the company. Here, a slight year-on-year increase in valuation ratios and securing/slightly increasing the number of beds is the priority. An unchanged stable level is expected based on the continued measures to increase the Group's efficiency initiated in 2013. The new compensation system in psychiatric care is expected to be implemented cautiously – certain risks exist here based on the performance of valuation ratios, for which the Group is preparing itself.

# Consolidated interim financial statements

## Consolidated income statement<sup>\*)</sup>

EUR'000	Note	9 months 2014	9 months 2013 <sup>1)</sup>
Revenue	VI.1	2,263,305	2,173,002
Other operating income	VI.2	162,820	154,042
<b>Total operating revenue</b>		<b>2,426,125</b>	<b>2,327,044</b>
Cost of materials		510,022	506,145
Staff costs		1,456,503	1,410,845
Other operating expenses	VI.3	224,210	218,285
<b>EBITDA<sup>2)</sup></b>		<b>235,390</b>	<b>191,769</b>
Amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment		82,631	79,385
<b>EBIT<sup>3)</sup></b>		<b>152,759</b>	<b>112,384</b>
Net investment income		1,733	1,733
Interest and similar income		1,889	1,713
Interest and similar expenses		-26,494	-23,187
<b>Net finance costs</b>	VI.4	<b>-22,871</b>	<b>-19,741</b>
<b>Earnings before income taxes</b>		<b>129,888</b>	<b>92,643</b>
Income taxes	VI.5	-20,044	-19,196
<b>Consolidated interim income</b>		<b>109,844</b>	<b>73,447</b>
<i>of which attributable to the parent company</i>		<i>87,668</i>	<i>61,203</i>
<i>of which attributable to non-controlling interests</i>		<i>22,176</i>	<i>12,244</i>

<sup>1)</sup> Prior-year figures adjusted

<sup>2)</sup> Earnings before financial result, taxes and depreciation and amortisation

<sup>3)</sup> Earnings before financial result and taxes

## Consolidated statement of comprehensive income

EUR'000	9 months 2014	9 months 2013
<b>Consolidated interim income</b>	<b>109,844</b>	<b>73,447</b>
Change in intrinsic value of interest cap	203	0
Measurement of financial assets	15,519	617
Income taxes	-2,624	-98
<b>Total changes in value reclassified to profit or loss if certain conditions are met</b>	<b>13,098</b>	<b>519</b>
Change in actuarial gains (+)/losses (-) from defined benefit pension commitments and similar obligations	-72,977	-32,210
Income taxes	11,549	5,097
<b>Total changes in value not reclassified to profit or loss</b>	<b>-61,429</b>	<b>-27,113</b>
<b>Total changes in value recognised in equity (other comprehensive income)</b>	<b>-48,331</b>	<b>-26,594</b>
<b>Total comprehensive income (total consolidated interim income and other comprehensive income)</b>	<b>61,513</b>	<b>46,853</b>
<i>of which attributable to the parent company</i>	<i>55,867</i>	<i>40,770</i>
<i>of which attributable to non-controlling interests</i>	<i>5,646</i>	<i>6,084</i>

## Consolidated statement of cash flows

EUR'000	Note	9 months 2014	9 months 2013
<b>Consolidated interim income</b>		<b>109,844</b>	<b>73,447</b>
Income taxes		20,044	19,196
Net finance costs		22,871	19,741
Amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment		82,631	79,385
<b>Gross cash flow (EBITDA)</b>		<b>235,390</b>	<b>191,769</b>
Other non-cash transactions		939	-266
Changes in inventories, receivables and other assets		-4,332	-22,518
Changes in liabilities and provisions		39,578	34,709
Dividend received		1,733	1,733
Interest income		1,888	1,029
Income taxes paid	VI.5	-13,646	-21,589
<b>Net cash from operating activities</b>		<b>261,550</b>	<b>184,867</b>
Investments in property, plant and equipment and intangible assets		-100,193	-95,729
Proceeds from the disposal of non-current assets		454	2,703
Acquisitions of subsidiaries, equity investments and financial assets		-676	-2,823
<b>Net cash used in investing activities</b>		<b>-33,447</b>	<b>+625</b>
Borrowing (+)/repayment (-) of financial liabilities		-20,900	-60,757
Repayment of subordinated loans		-1,585	-18,479
Net cash used in hospital financing	VI.4	-18,477	-21,940
Interest expenses		-1,466	-5,863
Distributions		-16	0
<b>Changes in equity</b>		<b>-75,890</b>	<b>-106,414</b>
<b>Change in cash and cash equivalents</b>		<b>85,245</b>	<b>-17,396</b>
Cash and cash equivalents at the start of the period		204,142	145,945
<b>Cash and cash equivalents at the end of the period</b>	VII.5	<b>289,387</b>	<b>128,549</b>

## Consolidated statement of financial position

EUR'000	Note	30 Sep 2014	31 Dec 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill and other intangible assets	VII. 1	399,280	400,667
Property, plant and equipment	VII. 2	1,319,587	1,302,031
Financial assets accounted for using the equity method		4,043	3,372
Financial assets	VII. 6	169,105	153,584
Other financial assets	VII. 6	76,017	85,055
Trade receivables		579	359
Non-current income tax assets		1,601	2,194
Other assets		14	2,625
Deferred taxes		64,065	51,206
<b>Total non-current assets</b>		<b>2,034,291</b>	<b>2,001,093</b>
<b>Current assets</b>			
Inventories		108,439	90,194
Trade receivables		370,550	379,179
Current income tax assets		672	3,538
Other financial assets	VII. 6	70,486	69,142
Other assets		10,386	7,732
Cash and cash equivalents	VII. 5	289,387	204,142
<b>Total current assets</b>		<b>849,920</b>	<b>753,927</b>
<b>Total ASSETS</b>		<b>2,884,211</b>	<b>2,755,020</b>

EUR'000	Note	30 Sep 2014	31 Dec 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the parent company</b>			
Issued capital		1,022	1,022
Reserves		684,026	615,434
Consolidated net income		87,668	100,408
Non-controlling interests		213,573	209,393
<b>Total equity</b>	VII. 3	<b>986,289</b>	<b>926,257</b>
<b>Non-current liabilities</b>			
Trade payables		105	107
Participation capital/subordinated capital	VII. 4	0	7,000
Financial liabilities	VII. 6	666,053	699,222
Finance lease liabilities		8,852	9,124
Pensions and similar obligations		194,562	119,512
Other provisions		252,017	263,289
Deferred taxes		33,558	31,016
Other financial liabilities		94,374	100,120
Other liabilities		12,514	14,997
<b>Total non-current liabilities</b>		<b>1,262,035</b>	<b>1,244,387</b>
<b>Current liabilities</b>			
Trade payables		61,126	73,606
Participation capital/subordinated capital	VII. 4	47,000	60,900
Financial liabilities	VII. 6	39,932	35,712
Finance lease liabilities		153	203
Pensions and similar obligations		3,161	2,898
Other provisions		90,802	97,095
Current income tax liabilities		8,848	6,413
Other financial liabilities		139,104	117,927
Other liabilities		245,761	189,622
<b>Total current liabilities</b>		<b>635,887</b>	<b>584,376</b>
<b>Total EQUITY AND LIABILITIES</b>		<b>2,884,211</b>	<b>2,755,020</b>

## Statement of changes in consolidated equity 2014

2014 EUR'000	Equity attributable to the parent company				Total	Non-con- trolling interests	Equity
	Issued capital	Revenue reserves	Fair value reserves	Conso- lidated net income			
<b>As of 1 January 2014</b>	<b>1,022</b>	<b>616,631</b>	<b>-1,197</b>	<b>100,408</b>	<b>716,864</b>	<b>209,393</b>	<b>926,257</b>
Consolidated interim income	0	0	0	87,668	87,668	22,176	109,844
Other comprehensive income	0	-44,899	13,098	0	-31,801	-16,530	-48,331
<b>Total comprehensive income</b>	<b>0</b>	<b>-44,899</b>	<b>13,098</b>	<b>87,668</b>	<b>55,867</b>	<b>5,646</b>	<b>61,514</b>
Change in equity interests in consolidated companies	0	-15	0	0	-15	0	-15
Compensation payment obligations	0	0	0	0	0	-1,466	-1,466
Allocations to reserves	0	100,408	0	-100,408	0	0	0
<b>Total transactions recognised directly in equity</b>	<b>0</b>	<b>100,393</b>	<b>0</b>	<b>-100,408</b>	<b>-15</b>	<b>-1,466</b>	<b>-1,481</b>
<b>As of 30 September 2014</b>	<b>1,022</b>	<b>672,125</b>	<b>11,901</b>	<b>87,668</b>	<b>772,716</b>	<b>213,573</b>	<b>986,289</b>

2013 EUR'000	Equity attributable to the parent company				Total	Non-con- trolling interests	Equity
	Issued capital	Revenue reserves	Fair value reserves	Conso- lidated net income			
<b>As of 1 January 2013</b>	<b>1,022</b>	<b>556,248</b>	<b>-2,355</b>	<b>90,394</b>	<b>645,309</b>	<b>206,218</b>	<b>851,527</b>
Consolidated interim income	0	0	0	61,203	61,203	12,244	73,447
Other comprehensive income	0	-20,953	519	0	-20,433	-6,160	-26,593
<b>Total comprehensive income</b>	<b>0</b>	<b>-20,953</b>	<b>519</b>	<b>61,203</b>	<b>40,770</b>	<b>6,084</b>	<b>46,854</b>
Change in equity interests in consolidated companies	0	-808	0	0	-808	-1,849	-2,657
Compensation payment obligations	0	0	0	0	0	-112	-112
Allocations to reserves	0	90,394	0	-90,394	0	0	0
<b>Total transactions recognised directly in equity</b>	<b>0</b>	<b>89,586</b>	<b>0</b>	<b>-90,394</b>	<b>-808</b>	<b>-1,961</b>	<b>-2,769</b>
<b>As of 30 September 2013</b>	<b>1,022</b>	<b>624,881</b>	<b>-1,836</b>	<b>61,203</b>	<b>685,271</b>	<b>210,341</b>	<b>895,612</b>

# Notes to the consolidated interim financial statements

## I. Basis of the consolidated interim financial statements

The company is named Asklepios Kliniken Gesellschaft mit beschränkter Haftung (hereinafter also referred to as “AKG”, the “company” or the “Group”), Rübenkamp 226, 22307 Hamburg (Germany), and is entered in the commercial register of the Hamburg District Court under HRB 98981. The company was formed on 19 June 1985.

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

The Group operates facilities in numerous federal states in Germany. The Group structure is geared towards regional differences in terms of personnel and company law. The operating entities are mainly equity interests in the three sub-group interim financial statements of Asklepios Kliniken Verwaltungsgesellschaft mbH (“AKV”), Königstein im Taunus (100 % equity interest), Asklepios Kliniken Hamburg GmbH (“AKHH”), Hamburg (74.9 % equity interest), and MediClin Aktiengesellschaft, Offenburg (52.73 % equity interest), that are included in the consolidated interim financial statements.

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

## II. Accounting principles

The consolidated interim financial statements for the period as of 30 September 2014 have been prepared for the results of the first nine months of 2014 in accordance with the requirements of IAS 34 and, pursuant to section 315a of the German Commercial Code (HGB), in accordance with the requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board valid at the end of the reporting period and endorsed by the European Union in the versions effective from 2014.

The fair value reserve changed by EUR 13,098 thousand in the reporting period, with a balance of EUR 11,901 thousand as of 30 September 2014 (31 December 2013: EUR -1,197 thousand).

The change in the fair value of cash flow hedges of EUR -339 thousand (previous year: EUR -541 thousand) and the measurement of financial assets of EUR 12,240 thousand (31 December 2013: EUR -656 thousand) are recognised in this reserve.



## Reporting and reclassifications

For a transparent presentation of the results of operations, a portion of revenue was reclassified to other operating income in these financial statements. This primarily relates to income from rental and leasing, pharmacy income and tuition fees. In total, EUR 83.5 million was reclassified to other operating income in the same period of the previous year.

The consolidated interim financial statements do not contain all of the information that is required in the consolidated financial statements prepared at the end of the financial year and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2013.

In order to prepare the consolidated interim financial statements, the accounting policies presented in detail in the 2013 consolidated financial statements were applied unchanged with the exception of the following IFRSs that were required to be applied for the first time as at 1 January 2014. For details, please refer to the corresponding explanations.

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

- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- New version of IAS 27 - Separate Financial Statements
- New version of IAS 28 - Investments in Associates and Joint Ventures
- Amendments to IAS 32 - Financial Instruments - Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities - Transitional Provisions
- Amendments to IAS 36 - Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 - Financial Instruments - Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

No changes were required in the consolidated Group on the basis of the regulations of IFRS 10.

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

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

### III. Basis of consolidation

In addition to AKG as the ultimate parent, the consolidated Group also includes the subsidiaries over which AKG exercises control, either directly or indirectly. Subsidiaries are included in the consolidated financial statements by way of full consolidation from the date on which the Group obtains control, directly either or indirectly, meaning that it can control the financial and operating policy of the respective subsidiary.

Associates are entities over which the Group has significant influence but no control. Investments in associates are reported using the equity method.

As at 30 September 2014, Asklepios operates a total of 109 clinics and 33 additional healthcare facilities such as nursing homes, medical centres for shared practices and other medical centres. Asklepios has retained its investment in the Greek-based Athens Medical Center S.A. as a purely financial investment recognised using the equity method.

### IV. Business combination

#### Acquisitions in 2014

No business combinations have had to be accounted for in financial year 2014 to date.

### V. Accounting methods

#### 1) Goodwill and investments measured using the equity method

Goodwill and the carrying amounts of investments recognised using the equity method are tested for impairment once a year. Impairment testing also takes place if circumstances indicate that the carrying amount may be impaired. The key assumptions used to determine the recoverable amount are explained in the consolidated financial statements as of 31 December 2013.

#### 2) Sensitivity in relation to changes to the assumptions made

There were no significant changes as against the end of 2013 with regard to the calculation of value in use, the assumptions applied when calculating provisions, etc., with the exception of the assumptions and estimates regarding the defined-benefit pension obligation resulting from the termination with a pension institution and the change in the interest rate for pension provisions, which was set at 2.7% in this consolidated interim report (31 December 2013: 3.5%).

## VI. Selected notes to the consolidated interim income statement

### 1) Revenue

Revenue breaks down by business segment as follows:

EUR million	Q3 2014	Q3 2013	9 months 2014	9 months 2013
Business segments				
Clinical acute care	632.7	619.2	1,917.8	1,847.2
Post-acute and rehabilitation treatment	113.6	105.6	326.7	309.4
Social and welfare facilities	4.8	4.8	14.1	14.3
Other	1.4	-1.3	4.7	2.1
<b>Total</b>	<b>752.5</b>	<b>728.3</b>	<b>2,263.3</b>	<b>2,173.0</b>

### 2) Other operating income

Other operating income breaks down as follows:

EUR million	9 months 2014	9 months 2013
Income from operations	50.4	44.6
Income from ancillary, additional and other operations	50.6	50.3
Income from other grants	24.5	22.2
Income from cost reimbursements	23.2	25.9
Miscellaneous other operating income	14.1	11.0
<b>Total</b>	<b>162.8</b>	<b>154.0</b>

Income from operations includes income from pharmacy sales.

Miscellaneous other income comprises various items from current operations.

### 3) Other operating expenses

Other operating expenses relate to:

EUR million	9 months 2014	9 months 2013
Maintenance and servicing	65.1	67.3
Rental expenditure	40.7	39.9
Taxes, duties and insurance (including outstanding claims reserves)	27.6	20.1
Contributions, consulting and audit fees	21.7	21.1
Office supplies, postage and telephone charges	15.5	15.8
Other administrative and IT expenses	12.2	11.3
Training expenses	9.7	10.0
Advertising and travel expenses	9.5	9.3
Miscellaneous	22.2	23.5
<b>Total</b>	<b>224.2</b>	<b>218.3</b>

Miscellaneous other expenses comprise various items from current operations.

### 4) Net finance costs

Net finance costs break down as follows:

EUR million	9 months 2014	9 months 2013
Investment income	1.7	1.7
Interest and similar income	1.9	1.7
Interest and similar expenses	-26.5	-23.2
<i>of which interest and expenses from subordinated loans</i>	-2.8	-4.0
<b>Net finance costs</b>	<b>-22.9</b>	<b>-19.7</b>

### 5) Income taxes

Income taxes break down as follows:

EUR million	9 months 2014	9 months 2013
Current income taxes	-21.4	-18.2
Deferred income taxes	1.4	-1.0
<b>Total</b>	<b>-20.0</b>	<b>-19.2</b>

## VII. Selected notes to the consolidated interim statement of financial position

### 1) Goodwill and other intangible assets

2014 EUR'000	Goodwill	Other intan- gible assets	Prepayments for intangible assets	Total
<b>Cost</b>				
As of 1 January 2014	367,664	79,260	14,893	461,817
Additions	1,053	2,861	500	4,414
Disposals	-709	-278	0	-987
Reclassification	136	826	-733	229
<b>As of 30 September 2014</b>	<b>368,144</b>	<b>82,669</b>	<b>14,660</b>	<b>465,473</b>
<b>Cumulative depreciation, amortisation and impairment</b>				
As of 1 January 2014	-15,565	-45,585	0	-61,150
Additions	0	-5,837	0	-5,837
Disposals	525	269	0	794
Reclassification	0	0	0	0
<b>As of 30 September 2014</b>	<b>-15,040</b>	<b>-51,153</b>	<b>0</b>	<b>-66,193</b>
<b>Residual carrying amounts</b>				
<b>As of 31 December 2013</b>	<b>352,099</b>	<b>33,675</b>	<b>14,893</b>	<b>400,667</b>
<b>As of 30 September 2014</b>	<b>353,104</b>	<b>31,516</b>	<b>14,660</b>	<b>399,280</b>

## 2) Property, plant and equipment

2014 EUR'000	Land and buildings including buildings on third-party land	Technical equipment and machi- nery	Operating and office equipment	Assets under construction	Total
<b>Cost</b>					
As of 1 January 2014	1,438,989	97,973	407,328	55,353	1,999,643
Additions	7,083	3,809	34,313	50,489	95,694
Disposals	-428	-2,522	-5,465	-37	-8,452
Reclassification	5,013	3,473	2,134	-10,850	-231
<b>As of 30 September 2014</b>	<b>1,450,657</b>	<b>102,733</b>	<b>438,310</b>	<b>94,955</b>	<b>2,086,654</b>
<b>Cumulative depreciation, amortisation and impairment</b>					
As of 1 January 2014	-419,801	-43,200	-234,611	0	-697,612
Additions	-33,873	-5,770	-37,151	0	-76,794
Disposals	489	2,509	4,340	0	7,338
Reclassification	0	0	0	0	0
<b>As of 30 September 2014</b>	<b>-453,185</b>	<b>-46,461</b>	<b>-267,422</b>	<b>0</b>	<b>-767,068</b>
<b>Residual carrying amounts</b>					
<b>As of 31 December 2013</b>	<b>1,019,188</b>	<b>54,773</b>	<b>172,717</b>	<b>55,353</b>	<b>1,302,031</b>
<b>As of 30 September 2014</b>	<b>997,472</b>	<b>56,272</b>	<b>170,888</b>	<b>94,955</b>	<b>1,319,587</b>

## 3) Equity

In accordance with IAS 1, the development of equity is presented in a statement of changes in consolidated equity, which is a separate component of the interim financial statements. A remeasurement in accordance with IAS 19.8 in conjunction with a multiemployer plan led to actuarial losses of EUR 17.8 million in the third quarter of 2014.

## 4) Subordinated capital

Participation certificates issued by the company with an average term to maturity of around nine years are recognised in subordinated capital. These are subordinated to all non-subordinated creditors but have the same standing as other participation certificate holders and rank above the shareholders, including shareholder loans made in lieu of equity.

The holder of the participation certificates can change the interest rate depending on the form of a key financial covenant for a portion of the participation capital if certain key financial covenants are not complied with. EUR 47.0 million of the participation capital is subject to a fixed interest rate. Participation capital is subject to a nominal and effective interest rate of 7.3%.

The subordinated shareholder loan of EUR 20.9 million was already repaid in full in the second quarter of 2014.

## 5) Cash and cash equivalents

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

## 6) Additional information on financial instruments

### Determination of fair value

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

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

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

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

If one or more significant factors are not based on observable market data, the instrument is assigned to level 3. In the reporting period, there were no changes (additions, disposals, gains and losses or items to be recognised in OCI) to the financial assets assigned to level 3.

There were no transfers between the different measurement levels.

### 30 September 2014

EUR million	Level 1	Level 2	Level 3	Net total
Financial assets	0.0	0.0	1.4	1.4
Securities	166.1	0.0	0.0	166.1
Financial liabilities	0.0	2.1	0.0	2.1

### 31 December 2013

EUR million	Level 1	Level 2	Level 3	Net total
Financial assets	0.0	1.9	1.4	3.3
Securities	147.6	0.0	0.0	147.6
Financial liabilities	0.0	1.9	0.0	1.9

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

Amount recognised in statement of financial position as per IAS 39

2014 EUR'000	Measu- ment category as per IAS 39	Carrying amount 30 Sep 2014	Amorti- sed cost	Cost	Fair value not recog- nised in profit or loss	Fair value re- cognised in profit or loss	Amount recog- nised in state- ment of financial position as per IAS 17	Fair value 30 Sep 2014
<b>ASSETS</b>		<b>976,124</b>	<b>809,982</b>	<b>0</b>	<b>166,142</b>	<b>0</b>	<b>0</b>	<b>976,124</b>
Cash and cash equivalents	LaR	289,387	289,387	0	0	0	0	289,387
Trade receivables	LaR	371,129	371,129	0	0	0	0	371,129
Other financial assets	AfS	166,142	0	0	166,142	0	0	166,142
Other financial assets (derivatives)	n.a.	0	0	0	0	0	0	0
Other financial assets	LaR	149,466	149,466	0	0	0	0	149,466
<b>EQUITY AND LIABILITIES</b>		<b>1,056,699</b>	<b>1,054,611</b>	<b>0</b>	<b>2,088</b>	<b>0</b>	<b>9,005</b>	<b>1,082,503</b>
Trade payables	FLAC	61,231	61,231	0	0	0	0	61,231
Financial liabilities	FLAC	705,985	705,985	0	0	0	0	714,908
Participation capital/subordinated capital	FLAC	47,000	47,000	0	0	0	0	47,000
Finance lease liabilities	n.a.	9,005	9,005	0	0	0	9,005	9,005
Other financial liabilities (derivatives)	n.a.	2,088	0	0	2,088	0	0	2,088
Other financial liabilities	FLAC	231,390	231,390	0	0	0	0	248,271
<i>Of which: aggregated by measurement category according to IAS 39:</i>								
Loans and receivables	LaR	809,982	809,982	0	0	0	0	809,982
Available-for-sale financial assets	AfS	166,142	0	0	166,142	0	0	166,142
Financial liabilities measured at amortised cost	FLAC	1,045,606	1,045,606	0	0	0	0	1,071,410



		Amount recognised in statement of financial position as per IAS 39					Amount recognised in statement of financial position as per IAS 17	
2013 EUR'000	Measurement category as per IAS 39	Carrying amount 31 Dec 2013	Amortised cost	Cost	Fair value not recognised in profit or loss	Fair value recognised in profit or loss	Fair value 31 Dec 2013	
<b>ASSETS</b>		<b>891,461</b>	<b>741,902</b>	<b>0</b>	<b>147,635</b>	<b>1,924</b>	<b>0</b>	<b>891,461</b>
Cash and cash equivalents	LaR	204,142	204,142	0	0	0	0	204,142
Trade receivables	LaR	379,538	379,538	0	0	0	0	379,538
Other financial assets	AfS	149,074	1,439	0	147,635	0	0	149,074
Other financial assets (derivatives)	n.a.	1,924	0	0	0	1,924	0	1,924
Other financial assets	LaR	156,783	156,783	0	0	0	0	156,783
<b>EQUITY AND LIABILITIES</b>		<b>1,103,922</b>	<b>1,102,008</b>	<b>0</b>	<b>1,914</b>	<b>0</b>	<b>9,327</b>	<b>1,106,405</b>
Trade payables	FLAC	73,714	73,714	0	0	0	0	73,714
Financial liabilities	FLAC	734,934	734,934	0	0	0	0	734,934
Participation capital/subordinated capital	FLAC	67,900	67,900	0	0	0	0	70,383
Finance lease liabilities	n.a.	9,327	9,327	0	0	0	9,327	9,327
Other financial liabilities (derivatives)	n.a.	1,914	0	0	1,914	0	0	1,914
Other financial liabilities	FLAC	216,133	216,133	0	0	0	0	216,133
<i>Of which: aggregated by measurement category according to IAS 39:</i>								
Loans and receivables	LaR	740,463	740,463	0	0	0	0	740,463
Available-for-sale financial assets	AfS	149,074	1,439	0	147,635	0	0	149,074
Financial liabilities measured at amortised cost	FLAC	1,092,681	1,092,681	0	0	0	0	1,092,681

## Other notes

### 1) Contingent liabilities and other financial obligations

Other financial obligations break down as follows:

EUR'000	30 Sep 2014	31 Dec 2013
Rental and lease agreements	483,617	472,073
Capital commitments	38,671	46,498
Maintenance and supply agreements	38,013	35,639
Purchase commitments	31,576	38,145
Insurance contracts	2,041	2,171
Miscellaneous	18,453	17,440
<b>Total</b>	<b>612,371</b>	<b>611,966</b>

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

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

EUR'000	
Less than one year	117,876
Between 2 and 5 years	165,573
More than 5 years	328,922
<b>Total</b>	<b>612,371</b>

## 2) Related party disclosures

For Asklepios Kliniken Gesellschaft mit beschränkter Haftung, related parties within the meaning of IAS 24.20 include entities controlled by the Group and/or entities over which the Group has a significant influence and vice versa. In particular, subsidiaries and equity investments are therefore defined as related parties.

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

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

Compared with the consolidated financial statements as at 31 December 2013, there has been no change to the group of related parties and transactions with these parties in terms of the transaction type and the amount of the proportionate business volume. The same applies to the financial receivables and liabilities that existed with related parties.

To be mentioned in particular is the fact that Asklepios Kliniken Verwaltungsgesellschaft mbH has received a purchase offer for financial assets held by the company from a related party. The related party is contractually obliged to commit to the purchase offer indefinitely. However, the related party can call on AKV in writing at any time to declare acceptance within a period of 30 days. Thereafter, the offer lapses without a requirement for further clarification. The hedging transaction is classified as a fair value hedge.

## 3) Consolidated statement of cash flows

In the third quarter of 2014, cash and cash equivalents increased by EUR 85.3 million to EUR 289.4 million compared to 31 December 2013. Net cash from operating activities amounted to EUR 261.5 million and was considerably (EUR +76.7 million) higher than the previous year.

Net cash used in investing activities in the amount of EUR 100.4 million related primarily to capital expenditure on equipment for the hospitals. In addition, net cash used in financing activities amounted to EUR 75.9 million, largely as a result of repayments of financial liabilities.

## Disclaimer

This interim report includes forward-looking statements. Such forward-looking statements are based on certain assumptions and expectations at the time of publication of this report. They therefore involve risks and uncertainties, and the actual results may diverge considerably from those described in the forward-looking statements. Many of these risks and uncertainties are affected by factors that lie beyond Asklepios Kliniken GmbH's sphere of influence and that cannot be estimated with certainty from today's perspective. This includes future market conditions and economic developments, the conduct of other market participants, the achievement of expected synergy effects as well as decisions by legislators and policy makers. Asklepios Kliniken GmbH is not obliged to publish corrections to these forward-looking statements in order to reflect events or conditions occurring after the publication date of this material.

### **Asklepios Kliniken GmbH**

Investor Relations

Debusweg 3

61462 Königstein-Falkenstein

Tel.: + 49 (0) 61 74 90-11 92

Fax.: + 49 (0) 61 74 90-11 10

[ir@asklepios.com](mailto:ir@asklepios.com)

[www.asklepios.com](http://www.asklepios.com)