# HALF-YEAR FINANCIAL REPORT 2017

RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

## INHALT

# LETTER TO SHAREHOLDERS

Dear Ladies and Gentlemen,
Dear Shareholders,

Digitalisation is bringing about sweeping changes in the economy and society, and our healthcare system will not be immune to them either. The current system is characterised by rigid lines of division between the outpatient and inpatient sectors as well as an obsession on the part of the different professional groups with preserving their vested interests. Over the coming years, this industry will undergo pronounced changes – probably even more radical than what many market players expect today. The main drivers of this development will be patients, who have been gaining a higher level of customer orientation through the app economy and the many new service offerings. At RHÖN-KLINIKUM AG, we are undaunted by all this. On the contrary, already today we are consistently taking advantage of the opportunities that are presenting themselves to us from these developments. In future, the focus will be above all on guiding patients intelligently, quickly and smoothly through the treatment process and medical services offerings. Providing optimum medical care, avoiding capacity misallocations and, not least, boosting treatment efficiency are all things that not only benefit patients – for whom the time from needed to make a reliable diagnosis to providing relief for their complaints will gradually be shortened significantly – but will also have a positive impact on the economic efficiency of our entire healthcare system. Both are urgently needed, not to mention overdue – from the perspective of patients and contribution payers.

Our focus of attention is particularly being turned towards rural regions where demographic changes, a greying society and the increasing shortage of doctors and nurses are already looming large today. This development will bring new challenges but at the same time offer attractive growth prospects for our Company.

Bad Neustadt is currently witnessing the emergence of the first RHÖN campus as a prototype of our new medical care concept for rural regions, which is due to be completed at the end of 2018. There we bring together at one location not only outpatient and inpatient services, top diagnostics, rehabilitation and nursing as well as numerous medical and other services, but also consistently network all services through innovative IT such as our electronic patient file WebEPA+, and integrate all treating doctors and therapists into the IT systems of the treatment process – i.e. a totally new development in healthcare delivery. The importance of cognitive IT systems, i.e. self-learning systems, will grow significantly – that holds true especially when it comes to the orientation of our doctors towards the historical and current medical data of patients. For the campus approach to be a success, it is necessary to analyse continuously the rapid pace of development in the field of digitalisation and to adapt and control it in our Company. This is also reflected by our establishment of a new centralised “Digital Transformation” department.

Transferring this campus approach to our rural regions of Germany is the key to the further development of RHÖN-KLINIKUM AG. Going down this path will take some time, but it is one that is in line with the Company’s standard as a pioneer in the German healthcare industry. We are already exploring additional locations in Germany.

In the first half of the current financial year, we reached a pathbreaking agreement with the Federal State of Hesse as well as the two University Hospitals of Gießen and Marburg on the contentious issues regarding the separate accounting approach.

This dispute had gone on for around ten years and revolved around the question of how, in Germany's two only privatised university hospitals, medical services in the area of research and teaching for the State on the one hand and for healthcare delivery provided by us on the other could be invoiced. Within the first four months of my term, we succeeded in settling this dispute. The cornerstone agreement signed by the State Government of Hesse, the Universities and by us provides, among other things, that Universitätsklinikum Gießen und Marburg GmbH (UKGM) as of 2017 will receive an additional amount of roughly 15 million euros each year to finance the services provided by it for research and teaching. For that purpose the basic amount paid by the Federal State of Hesse to the two universities will be increased accordingly. In addition, future increases in material and personnel costs in research and teaching will be remunerated at a reasonable rate for the first time, thus resolving the long-standing point of past contention.

Moreover, a comprehensive investment package for both university hospitals has been set in motion, thus opening up new prospects for employees and patients. Over the next five years, Universitätsklinikum Gießen und Marburg GmbH will invest at least 100 million euros: the Marburg site will see the modernisation of its clinic for psychiatry, the overhaul of the centralised operating theatre and IC units, as well as the new construction of the clinic for paediatric and juvenile psychiatry. At the Gießen site, the Paediatric Heart Centre will be expanded and an extension added on to the University Hospital. UKGM has moreover undertaken to forego redundancies during a period of five years and to take over trainees into permanent employment if they possess the right qualifications for those positions.

The resolution of this conflict will also have a positive impact on the operating efficiency of the two university hospitals. The employees at both sites will benefit from the better earnings situation of UKGM, which of course also allows us to secure a lot of jobs. The agreement, which is based on the already very detailed cornerstone agreement, is currently being finalised.

To successfully tackle and also finance strategic tasks such as digitalisation and the campus approach, we need a sound and sustainable operating basis. For that purpose, the Board of Management has adopted a comprehensive raft of measures that are now being dealt with by various project groups. Here, the main focus will be on measures with potential earnings effect. What we have to do – among other things by documenting the services we provide with a greater level of precision – is improve the complaints ratio with the Medical Review Board of the Statutory Health Insurance Funds (MDK). We are scrutinising the preventive maintenance and service contracts within the Group and are also sparing no efforts to improve our cost-of-materials ratio. We have also further adjusted the administrative structures at our headquarters to the most recent developments at our Company.

On 7 June the Annual General Meeting of RHÖN-KLINIKUM AG in Frankfurt am Main, in accordance with the agenda items, resolved to appropriate from net distributable profit as at 31 December 2016 the amount of roughly 23.4 million euros for distributing a dividend of 35 cents per non-par share. Formal approval was granted for the actions of the acting members of the Board of Management for 2016, Dr. Dr. Martin Siebert, Prof. Dr. Bernd Griewing and Martin Menger, as well as for the actions of the acting members of the Supervisory Board for 2016. Until the end of the term of office under way, Dr. Annette Beller, member of the management board of B. Braun Melsungen AG, was elected as my successor to this corporate body.

In the first half of the current financial year, a total of 422,950 patients were treated at our Group's five sites. Revenues stand at

598.4 million euros, earnings before interest, taxes and depreciation/amortisation (EBITDA) are around 50.2 million euros.

For the current financial year 2017, we expect revenues in the range of between 1.20 billion euros and 1.23 billion euros. In this context, the most recent regulatory measures are having a particularly heavy impact, such as lower remuneration for cardiological and specialist orthopaedic services or the newly introduced fixed cost degression discount on surplus services – these are burdening us disproportionately compared with our competitors given the particular orientation of our offering towards cutting-edge medical services.

For earnings before interest, tax and depreciation/amortisation (EBITDA), we expect a level of between 85 million euros and 105 million euros in 2017. This includes the negative effects in the low double-digit million range brought about by the Group's reorganisation begun at the start of the year as well as the impending additional investments in digital transformation. Moreover, we currently expect the agreement outcome on the separate accounting approach at UKGM to be legally ratified in full in the second half of 2017. In that case, we expect EBITDA to be within the upper half of the range.

As before, RHÖN-KLINIKUM AG faces challenging tasks: we have to improve the Group's operating efficiency whilst at the same time taking advantage of the opportunity now being offered with the digitalisation of medical care. In this context, we are not allowing ourselves to get carried away by hype but are examining very closely which path we wish to take in this complex, very dynamic field, as well as when and at what pace.

The Board of Management is convinced that with this strategy we have decided on the right path to achieve the right objective: to become a trailblazer for state-of-the-art and high-quality healthcare delivery in rural regions, in the best interests of our patients, employees and shareholders.

Yours sincerely,

RHÖN-KLINIKUM Aktiengesellschaft

Yours sincerely,
Stephan Holzinger
Chairman of the Board of Management

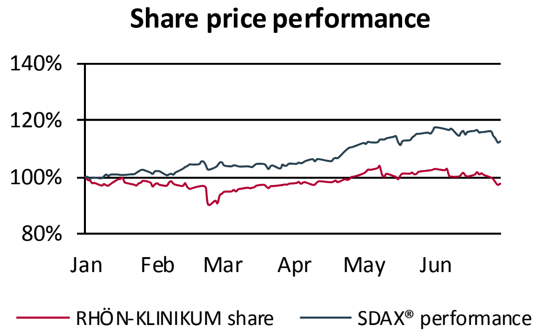
# THE RHÖN-KLINIKUM SHARE

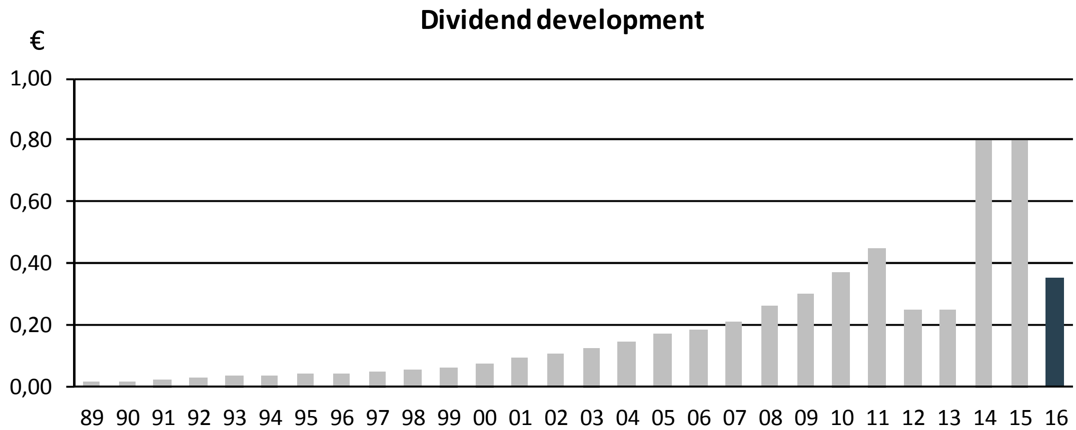
In the first half of 2017, developments on the international stock markets continued to be helped by improved expectations for economic performance and the continuation of an expansive monetary policy. At the beginning of the year, the positive share price performance was boosted by plans of newly elected US President Donald Trump for tax cuts, deregulation and infrastructure investments. Following the elections in the Netherlands and in France, political risks were temporarily subdued. The euro showed strength as political concerns declined and confidence in the European economy strengthened. Conversely, ebbing Trump euphoria put a drag on the US dollar.

The European Central Bank (ECB) left its key rate unchanged at zero per cent. The ECB Council expects key ECB interest rates to remain at their current levels for an extended period of time, and well past the horizon of net asset purchases. At its meeting on 15 June 2017, the US Federal Reserve (Fed) raised its key rate for the second time this year as expected by 0.25 percentage points into the range of between 1.00% and 1.25%.

Sentiment indicators further brightened in the US, the euro zone and Germany. In Germany, the ifo business climate index improved in June 2017 from 114.6 to 115.1 points, reaching a new all-time high for the second time in a row.

The German leading index DAX® posted a new high for the year, closing at 12,889 points on 19 June 2017. It witnessed an improvement of 7.4% over the first half of the year. The SDAX® rose 13.9%. The European indices also witnessed a positive trend. The DJ EURO STOXX 50 climbed by 4.6% and the DJ EURO STOXX Healthcare by 9.6%.




Financial year 2016: Resolution of Annual General Meeting on 7 June 2017

Financial years 2012-2015: plus profit pay-out under Share Repurchase in the amount of € 1.797 billion from the proceeds of the Fresenius/Helios transaction

The share of RHÖN-KLINIKUM AG ended the first half of 2017 almost unchanged at a closing price of € 25.57 (30 December 2016: € 25.66). During this period, the share thus clearly underperformed the German and European share indices.

A dividend of € 0.35 (2016: € 0.80) per share was paid on 8 June 2017. Including the dividend payment, share price performance stood at minus 1.0%. The dividend distributed translates into a payout ratio of roughly 40%. With this ratio, our Company secures its capacity to invest in the medium term and at the same time a reasonable participation of shareholders in the Company's success.

At the end of the first half of the year our market capitalisation, including all issued 66.96 million non-par shares, stood at € 1.7 billion (31 December 2016: € 1.7 billion). In terms of the index ranking, we ranked 77th by market capitalisation (30 December 2016: 60th).

| **RHÖN-KLINIKUM share** | | |
|---|---|---|
| ISIN | | DE0007042301 |
| Ticker symbol | | RHK |
| Share capital (€) | | 167,406,175 |
| Number of shares | | 66,962,470 |
| **Share prices (€)** | **1 Jan.-30 June 2017** | **1 Jan.-31 Dec.2016** |
| Closing | 25.57 | 25.66 |
| High | 27.20 | 28.27 |
| Low | 23.65 | 24.75 |
| | **30 June 2017** | **31 Dec. 2016** |
| Market capitalisation (€ m) | 1,712.23 | 1,718.26 |

On 10 November 2017 we will publish our interim report for the quarter ending on 30 September 2017.

*A financial calendar is provided at the end of this Report as well as on our website at www.rhoen-klinikum-ag.com under the section "Investor Relations".*

# GROUP INTERIM REPORT OF THE MANAGEMENT

## REPORT ON THE FIRST HALF OF 2017

- Utmost priority given to improving the Company's profitability after reorganisation of Board of Management.
- With revenues in the first six months of € 598.4 million and an EBITDA of € 50.2 million, we are in line with our targets.
- We continue to press ahead with our campus approach currently being realised in its ideal form with the new building in Bad Neustadt a. d. Saale.
- Moving ahead with digitalisation strategy for future patient care.

## BASIC PRINCIPLES OF THE RHÖN-KLINIKUM GROUP

The condensed interim consolidated financial statements of RHÖN-KLINIKUM AG for the year ended 30 June 2017 have been prepared in accordance with the provisions of IAS 34 in condensed form, and applying section 315a of the German Commercial Code (Handelsgesetzbuch, HGB) in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as well as the related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which are the subject of mandatory adoption in accordance with the Regulation No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the European Union in financial year 2017.

The accounting policies applied, to the extent already applied in financial year 2016 and consistently applied in financial year 2017, are set out in detail in the Consolidated Financial Statement of RHÖN-KLINIKUM AG as at 31 December 2016. The accounting policies applicable for the first time in financial year 2017 are explained in the Condensed Notes to this Interim Report. On a current view, these will have only the effects as stated in the Condensed Notes on the presentation of the net assets, financial position and results of operations of the Group of RHÖN-KLINIKUM AG.

In accordance with IAS 33, earnings per share were determined according to the weighted average number of ordinary shares outstanding on a pro rata temporis basis.

If data are provided below on individual companies, these are values before consolidation. For computational reasons, rounding differences of ± one unit (€, %, etc.) may occur in the tables.

## CORPORATE GOVERNANCE

The Supervisory Board member Stephan Holzinger resigned his Supervisory Board mandate before taking up his mandate as chairman of the Board of Management with effect from 31 January 2017. Dr. Annette Beller was appointed by the court to succeed him on the Supervisory Board and as of 23 March 2017 has been a member of the Supervisory Board. At the Annual General Meeting on 7 June 2017, Dr. Beller was elected to succeed the former Supervisory Board member Mr. Holzinger in the by-election to the Supervisory Board until conclusion of the Annual General Meeting resolving on formal approval of the actions for financial year 2019.

With effect from 1 February 2017, Mr. Stephan Holzinger was appointed as a new member to the position of chairman of the Board of Management and replaced Dr. Dr. Martin Siebert as previous chairman of the Board of Management who assumed the office of permanent representative of the chairman of the Board of Management. Moreover, the Supervisory Board resolved on 23 February 2017 to reduce the size of the Board of Management from five to three members and for that purpose removed the members of the Board of Management Martin Menger and Jens-Peter Neumann with immediate effect. The Board of Management of the Company is thus composed of Mr. Stephan Holzinger (chairman of the Board of Management), Dr. Dr. Martin Siebert (permanent representative of the chairman of the Board of Management) and Prof. Dr. Bernd Griewing. The responsibilities within the Board of Management were adjusted accordingly. The Terms of Reference were adjusted to the respective dates.

Moreover, the allocation of responsibilities within the Board of Management as well as within the Supervisory Board is regularly adapted to changing requirements.

The notifications pursuant to section 21 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) received in the first six months of financial year 2017 are presented in the Notes to this Financial Report. We refer to our website for a detailed list of the notifications.

Notifications on transactions for own account by persons discharging managerial responsibilities pursuant to Article 19 of the Market Abuse Regulation (EU) No 596/2014 are also presented in the Notes to this Interim Report.

On 6 April 2017, the Declaration on Corporate Governance and the Corporate Governance Report jointly issued by the Board of Management and the Supervisory Board were updated and published on our website. All other elements of our corporate constitution have remained unchanged during the financial year to date. In this regard we refer to our explanations provided in the Management Report of the Consolidated Financial Statements of financial year 2016.

# ECONOMIC REPORT

## MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

The German economy's accelerated upswing at the start of 2017 also continued in the second quarter. Sentiment amongst German companies continues to be excellent. The ifo business climate index rose from 114.6 points in May 2017 to 115.1 points June 2017, exceeding once more the record level of the previous month of May. The upward trend is being driven primarily by lively industrial output which is being boosted to a great extent not only domestically but also from abroad. This is also being reflected in the optimistic assessment of business performance in the manufacturing industry. The external economic environment is proving robust. German exports are continuing their upward trend. Private consumption also remains an important driver of strong economic growth.

The labour market continues to be positive overall. The rate of employment and of employment subject to social insurance contributions continues to increase. The trend in labour demand continues to be at a persistently high level. The jobs index of the German Federal Employment Agency (BA-X), which shows the seasonal trend in labour demand, in June 2017 gained 3 points compared with the previous month to reach 235 points. The previous year's level is exceeded by 19 points. The jobless rate as calculated by the German Federal Employment Agency for June 2017 is around 5.5%. This is a decline of 0.4 percentage points compared with June 2016. The seasonally adjusted jobless rate remains unchanged compared with the previous month at 5.7%.

In June 2017, consumer prices as calculated by the Federal Statistical Office were 1.6% higher than in June 2016.

The hospital sector is a growth market with non-cyclical, rising demand. Rising demand for medical treatments, a greying society, the rising number of chronically ill patients and greater health awareness are key drivers of growth. As before, the hospital sector continues to be influenced by two developments: demand for medical services, and, by contrast, inadequate adjustment in the remuneration of the services provided. That means that the trend over the past years of an ever widening gap between revenues and costs within the hospital sector is continuing to have detrimental impact on the operating side.

The result is also being impacted by the most recent regulatory measures following the Act Reforming the Structures of Hospital Care (Krankenhausstrukturgesetz, KHSG) such as the reduction in remuneration for cardiological and specialist orthopaedic services, as well as the fixed cost degression discount applicable since 1 January 2017 that replaced the discount on surplus service volumes.

Economic and legal framework conditions of inpatient healthcare are presenting hospitals with big challenges in terms of market positioning and future planning. For hospitals to remain economically viable and efficient, they have to gear their strategic targets to the current and future challenges, such as social and demographic change, advances in medicine as well as digitalisation. The latter is providing medicine the opportunity to diagnose and treat patients in future more individually and with greater precision.

The shortage in skilled staff – driven by demographic change – is thus set to further exacerbate over the next years. A shortage is expected particularly in the healthcare sector, since it is there that the rising demand for skilled employees compares with rising demand being further driven by the greying of society. Recruitment of top-qualified physician staff will be one of the challenges to be met in future given the emerging shortage in specialised personnel and demographic trends. We are confronting this task and the desire increasingly expressed by employees to be given the opportunity of achieving a better balance between professional and family life with specific measures targeted at improving our attractiveness as an employer in healthcare.

Our experience in dealing with regulatory measures, our organisational flexibility as well as our trailblazing role in innovation and digitalisation are the best means of holding our own in a challenging market environment. With our campus approach we have developed a promising future model for healthcare delivery in rural regions. Our aim is to provide the best possible medical care on a one-stop basis resulting in noticeable improvements for patients.

## PERFORMANCE OF THE FIRST HALF

### Overall statement on economic position

| January to June | 2017 | 2016 | Change | |
|---|---|---|---|---|
| | € m | € m | € m | % |
| Revenues | 598.4 | 590.6 | 7.8 | 1.3 |
| EBITDA | 50.2 | 103.4 | -53.2 | -51.5 |
| EBIT | 20.9 | 73.9 | -53.0 | -71.7 |
| EBT | 20.3 | 73.6 | -53.3 | -72.4 |
| Consolidated profit | 16.9 | 69.6 | -52.7 | -75.7 |

With revenues up by € 7.8 million (1.3%), we record a decline in EBITDA by € 53.2 million or 51.5% to € 50.2 million, a decline in EBIT by € 53.0 million or 71.7% to € 20.9 million, as well as a decline in consolidated profit by € 52.7 million or 75.7% to € 16.9 million in the first half of 2017 compared with the same period last year. The respective decline is attributable to the positive influences from delayed effects from the transaction with Fresenius/Helios in the amount of € 40.6 million during the same period of the previous year, as well as one-off expenses recognised in the first half of 2017 resulting from the change in the Board of Management in the low single-digit million range.

The result in terms of our organic development was also hampered by the most recent regulatory measures following the Act Reforming the Structures of Hospital Care (Krankenhausstrukturgesetz, KHSG) such as the reduction in remuneration for cardio-logical and specialist orthopaedic services, as well as the fixed cost degression discount applicable since 1 January 2017 that replaced the discount on surplus service volumes. In addition, the hospital sector continues to be influenced by two developments: firstly, demand for medical services continues to grow. At the same time, remuneration of the services provided is not being adequately adjusted. A further burden also comes from the increasing inspection rate and more restrictive inspection practice of the Medical Review Board of the Statutory Health Insurance Funds (MDK).

In the first half of financial year 2017, a cornerstone agreement was reached with the Federal State of Hesse regarding the separate accounting approach for financing research and teaching at the University Hospitals in Gießen and Marburg. The final agreement has not yet been signed. The new accounting basis will be applied after the agreement has been signed and all conditions of validity have been met.

Following the reorganisation of the Board of Management in the first quarter of 2017, we continue to concentrate our efforts on substantially improving our Company's profitability whilst at the same time forging ahead with the key projects of the future. At the same time, key importance is being given to our campus concept in which the services of doctors and hospitals are being integrated at one location in a cross-sector approach and including downstream offerings tailored to the elderly, such as rehabilitation or nursing. In this context, a crucial model role is being played by the construction of our new campus in Bad Neustadt. On 16 March 2017, we held the topping out ceremony. Work is moving ahead on schedule, and the newly constructed campus in Bad Neustadt is set to be ready for use early in 2019.

Pursuing our efforts in digitalisation, i.e. the processing and interpretation of data, continues to be at the forefront of our activities. Digitalisation will help to make fast-growing medical knowledge available so that patients can avail themselves of it to an even greater extent in their individual cases, for example by providing them with therapies tailored to their needs or enabling them to navigate their way more quickly through the healthcare system.

Also in future, we remain committed to being a pioneer of innovative developments and a dynamic force helping to shape the healthcare industry. For hospitals to remain economically viable and efficient, they have to gear their strategic targets to the current and future challenges. The latter are providing medicine the opportunity to diagnose and treat patients in future more individually and with greater precision.

## Trend in service volumes

| | Hospitals | Beds |
|---|---|---|
| **As at 31 December 2016** | **11** | **5,348** |
| Change in capacities | - | 10 |
| **As at 30 June 2017** | **11** | **5,358** |

As at 30 June 2017, our consolidated financial statements included eleven hospitals with 5,358 beds/places at a total of five sites in four federal states. Since 31 December 2016, we recorded only a moderate net change in the number of approved beds/places (10) at our acute inpatient capacities in line with the requirement budgets in the individual federal states.

As at 30 June 2017, we operate seven medical care centres with a total of 39.50 specialist practices:

| | Medical care centres | Specialist practices |
|---|---|---|
| **As at 31 December 2016** | **7** | **35.75** |
| **Opened/acquired** | | |
| MVZ Bad Berka | - | 2.00 |
| MVZ Frankfurt (Oder) | - | 2.50 |
| **Disposals** | | |
| MVZ Marburg | - | -0.75 |
| **As at 30 June 2017** | **7** | **39.50** |

Patient numbers at our hospitals and medical care centres developed as follows:

| January to June | 2017 | 2016 | Change absolute | % |
|---|---|---|---|---|
| Inpatient and semi-inpatient treatments, | | | | |
| Acute hospitals | 106,906 | 107,733 | -827 | -0.8 |
| Rehabilitation hospitals and other facilities | 2,452 | 2,648 | -196 | -7.4 |
| | 109,358 | 110,381 | -1,023 | -0.9 |
| Outpatient attendances at our | | | | |
| Acute hospitals | 236,639 | 239,269 | -2,630 | -1.1 |
| Medical care centres | 76,953 | 64,753 | 12,200 | 18.8 |
| | 313,592 | 304,022 | 9,570 | 3.1 |
| **Total** | **422,950** | **414,403** | **8,547** | **2.1** |

In the first six months of financial year 2017, we treated a total of 422,950 patients (+ 8,547 patients or + 2.1%) in our hospitals and medical care centres. Of this rise, 9,570 patients or 112.0% are attributable to the outpatient area and -1,023 patients or -12.0% to the inpatient and semi-inpatient area. The decline in the number of patients treated on an inpatient and semi-inpatient basis is the result, among other things, of the systemic shift of pre-admission hospital cases to the outpatient sector as well as the discontinuation of rehabilitation at the psychosomatic hospital Psychosomatische Klinik in Bad Neustadt a.d. Saale. In addition, the shift in outpatient clinical cases to outpatient medical care centres is also having an impact on outpatient numbers.

Per-case revenues in the inpatient and outpatient area were as follows:

| January to June | 2017 | 2016 |
|---|---|---|
| Per-case revenue | | |
| inpatient (€) | 5,039 | 4,944 |
| outpatient (€) | 151 | 147 |

Compared with the first six months of financial year 2016, per-case revenue rose by 1.9% in the inpatient area and by 2.7% in the outpatient area.

## Results of operations

Consolidated performance figures developed as shown below:

| January to June | 2017 € m | 2016 € m | Change € m | % |
|---|---|---|---|---|
| **Revenues** | | | | |
| Revenues | 598.4 | 590.6 | 7.8 | 1.3 |
| Other income | 75.0 | 114.5 | -39.5 | -34.5 |
| **Total** | **673.4** | **705.1** | **-31.7** | **-4.5** |
| **Expenditure** | | | | |
| Materials and consumables used | 169.2 | 165.5 | 3.7 | 2.2 |
| Employee benefits expense | 391.5 | 377.3 | 14.2 | 3.8 |
| Other expenses | 62.5 | 58.9 | 3.6 | 6.1 |
| **Total** | **623.2** | **601.7** | **21.5** | **3.6** |
| **EBITDA** | **50.2** | **103.4** | **-53.2** | **-51.5** |
| Depreciation | 29.3 | 29.5 | -0.2 | -0.7 |
| **EBIT** | **20.9** | **73.9** | **-53.0** | **-71.7** |
| Finance result | 0.6 | 0.3 | 0.3 | 100.0 |
| **EBT** | **20.3** | **73.6** | **-53.3** | **-72.4** |
| Income taxes | 3.4 | 4.0 | -0.6 | -15.0 |
| **Consolidated profit** | **16.9** | **69.6** | **-52.7** | **-75.7** |

Revenues grew by € 7.8 million or 1.3% versus the same period last year. In this regard it has to be noted that the services rendered are not being sufficiently remunerated and that personnel and material expenses are not being fully covered by revenues.

Compared with the same period last year, other income declined by € 39.5 million or 34.5% to € 75.0 million. The decline is attributable to the income recognised during the same period last year resulting from the reversal of provisions for potential legal and tax warranty risks in the amount of € 40.6 million.

| January to June | 2017 % | 2016 % |
|---|---|---|
| Materials ratio | 28.3 | 28.0 |
| Personnel ratio | 65.4 | 63.9 |
| Other cost ratio | 10.5 | 10.0 |
| Depreciation and amortisation ratio | 4.9 | 5.0 |
| Finance result ratio | 0.1 | 0.0 |
| Effective tax ratio | 0.6 | 0.7 |

Compared with the same period last year, materials and consumables used rose disproportionately to revenues in the first half of 2017 by € 3.7 million or 2.2%. The materials ratio rose from 28.0% to 28.3%.

The employee benefits expense and other expenses rose compared with the same period last year. Whilst the employee benefits expense, which includes the one-off expenses from the changes in the Board of Management in the low single-digit million range recognised in the first half of 2017, rose by € 14.2 million or 3.8%, the other expenses item increased by € 3.6 million or 6.1%. In this context, the personnel ratio rose from 63.9% to 65.4% and the other expenses ratio from 10.0% to 10.5%.

Compared with the same period last year, the depreciation/amortisation item declined in the first half of 2017 slightly by € 0.2 million (or 0.7%) to € 29.3 million and thus continues to be at the previous year's level.

Compared with the same period last year, we recorded a rise in the negative finance result by € 0.3 million to € 0.6 million in the first half of financial year 2017. The rise stems in particular from higher loss shares in companies consolidated using the equity method recognised in the first half of 2017.

Our net liquidity is calculated as follows:

| | 30 June 2017 | 31 Dec. 2016 |
|---|---|---|
| | € m | € m |
| Current cash | 111.0 | 80.8 |
| Current fixed term deposits | 150.1 | 185.1 |
| Non-current fixed term deposits | 5.0 | 50.1 |
| Cash, fixed term deposits | 266.1 | 316.0 |
| Current financial liabilities | 10.1 | 10.0 |
| Finance lease liabilities | 3.4 | 4.0 |
| Financial liabilities | 13.5 | 14.0 |
| **Net liquidity** | **252.6** | **302.0** |

At an unchanged rate of taxation, the income tax expense item declined by € 0.6 million to € 3.4 million (previous year: € 4.0 million) compared with same period of the previous year as a result of a lower taxable result.

Compared with the first six months of financial year 2017 consolidated profit declined by € 52.7 million or 75.7% to € 16.9 million (previous year: € 69.6 million). This is attributable primarily to the positive influences from delayed effects from the transaction with Fresenius/Helios during the same period of the previous year, as well as one-off expenses recognised in the first half of 2017 resulting from the change in the Board of Management in the low single-digit million range.

Non-controlling interests in profit declined compared with the same period last year by € 0.4 million or 28.6% to € 1.0 million (previous year: € 1.4 million).

The interest of RHÖN-KLINIKUM AG shareholders in profit for the first six months of 2017 declined by € 52.1 million or 76.5% to € 16.0 million compared with the same period last year (previous year: € 68.1 million). The interest in profit of the shareholders corresponds to earnings per share of € 0.24 (previous year: € 1.02) in accordance with IAS 33 (undiluted/diluted).

The total result (sum of consolidated profit and other earnings) stood at € 17.1 million (previous year: € 69.4 million) in the first six months of financial year 2017.

## Net assets and financial position

| | 30 June 2017 | | 31 Dec. 2016 | |
|---|---|---|---|---|
| | € m | % | € m | % |
| **ASSETS** | | | | |
| Non-current assets | 905.8 | 62.4 | 936.1 | 64.3 |
| Current assets | 546.7 | 37.6 | 520.1 | 35.7 |
| | **1,452.5** | **100.0** | **1,456.2** | **100.0** |
| **EQUITY AND LIABILITIES** | | | | |
| Equity | 1,107.1 | 76.2 | 1,113.4 | 76.5 |
| Long-term loan capital | 25.2 | 1.7 | 25.4 | 1.7 |
| Short-term loan capital | 320.2 | 22.1 | 317.4 | 21.8 |
| | **1,452.5** | **100.0** | **1,456.2** | **100.0** |

Compared with the balance sheet date of 31 December 2016, the balance sheet total declined by € 3.7 million or 0.3% to € 1,452.5 million. The decline stems essentially from the distribution of the dividend to shareholders in the amount of € 23.4 million. The decline compares with consolidate profit of the first half of 2017 in the amount of € 16.9 million.

The equity capital ratio saw a slight decline compared with the last reporting date, from 76.5% to 76.2%.

The following table shows the change in equity as at the last reporting date:

| Equity | 2017 | | | 2016 |
|---|---|---|---|---|
| | Shareholders | Non-controlling interests | Total | Total |
| | € m | € m | € m | € m |
| **As at 1 January** | **1,090.6** | **22.8** | **1,113.4** | **1,108.7** |
| Equity transactions with owners | **-23.4** | **-** | **-23.4** | -53.7 |
| Total comprehensive income of the period | **16.1** | **1.0** | **17.1** | 69.5 |
| Other changes | **-** | **-** | **-** | - |
| **As at 30 June** | **1,083.3** | **23.8** | **1,107.1** | **1,124.5** |

As at 30 June 2017, equity stands at € 1,107.1 million (31 December 2016: € 1,113.4 million). The decline in equity capital compared with the reporting date of 31 December 2016 by € 6.3 million results from distributions to shareholders of RHÖN-KLINIKUM AG (€ 23.4 million) on the one hand, and from consolidated profit of the first half of 2017 (€ 16.9 million) as well as gains from the revaluation of defined benefit pension plans (€ 0.2 million) on the other.

125.0% (31 December 2016: 121.7%) of non-current assets is nominally covered by equity and non-current liabilities at matching maturities. As at 30 June 2017, we report net liquidity of € 252.6 million (31 December 2016: € 302.0 million).

The origin and appropriation of our liquidity are shown in the following overview:

| January to June | 2017<br>€ m | 2016<br>€ m |
|---|---|---|
| Cash generated from operating activities | 19.7 | 41.4 |
| Cash generated from investing activities | 34.4 | 67.5 |
| Cash used in financing activities | -24.0 | -197.1 |
| **Change in cash and cash equivalents** | **30.1** | **-88.2** |
| Cash and cash equivalents at 1 January | 80.8 | 143.3 |
| **Cash and cash equivalents at 30 June** | **110.9** | **55.1** |

Cash and cash equivalents increased during the first half of 2017 by € 30.1 million (change in first half of 2016 by -€ 88.2 million).

The reason for the change compared to the previous year is the deviation of the cash used in financing activities. This was influenced by the repayment of our exchange-listed bond made in the first quarter of 2016, which resulted a cash outflow of € 143.2 million.

The change in cash generated from investing activities was influenced decisively by cash generated from terminations of fixed deposits. Whereas in the same period last year cash amounting to € 120.0 million was generated from terminations of fixed deposits, cash of € 80.0 million was generated in the first half of 2017 from terminations of fixed deposits.

## Investments

Aggregate investments of € 48.2 million (previous year: € 55.7 million) in the first half of 2017 are shown in the following table:

| | Use of | | |
|---|---|---|---|
| | Gov't grants | Own funds | Total |
| | € m | € m | € m |
| Current investments | 4.2 | 43.3 | 47.5 |
| Takeovers | - | 0.7 | 0.7 |
| **Total** | **4.2** | **44.0** | **48.2** |

Of these investments made in the first half of 2017, € 4.2 million was attributable to investments funded from grants under the Hospital Financing Act (KHG) (previous year: € 5.4 million) and deducted from total investments pursuant to the relevant provisions of IFRS.

An analysis of current investments financed from company funds by site is given below:

| | € m |
|---|---|
| Bad Neustadt a. d. Saale | 22.9 |
| Gießen, Marburg | 11.0 |
| Frankfurt (Oder) | 5.8 |
| Bad Berka | 3.6 |
| **Total** | **43.3** |

As at the balance sheet date, we do not have any investment obligations under company acquisition agreements entered into.

### Employees

| Employees | 30 June 2017 | 31 Dec. 2016 | Change | |
|---|---|---|---|---|
| | | | absolute | % |
| Hospitals | 14,841 | 14,802 | 39 | 0.3 |
| Medical care centres | 196 | 182 | 14 | 7.7 |
| Service companies | 1,504 | 1,502 | 2 | 0.1 |
| **Total** | **16,541** | **16,486** | **55** | **0.3** |

On 30 June 2017, the Group employed 16,541 persons (31 December 2016: 16,486).

## PERFORMANCE OF THE SECOND QUARTER

| April to June | 2017 | 2016 | Change | |
|---|---|---|---|---|
| | € m | € m | € m | % |
| Revenues | 298.3 | 299.1 | -0.8 | -0.3 |
| EBITDA | 24.7 | 35.5 | -10.8 | -30.4 |
| EBIT | 10.0 | 20.7 | -10.7 | -51.7 |
| EBT | 9.8 | 21.1 | -11.3 | -53.6 |
| Consolidated profit | 8.5 | 18.9 | -10.4 | -55.0 |

Compared with the same period last year, revenues of the second quarter of 2017 declined by € 0.8 million or 0.3%. In the second quarter of 2017 we also record a decline in EBITDA by € 10.8 million or 30.4% to € 24.7 million, a decline in EBIT by € 10.7 million or 51.7% to € 10.0 million, as well as a decline in consolidated profit by € 10.4 million or 55.0% to € 8.5 million.

In this context, a system-related shift in pre-admission cases from the inpatient and semi-inpatient hospital area into the outpatient area has to be noted, since these cases by law may no longer be billed as inpatient or semi-inpatient cases but only based on the outpatient remuneration structure. These services rendered on an outpatient basis are not being adequately remunerated. Furthermore, we continue to observe as a general rule that the remuneration of services rendered on an inpatient/semi-inpatient basis is not being adequately adjusted and that personnel and material expenses are only partially offset by refinanced revenues. The figures also include positive delayed effects during the same period last year from the Fresenius/Helios transaction.

## RISKS AND OPPORTUNITIES

Our entrepreneurial activities at all times directly involve risks and opportunities. As a healthcare services provider, we operate in an extremely complex risk environment. The challenge for us is to ensure reasonable management of these risks – since it is only companies that recognise their material risks in time and take steps to systematically counter the same that are also able at the same time to identify the opportunities arising and to exploit them in an entrepreneurially responsible manner. Factors such as the regulatory and legislative environment, continually mounting cost, competitive and consolidation pressures within the sector, the rising demands of patients in terms of the quality of inpatient healthcare delivery and patient care not only open up opportunities but also involve risks. As a provider of healthcare services, we always regard the risk posed to the life and health of our patients as the greatest risk. This involves continuously weighing up opportunities against the risks. We give utmost priority to measures that avoid even the smallest errors in the medical and nursing area, since any error is one too many.

In the hospital sector, business prospects and existing risks are typically characterised by long-term cycles. Short-term changes in the market environment are still usually the exception.

Advances in medicine and the call for a holistic approach to diagnosing and treating patients (instead of diagnosis and treatment being limited to certain aspects) are requiring increasingly strong interdisciplinary processes and division of labour. In this regard, co-operation is needed not only at the hospital but also between outpatient and inpatient care.

Whenever these processes are disrupted, this carries risks for both patients and the hospital.

We attach utmost importance to minimising such risks by ensuring the quality of treatment with qualified and trained staff through guideline-oriented procedures in safe and hygienic hospital buildings. Permanent monitoring of all procedures and processes involved in the treatment of patients as well as the consistent orientation of all efforts to the needs of our patients create a high level of treatment quality and limit existing operating risks.

In addition to the typical clinical risk fields in the area of patient safety (hygiene, nursing and medical care), potential risks are also seen, as in the previous years, in the use of medical equipment, in IT equipment and in fire prevention. These risks continue to be assessed as low, particularly given the existing measures in place.

In Germany, hospitals approved under state hospital planning enjoy de facto state regulated protection in their respective catchment area. Traditional market and revenue risks exist only where site closures are ordered or a hospital's quality is assessed by referring physicians or by patients as significantly worse than for neighbouring hospitals. In the latter case, that results in large numbers of patients switching to other hospitals. The increasing auditing activities of the Medical Review Board of the Statutory Health Insurance Funds (MDK), in particular of services and/or cases exhibiting a high degree of severity, are also making themselves felt. We are closely watching the delayed remuneration of services caused by this and are countering these with further optimised process optimisations. Fluctuations in service volumes at our facilities, shifts in service volumes from the inpatient to outpatient sector, but also to nearby facilities of other companies, as well as pricing regulation may result in losses in revenues and cost increases, and consequently to a decrease in earnings. Through regular period-based and inter-operation comparisons with regard to service volumes, revenues and earnings as well as selected business ratios and other indicators, it is possible for us to identify adverse developments early. Where it is appropriate and necessary, we can take corrective action and manage a reasonably low risk potential.

We are affected only indirectly by developments in the German economy since healthcare spending is influenced by contribution volumes of the insured and thus by the job market situation. We are for the most part unaffected by foreign economic factors given our exclusive focus on the German healthcare market. For sector-specific tax risks that may arise for trade tax and value-added tax e.g. as a result of changes in decisions by the highest court instances or changes in the views held by the financial administrative authorities, we have made corresponding provision on the balance sheet as soon as these became known to us. As a healthcare service provider, we operate under the already known framework conditions. These are marked by strong influences from healthcare policy regulations. Already in 2016, regulatory obstacles negatively impacted our organic growth. Also in the further course of financial year 2017, these will put a moderate drag on organic growth. No major burdens on earnings in are expected from a current perspective as a result of separate accounting for financing research and teaching at the university hospitals in Gießen and Marburg. With the Federal State of Hesse, agreement was reached on a cornerstone agreement in the second quarter of financial year 2017. The final agreement still has to be concluded. Furthermore, two other developments continue to influence our sector decisively. Demand for medical services, in particular also cutting-edge medical services, continues to rise. By contrast, remuneration of the services provided is not being adjusted. Looking to the future, we will counter potential negative developments through suitable activities and measures. Further regulatory and industry risks relating to us are classified as very low.

To achieve sustained success as a diversified healthcare group with leading expertise, we need committed and highly qualified employees and executive staff. Hospitals on average have personnel cost ratios of between 50% and 70%, making them particularly dependent on developments in wages. A shortage of specialist employees is a key issue also in the healthcare sector. For RHÖN-KLINIKUM AG, too, finding highly qualified and motivated staff to meet the wide-ranging and complex requirements of the healthcare industry is a challenge. In this context, regional differences at the individual facilities have to be recognised which we address by individual measures. For this reason, recruiting and retaining qualified staff at our Company is of key importance to us. For example, thanks to our cooperation with specialised universities, we make contact at an early stage with qualified students so that we can recruit the necessary young talent. On account of the establishment and expansion of structured recruiting and qualification concepts for doctors, nursing and healthcare professions as well as for our executive talent, however, we currently still see opportunities to efficiently counteract the current shortage of personnel and classify personnel risks throughout the Group as relatively low.

For materials procurement in the areas of medical facilities, equipment as well as supplies, we rely on external providers. These business ties can give rise to risks that are triggered, for example, by delivery and quality problems. Particularly affected by supply shortages and procurement of alternative drugs are consumption-intensive specialist departments such as neurology and oncology. By ongoing market and product monitoring we ensure that dependency on sole suppliers, on single products and service providers is kept to a bare minimum and classify risks from this area also as low.

Since we operate exclusively in Germany, we are not subject to any transaction and currency risks.

We are relentless in our efforts at monitoring and optimising our processes, quality and strategies. For example, we have further pursued our activities to optimise our sites by reviewing their service portfolios and identifying performance potential. The process and communication paths involved are analogous to risk management.

We continue to support various projects through our funding pool. The initiative benefits our patients as it results in perceptible advances in medical care and nursing. Moreover, it has an interfacility design, which means that know-how transfer is improved throughout the Company.

We will continue to forge ahead with our objective of achieving generalised, full-service medical and nursing care in rural regions with our campus approach. Rural regions are especially hard hit by the greying of the population and the accompanying rise in their morbidity and treatment cases and increasing shortage of doctors. The campus approach combines numerous differentiated care offerings and services of different partners. Particularly inpatient and outpatient services are structurally, spatially and logistically integrated with one another on the premises of a high-performance hospital. We thus take on the growing requirements for healthcare delivery which also reflects the needs of the elderly as a challenge, but also as an opportunity.

Our various projects in the area of digitalisation and network medical care open up new opportunities and possibilities for us in medical care: new IT-based approaches in diagnosis and therapy (cognitive computing), the overcoming of formal sectoral boundaries between outpatient and inpatient care as well as the electronic patient file WebEPA$^+$. Our web-based electronic patient file for cross-sector integration in healthcare networks for the first time makes it possible to form virtual interfacility service alliances for the well-being of patients. WebEPA$^+$ thus creates a network that can speed up and simplify the treatment of patients. It makes all important health data available to the doctors in updated and comprehensible form. Our knowledge and our efficiency in this sector are imperative if we are to succeed in implementing the integration of outpatient and inpatient services related to the campus approach for the well-being of our patients.

Also in future, we will continue to be amongst the major hospital operators in Germany as an efficient, homogenous Group with a consistent orientation and focus on cutting-edge medicine geared towards maximum care, further strengthening of treatment excellence and patient care through our focus on digitalisation and network medical care as well as the steady implementation of the campus approach. To this end we avail ourselves of all opportunities presented to us and thus counteract the potential risks with a practised and functioning risk management system at our hospitals, medical care centres and service companies.

Beyond that, there have been no significant changes in risks and rewards since the reporting date of 31 December 2016. As before, we do not see any risks posing a threat to the Company’s existence, neither for the individual subsidiaries nor for the Group.

## FORECAST

In addition to the ongoing conceptual and constructional modernisation of our sites, digitalisation will become an increasingly important issue. Use of digital technologies will considerably ease and optimise the process of treatment for patients. In financial year 2017, we will continue to vigorously pursue our activities in the area of digitalisation as well as our objective of achieving generalised, full-service medical and nursing care in rural regions.

Rural regions are especially hard hit by the greying of the population and the accompanying rise in morbidity and treatment cases and increasing shortage of doctors. Specifically, our campus approach is concerned with the logistical and spatial integration of outpatient and inpatient services in conjunction with the offer to community-based doctors to work together closely with the respective hospital. The campus approach combines numerous differentiated care offerings and services of different partners. Particularly inpatient and outpatient services are structurally, spatially and logistically integrated with one another on the premises of a high-performance hospital. By staking out a position in the premium medical care segment, we are creating the basis for helping our patients have access to unrestricted cutting-edge medical services also in future. Underlying all our activity in this context is the well-being of our patients who entrust themselves to our staff at our hospitals and facilities and who are always the focus of our efforts.

In keeping with provision of the best possible nursing and care, it continues to be our objective to diagnose and treat our patients on the basis of the latest, scientifically founded therapy procedures with state-of-the-art medical technology. The well-being of the patient – which is the ethical basis of our activity and at the same time of our economic success – will continue to be our standard also in future. All patients coming to us can be assured that they will receive the best treatment at all times.

Our financial efficiency is a pre-condition for our Company's ability to grow in future organically through medical innovations as well as through acquisitions whenever opportunities for this arise. In future also, sound organic and acquisition-based growth will be the main driver of the Group’s development. Within the bounds set by legislation within the German healthcare system, organic growth is possible only to a limited extent. When acquiring facilities we continue to follow our dual strategy of “competence and reliability” as well as “quality before quantity”.

Within our Group we will continue to consistently promote the exchange of knowledge between our facilities and sites. All our hospitals are to have access as quickly as possible to the latest scientific findings implemented in diagnosis and treatment procedures.

Also in financial year 2017, the economic basis of the RHÖN-KLINIKUM Group will be provided by its five large sites in four federal states counting some 5,400 beds and over 16,000 employees. That makes us one of the largest hospital operators in Germany.

For the current financial year 2017, we continue to expect revenues in the range of between € 1.20 billion and € 1.23 billion. In this context, the most recent regulatory measures are having a particularly heavy impact, such as lower remuneration for cardiological and specialist orthopaedic services or the newly introduced fixed cost degression discount on surplus services.

For earnings before interest, tax and depreciation/amortisation (EBITDA), we expect a level of between € 85 million and € 105 million in 2017. This includes the negative effects in the low double-digit million range brought about by additional expenditures for the digital transformation of medical processes as well as one-off charges from the Group's reorganisation. Moreover, we currently expect the agreement outcome on the separate accounting approach at UKGM to be legally ratified in full in the second half of 2017. In that case, we expect our EBITDA to be within the upper half of the range.

Our outlook is of course subject to any regulatory measures impacting our remuneration structure during the remainder of the year.

Bad Neustadt a. d. Saale, 3 August 2017

RHÖN-KLINIKUM Aktiengesellschaft
THE BOARD OF MANAGEMENT

Prof. Dr. Bernd Griewing    Stephan Holzinger    Dr. Dr. Martin Siebert

# CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENT

## Consolidated Income Statement and Consolidated Statement of Comprehensive Income, January to June

| January to June | 2017 | | 2016 | |
|---|---|---|---|---|
| | € '000 | % | € '000 | % |
| Revenues | 598,440 | 100.0 | 590,590 | 100.0 |
| Other income | 75,004 | 12.5 | 114,554 | 19.4 |
| | **673,444** | **112.5** | **705,144** | **119.4** |
| Materials and consumables used | 169,177 | 28.3 | 165,489 | 28.0 |
| Employee benefits expense | 391,535 | 65.4 | 377,350 | 63.9 |
| Other expenses | 62,538 | 10.5 | 58,900 | 10.0 |
| | **623,250** | **104.1** | **601,739** | **101.9** |
| **Interim result (EBITDA)** | **50,194** | **8.4** | **103,405** | **17.5** |
| Depreciation/amortisation and impairment | 29,289 | 4.9 | 29,483 | 5.0 |
| **Operating result (EBIT)** | **20,905** | **3.5** | **73,922** | **12.5** |
| Result of investments accounted for using the equity method | -571 | -0.1 | -105 | 0.0 |
| Finance income | 385 | 0.1 | 1,225 | 0.2 |
| Finance expenses | 414 | 0.1 | 1,491 | 0.2 |
| **Finance result (net)** | **600** | **0.1** | **371** | **0.0** |
| **Earnings before taxes (EBT)** | **20,305** | **3.4** | **73,551** | **12.5** |
| Income taxes | 3,358 | 0.6 | 3,995 | 0.7 |
| **Consolidated profit** | **16,947** | **2.8** | **69,556** | **11.8** |
| of which | | | | |
| **non-controlling interests** | **965** | **0.1** | **1,437** | **0.3** |
| **shareholders of RHÖN-KLINIKUM AG** | **15,982** | **2.7** | **68,119** | **11.5** |
| **Earnings per share in €** | | | | |
| **undiluted** | **0.24** | | **1.02** | |
| **diluted** | **0.24** | | **1.02** | |

| January to June | 2017 | 2016 |
|---|---|---|
| | € '000 | € '000 |
| **Consolidated profit** | **16,947** | **69,556** |
| of which | | |
| non-controlling interests | 965 | 1,437 |
| shareholders of RHÖN-KLINIKUM AG | 15,982 | 68,119 |
| Revaluation of defined benefit pension plans | 184 | - 150 |
| Income taxes | -29 | 24 |
| **Other comprehensive income (revaluation of pension plans) not subsequently reclassified to income statement** | **155** | **- 126** |
| **Other comprehensive income [1]** | **155** | **- 126** |
| of which | | |
| non-controlling interests | - | - |
| shareholders of RHÖN-KLINIKUM AG | 155 | - 126 |
| **Total comprehensive income** | **17,102** | **69,430** |
| of which | | |
| non-controlling interests | 965 | 1,437 |
| shareholders of RHÖN-KLINIKUM AG | 16,137 | 67,993 |

[1] Sum of value changes recognised at equity.

## Consolidated Income Statement and Consolidated Statement of Comprehensive Income, April to June

| April to June | 2017 | | 2016 | |
|---|---|---|---|---|
| | € '000 | % | € '000 | % |
| Revenues | 298,324 | 100.0 | 299,072 | 100.0 |
| Other income | 37,932 | 12.7 | 41,533 | 13.9 |
| | **336,256** | **112.7** | **340,605** | **113.9** |
| Materials and consumables used | 85,796 | 28.8 | 84,850 | 28.4 |
| Employee benefits expense | 194,349 | 65.1 | 189,583 | 63.4 |
| Other expenses | 31,458 | 10.5 | 30,633 | 10.2 |
| | **311,603** | **104.4** | **305,066** | **102.0** |
| **Interim result (EBITDA)** | **24,653** | **8.3** | **35,539** | **11.9** |
| Depreciation/amortisation and impairment | 14,667 | 5.0 | 14,806 | 5.0 |
| **Operating result (EBIT)** | **9,986** | **3.3** | **20,733** | **6.9** |
| Result of investments accounted for using the equity method | -105 | 0.0 | -107 | 0.0 |
| Finance income | 178 | 0.1 | 636 | 0.2 |
| Finance expenses | 213 | 0.1 | 198 | 0.1 |
| **Finance result (net)** | **140** | **0.0** | **-331** | **-0.1** |
| **Earnings before taxes (EBT)** | **9,846** | **3.3** | **21,064** | **7.0** |
| Income taxes | 1,347 | 0.5 | 2,162 | 0.7 |
| **Consolidated profit** | **8,499** | **2.8** | **18,902** | **6.3** |
| of which | | | | |
| **non-controlling interests** | **369** | **0.1** | **705** | **0.2** |
| **shareholders of RHÖN-KLINIKUM AG** | **8,130** | **2.7** | **18,197** | **6.1** |
| **Earnings per share in €** | | | | |
| **undiluted** | **0.12** | | **0.27** | |
| **diluted** | **0.12** | | **0.27** | |

| April to June | 2017 | 2016 |
|---|---|---|
| | € '000 | € '000 |
| **Consolidated profit** | **8,499** | **18,902** |
| of which | | |
| non-controlling interests | 369 | 705 |
| shareholders of RHÖN-KLINIKUM AG | 8,130 | 18,197 |
| Revaluation of defined benefit pension plans | 177 | -150 |
| Income taxes | -28 | 24 |
| **Other comprehensive income (revaluation of pension plans) not subsequently reclassified to income statement** | **149** | **-126** |
| **Other comprehensive income** [1] | **149** | **-126** |
| of which | | |
| non-controlling interests | - | - |
| shareholders of RHÖN-KLINIKUM AG | 149 | -126 |
| **Total comprehensive income** | **8,648** | **18,776** |
| of which | | |
| non-controlling interests | 369 | 705 |
| shareholders of RHÖN-KLINIKUM AG | 8,279 | 18,071 |

[1] Sum of value changes recognised at equity.

## Consolidated Balance Sheet as at 30 June 2017

| | 30 June 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | € '000 | % | € '000 | % |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill and other intangible assets | 174,104 | 12.0 | 173,119 | 11.9 |
| Property, plant and equipment | 714,698 | 49.2 | 701,010 | 48.1 |
| Investment property | 2,702 | 0.2 | 2,772 | 0.2 |
| Investments accounted for using the equity method | 746 | 0.1 | 864 | 0.1 |
| Deferred tax assets | 4,089 | 0.3 | 5,700 | 0.4 |
| Other financial assets | 9,427 | 0.6 | 52,670 | 3.6 |
| | **905,766** | **62.4** | **936,135** | **64.3** |
| **Current assets** | | | | |
| Inventories | 23,523 | 1.6 | 24,816 | 1.7 |
| Trade receivables | 210,033 | 14.5 | 190,855 | 13.1 |
| Other financial assets | 180,824 | 12.4 | 210,041 | 14.4 |
| Other assets | 17,886 | 1.2 | 8,482 | 0.6 |
| Current income tax assets | 3,420 | 0.2 | 5,102 | 0.4 |
| Cash and cash equivalents | 111,002 | 7.7 | 80,814 | 5.5 |
| | **546,688** | **37.6** | **520,110** | **35.7** |
| | **1,452,454** | **100.0** | **1,456,245** | **100.0** |

| | 30 June 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | € '000 | % | € '000 | % |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Issued share capital | 167,406 | 11.5 | 167,406 | 11.5 |
| Capital reserve | 574,168 | 39.5 | 574,168 | 39.4 |
| Other reserves | 341,765 | 23.6 | 349,057 | 24.0 |
| Treasury shares | -76 | 0.0 | -76 | 0.0 |
| Equity attributable to shareholders of RHÖN-KLINIKUM AG | 1,083,263 | 74.6 | 1,090,555 | 74.9 |
| Non-controlling interests in equity | 23,793 | 1.6 | 22,828 | 1.6 |
| | **1,107,056** | **76.2** | **1,113,383** | **76.5** |
| **Non-current liabilities** | | | | |
| Provisions for post-employment benefits | 2,049 | 0.1 | 2,247 | 0.1 |
| Other financial liabilities | 16,238 | 1.1 | 16,310 | 1.1 |
| Other liabilities | 6,934 | 0.5 | 6,903 | 0.5 |
| | **25,221** | **1.7** | **25,460** | **1.7** |
| **Current liabilities** | | | | |
| Financial liabilities | 10,063 | 0.7 | 10,000 | 0.7 |
| Trade payables | 86,252 | 5.9 | 94,830 | 6.5 |
| Current income tax liabilities | 0 | 0.0 | 1,715 | 0.1 |
| Other provisions | 95,496 | 6.6 | 95,831 | 6.6 |
| Other financial liabilities | 21,413 | 1.5 | 19,223 | 1.3 |
| Other liabilities | 106,953 | 7.4 | 95,803 | 6.6 |
| | **320,177** | **22.1** | **317,402** | **21.8** |
| | **1,452,454** | **100.0** | **1,456,245** | **100.0** |

# Consolidated Statement of Changes in Equity

| | Issued share capital | Capital reserve | Retained earnings | Treasury shares | Equity attributable to shareholders of RHÖN-KLINIKUM AG | Non-controlling interests in equity [1] | Equity |
|---|---|---|---|---|---|---|---|
| | € '000 | € '000 | € '000 | € '000 | € '000 | € '000 | € '000 |
| **As at 31 Dec. 2015/1 Jan. 2016** | **167,406** | **574,168** | **346,466** | **-76** | **1,087,964** | **20,749** | **1,108,713** |
| Equity transactions with owners | | | | | | | |
| Dividend payments | - | - | -53,551 | - | -53,551 | -125 | -53,676 |
| Consolidated profit | - | - | 68,119 | - | 68,119 | 1,437 | 69,556 |
| Other comprehensive income | - | - | -126 | - | -126 | - | -126 |
| Other changes | | | | | | | |
| Changes in consolidated companies | - | - | - | - | - | - | - |
| **As at 30 June 2016** | **167,406** | **574,168** | **360,908** | **-76** | **1,102,406** | **22,061** | **1,124,467** |
| **As at 31 Dec. 2016/1 Jan. 2017** | **167,406** | **574,168** | **349,057** | **-76** | **1,090,555** | **22,828** | **1,113,383** |
| Equity transactions with owners | | | | | | | |
| Dividend payments | - | - | -23,429 | - | -23,429 | - | -23,429 |
| Consolidated profit | - | - | 15,982 | - | 15,982 | 965 | 16,947 |
| Other comprehensive income | - | - | 155 | - | 155 | - | 155 |
| Other changes | | | | | | | |
| Changes in consolidated companies | - | - | - | - | - | - | - |
| **As at 30 June 2017** | **167,406** | **574,168** | **341,765** | **-76** | **1,083,263** | **23,793** | **1,107,056** |

[1] Including other comprehensive income (OCI).

## Consolidated Statement of Cash Flows

| January to June | 2017<br>€ m | 2016<br>€ m |
|---|---|---|
| Earnings before taxes | 20.3 | 73.5 |
| Finance result (net) | 0.6 | 0.4 |
| Depreciation/amortisation and impairment and gains/losses on disposal of assets | 29.2 | 29.4 |
| | **50.1** | **103.3** |
| **Change in net current assets** | | |
| Change in inventories | 1.3 | 2.4 |
| Change in trade receivables | -19.2 | -23.8 |
| Change in other financial assets and other assets | -15.1 | 12.3 |
| Change in trade payables | -8.9 | -8.9 |
| Change in other net liabilities/other non-cash transactions | 14.5 | 4.4 |
| Change in provisions | -0.3 | -39.8 |
| Income taxes paid | -2.3 | -2.5 |
| Interest paid | -0.4 | -6.0 |
| **Cash generated from operating activities** | **19.7** | **41.4** |
| Investments in property, plant and equipment and in intangible assets | -47.1 | -51.6 |
| Government grants received to finance investments in property, plant and equipment and in intangible assets | 4.2 | 4.2 |
| Change in investments in fixed term deposits | 80.0 | 120.0 |
| Investments in financial assets | -2.4 | -7.1 |
| Acquisition of subsidiaries, net of cash acquired | -0.9 | 0.7 |
| Sale proceeds from disposal of assets | 0.2 | 0.1 |
| Interest received | 0.4 | 1.2 |
| **Cash generated from investing activities** | **34.4** | **67.5** |
| Repayment of financial liabilities | - | -143.2 |
| Dividend payments to shareholders of RHÖN-KLINIKUM AG | -23.4 | -53.6 |
| Payments from finance leases | -0.6 | -0.2 |
| Payments to non-controlling interests in equity | - | -0.1 |
| **Cash used in financing activities** | **-24.0** | **-197.1** |
| Change in cash and cash equivalents | 30.1 | -88.2 |
| Cash and cash equivalents at 1 January | 80.8 | 143.3 |
| **Cash and cash equivalents at 30 June** | **110.9** | **55.1** |

# Condensed Notes

## GENERAL INFORMATION

RHÖN-KLINIKUM AG and its subsidiaries build, acquire and operate primarily acute-care hospitals of all categories, with the focus being on cutting-edge medicine oriented towards maximum care with a direct tie-in to universities and research facilities. At some sites, rehabilitation services are also offered for selected medical disciplines to complement existing acute inpatient offerings. Moreover, outpatient structures in the form of medical care centres are also being expanded. We provide our services exclusively in Germany.

The Company is a stock corporation established under German law and has been listed on the stock market (SDAX®) since 1989. The registered office of the Company is in Bad Neustadt a. d. Saale, Salzburger Leite 1, Germany. The Company is entered in the Commercial Register of the Register Court of Schweinfurt under HRB 1670.

The Interim Consolidated Financial Statements will be published on 3 August 2017 on the website of RHÖN-KLINIKUM AG as well as with Deutsche Börse.

## ACCOUNTING POLICIES

The Interim Consolidated Financial Statements of RHÖN-KLINIKUM AG as at 30 June 2017 have been prepared in accordance with the rules of IAS 34 in condensed form applying section 315a of the German Commercial Code (Handelsgesetzbuch, HGB) and in accordance with the rules, effective at the reporting date and recognised by the European Union, of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Furthermore, the provisions of the German accounting standard DRS 16 were observed in the preparation of this Group Interim Report of the Management.

The same accounting, valuation and calculation methods as already adopted by the European Union were applied in the Interim Consolidated Financial Statements as in the Consolidated Financial Statements for the financial year ending on 31 December 2016. Standards and Interpretations exceeding such scope were not endorsed by the European Union in the first half of 2017.

IFRS 9, Financial Instruments, published by the IASB in July 2014, will essentially replace IAS 39 with effect from the initial adoption date of 1 January 2018. The Standard contains statements on the classification and measurements of financial instruments (Phase 1), on accounting for impairments of financial assets (Phase 2) as well as on hedge accounting (Phase 3). The principal part of non-derivative financial assets, pursuant to IAS 39, is currently measured at amortised cost. Even though the analysis with regard to the business model and the fulfilment of the cash flow criterion is still under way, RHÖN-KLINIKUM AG does not expect the new aspects of Phase 1, based on the current stage of the analysis, to result in any material changes. There have been no significant changes in the requirements to be met by the classification and measurement of non-derivative financial liabilities. Phase 2 deals with the subject of impairment of financial assets. RHÖN-KLINIKUM AG is currently analysing the impact of the changed impairment model particularly with regard to trade receivables and other financial assets. RHÖN-KLINIKUM AG does currently not expect this to result in any material impact on the consolidated financial statements. Phase 3 deals with provisions on hedge accounting. RHÖN-KLINIKUM currently does not use any hedging relationships and does not intend to do so in the near future either.

In May 2014, the IASB published IFRS 15, Revenues from Contracts with Customers. In IFRS 15 it is provided when and in what amount a company applying IFRS accounting rules is required to recognise revenues. The Standard also aims to provide the users of financial statements with more informative and more relevant disclosures than has previously been the case. Based on what has been learned so far, RHÖN-KLINIKUM AG does not expect any material changes compared with existing accounting policies.

The income tax expense was deferred in the reporting period based on the tax rate expected for the entire financial year.

## CONSOLIDATED COMPANIES

The ultimate parent company is RHÖN-KLINIKUM AG with its registered office in Bad Neustadt a. d. Saale. The consolidated companies are as follows:

| | 31 Dec. 2016 | Additions | Disposals | 30 June 2017 |
|---|---|---|---|---|
| Fully consolidated subsidiaries | 28 | - | - | 28 |
| Companies consolidated using the equity method | 3 | - | - | 3 |
| Other subsidiaries | 8 | 1 | - | 9 |
| **Consolidated companies** | **39** | 1 | - | **40** |

Other entities are companies whose individual or overall impact on the net assets and results of operations is not material and/or over which we cannot exert any material influence over financial and business policy decisions. They are included in the consolidated financial statements at the lower of cost or fair value.

The added entity (Other entities) relates to the acquisition of an interest in Intensix Inc. with its legal headquarters in Delaware (USA) and location in Netanya (Israel). The interest of 14.8% was acquired by RHÖN-Innovations GmbH whose objective is to take out equity interests in start-ups within the medical sector in a targeted investment and risk strategy.

RHÖN-Innovations GmbH thus now holds interests in three start-up entities. Intensix focuses on big data analysis in the treatment of patients on the intensive care ward. Intensix is developing a learning system aimed at identifying trends in the development of a patient’s health from currently measurable data in combination with historical data records, thus providing medical staff on the intensive care ward, in the event of complications, with signals for taking therapeutic countermeasures earlier. This makes it possible not only to optimise decision making processes and treatment excellence but also to reduce durations of stay on the intensive care ward. The software is still in the beta phase; the first retrospective studies have been concluded successfully. Currently, further clinical studies are under way.

## Company acquisitions

As at 1 January and 1 April of financial year 2017, respectively, one doctor's practice was acquired in each case whose conditions of validity as per agreement were satisfied during the reporting period of 2017:

| Purchase of doctor's practices, January to June 2017 | Fair value post acquisition<br>€ m |
|---|---|
| **Acquired assets and liabilities** | |
| Intangible assets | 0.0 |
| Property, plant and equipment | 0.1 |
| **Net assets acquired** | **0.1** |
| + Goodwill | 0.6 |
| **Cost** | **0.7** |
| ./. Purchase price payments outstanding | 0.0 |
| ./. Acquired cash and cash equivalents | 0.0 |
| **Cash outflow on transaction** | **0.7** |

Goodwill amounting to € 0.6 million essentially includes synergy effects expected from the expansion of medical care centres. The goodwill recognised is likely to be tax-deductible.

Moreover, we were awarded 2.50 doctor's practices from the Association of Accredited Physicians (KV), and at the same time returned 0.75 doctor's practices to the KV. This did not incur any costs.

In financial year 2017, one doctor's practice was acquired whose conditions of validity as per agreement will be satisfied only in the course of reporting year 2017. Consolidation in the Group financial statements will take place in the third quarter of financial year 2017. The preliminary purchase price allocation has the following impact on the Group's net assets in 2017:

| Purchase of doctor's practices valid as at 1 July 2017 | Fair value post acquisition<br>€ m |
|---|---|
| **Acquired assets and liabilities** | |
| Intangible assets | 0.0 |
| Property, plant and equipment | 0.2 |
| **Net assets acquired** | **0.2** |
| + Goodwill | 0.3 |
| **Cost** | **0.5** |
| ./. Purchase price payments outstanding | -0.3 |
| ./. Acquired cash and cash equivalents | 0.0 |
| **Cash outflow on transaction** | **0.2** |

# OPERATING SEGMENTS

Within the Group of RHÖN-KLINIKUM AG, cross-sector healthcare services are provided in the inpatient, semi-inpatient and outpatient area. The Group's hospitals are operated in the legal form of independent subsidiaries which carry on their business activities in their respective regional markets in line with the guidelines and specifications of the parent company. There are no dependent hospital operations or branches within RHÖN-KLINIKUM Group.

According to IFRS 8 "Operating Segments", segment information is to be presented in accordance with the internal reporting to the chief operating decision maker (management approach). The chief operating decision maker of RHÖN-KLINIKUM AG is the Board of Management as a whole, which makes the strategic decisions for the Group and which is reported to based on the figures of the individual hospitals and subsidiaries. Accordingly, RHÖN-KLINIKUM AG with its acute hospitals and other facilities continues to have only one reportable segment since the other units such as rehabilitation facilities, medical care centres and service companies, whether on a stand-alone basis or in the aggregate, do not exceed the quantitative thresholds of IFRS 8.

## SELECTED EXPLANATIONS REGARDING INTERIM CONSOLIDATED INCOME STATEMENT

### Revenues

| January to June | 2017<br>€ m | 2016<br>€ m |
|---|---|---|
| **Fields** | | |
| Acute hospitals | 579.9 | 571.8 |
| Medical care centres | 5.7 | 5.2 |
| Rehabilitation hospitals | 12.8 | 13.6 |
| | **598.4** | **590.6** |
| **Federal states** | | |
| Bavaria | 128.1 | 125.5 |
| Saxony | 0.1 | 0.1 |
| Thuringia | 85.0 | 88.7 |
| Brandenburg | 69.3 | 68.7 |
| Hesse | 315.9 | 307.6 |
| | **598.4** | **590.6** |

According to IAS 18, revenues constitute revenues generated from the provision of services and rose compared with the same period last year by € 7.8 million or 1.3% to reach € 598.4 million.

### Other income

| January to June | 2017<br>€ m | 2016<br>€ m |
|---|---|---|
| Income from services rendered | 64.9 | 63.4 |
| Income from grants and other allowances | 5.4 | 5.5 |
| Income from adjustment of receivables | 0.6 | 0.6 |
| Income from indemnification payments/Other reimbursements | 0.1 | 0.9 |
| Other | 4.0 | 44.1 |
| | **75.0** | **114.5** |

Income from services rendered includes income from ancillary and incidental activities as well as income from rental and lease agreements.

The Group received grants and other allowances as compensation for certain purpose-tied expenses in connection with publicly financed measures (e.g. costs of personnel and materials for research and teaching, benefits under German legislation governing maternity leave, and for other subsidised measures).

Compared with the same period last year, the other income item witnessed a decline of € 39.5 million or 34.5% to € 75.0 million. The decline is attributable to the income recognised with earnings increasing effect during the same period last year resulting from the reversal of provisions for potential legal and tax warranty risks in the amount of € 40.6 million.

### Employee benefits expense

Compared with the same period last year, the employee benefits expense item in the first half of financial year 2017 rose by € 14.2 million or 3.8% to reach € 391.5 million. This figure includes one-off expenditures in the first half of 2017 from changes in the Board of Management in the low single-digit million range.

### Other expenses

| January to June | 2017<br>€ m | 2016<br>€ m |
|---|---|---|
| Maintenance | 23.7 | 22.5 |
| Charges, subscriptions and consulting fees | 12.0 | 11.5 |
| Insurance | 5.6 | 4.6 |
| Administrative and IT costs | 4.6 | 3.7 |
| Impairment on receivables | 5.7 | 3.9 |
| Rents and leaseholds | 3.1 | 3.2 |
| Other personnel and continuing training costs | 2.1 | 2.3 |
| Travelling, entertaining and representation expenses | 1.0 | 0.9 |
| Secondary taxes | 0.2 | 0.3 |
| Other | 4.5 | 6.0 |
| | **62.5** | **58.9** |

Compared with the same period last year, other expenses in the first six months of 2017 witnessed a rise of € 3.6 million or 6.1% to reach € 62.5 million. The rise is attributable among other things to depreciation on receivables resulting from the continuing increasing inspection activity of the Medical Review Board of the Statutory Health Insurance Funds (MDK) and the related restrictive and staggered payment mode of payers.

### Depreciation/amortisation and impairment

Compared with the same period last year, the depreciation/amortisation item declined slightly by € 0.2 million (or 0.7%) from € 29.5 million to € 29.3 million.

### Finance result (net)

Compared with the same period last year, we recorded a rise in the negative finance result by € 0.3 million to € 0.6 million (previous year: € 0.3 million) in the first half of financial year 2017. The rise stems in particular from higher loss shares in companies consolidated using the equity method recognised under this item in the first half of 2017. Moreover, we recorded a decline in both finance expenses following the repayment of our bond in the first quarter of 2016 and in finance income resulting from the lower investment volume in the first half of 2017, as well as from a further decline in interest rates.

## Income taxes

| January to June | 2017<br>€ m | 2016<br>€ m |
|---|---|---|
| Current income tax | 1.8 | 3.5 |
| Deferred taxes | 1.6 | 0.5 |
| | **3.4** | **4.0** |

The income tax expense item declined by € 0.6 million to € 3.4 million (previous year: € 4.0 million) compared with same period of the previous year as a result of a lower taxable result.

At present, tax carry-forwards are only recognised Group-wide to the extent that they are considered probable to be claimed within 5 years.

# SELECTED EXPLANATIONS REGARDING INTERIM CONSOLIDATED BALANCE SHEET

## Goodwill and other intangible assets

| | Goodwill<br>€ m | Other intangible assets<br>€ m | Total<br>€ m |
|---|---|---|---|
| **Cost** | | | |
| **1 January 2017** | **162.4** | **37.1** | **199.5** |
| Additions due to changes in consolidated companies | 0.6 | 0.0 | 0.6 |
| Additions | 0.0 | 1.5 | 1.5 |
| Disposals | 0.0 | 0.0 | 0.0 |
| Transfers | 0.0 | 0.0 | 0.0 |
| **30 June 2017** | **163.0** | **38.6** | **201.6** |
| | | | |
| **Cumulative depreciation and impairment** | | | |
| **1 January 2017** | **0.0** | **26.4** | **26.4** |
| Depreciation | 0.0 | 1.1 | 1.1 |
| Disposals | 0.0 | 0.0 | 0.0 |
| **30 June 2017** | **0.0** | **27.5** | **27.5** |
| **Balance sheet value as at 30 June 2017** | **163.0** | **11.1** | **174.1** |

| | Goodwill<br>€ m | Other intangible assets<br>€ m | Total<br>€ m |
|---|---|---|---|
| **Cost** | | | |
| **1 January 2016** | **157.2** | **33.7** | **190.9** |
| Additions due to changes in consolidated companies | 5.1 | 0.1 | 5.2 |
| Additions | 0.0 | 0.9 | 0.9 |
| Disposals | 0.0 | 0.0 | 0.0 |
| Transfers | 0.0 | 0.1 | 0.1 |
| **30 June 2016** | **162.3** | **34.8** | **197.1** |
| | | | |
| **Cumulative depreciation and impairment** | | | |
| **1 January 2016** | **0.0** | **24.4** | **24.4** |
| Depreciation | 0.0 | 1.1 | 1.1 |
| Disposals | 0.0 | 0.0 | 0.0 |
| **30 June 2016** | **0.0** | **25.5** | **25.5** |
| **Balance sheet value as at 30 June 2016** | **162.3** | **9.3** | **171.6** |

## Property, plant and equipment

| | Land and buildings € m | Technical plant and equipment € m | Operating and business equipment € m | Plant under construction € m | Total € m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **1 January 2017** | **955.8** | **46.6** | **292.0** | **50.9** | **1,345.3** |
| Additions due to changes in consolidated companies | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| Additions | 1.1 | 0.2 | 9.4 | 31.1 | 41.8 |
| Disposals | 12.4 | 0.0 | 8.6 | 0.0 | 21.0 |
| Transfers | 0.5 | 0.0 | 0.5 | -1.0 | 0.0 |
| **30 June 2017** | **945.0** | **46.8** | **293.4** | **81.0** | **1,366.2** |
| **Cumulative depreciation and impairment** | | | | | |
| **1 January 2017** | **398.8** | **29.6** | **215.9** | **0.0** | **644.3** |
| Depreciation | 15.2 | 1.6 | 11.3 | 0.0 | 28.1 |
| Disposals | 12.3 | 0.0 | 8.6 | 0.0 | 20.9 |
| **30 June 2017** | **401.7** | **31.2** | **218.6** | **0.0** | **651.5** |
| **Balance sheet value as at 30 June 2017** | **543.3** | **15.6** | **74.8** | **81.0** | **714.7** |

| | Land and buildings € m | Technical plant and equipment € m | Operating and business equipment € m | Plant under construction € m | Total € m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **1 January 2016** | **893.8** | **43.4** | **272.8** | **57.0** | **1,267.0** |
| Additions due to changes in consolidated companies | 0.0 | 0.0 | 0.8 | 0.0 | 0.8 |
| Additions | 15.4 | 0.2 | 9.7 | 18.1 | 43.4 |
| Disposals | 0.0 | 0.0 | 10.2 | 0.0 | 10.2 |
| Transfers | 16.4 | 0.0 | 4.0 | -20.5 | -0.1 |
| **30 June 2016** | **925.6** | **43.6** | **277.1** | **54.6** | **1,300.9** |
| **Cumulative depreciation and impairment** | | | | | |
| **1 January 2016** | **368.0** | **26.6** | **203.9** | **0.0** | **598.5** |
| Depreciation | 15.2 | 1.5 | 11.7 | 0.0 | 28.4 |
| Disposals | 0.0 | 0.0 | 10.2 | 0.0 | 10.2 |
| **30 June 2016** | **383.2** | **28.1** | **205.4** | **0.0** | **616.7** |
| **Balance sheet value as at 30 June 2016** | **542.4** | **15.5** | **71.7** | **54.6** | **684.2** |

### Other financial assets (non-current)

Of other financial assets (non-current), € 5.0 million (31 December 2016: € 50.1 million) is attributable to fixed deposit investments having a residual term of > 1 year and € 4.4 million (31 December 2016: € 2.6 million) to equity investments recognised under this item. These relate to equity investments of the company founded in early 2016, RHÖN-Innovations GmbH, in the companies Inovytec Medical Solutions Ltd., Telesofia Medical Ltd. and Intensix Inc.. The interests are measured at fair value in accordance with IAS 39. Moreover, € 0.0 million (31 December 2016: € 0.0 million) relates to equity interests whose market value cannot be calculated due to the absence of an active market. These are measured at cost.

### Other financial assets (current)

Owing to the low interest rate environment for overnight and short-term deposits, fixed deposit investments with a remaining term of < 1 year were made in the amount of € 150.1 million (31 December 2016: € 185.1 million).

### Equity

The decline in equity capital compared with the reporting date of 31 December 2016 by € 6.3 million results from distributions to the shareholders of RHÖN-KLINIKUM AG (€ 23.4 million), on the one hand, and from consolidated profit of the first half of 2017 (€ 16.9 million) as well as gains from the revaluation of defined benefit pension plans (€ 0.2 million), on the other.

### Financial liabilities

In financial year 2014, RHÖN-KLINIKUM AG redeemed all non-current financial liabilities to banks with the exception of one bullet bank loan. As at the balance sheet date, there is thus still a fixed interest rate bullet loan in the amount of € 10.0 million maturing in August 2017 (31 December 2016: € 10 million).

## Additional disclosures regarding financial instruments

The table below presents the carrying amounts and fair values of the individual financial assets and liabilities for each individual category of financial instruments and transfers these to the corresponding balance sheet item:

| | Measurement category according to IAS 39 | 30 June 2017 | Of which financial instruments | | 31 Dec. 2016 | Of which financial instruments | |
|---|---|---|---|---|---|---|---|
| | | | Carrying amount | Fair value | | Carrying amount | Fair value |
| | | **€ m** | € m | € m | **€ m** | € m | € m |
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Other financial assets | | **9.4** | 9.4 | 9.4 | **52.7** | 52.7 | 52.7 |
| of which investments | Available-for-sale financial assets | **4.4** | 4.4 | 4.4 | **2.6** | 2.6 | 2.6 |
| of which other | Loans and receivables | **5.0** | 5.0 | 5.0 | **50.1** | 50.1 | 50.1 |
| **Current assets** | | | | | | | |
| Trade receivables and other financial assets | | **390.8** | 390.8 | 390.8 | **400.9** | 400.9 | 400.9 |
| of which trade receivables, other financial assets | Loans and receivables | **390.8** | 390.8 | 390.8 | **400.9** | 400.9 | 400.9 |
| Cash and cash equivalents | Loans and receivables | **111.0** | 111.0 | 111.0 | **80.8** | 80.8 | 80.8 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Other financial liabilities | | **16.2** | 16.2 | 17.8 | **16.3** | 16.3 | 18.4 |
| of which other financial liabilities | Financial liabilities measured at amortised cost | **13.8** | 13.8 | 15.4 | **13.4** | 13.4 | 15.5 |
| of which under finance leases | n.a. | **2.4** | 2.4 | 2.4 | **2.9** | 2.9 | 2.9 |
| **Current liabilities** | | | | | | | |
| Trade payables | Financial liabilities measured at amortised cost | **86.3** | 86.3 | 86.3 | **94.8** | 94.8 | 94.8 |
| Financial liabilities | | **10.1** | 10.1 | 10.1 | **10.0** | 10.0 | 10.0 |
| of which financial liabilities | Financial liabilities measured at amortised cost | **10.1** | 10.1 | 10.1 | **10.0** | 10.0 | 10.0 |
| Other financial liabilities | | **21.4** | 21.4 | 21.4 | **19.2** | 19.2 | 19.2 |
| of which other financial liabilities | Financial liabilities measured at amortised cost | **20.4** | 20.4 | 20.4 | **18.1** | 18.1 | 18.1 |
| of which under finance leases | n.a. | **1.0** | 1.0 | 1.0 | **1.1** | 1.1 | 1.1 |
| Aggregated according to measurement categories, the above figures are as follows: | | | | | | | |
| | Loans and receivables | | 506.8 | 506.8 | | 531.8 | 531.8 |
| | Available-for-sale financial assets | | 4.4 | 4.4 | | 2.6 | 2.6 |
| | Financial liabilities measured at amortised cost | | 130.6 | 132.2 | | 136.3 | 138.4 |

The fair values of financial assets and liabilities accounted for at amortised cost are classified as follows to the three levels of the fair value hierarchy:

| | Level 1<br>€ m | Level 2<br>€ m | Level 3<br>€ m | Total<br>€ m | 31 Dec. 2016<br>€ m |
|---|---|---|---|---|---|
| Non-current assets available for sale | - | 4.4 | - | 4.4 | 2.6 |
| Non-current assets from loans and receivables | - | 5.0 | - | 5.0 | 50.1 |
| Current assets from loans and receivables | - | 390.8 | - | 390.8 | 400.9 |
| Non-current liabilities from other financial liabilities | - | 17.8 | - | 17.8 | 18.4 |
| Current liabilities from trade payables | - | 86.3 | - | 86.3 | 94.8 |
| Current financial liabilities | - | 10.1 | - | 10.1 | 10.0 |
| Current liabilities from other financial liabilities | - | 21.4 | - | 21.4 | 19.2 |

The levels of the fair value hierarchy and their application to assets and liabilities are described below:

- Level 1: Listed market prices for identical assets or liabilities on active markets
- Level 2: Other information in the form of listed market prices which are directly (e.g. prices) or indirectly (e.g. derived from prices) observable, and
- Level 3: Information on assets and liabilities not based on observable market data.

The fair values of the assets and liabilities to be classified to Level 2 are determined on the basis of input factors derivable directly on the market, such as interest. They result from the discounting of future cash flows using the corresponding input factors giving due regard to the credit risk.

Of the other financial assets (non-current), € 4.4 million (31 December 2016: € 2.6 million) are attributable to the newly acquired start-up equity interests whose fair value is calculated on the basis of discounted cash flow. A risk- and maturity-related rate appropriate for RHÖN-KLINIKUM AG has been used for discounting purposes. The change in non-current assets from loans results from the termination of fixed deposit investments.

Trade receivables, other financial assets as well as cash and cash equivalents in general mainly have short remaining maturities. Their carrying amounts as at the balance sheet date therefore correspond to their fair values. The change per 31 December 2016 essentially results from the termination of fixed deposit investments.

The fair value of non-current other financial liabilities is calculated on the basis of the discounted cash flow. A risk- and maturity-related rate appropriate for RHÖN-KLINIKUM AG has been used for discounting purposes. The fair values of the liabilities are to be classified to Level 2 of the fair value hierarchy on the basis of the input factors.

For trade payables, other financial obligations and financial liabilities with short remaining maturities, the carrying amounts correspond to their fair values on the reporting date.

The fair value of liabilities under finance leases was calculated using a market interest curve as at the balance sheet date and corresponds to their carrying amount.

## OTHER DISCLOSURES

### Interests held in the Company

During the period of 1 January 2017 up to and including 30 June 2017, we have received the following notifications from shareholders that their voting interest exceeded or fell below the statutory reporting thresholds pursuant to section 21 et seq. of the WpHG and that they thus at least temporarily held a voting interest of over 3% in the Company either directly or by way of attribution of such voting interest to them.

**Voting interest on date that interest exceeds / falls below threshold**

| Person subject to notification requirement | Published on | Held directly % | Attri-buted % | Voting rights held % | Date that interest exceeds/falls below the threshold | Interest exceeding / falling below threshold in the case of | Notification pursuant to section 21 (1) WpHG Attribution pursuant to WpHG/additional information: |
|---|---|---|---|---|---|---|---|
| **Eugen Münch** | 1 March 2017 | 6.9400 | 4.59 | **11.53** | 23 August 2016 | >10% | attributed (section 22 WpHG): HCM SE |
| **Asklepios Kliniken Verwaltungsgesellschaft mbH** | 6 March 2017 | 0.0005 | 20.17 | **20.17** | 1 March 2017 | >20% | attributed (section 22 WpHG): Asklepios Kliniken Verwaltungsgesellschaft mbH |
| **B. Braun Melsungen Aktiengesellschaft** | 7 April 2017 | | 25.0003 | **25.00** | 6 April 2017 | >25% | attributed (section 22 WpHG): B. Braun Melsungen Aktiengesellschaft |
| **Asklepios Kliniken Verwaltungsgesellschaft mbH** | 22 May 2017 | 0.0005 | 25.10 | **25.10** | 18 May 2017 | >25% | attributed (section 22 WpHG): Asklepios Kliniken Verwaltungsgesellschaft mbH |

The voting interests may have changed since 30 June 2017. With regard to notifications on threshold events pursuant to section 21 (1) of the WpHG that took place as of 1 July 2017, and for additional information on the attribution of the respective voting rights pursuant to section 22 of the WpHG, we refer to the publications on our website in the Investor Relations/Publications/IR News section. The notified voting interests and/or interest in the registered share capital were determined by the notifying entities on the basis of the existing aggregate number of shares at the time of the notification of voting rights.

Based on the threshold events notified to us, the following picture pursuant to sections 21, 22 of the WpHG in terms of shareholder structure emerges as at the relevant key date of 30 June 2017:

**Voting interest pursuant to sections 21, 22 WpHG on date that interest exceeds / falls below threshold**

| Person subject to notification requirement | Published on | Held directly % | Attri-buted % | Voting rights held % | Date that interest exceeds/falls below the threshold | Interest exceeding / falling below threshold in the case of | Attribution pursuant to WpHG (section 21 (1) WpHG) |
|---|---|---|---|---|---|---|---|
| **Asklepios Kliniken Verwaltungsgesellschaft mbH** | 22 May 2017 | 0.0005 | 25.10 | **25.10** | 18 May 2017 | >25% | attributed (section 22 WpHG): Asklepios Kliniken Verwaltungsgesellschaft mbH |
| **B. Braun Melsungen Aktiengesellschaft** | 7 April 2017 | | 25.0003 | **25.00** | 6 April 2017 | >25% | attributed (section 22 WpHG): B. Braun Melsungen Aktiengesellschaft |
| **Eugen Münch*** | 1 March 2017 | 6.94 | 4.59 | **11.53** | 23 August 2016 | >10% | attributed (section 22 WpHG): HCM SE |
| **Ingeborg Münch** | 26 October 2015 | 5.44 | | **5.44** | 15 October 2015 | >5% | Section 21 (1) |
| **Landeskrankenhilfe V.V.a.G** | 21 October 2015 | 3.19 | | **3.19** | 15 October 2015 | >3% | Section 21 (1) |

*Pursuant to the notification of voting rights of 1 March 2017, HCM SE has an option to purchase a further 5.87% of voting rights (3,930,000 voting rights) in forward share purchase until 23 November 2017.

In the reporting period of 1 January to 30 June 2017, we received one notification on statutory reporting thresholds according to sections 25 of the WpHG:

| | | Voting interest pursuant to section 25 WpHG on date that interest exceeds / falls below threshold | | | |
|---|---|---|---|---|---|
| Person subject to notification requirement | Published on | Voting rights held % | Date that interest exceeds/falls below the threshold | Interest exceeding / falling below threshold in the case of | Structure of voting interests |
| **Eugen Münch** | 1 March 2017 | **5.87** | 1 March 2017 | >15% | Section 25 (1) no. 2 WpHG forward share purchase, physical settlement by 23 November 2017 |

The voting interests may have changed since 30 June 2017. With regard to notifications on threshold events that took place as of 1 July 2017, and for additional information on the underlying financial instruments, on attribution and on the holding structures of the respective voting rights, we refer to the publications on our website in the Investor Relations/Publications/IR News section.

As at 30 June 2017, the Company holds 24,000 treasury shares. This corresponds to 0.04% of the voting rights.

## Corporate Bodies and Advisory Board

The Supervisory Board member Stephan Holzinger resigned his Supervisory Board mandate before taking up his mandate as chairman of the Board of Management with effect from 31 January 2017. Dr. Annette Beller was appointed by the court to succeed him on the Supervisory Board and as of 23 March 2017 is a member of the Supervisory Board. At the Annual General Meeting on 7 June 2017, Dr. Beller was elected to succeed Mr. Holzinger, who had resigned his mandate, in the context of the by-election to the Supervisory Board until conclusion of the Annual General Meeting resolving on formal approval of the actions for financial year 2019.

With effect from 1 February 2017, Mr. Stephan Holzinger was appointed as a new member to the position of chairman of the Board of Management and replaced Dr. Dr. Martin Siebert as previous chairman of the Board of Management who assumed the office of permanent representative of the chairman of the Board of Management. Moreover, the Supervisory Board resolved on 23 February 2017 to reduce the size of the Board of Management from five to three members and for that purpose removed the members of the Board of Management Martin Menger and Jens-Peter Neumann with immediate effect. The Board of Management of the Company is thus composed of Mr. Stephan Holzinger (chairman of the Board of Management), Dr. Dr. Martin Siebert (permanent representative of the chairman of the Board of Management) and Prof. Dr. Bernd Griewing. The responsibilities within the Board of Management were adjusted accordingly. The Terms of Reference were adjusted to the respective dates.

Moreover, the allocation of responsibilities within the Board of Management as well as within the Supervisory Board is regularly adapted to changing requirements.

The composition of the Advisory Board as well as its distribution of duties and responsibilities have not changed since 31 December 2016.

## Related parties

RHÖN-KLINIKUM Group companies, in given instances, enter into transactions with related parties, as further described in the Notes to the Consolidated Financial Statements as at 31 December 2016. The transactions conducted with related parties primarily result from service, lease and supply relations arranged at arm’s length terms. In the view of the RHÖN-KLINIKUM Group, these transactions are not of material significance.

The companies belonging to the group of related parties and the business transacted with these companies have not changed significantly in terms of the nature of the performance relationship and the amount of the pro rata temporis business volume compared with the Consolidated Financial Statements as at 31 December 2016. The same applies for the financial receivables and/or liabilities that existed with related parties. The business volume of the first six months of financial year 2017 with the B. Braun Group rose by € 0.7 million to € 5.2 million (previous year: € 4.5 million).

No material transactions with related parties which are unusual in terms of their nature or amount have taken place.

### Total payments of Supervisory Board, the Board of Management and the Advisory Board

The contractual remuneration for the members of the Supervisory Board and of the Board of Management as well as the corresponding remuneration guidelines as at the key date of 30 June 2017 have remained unchanged with the exception of the Board of Management service contract newly concluded for Mr. Stephan Holzinger as well as the removal of the members of the Board of Management Martin Menger and Jens-Peter Neumann. Detailed information with regard to contractual remunerations and the remuneration guidelines is presented in our 2016 Annual Report.

The contractual remuneration for the members of the Advisory Board has remained unchanged since the presentation in the 2016 Annual Report.

No loans were granted to members of the Supervisory Board, the Board of Management or the Advisory Board.

Members of the Board of Management as well as other employees hold an interest in the company RHÖN-Innovations GmbH founded in March 2016. The payments made for the interests are reported under the other liabilities item as cash-settled share-based payment transactions as defined by IFRS 2. No expenses as part of this remuneration were incurred during the reporting period.

With regard to share-based payment transactions as defined in IFRS 2 in the form of virtual shares, we refer to the Notes to the consolidated financial statements in the 2016 Annual Report, Notes 2.15.4 and 10.5.

During the reporting period, RHÖN-KLINIKUM AG received the following notifications on transactions for own account by persons discharging managerial responsibilities pursuant to Article 19 of the Market Abuse Regulation (EU) No 596/2014, which has been in force in Germany since 3 July 2016:

| Date of transaction | First and last name | Position/ status | Financial instrument and ISIN | Nature and place of transaction | Quantity | Price | Trading volume |
|---|---|---|---|---|---|---|---|
| 5 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 15,000 | € 25.43 | € 381,465.00 |
| 6 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 25,000 | € 25.56 | € 639,107.50 |
| 9 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 25,000 | € 25.41 | € 635,125.00 |
| 10 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 25,000 | € 25.50 | € 637,387.50 |
| 11 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 50,000 | € 25.50 | € 1,274,900.00 |
| 12 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 44,999 | € 25.37 | € 1,141,447.50 |
| 13 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 59,999 | € 25.44 | € 1,526,130.00 |
| 16 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 10,000 | € 25.89 | € 258,850.00 |
| 17 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 20,000 | € 25.98 | € 519,624.00 |
| 18 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 45,001 | € 25.99 | € 1,169,338.50 |
| 19 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 190,003 | € 25.67 | € 4,876,426.00 |
| 20 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 80,001 | € 25.59 | € 2,047,136.00 |
| 20 January 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | Forward share purchase of RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 110,000 | not quantifiable | not quantifiable |
| 27 February 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | Forward share purchase of RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 1,000,000 | € 24.50 | € 24,500,000.00 |
| 1 March 2017 | Eugen Münch | Member of- Supervisory Board | RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 1,000,000 | not quantifiable | not quantifiable |
| 1 March 2017 | Eugen Münch | Member of- Supervisory Board | Forward share purchase of RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 1,000,000 | not quantifiable | not quantifiable |
| 7 March 2017 | Prof. Dr. h. c. Ludwig Georg Braun | Member of- Supervisory Board | Forward share purchase of RHÖN-KLINIKUM share ISIN DE0007042301 | Purchase over the counter | 1,200,000 | not quantifiable | not quantifiable |

Additional information on the respective notifications is published on our website under the header “IR-NEWS” in the Investor Relations section.

## Employees

At the reporting date of 30 June 2017 the Group employed a total of 16,541 persons (31 December 2016: 16,486 persons).

## Other financial obligations

Other financial obligations have not changed significantly since the last reporting date.

## Contingent liabilities

The aggregate volume of contingent liabilities has not changed significantly since the last reporting date.

## Earnings per share

Earnings per share in accordance with IAS 33 is calculated using the share of consolidated profit attributable to the shareholders of RHÖN-KLINIKUM AG and the weighted average number of shares in issue during the year. Diluted earnings per share correspond to basic earnings per share, as there were no stock options or convertible debentures outstanding on the reporting date.

The following table sets out the development in the shares in issue:

| | No. of shares on 30 June 2017 | No. of shares on 30 June 2016 |
|---|---|---|
| Non-par shares | 66,962,470 | 66,962,470 |
| Treasury non-par shares | -24,000 | -24,000 |
| **Shares in issue** | **66,938,470** | **66,938,470** |

Earnings per share are calculated as follows:

| Non-par shares | 30 June 2017 | 30 June 2016 |
|---|---|---|
| Share in consolidated profit (€ '000) | 15,982 | 68,119 |
| Weighted average number of shares outstanding, in thousands | 66,938 | 66,938 |
| Earnings per share in € | 0.24 | 1.02 |

## Statement of Cash Flows

The statement of cash flows shows how the item "Cash and cash equivalents" of RHÖN-KLINIKUM Group has changed in the year under review as a result of cash inflows and outflows. The impact of acquisitions, divestments and other changes in consolidated companies has been eliminated. In accordance with IAS 7 (Statement of Cash Flows), a distinction is made between cash flows from operating activities, investing activities as well as financing activities. The liquidity shown in the statement of changes in financial position includes cash on hand, cheques as well as cash with banks. For the purposes of the statement of cash flows, bank overdrafts are deducted from cash and cash equivalents.

Compared with the previous year, the change in cash generated from operating activities was primarily influenced by the change in other assets. In the previous year, the refund by a pension fund in this regard was reported.

Significant changes compared with the previous year resulted in particular with investment and finance activities. Compared with the previous year, investments in property, plant and equipment as well as in intangible assets remain at a high level, which is primarily attributable to the new construction measures in Bad Neustadt a. d. Saale and Frankfurt (Oder). In addition, terminations of fixed deposits in the amount of € 80.0 million (previous year: terminations of fixed deposits amounting to € 120.0 million) are reported under investments. During the previous year, the termination of the fixed deposit together with the reduction of cash and cash equivalents were used to finance the repayment of the exchange-listed bond of RHÖN-KLINIKUM AG in March 2016.

Moreover, € 2.4 million (previous year: € 7.1 million) was provided to the associated companies. In keeping with the objective of taking equity interests in highly innovative start-up companies from the medical field, an amount of € 1.9 million was invested in a relevant company during the reporting period. In the context of a capital increase in the amount of € 0.6 million (previous year: € 0.7 million), further funds were invested in Wir für Gesundheit GmbH (WfG) for establishing the distribution structures of a company supplementary health insurance scheme in collaboration with Debeka. WfG is operated jointly by Helios, RHÖN-KLINIKUM AG and Asklepios. This compares with the dividend payment of Energiezentrale Universitätsklinikum Gießen GmbH. Moreover, additional loans for an amount of € 6.4 million were extended to one associate during the previous year.

€ 0.9 million (previous year: € 0.0 million) was used in the acquisition of doctor's practices. The repayment of the bond in the first quarter of 2016 resulted in a cash outflow of € 143.2 million. After the Annual General Meeting in June, € 23.4 million (previous year: € 53.6 million) was paid to the shareholders of RHÖN-KLINIKUM AG.

A total of € 9.2 million (previous year: € 10.6 million) in outstanding construction invoices was reflected in the cash flow statement.

The statement of cash flows sets out the change in cash and cash equivalents between two balance sheet dates. In the RHÖN-KLINIKUM Group, this item exclusively comprises cash and cash equivalents attributable to continuing operations because no operations were discontinued.

Bad Neustadt a. d. Saale, 3 August 2017

RHÖN-KLINIKUM Aktiengesellschaft
THE BOARD OF MANAGEMENT

Prof. Dr. Bernd Griewing     Stephan Holzinger     Dr. Dr. Martin Siebert

# RESPONSIBILITY STATEMENT

We assure to the best of our knowledge that based on the accounting principles to be applied to interim financial reporting the present Interim Consolidated Financial Statements a true and fair view of the net assets, financial position and results of operations of the Group is given therein and that the Interim Consolidated Report of the Management presents the business performance including the business results and the situation of the Group in such a way as to give a true and fair view of the same as well as a description of the material risks and opportunities involved in the Group's probable development in the remaining financial year.

Bad Neustadt a. d. Saale, 3 August 2017

RHÖN-KLINIKUM Aktiengesellschaft
THE BOARD OF MANAGEMENT

| | | |
|---|---|---|
| Prof. Dr. Bernd Griewing | Stephan Holzinger | Dr. Dr. Martin Siebert |

# REVIEW REPORT

to RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale

We have subjected the Condensed Interim Consolidated Financial Statements – consisting of the balance sheet, income statement and comprehensive income statement, cash flow statement, statement of changes in shareholders' equity as well as selected explanatory disclosures in the notes – and the Interim Consolidated Report of the Management prepared by RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale for the period from 1 January to 30 June 2017, which form integral parts of the Half-Year Financial Report according to section 37w of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), to a review. The adoption of the Condensed Consolidated Interim Financial Statements in accordance with the IFRS standards for interim financial reporting as adopted by the EU and of the Consolidated Interim Report of the Management according to the provisions of WpHG applicable for consolidated interim reports of the management is the responsibility of the Board of Management of the Company. Our task is to submit a certificate, based on our review, regarding the Condensed Consolidated Interim Financial Statements and the Consolidated Interim Report of the Management.

We conducted our review of the Condensed Consolidated Interim Financial Statements and the Consolidated Interim Report of the Management in accordance with generally accepted German principles for reviews of financial statements as adopted by the Institut der Wirtschaftsprüfer (IDW) and, in addition, taking account of the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). According to this, the review is to be planned and carried out in such a way that on a critical assessment we can exclude with a certain degree of certainty the non-compliance in material issues of the Condensed Consolidated Interim Financial Statements with the IFRS standards for interim financial reporting as adopted by the EU, and the non-compliance in material aspects of the Consolidated Interim Report of the Management with the provisions of WpHG applicable for consolidated interim reports of the management. Such review is primarily limited to the questioning of the Company's employees and analytical assessments and therefore does not offer the degree of certainty attained by a statutory audit. Since by reason of our assignment we have not performed any statutory audit, we are not able to issue any auditor's opinion.

Based on our review, we have not become aware of any circumstances or facts that would give us reasonable cause to believe that the Condensed Consolidated Interim Financial Statements in material aspects were not prepared in compliance with the IFRS standards for interim financial reporting as adopted by the EU, or that the Consolidated Interim Report of the Management in material aspects was not prepared in compliance with the provisions of WpHG applicable for consolidated interim reports of the management.

Frankfurt am Main, 3 August 2017
**PricewaterhouseCoopers GmbH**
**Wirtschaftsprüfungsgesellschaft**

| | |
|---|---|
| Anne Böcker | ppa. Stefan Sigmann |
| German Public Auditor | German Public Auditor |

# KEY FIGURES

## KEY FIGURES JANUARY TO JUNE 2017/ JANUARY TO JUNE 2016

| Data in € m | Jan. – June 2017 | Jan. – June 2016 | Change in % |
|---|---|---|---|
| Revenues | 598.4 | 590.6 | 1.3 |
| Materials and consumables used | 169.2 | 165.5 | 2.2 |
| Employee benefits expense | 391.5 | 377.4 | 3.7 |
| Depreciation/amortisation and impairment | 29.3 | 29.5 | -0.7 |
| Consolidated profit according to IFRS | 16.9 | 69.6 | -75.7 |
| Profit share of shareholders of RHÖN-KLINIKUM AG | 16.0 | 68.1 | -76.5 |
| Profit share of non-controlling interests | 1.0 | 1.4 | -28.6 |
| Return on revenue (%) | 2.8 | 11.8 | -76.3 |
| EBT | 20.3 | 73.6 | -72.4 |
| EBIT | 20.9 | 73.9 | -71.7 |
| EBIT ratio (%) | 3.5 | 12.5 | -72.0 |
| EBITDA | 50.2 | 103.4 | -51.5 |
| EBITDA ratio (%) | 8.4 | 17.5 | -52.0 |
| Property, plant and equipment as well as investment property | 717.4 | 687.1 | 4.4 |
| Income tax assets (non-current) | - | 2.4 | -100.0 |
| Equity according to IFRS | 1,107.1 | 1,124.5 | -1.5 |
| Return on equity in % | 3.4 | 8.8 | -61.4 |
| Balance sheet total according to IFRS | 1,452.5 | 1,465.8 | -0.9 |
| Investment in property, plant and equipment, intangible assets as well as in investment property | 44.0 | 50.3 | -12.5 |
| Earnings per ordinary share (in €) (undiluted/diluted) | 0.24 | 1.02 | -76.5 |
| Number of employees (headcount) | 16,541 | 16,234 | 1.9 |
| Number of cases (patients treated) | 422,950 | 414,403 | 2.1 |
| Beds and places | 5,358 | 5,367 | -0.2 |

## KEY FIGURES APRIL TO JUNE 2017/ APRIL TO JUNE 2016

| Data in € m | April - June 2017 | April - June 2016 | Change in % |
|---|---|---|---|
| Revenues | 298.3 | 299.1 | -0.3 |
| Materials and consumables used | 85.8 | 84.9 | 1.1 |
| Employee benefits expense | 194.3 | 189.6 | 2.5 |
| Depreciation/amortisation and impairment | 14.7 | 14.8 | -0.7 |
| Consolidated result according to IFRS | 8.5 | 18.9 | -55.0 |
| Profit share of shareholders of RHÖN-KLINIKUM AG | 8.1 | 18.2 | -55.5 |
| Profit share of non-controlling interests | 0.4 | 0.7 | -42.9 |
| Return on revenue (%) | 2.8 | 6.3 | -55.6 |
| EBT | 9.8 | 21.1 | -53.6 |
| EBIT | 10.0 | 20.7 | -51.7 |
| EBIT ratio (%) | 3.3 | 6.9 | -52.2 |
| EBITDA | 24.7 | 35.5 | -30.4 |
| EBITDA ratio (%) | 8.3 | 11.9 | -30.3 |
| Property, plant and equipment as well as investment property | 717.4 | 687.1 | 4.4 |
| Income tax assets (non-current) | - | 2.4 | -100.0 |
| Equity according to IFRS | 1,107.1 | 1,124.5 | -1.5 |
| Return on equity in % | 3.0 | 5.5 | -45.5 |
| Balance sheet total according to IFRS | 1,452.5 | 1,465.8 | -0.9 |
| Investment in property, plant and equipment, intangible assets as well as in investment property | 22.5 | 22.1 | 1.8 |
| Earnings per ordinary share (in €) (undiluted/diluted) | 0.12 | 0.27 | -55.6 |
| Number of employees (headcount) | 16,541 | 16,234 | 1.9 |
| Number of cases (patients treated) | 210,763 | 208,825 | 0.9 |
| Beds and places | 5,358 | 5,367 | -0.2 |

## KEY FIGURES APRIL TO JUNE 2017/ JANUARY TO MARCH 2017

| Data in € m | April - June 2017 | Jan. – March 2017 |
|---|---|---|
| Revenues | 298.3 | 300.1 |
| Materials and consumables used | 85.8 | 83.4 |
| Employee benefits expense | 194.3 | 197.2 |
| Depreciation/amortisation and impairment | 14.7 | 14.6 |
| Consolidated result according to IFRS | 8.5 | 8.4 |
| Profit share of shareholders of RHÖN-KLINIKUM AG | 8.1 | 7.8 |
| Profit share of non-controlling interests | 0.4 | 0.6 |
| Return on revenue (%) | 2.8 | 2.8 |
| EBT | 9.8 | 10.5 |
| EBIT | 10.0 | 10.9 |
| EBIT ratio (%) | 3.3 | 3.6 |
| EBITDA | 24.7 | 25.5 |
| EBITDA ratio (%) | 8.3 | 8.5 |
| Property, plant and equipment as well as investment property | 717.4 | 710.6 |
| Income tax assets (non-current) | - | - |
| Equity according to IFRS | 1,107.1 | 1,121.8 |
| Return on equity in % | 3.0 | 4.0 |
| Balance sheet total according to IFRS | 1,452.5 | 1,470.7 |
| Investment in property, plant and equipment, intangible assets as well as in investment property | 22.5 | 21.5 |
| Earnings per ordinary share (in €) (undiluted/diluted) | 0.12 | 0.12 |
| Number of employees (headcount) | 16,541 | 16,524 |
| Number of cases (patients treated) | 210,763 | 212,187 |
| Beds and places | 5,358 | 5,358 |

# FINANCIAL CALENDAR

## DATES FOR SHAREHOLDERS AND ANALYSTS

**2017**

| | |
|---|---|
| 3 August 2017 | Publication of Half-Year Financial Report as at 30 June 2017, conference call for analysts |
| 10 November 2017 | Publication of Interim Report for the quarter ending 30 September 2017, conference call for analysts |

**RHÖN-KLINIKUM Aktiengesellschaft**
Postal address:
D-97615 Bad Neustadt a. d. Saale

Visitors' address:
Salzburger Leite 1
D-97616 Bad Neustadt a. d. Saale
Tel. + 49 (0) 97 71 65-0
Fax + 49 (0) 97 71 9 74 67

Internet:
en.rhoen-klinikum-ag.com

E-mail:
rka@rhoen-klinikum-ag.com

This Interim Report is also available in German.