

HALF-YEAR FINANCIAL REPORT 2018



RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

INHALT

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For computational reasons, rounding differences of ± one unit (€, %, etc.) may occur in the tables.

LETTER TO SHAREHOLDERS

Dear Ladies and Gentlemen,
Dear Shareholders,

In the first half of 2018, RHÖN-KLINIKUM AG achieved major milestones in the implementation of its corporate strategy. Its economic performance has continued to be solid over the first six months of the year. The targets we have set for ourselves remain ambitious – also looking at the quality standard we claim as a provider of cutting-edge medical services such as neurology, cardiology, orthopaedics, pneumology or also oncology.

But before I turn my attention to the key events having transpired during the first half, I would like to thank our employees for their daily renewed commitment and willingness to work in the best interests of our patients. Our patients provide the economic basis for our success. We give them the best possible medical care – every day, and around the clock. They put their trust in us and count on our high level of expertise and know-how.

Our success today would not have been possible had we not shown the entrepreneurial courage to take new paths in patient care as one of the leading hospital groups in Germany. We are proud of what we do. In the first six months, we have forged ahead with our core issues of the RHÖN Campus strategy, digitalisation and the measures initiated by me in 2017 to consistently improve profitability, and have achieved some major successes in those areas.

In the first half of the current financial year, a total of 432,317 patients (+ 2.2%) were treated at our Group's sites RHÖN-Campus Bad Neustadt, the two university hospitals Giessen and Marburg, Zentralklinik Bad Berka and Klinikum Frankfurt (Oder). Revenues rose from € 598.4 million to € 620.2 million (+ 3.6%), earnings before interest, taxes and de-

preciation/amortisation (EBITDA) increased to € 51.1 million (+ 1.8%). This results in consolidated profit of € 17.6 million (+ 4.1%). It has to be underscored that the positive development in the first six months of financial year 2018 was accompanied by the anticipated wage increase and staff cuts whose effects were felt particularly during the second quarter of the current financial year. These figures do not yet reflect the expected positive effect from the agreement reached with the Federal State of Hesse and the universities of Giessen and Marburg on the issue of separate accounting. That is because the last condition precedent has yet to be met, which we expect to happen, however, this autumn.

With our campus strategy we are implementing for the first time in its ideal form with the new RHÖN-KLINIKUM Campus Bad Neustadt, the future model of medical-therapeutic care is being created rurally. The campus is more than just a hospital new build. It is a landmark project unprecedented in the German hospital sector. Whether as out-patients or inpatients: at the new RHÖN-KLINIKUM Campus Bad Neustadt, which will open at the turn of the year 2018/2019, every patient will receive the appropriate medical care he or she needs. By closely integrating outpatient and inpatient offerings as well as using modern IT solutions to further improve the treatment we give to our patients, and to lessen the workload on our employees, the RHÖN-KLINIKUM Campus Bad Neustadt with its large glass dome will become a full-service provider of medical care in the rural area.

As a driver of innovation on the German hospital market, we are pursuing the aim of

replicating our campus approach in other rural regions. Demographic developments, the increasing shortage of community-based physicians rurally and the heightened expectations of patients for high-quality but swift diagnosis and treatment are creating the conditions in which this approach is set to continue to prosper in future. In this regard we are in constructive talks with selected regions. Our concern here is exploring the options of cooperation. For our hospital Klinikum Frankfurt (Oder), the green light was given in 2017 for a comprehensive rebuild based on the campus approach. There, too, we have been moving ahead on schedule with the implementation of that project.

To step up efforts to roll out our RHÖN Campus strategy to other locations in Germany, we created the specialist division of Corporate Development as of 1 June 2018. Its core responsibilities include exploring new business models as they arise from digitalisation, telemedicine, as well as the lifting of the ban on tele-treatment. In May, the German Medical Assembly (Deutscher Ärztetag) by an overwhelming majority resolved to do away with the prohibition on tele-treatment. It is now for the regional medical associations (Landesärztekammer) to also take on the task of relaxing the rules. Here, we see extensive opportunities for RHÖN-KLINIKUM AG in the medium term.

In addition to the campus approach, we have been moving head steadfastly during the reporting period with our digitalisation projects that are to greatly simplify the daily work of our doctors and nursing staff while making the care provided to patients even safer. The one that has reached the most advanced stage is our Medical Cockpit, an intelligent search engine whose primary objective is to represent and process the vast amounts of information in the form of doctor's letters, X-ray findings and OR reports in such a way that our doctors and nurses can gain an overview more quickly. The IT solution makes it possible to gain a quick and

comprehensive view of patient data and extracts key information from the records such as diagnoses as well as medications. At the end of 2018, the Medical Cockpit is to be implemented at the new RHÖN-KLINIKUM Campus Bad Neustadt. It is slated to be rolled out to other hospital sites after being successfully introduced in Bad Neustadt.

Other projects include the electronic patient file, digital anamnesis or the IT-based assistance of our staff in coding the diagnosis, to name just a few of our numerous projects. We are adapting the electronic patient file developed by us even more to the needs of our hospitals and community-based practitioners so as to enable these to be used by all stakeholders quickly and efficiently. We have the courage to shape the future and are taking on a trailblazing role in the healthcare sector with the implementation of our digitalisation strategy.

Under our action plan, we continue to give high priority to further improving profitability at our Company. The Group-wide action plan implemented last year continues to produce successful results. We have optimised internal processes in our cooperation with the Medical Review Board of the Statutory Health Insurance Funds (MDK) with a view to reducing losses of receivables. In addition to that, we have made processes relating to patient documentation more efficient so as to better meet the high demands. For that purpose, a Group-wide training programme has been launched for our employees, and the use of intelligent software provides us with patient-specific coding recommendations and clarifications by which the revenues for services rendered can be secured whilst complying with German coding guidelines.

Besides the regulatory challenges in the healthcare system, we are also feeling the effects of the shortage of specialist staff. We have already begun and will also continue to implement numerous measures to highlight to an even greater extent our attractiveness as

an employer. In addition to an attractive work environment, provision of affordable residential premises, e.g. for our nurses, apprentices and students, we offer a wide range of career options and benefits.

In personnel matters, the first half of the year has witnessed major changes on the Board of Management. With effect from 1 May 2018, the Supervisory Board unanimously appointed Dr. Gunther K. Weiß as member of the Board of Management in March 2018. His tremendous expertise combined with his dynamic style, his initiative and great recognition within the Company were the decisive criteria for me as chairman of the Board of Management to recommend him to the Supervisory Board for the position of Chief Operating Officer (COO). At the same time, Dr. Dr. Martin Siebert was unanimously released by the Supervisory Board with immediate effect as member of the Board of Management of the Company.

For the first time in the long history of our Company, we welcomed our shareholders this year to our corporate headquarters in Bad Neustadt a. d. Saale. The 30th Annual General Meeting of RHÖN-KLINIKUM AG was held on 6 June 2018. By a large majority, our shareholders approved the proposal by the Board of Management and the Supervisory Board to distribute a dividend of € 0.22 per non-par share. This translated into a payout ratio of roughly 40 per cent. At this rate, we offer both a reasonable share in the Company's success for our shareholders and furthermore secure the flexibility of exploiting opportunities on the German healthcare market to grow not only organically but also acquisitions-driven. In addition we preserve our capacity to invest in the medium term.

Outlook

For the current financial year 2018, we continue to expect revenues of € 1.24 billion within a range of plus or minus 5%. The persistent regulatory measures are having a particularly heavy impact on us as a provider of maximum care, such as lower remuneration for services entailing high material cost intensity, particularly in the area of cardiological medical services, or the fixed cost depression discount on surplus services. For earnings before interest, tax and depreciation/amortisation (EBITDA), we expect in 2018 a much higher level compared with 2017 of between € 117.5 million and € 127.5 million – which in addition to other effects is favourably influenced by the agreement on separate accounting at Universitätsklinikum Giessen und Marburg (UKGM).

RHÖN-KLINIKUM AG was always prepared to take new paths to achieve success in the future. With the necessary determination to seize the opportunities of digitalisation and by investing in medical advances, we will defend and expand our position as one of the largest healthcare providers in Germany. It is our obligation as well as a huge demand we make of ourselves: we want to remain a trailblazer for state-of-the-art healthcare delivery in Germany!

Yours sincerely,

RHÖN-KLINIKUM Aktiengesellschaft

Stephan Holzinger
Chairman of the Board of Management

THE RHÖN-KLINIKUM SHARE

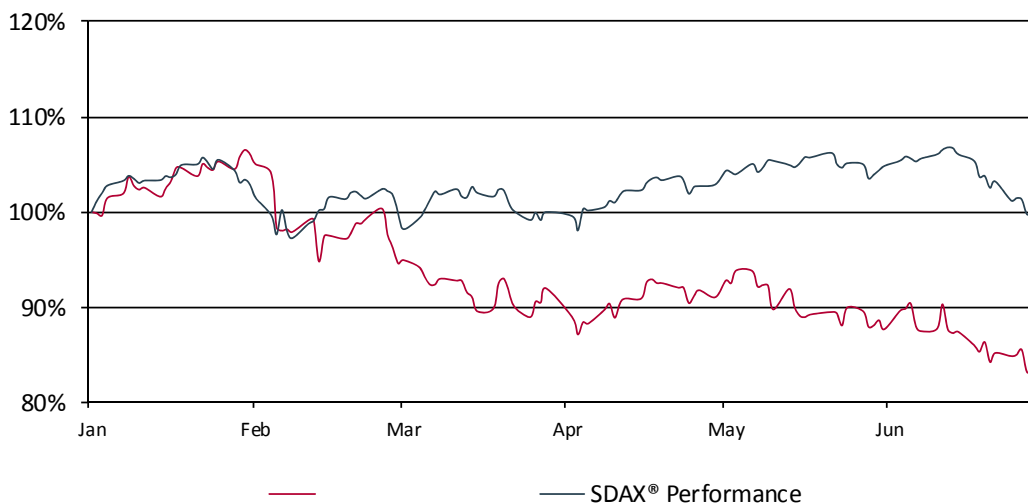
The trend on the international stock markets was helped at the start of the year by global economic recovery and optimistic business prospects. A further stimulus came from the US tax reform passed in December 2017, which produced the first positive earnings effects. Worries about a further escalation in the international trade dispute had a particularly negative impact. Further burdens came from political risks (including the North Korea conflict, Italy) as well as the fear of a sharp rise in interest rates and a cooling of the economy.

The European Central Bank (ECB) left its key rate unchanged at zero per cent and in June announced an end to its bond repurchase programme for the end of 2018. Key rates are to remain at their currently low levels at least through the summer of 2019. At its meeting

on 13 June 2018, the US Federal Reserve (Fed), as expected, raised its key rate by 0.25 percentage points into the range of between 1.75% and 2.00%. The positive economic mood at the beginning of the year was subdued in particular due to the trade dispute. In Germany, the Ifo business climate index declined in June to 101.8 points, thus hitting its lowest level for more than a year.

The German leading index DAX® posted a new all-time high of 13,560 points on 23 January 2018 before consolidating to 11,787 points. In the second quarter, the DAX® recovered to 13,170 points, ending the first half at 12,306 points. The DAX® declined over the first half by 4.7%. The SDAX® rose 0.5%. The DJ EURO STOXX 50® fell 3.1% and DJ EURO STOXX Healthcare® declined by 1.0%.

RHÖN-KLINIKUM share in comparison with the SDAX®



Source: XETRA®, stock performance indexed (2 January 2018 = 100)

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 2018	1 Jan.-31 Dec. 2017
Closing	24.98	29.88
High	31.70	30.70
Low	24.76	23.65
	30 June 2018	31 Dec. 2017
Market capitalisation (€ m)	1,672.72	2,000.83

The share of RHÖN-KLINIKUM AG ended the first half of 2018 at a closing price of € 24.98 (29 December 2017: € 29.88) and declined over the first half by 16.4%. Given the small free float and now on average low trading volume, the price of the RHÖN share at the end of the first half of 2018 was at a lower level than at the end of the first quarter of 2018.

A dividend of € 0.22 (2017: € 0.35) was distributed on 7 June 2018. Including the dividend payment, the performance of the RHÖN-KLINIKUM share stood at minus 15.7%.

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 (29 December 2017: € 2.0 billion). In terms of the index ranking, we were 88th by market capitalisation (29 December 2017: 83rd).

On 9 November 2018 we will publish our interim report for the quarter ending on 30 September 2018.

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 MANAGEMENT REPORT

REPORT ON THE FIRST HALF OF 2018

- With half-year revenues of € 620.2 million (+ 3.6%), EBITDA of € 51.1 million (+ 1.8%) and consolidated profit of € 17.6 million (+ 4.1%) in each case for the first six months, we have met the targets for our key figures set so far for the year under way. The growth in profit does not yet include the positive effects from separate accounting.
- We continue to press ahead with our campus strategy being implemented for the first time with the new RHÖN-KLINIKUM Campus Bad Neustadt. The RHÖN-KLINIKUM Campus Bad Neustadt will be opened at the turn of the year 2018/2019. We have been moving ahead on schedule in the first half of the year with the comprehensive rebuild of our hospital Klinikum Frankfurt (Oder) into a campus.
- The Company's digital transformation continues to move ahead apace. This includes testing, introducing and constantly enhancing digital solutions in the physician, nursing and administrative areas. Our aim is to simplify the day-to-day work of our employees.
- The successful agreement on separate accounting will have a positive impact on EBITDA in 2018, with a one-off effect of roughly € 20 million. We expect the last condition for entry into force of the agreement – the plausibility test of the contractual agreement by an independent auditor – to be fulfilled within the next quarters of the year 2018 and then to be shown in the income statement.

BASIC CHARACTERISTICS OF THE RHÖN-KLINIKUM GROUP

The condensed interim consolidated financial statements of RHÖN-KLINIKUM AG for the year ended 30 June 2018 have been prepared in accordance with the provisions of IAS 34 in condensed form, and applying section 315e 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 2018.

The accounting policies applied, to the extent already applied in financial year 2017 and consistently applied in financial year 2018, are set out in detail in the Consolidated Financial Statement of RHÖN-KLINIKUM AG as at 31 December 2017. The accounting policies applicable for the first time in financial year 2018 are explained in the Condensed Notes to this Interim Report. On a current view, these will have 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

With effect from 31 December 2017 Ms. Bettina Böttcher and with effect from 28 February 2018 Mr. Björn Borgmann, each as employee representative member, left the Supervisory Board. Since 1 January 2018 Ms. Natascha Weihs and since 1 March 2018 Mr. Oliver Salomon have been on the Supervisory Board as new substitute members.

On 28 March 2018 the Supervisory Board resolved unanimously to remove Dr. Dr. Martin Siebert as member of the Board of Management of the Company with immediate effect and unanimously appointed Dr. Gunther K. Weiß as member of the Board of Management with effect from 1 May 2018. The responsibilities within the Board of Management were adjusted accordingly.

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 33 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) received in the first six months of financial year 2018 are presented in the Notes to this Financial Report. We refer to our website for a detailed list of the notifications.

During the reporting period, RHÖN-KLINIKUM AG received no notifications pursuant to section 38 WpHG and no notifications on transactions for own account by persons discharging managerial responsibilities pursuant to Article 19 of the Market Abuse Regulation (EU) No 596/2014.

The Declaration on Corporate Governance, the Declaration of Compliance pursuant to section 161 of the AktG 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 2017.

ECONOMIC REPORT

MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

Economic momentum declined during the first half of the current year. The pace of the German economy slowed, but current economic indicators reveal that the economic upswing has continued. The German economy is still in good shape, capacity utilisation is above normal and order books are full. That said, the external and trade policy of the United States as well as the formation of the government in Italy have created greater uncertainty for the further development. The ifo business climate index deteriorated slightly. In June 2018 the index fell to 101.8 points. In May 2018 it stood at 102.3 points. However, expectations continue to be slightly optimistic. Overall, growth is likely to continue, albeit at a weaker pace than in the previous year.

The trend on the employment market continues to be positive, although not as dynamic compared with the winter months. The jobs index of the German Federal Employment Agency (BA-X), which shows the seasonal trend in labour demand, in June 2018 was up slightly by 1 point compared with the previous month to reach a new high of 254 points. The previous year's level is exceeded by 18 points. Labour demand in Germany continues unbroken. Employment subject to social insurance contributions continues to grow and demand for new staff is at a persistently high level. From May 2018 to June 2018, the number of unemployed declined by 40 thousand or 2% to 2,276 thousand persons. The jobless rate as

calculated by the German Federal Employment Agency for June 2018 is around 5.0%. This is a decline of 0.5 percentage points compared with June 2017. The seasonally adjusted jobless rate remained unchanged compared with the previous month at 5.2%.

In June 2018, consumer prices as calculated by the Federal Statistical Office were 2.1% higher than in June 2017. Compared with the previous month of May 2018, the consumer price index rose in June 2018 by 0.1%.

The healthcare industry continues to be hampered by the regulatory measures following the Act Reforming the Structures of Hospital Care (Krankenhausstrukturgesetz, KHSKG) such as the further reduction in remuneration for cardiological and specialist orthopaedic services, as well as the fixed cost degression discount applicable since the previous year that replaced the discount on surplus service volumes. Demand for medical services continues to rise, but in contrast remuneration is not being adequately adjusted. That means that the gap between hospital revenues and costs is increasingly widening and that this trend will have a detrimental impact on the operating side. The financial situation of hospitals in Germany thus continues to be difficult.

BUSINESS PERFORMANCE OF THE FIRST HALF

Overall statement on economic position

January to June	2018	2017	Change	
	€ m	€ m	€ m	%
Revenues	620.2	598.4	21.8	3.6
EBITDA	51.1	50.2	0.9	1.8
EBIT	20.9	20.9	0.0	0.0
EBT	20.9	20.3	0.6	3.0
Consolidated profit	17.6	16.9	0.7	4.1

With revenues up by € 21.8 million (3.6%), we record a rise in EBITDA by € 0.9 million or 1.8% to € 51.1 million, an unchanged EBIT of € 20.9 million compared with the previous year, as well as a rise in consolidated profit by € 0.7 million or 4.1% to € 17.6 million in the

first half of 2018 compared with the same period last year.

The agreement reached in 2017 with the Federal State of Hesse and the universities of Giessen and Marburg on the issue of cost reimbursements for research and teaching (separate accounting) brings new opportunities for Universitätsklinikum Giessen und Marburg (UKGM) and thus for the Group as a whole. The successful agreement on separate accounting will have a positive impact on EBITDA in 2018, with a one-off effect of roughly € 20 million. We expect the last condition for entry into force of the agreement – the plausibility test of the contractual agreement by an independent auditor – to be met in 2018.

The regulatory measures following the Act Reforming the Structures of Hospital Care (Krankenhausstrukturgesetz, KHSKG) 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, continue to put a drag on our organic development. 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). Moreover, the trend of a widening gap between revenues and costs that has persisted within the hospital sector for years continues to have an impact on the operating side.

Our expertise in dealing with these regulatory framework conditions, our flexibility as well as our trailblazing role in innovation and digitalisation are the best means of holding our own in a challenging market environment.

In the first six months, we forged ahead with our core issues of the RHÖN Campus strategy, digitalisation and the measures initiated in 2017 to consistently improve profitability. The RHÖN Campus strategy, which integrates outpatient and inpatient services at one site and includes offerings tailored to the elderly such as rehabilitation and nursing, is being

realised in its ideal form with the new RHÖN-KLINIKUM Campus Bad Neustadt slated to open at the turn of the year 2018/2019. The planned roll-out of our RHÖN Campus strategy to other locations in Germany continues to be in fully swing.

One of our digitalisation projects, the Medical Cockpit – an intelligent search engine whose primary objective is to represent and process the vast amounts of information in the form of doctor’s letters, X-ray findings and surgical reports in such a way that our doctors and nurses can gain an overview more quickly – is to be put to widespread use at the new RHÖN-KLINIKUM Campus Bad Neustadt. It is slated to be rolled out to other sites after that.

The improvement of profitability continues to be given high priority in our action plan. For example, we have optimised internal processes in our cooperation with the Medical Review Board of the Statutory Health Insurance Funds (MDK) with a view to reducing losses of receivables. In addition, processes relating to patient documentation have been made more efficient. The use of intelligent software enables patient-specific coding recommendations and coding clarifications by which the revenues for services rendered can be secured whilst complying with German coding guidelines.

Trend in service volumes

	Hospitals	Beds
As at 31 December 2017	11	5,370
Change in capacities	-	-
As at 30 June 2018	11	5,370

As at 30 June 2018, our consolidated financial statements included eleven hospitals with 5,370 beds/places at a total of five sites in four federal states. Since 31 December 2017 there have been no changes in the number of approved beds as part of our acute-inpatient capacities.

As at 30 June 2018, we operate seven medical care centres with a total of 42.00 specialist practices:

	Medical care centres	Specialist practices
As at 31 December 2017	7	40.00
Opened/acquired		
MVZ Bad Berka	-	2.00
As at 30 June 2018	7	42.00

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

January to June	2018	2017	Change Absolute	%
Inpatient and semi-inpatient treatments at our				
Acute hospitals	106,268	106,906	-638	-0.6
Rehabilitation hospitals and other facilities	2,461	2,452	9	0.4
	108,729	109,358	-629	-0.6
Outpatient attendances at our				
Acute hospitals	233,572	236,639	-3,067	-1.3
Medical care centres	90,016	76,953	13,063	17.0
	323,588	313,592	9,996	3.2
Total	432,317	422,950	9,367	2.2

In the first six months of financial year 2018, we treated a total of 432,317 patients (+ 9,367 patients or + 2.2%) in our hospitals and medical care centres. In this regard, the general trend towards outpatient care is also reflected in our case numbers. Whereas the number of patients treated on an outpatient basis rose by 9,996 or 3.2%, case numbers of patients treated on an inpatient and semi-inpatient basis declined slightly by - 629 or - 0.6%.

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

January to June	2018	2017
Per-case revenue		
inpatient (€)	5,200	5,039
outpatient (€)	169	151

Compared with the first six months of financial year 2017, per-case revenue rose by 3.2% in the inpatient area and by 11.9% in the outpatient area.

Results of operations

Consolidated performance figures developed as shown below:

January to June	2018	2017	Change	
	€ m	€ m	€ m	%
Income				
Revenues	620.2	598.4	21.8	3.6
Other income	75.7	75.0	0.7	0.9
Total	695.9	673.4	22.5	3.3
Expenditure				
Materials and consumables used	183.8	169.2	14.6	8.6
Employee benefits expense	401.3	391.5	9.8	2.5
Other expenses	59.3	62.5	-3.2	-5.1
Result of impairment on financial assets	0.4	-	0.4	n.a.
Total	644.8	623.2	21.6	3.5
EBITDA	51.1	50.2	0.9	1.8
Depreciation/amortisation and impairment	30.2	29.3	0.9	3.1
EBIT	20.9	20.9	0.0	0.0
Finance result	0.0	0.6	-0.6	-100.0
EBT	20.9	20.3	0.6	3.0
Income taxes	3.3	3.4	-0.1	-2.9
Consolidated profit	17.6	16.9	0.7	4.1

Compared with the same period last year, revenues witnessed a rise of € 21.8 million or 3.6%. In this regard it has to be kept in mind that revenues of the first half of 2018 are being burdened by implementation of the provisions of IFRS 15 subject to mandatory adoption as of 1 January 2018. As a result of this, revenue reductions due to verity risks previously reported under depreciation on receivables are no longer to be reported under the other expenses item but included in the realisation of revenues. In the previous year these revenue reductions were essentially reported under other expenses. Moreover, revenues of the first six months of financial year 2018 have been helped by the invoicing of an additional remuneration component for the treatment of SMA (spinal muscle atrophy), which is remunerated in addition to the relevant DRG and burdens by the same amount the item materials and consumables used.

January to June	2018	2017
	%	%
Materials ratio	29.6	28.3
Personnel ratio	64.7	65.4
Other cost ratio	9.6	10.5
Depreciation and amortisation ratio	4.8	4.9
Finance result ratio	0.0	0.1
Effective tax ratio	0.6	0.6

Compared with the same period last year, materials and consumables used in the first six months of 2018 witnessed a rise of € 14.6 million or 8.6%, and the materials ratio rose from 28.3% to 29.6%. The rise includes expenditures for the treatment of SMA (spinal muscle atrophy), which are remunerated in the same amount and reported under revenues. Adjusted for this effect, the materials ratio improved from 28.3% to 28.1%.

Personnel expenses saw a rise of € 9.8 million or 2.5% compared with the same period last year. The personnel expense ratio declined from 65.4% to 64.7%. In this regard it has to be taken into account that employee benefits expenses of the first half of 2017 included one-off expenditures from changes in the Board of Management in the low single-digit million range. Wage increases are also having an adverse impact on expenses.

The other expenses item declined by € 3.2 million or 5.1% as a result of the implementation of IFRS provisions subject to mandatory adoption from 1 January 2018. During the current financial year, these will be reported under revenues. The other expense ratio declined from 10.5% to 9.6%.

The negative result from the impairment on financial assets results from IFRS 9, subject to mandatory adoption as of 1 January 2018, which among other things governs the future expected losses of financial assets.

Depreciation/amortisation and impairment increased compared with the same period last year by € 0.9 million or 3.1% to € 30.2 million as a result of investments. The depreciation rate edged downwards from 4.9% to 4.8%.

The decline in the negative finance result in the first six months of financial year 2018 by € 0.6 million to € 0.0 million is attributed in particular to declining loss shares in companies consolidated using the equity method.

At an unchanged rate of taxation, the income tax expense item declined slightly by € 0.1 million to € 3.3 million (previous year: € 3.4 million) compared with same period of the previous year.

Compared with the first six months of financial year 2017 consolidated profit rose by € 0.7 million or 4.1% to € 17.6 million (previous year: € 16.9 million).

Non-controlling interests in profit declined compared with the same period last year by € 0.4 million or 40.0% to € 0.6 million (previous year: € 1.0 million).

The interest of RHÖN-KLINIKUM AG shareholders in profit for the first six months of 2018 rose by € 1.0 million or 6.3% to € 17.0 million compared with the same period last year (previous year: € 16.0 million). The interest in profit of the shareholders corresponds to earnings per share of € 0.25 (previous year: € 0.24) in accordance with IAS 33 (undiluted/diluted).

The total comprehensive income (sum of consolidated profit and other comprehensive income) stood at € 18.8 million (previous year: € 17.1 million) in the first six months of financial year 2018.

Net assets and financial position

	30 June 2018		31 Dec. 2017	
	€ m	%	€ m	%
ASSETS				
Non-current assets	969.9	65.0	968.8	65.8
Current assets	522.6	35.0	502.6	34.2
	1,492.5	100.0	1,471.4	100.0
EQUITY AND LIABILITIES				
Equity	1,127.0	75.5	1,125.3	76.5
Long-term loan capital	17.1	1.1	25.2	1.7
Short-term loan capital	348.4	23.4	320.9	21.8
	1,492.5	100.0	1,471.4	100.0

Compared with the balance sheet date of 31 December 2017, the balance sheet total rose by € 21.1 million or 1.4% to € 1,492.5 million (previous year: € 1,471.4 million). The rise essentially stems from the accumulation of accounts receivable among other things as a result of the change in accounting software

at one hospital and the resulting delay in payments of receivables.

The equity capital ratio saw a slight decline compared with the last reporting date, from 76.5% to 75.5% and thus remains at a very high level.

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

Equity	2018			2017
	Shareholders € m	Non-controlling interests € m	Total € m	Total € m
As at 1 January before adjustments	1,102.3	23.0	1,125.3	1,113.4
Adjustments through adoption of IFRS 9 (after tax)	-1.1	-0.1	-1.2	-
As at 1 January after adjustments	1,101.2	22.9	1,124.1	1,113.4
Equity transactions with owners	-14.7	-1.2	-15.9	-23.4
Total comprehensive income of the period	18.2	0.6	18.8	17.1
Other changes	-	-	-	-
As at 30 June	1,104.7	22.3	1,127.0	1,107.1

As at 30 June 2018, equity stands at € 1,127.0 million (31 December 2017: € 1,125.3 million). At the initial adoption date of 1 January 2018 for IFRS 9, a decline in financial assets without effect on the income statement occurred in connection with inclusion of the future expected loss of financial assets. This resulted in a € 1.2 million decline in equity. Distributions to RHÖN-KLINIKUM AG shareholders and non-controlling interests in profit amounting to € 15.9 million likewise resulted in a reduction in equity. A counter-effect, thus increasing equity, came from consolidated profit of the first six months of 2018 amounting to € 17.6 million, from gains from the change in fair value through other comprehensive income (FVOCI) of € 1.0 million as well as gains from the revaluation of defined benefit pension plans in the amount of € 0.2 million.

118.0% (31 December 2017: 118.8%) of non-current assets is nominally covered by equity and non-current liabilities at matching maturities. As at 30 June 2018, we report net liquidity of € 173.8 million (31 December 2017: € 253.7 million).

Our net liquidity is calculated as follows:

	30 June 2018	31 Dec. 2017
	€ m	€ m
Current cash	103.2	122.5
Current fixed term deposits	74.6	105.1
Non-current fixed term deposits	0.0	30.0
Cash, fixed term deposits	177.8	257.6
Current financial liabilities	-	-
Non-current financial liabilities	-	-
Finance lease liabilities	4.0	3.9
Financial liabilities	4.0	3.9
Net liquidity	173.8	253.7

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

January to June	2018	2017
	€ m	€ m
Cash used in/generated from operating activities	-6.7	19.7
Cash generated from investing activities	3.3	34.4
Cash used in financing activities	-15.9	-24.0
Change in cash and cash equivalents	-19.3	30.1
Cash and cash equivalents as at 1 January	122.5	80.8
Cash and cash equivalents as at 30 June	103.2	110.9

Cash and cash equivalents diminished in the first six months of 2018 by € 19.3 million (first six months of 2017 increase by € 30.1 million).

The change compared with the same period last year is the deviation of cash generated from/used in operating activities resulting from the increase in trade receivables among other things due to the introduction of a new hospital billing system at one hospital. Moreover, the reimbursement of the costs of research and teaching at Universitätsklinikum Giessen und Marburg no longer takes place monthly but quarterly. An opposite trend was seen in the other liabilities item due to advance payments in connection with separate accounting.

Moreover, cash generated from investing activities decreased as a result of lower terminations of fixed deposits in the first half of 2018.

Investments

Aggregate investments of € 66.7 million (previous year: € 48.2 million) in the first six months of financial year 2018 are shown in the following table:

	Use of		
	Gov't grants	Own funds	Total
	€ m	€ m	€ m
Current investments	5.0	61.1	66.1
Takeovers	-	0.6	0.6
Total	5.0	61.7	66.7

Of these investments made in the first six months of 2018, € 5.0 million (previous year: € 4.2 million) was attributable to investments funded from grants under hospital financing legislation and deducted from total investments pursuant to the relevant provisions of IFRS.

An analysis of our investments financed from Company funds by site is given below:

	€ m
Bad Neustadt a. d. Saale	45.4
Gießen, Marburg	9.8
Frankfurt (Oder)	4.6
Bad Berka	1.9
Total	61.7

Investments financed from Company funds are dominated by our campus new build in Bad Neustadt a. d. Saale.

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

Employees

Employees	30 June 2018	31 Dec. 2017	Change	
			Absolute	%
Hospitals	14,893	14,939	-46	-0.3
Medical care centres	241	218	23	10.6
Service companies	1,539	1,531	8	0.5
Total	16,673	16,688	-15	-0.1

On 30 June 2018, the Group employed 16,673 persons (31 December 2017: 16,688).

BUSINESS PERFORMANCE OF THE SECOND QUARTER

April to June	2018	2017	Change	
	€ m	€ m	€ m	%
Revenues	308.5	298.3	10.2	3.4
EBITDA	23.5	24.7	-1.2	-4.9
EBIT	8.4	10.0	-1.6	-16.0
EBT	8.5	9.8	-1.3	-13.3
Consolidated profit	7.2	8.5	-1.3	-15.3

Compared with the same period last year, revenues witnessed a rise of € 10.2 million or 3.4% in the second quarter of 2018. In this regard it has to be kept in mind that revenues of the second quarter of 2018 are being burdened by implementation of the provisions of IFRS 15 subject to mandatory adoption as of 1 January 2018. As a result of this, revenue reductions due to verity risks previously reported under depreciation on receivables are no longer to be reported under the other expenses item but included in the realisation of revenues. In the previous year these revenue reductions were essentially reported under other expenses. Furthermore, revenues of the second quarter of 2018 have been helped by the invoicing of an additional remuneration component for the treatment of SMA (spinal muscle atrophy), which is remunerated in addition to the relevant DRG and burdens by the same amount the item materials and consumables used.

Besides the regulatory challenges in the healthcare system, especially the effects of the shortage of specialist staff in parts of our hospitals as well as wage increases are impacting margins of the second quarter of 2018. Thus, we record a decline in EBITDA by € 1.2 million or 4.9% to € 23.5 million, a decline in EBIT by € 1.6 million or 16.0% to € 8.4 million, as well as a decline in consolidated profit by € 1.3 million or 15.3% to € 7.2 million compared with the same period last year. We have already begun and will also continue to implement numerous measures to highlight to an even greater extent our attractiveness as an employer. In addition to an attractive work environment, provision of affordable residential options,

e.g. for our nurses, apprentices and students, we offer a wide range of career options and benefits.

RISKS AND OPPORTUNITIES

The risk management system in place as well as the individual Company risks and opportunities are described in the Annual Report 2017 on pages 91 to 96. The statements there essentially continue to apply unchanged. We do not see any risks posing a threat to the Company's existence, neither for the individual subsidiaries nor for the Group.

FORECAST

RHÖN-KLINIKUM AG pursues the objective of diagnosing and treating our patients with the latest, scientifically sound therapy procedures with state-of-the-art medical technology. Our corporate activities are essentially aimed at keeping the Company lean and agile, promoting exchange of knowledge and experience and offering market-oriented services at a high quality level. At the forefront of our activities is strengthening treatment excellence and patient care by implementing the RHÖN Campus approach and focusing on digitalisation and network medicine.

By staking out a position in the premium medical care segment, we will help our patients have access to unrestricted cutting-edge medical services also in future. In order to provide anamnesis, diagnosis and treatment quickly and to the very best standards of quality, we are also going new ways in IT. State-of-the-art clinical information systems, electronic patient files and new tools such as the Medical Cockpit scheduled to be launched at the end of 2018 on our Campus Bad Neustadt a. d. Saale, and through which we provide doctors and nurses with a fast guidance and analysis tool for patient data, are the decisive prerequisites enabling us to take these new paths for optimum and fast treatment of patients also on an economically

viable basis. We will continue to press ahead with our efforts in the area of digitalisation. At the same time, digitalisation also provides the basis for significantly optimised patient management, integration and harmonisation of outpatient and inpatient care, and the interlinking of related services as well as numerous applications in the area of telemedicine.

Also in financial year 2018, 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 nearly 17,000 employees. That makes us one of the largest hospital operators in Germany.

For the current financial year 2018, we continue to expect revenues of € 1.24 billion within a range of plus or minus 5%. The persistent regulatory measures are having a

particularly heavy impact on us as a provider of maximum care, such as lower remuneration for services entailing high material cost intensity, particularly cardiological medical services, or the fixed cost degression discount on surplus services.

For earnings before interest, tax and depreciation/amortisation (EBITDA), we continue to expect a level of between € 117.5 million and € 127.5 million in 2018. Besides other effects, EBITDA is being influenced by the agreement on separate accounting at Universitätsklinikum Giessen und Marburg.

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

Bad Neustadt a. d. Saale, 2 August 2018

RHÖN-KLINIKUM Aktiengesellschaft
THE BOARD OF MANAGEMENT

Prof. Dr. Bernd Griewing

Stephan Holzinger

Dr. Gunther K. Weiß

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, JANUARY TO JUNE 16

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

January to June	2018		2017	
	€ '000	%	€ '000	%
Revenues	620,181	100.0	598,440	100.0
Other income	75,698	12.2	75,004	12.5
	695,879	112.2	673,444	112.5
Materials and consumables used	183,782	29.6	169,177	28.3
Employee benefits expense	401,305	64.7	391,535	65.4
Other expenses	59,251	9.6	62,538	10.5
Result of impairment on financial assets	405	0.1	-	-
	644,743	104.0	623,250	104.1
Interim result (EBITDA)	51,136	8.2	50,194	8.4
Depreciation/amortisation and impairment	30,276	4.8	29,289	4.9
Operating result (EBIT)	20,860	3.4	20,905	3.5
Result of investments accounted for using the equity method	29	0.0	-571	-0.1
Finance income	223	0.0	385	0.1
Finance expenses	318	0.0	414	0.1
Result of impairment on financial investments	-66	0.0	-	-
Finance result (net)	0	0.0	600	0.1
Earnings before taxes (EBT)	20,860	3.4	20,305	3.4
Income taxes	3,269	0.6	3,358	0.6
Consolidated profit	17,591	2.8	16,947	2.8
of which				
non-controlling interests	596	0.1	965	0.1
shareholders of RHÖN-KLINIKUM AG	16,995	2.7	15,982	2.7
Earnings per share in €				
undiluted	0.25		0.24	
diluted	0.25		0.24	

January to June	2018		2017	
	€ '000		€ '000	
Consolidated profit	17,591		16,947	
of which				
non-controlling interests	596		965	
shareholders of RHÖN-KLINIKUM AG	16,995		15,982	
Changes in fair value of financial investments through other comprehensive income (FVOCI)	1,134		-	
Income taxes	-179		-	
Other comprehensive income (changes in fair value of financial investments through other comprehensive income) not subsequently reclassified to income statement	955		-	
Revaluation of defined benefit pension plans	297		184	
Income taxes	-47		- 29	
Other comprehensive income (revaluation of pension plans) not subsequently reclassified to income statement	250		155	
Total other comprehensive income ¹	1,205		155	
of which				
non-controlling interests	0		0	
shareholders of RHÖN-KLINIKUM AG	1,205		155	
Total comprehensive income	18,796		17,102	
of which				
non-controlling interests	596		965	
shareholders of RHÖN-KLINIKUM AG	18,200		16,137	

¹ Sum of value changes recognised at equity.

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

April to June	2018		2017	
	€ '000	%	€ '000	%
Revenues	308,527	100.0	298,324	100.0
Other income	38,671	12.5	37,932	12.7
	347,198	112.5	336,256	112.7
Materials and consumables used	90,959	29.5	85,796	28.8
Employee benefits expense	201,638	65.4	194,349	65.1
Other expenses	31,046	10.0	31,458	10.5
Result of impairment on financial assets	29	0.0	-	-
	323,672	104.9	311,603	104.4
Interim result (EBITDA)	23,526	7.6	24,653	8.3
Depreciation/amortisation and impairment	15,164	4.9	14,667	5.0
Operating result (EBIT)	8,362	2.7	9,986	3.3
Result of investments accounted for using the equity method	6	0.0	-105	0.0
Finance income	140	0.1	178	0.1
Finance expenses	183	0.1	213	0.1
Result of impairment on financial investments	-181	-0.1	-	-
Finance result (net)	-144	-0.1	140	0.0
Earnings before taxes (EBT)	8,506	2.8	9,846	3.3
Income taxes	1,327	0.5	1,347	0.5
Consolidated profit	7,179	2.3	8,499	2.8
of which				
non-controlling interests	176	0.0	369	0.1
shareholders of RHÖN-KLINIKUM AG	7,003	2.3	8,130	2.7
Earnings per share in €				
undiluted	0.10		0.12	
diluted	0.10		0.12	

April to June	2018		2017	
	€ '000		€ '000	
Consolidated profit	7,179		8,499	
of which				
non-controlling interests	176		369	
shareholders of RHÖN-KLINIKUM AG	7,003		8,130	
Changes in fair value of financial investments through other comprehensive income (FVOCI)	340		-	
Income taxes	-53		-	
Other comprehensive income (changes in fair value of financial investments through other comprehensive income) not subsequently reclassified to income statement	287		-	
Revaluation of defined benefit pension plans	59		177	
Income taxes	-9		- 28	
Other comprehensive income (revaluation of pension plans) not subsequently reclassified to income statement	50		149	
Total other comprehensive income ¹	337		149	
of which				
non-controlling interests	-		-	
shareholders of RHÖN-KLINIKUM AG	337		149	
Total comprehensive income	7,516		8,648	
of which				
non-controlling interests	176		369	
shareholders of RHÖN-KLINIKUM AG	7,340		8,279	

¹ Sum of value changes recognised at equity.

Consolidated Balance Sheet as at 30 June 2018

	30 June 2018		31 Dec. 2017	
	€ '000	%	€ '000	%
ASSETS				
Non-current assets				
Goodwill and other intangible assets	175,721	11.8	174,482	11.8
Property, plant and equipment	777,259	52.1	747,050	50.8
Investment property	2,561	0.2	2,631	0.2
Investments accounted for using the equity method	337	0.0	389	0.0
Deferred tax assets	7,694	0.5	9,134	0.6
Other financial assets	6,287	0.4	35,153	2.4
	969,859	65.0	968,839	65.8
Current assets				
Inventories	24,450	1.6	25,022	1.7
Trade receivables	241,503	16.2	203,963	13.9
Other financial assets	134,357	9.0	140,021	9.5
Other assets	18,197	1.2	9,385	0.6
Current income tax assets	985	0.1	1,716	0.1
Cash and cash equivalents	103,167	6.9	122,452	8.4
	522,659	35.0	502,559	34.2
	1,492,518	100.0	1,471,398	100.0

	30 June 2018		31 Dec. 2017	
	€ '000	%	€ '000	%
EQUITY AND LIABILITIES				
Equity				
Issued share capital	167,406	11.2	167,406	11.4
Capital reserve	574,168	38.5	574,168	39.0
Other reserves	363,154	24.3	360,803	24.5
Treasury shares	-76	0.0	-76	0.0
Equity attributable to shareholders of RHÖN-KLINIKUM AG	1,104,652	74.0	1,102,301	74.9
Non-controlling interests in equity	22,303	1.5	22,955	1.6
	1,126,955	75.5	1,125,256	76.5
Non-current liabilities				
Provisions for post-employment benefits	1,883	0.1	2,288	0.2
Other financial liabilities	15,240	1.0	15,005	1.0
Other liabilities	0	0.0	7,982	0.5
	17,123	1.1	25,275	1.7
Current liabilities				
Trade payables	106,088	7.1	108,225	7.3
Current income tax liabilities	809	0.1	1,299	0.1
Other provisions	92,475	6.2	92,673	6.3
Other financial liabilities	21,557	1.4	19,909	1.4
Other liabilities	127,511	8.6	98,761	6.7
	348,440	23.4	320,867	21.8
	1,492,518	100.0	1,471,398	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. 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
As at 31 Dec. 2017/1 Jan. 2018 before adjustments	167,406	574,168	360,803	-76	1,102,301	22,955	1,125,256
Adjustments through adoption of IFRS 9 (after tax)	-	-	-1,122	-	-1,122	-30	-1,152
As at 31 Dec. 2017/1 Jan. 2018 after adjustments	167,406	574,168	359,681	-76	1,101,179	22,925	1,124,104
Equity transactions with owners							
Dividend payments	-	-	-14,727	-	-14,727	-1,218	-15,945
Consolidated profit	-	-	16,995	-	16,995	596	17,591
Other comprehensive income	-	-	1,205	-	1,205	-	1,205
Other changes							
Changes in consolidated companies	-	-	-	-	-	-	-
As at 30 June 2018	167,406	574,168	363,154	-76	1,104,652	22,303	1,126,955

¹ Including other comprehensive income (OCI).

Consolidated Statement of Cash Flows

January to June	2018	2017
	€ m	€ m
Earnings before taxes	20.9	20.3
Finance result (net)	0.0	0.6
Depreciation/amortisation and impairment and gains/losses on disposal of assets	30.2	29.2
	51.1	50.1
Change in net current assets		
Change in inventories	0.6	1.3
Change in trade receivables	-38.4	-19.2
Change in other financial assets and other assets	-33.8	-15.1
Change in trade payables	-6.6	-8.9
Change in other net liabilities/ other non-cash transactions	22.6	14.5
Change in provisions	-0.3	-0.3
Income taxes paid	-1.6	-2.3
Interest paid	-0.3	-0.4
Cash used in/generated from operating activities	-6.7	19.7
Investments in property, plant and equipment and in intangible assets	-61.6	-47.1
Government grants received to finance investments in property, plant and equipment and in intangible assets	5.0	4.2
Change in investments in fixed term deposits	60.1	80.0
Investments in financial assets	-	-2.4
Acquisition of subsidiaries, net of cash acquired	-0.6	-0.9
Sale proceeds from disposal of assets	0.2	0.2
Interest received	0.2	0.4
Cash generated from investing activities	3.3	34.4
Dividend payments to shareholders of RHÖN-KLINIKUM AG	-14.7	-23.4
Payments from finance leases	0.0	-0.6
Payments to non-controlling interests in equity	-1.2	-
Cash used in financing activities	-15.9	-24.0
Change in cash and cash equivalents	-19.3	30.1
Cash and cash equivalents as at 1 January	122.5	80.8
Cash and cash equivalents as at 30 June	103.2	110.9

Condensed Notes

GENERAL INFORMATION

RHÖN-KLINIKUM AG and its subsidiaries build, acquire and operate primarily acute-care hospitals, with the focus being on medicine oriented towards maximum care with a direct tie-in to universities and research facilities. We moreover operate outpatient structures essentially in the form of medical care centres.

With the RHÖN Campus concept the Company is currently implementing an innovative and path breaking project which raises healthcare in rural areas to a new level of excellence by closely integrating outpatient and inpatient healthcare services and which is geared to the growing needs of patients.

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 2 August 2018 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 2018 have been prepared in accordance with the rules of IAS 34 in condensed form applying Section 315e 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.

With the exception of the Standards described below, 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 2017.

The amendments to the Standards IFRS 2 and IAS 40, the Annual Improvements to IFRS (2014-2016 Cycle) as well as the Clarifications to IFRIC 22, which in each case are the subject of mandatory adoption as of 1 January 2018, have since been incorporated by the European Union into European law. The amendments are of no practical relevance for RHÖN-KLINIKUM AG. Likewise, the amendments to IFRS 9, which are the subject of mandatory adoption as of 1 January 2019, were approved by the European Union in the first quarter of 2018. The amendments are of no practical

relevance for RHÖN-KLINIKUM AG. Standards and Interpretations exceeding such scope were not yet incorporated into European law by the European Union in the first six months of 2018.

IFRS 9, Financial Instruments, published by the IASB in July 2014, is a three-phase model for replacing IAS 39 and was incorporated into EU law in the Official Journal of the European Union (EU) on 22 November 2016. It is the subject of mandatory application for financial years commencing on or after 1 January 2018. The Standard contains provisions on the classification and measurement of financial instruments (Phase 1), on accounting for impairments of financial assets (Phase 2) as well as on hedge accounting (Phase 3). As of the initial adoption date, investments are measured at fair value directly in equity (fair value through other comprehensive income, without recycling). The other financial assets continue to be measured unchanged at amortised cost. Regarding the subject of impairment of financial assets or the amended impairment model, a decline in financial assets measured at amortised cost without effect on the income statement in the amount of € 1.4 million, and in equity in the amount of € 1.2 million (after tax) occurs as of the initial adoption date of 1 January 2018. Moreover, RHÖN-KLINIKUM AG currently does not use any hedging relationships and does not intend to do so in the near future either.

The Standard IFRS 15 published in September 2015 and the subject of mandatory adoption as of 1 January 2018, which governs the realisation of revenues, in the half of 2018 results in a decline in revenues of € 5.8 million. At the same time, other expenses decrease in substantially the same amount.

The new Standard IFRS 16 published in January 2016 and the subject of mandatory adoption for financial years commencing on or after 1 January 2019 defines a lease as a contract which conveys the right to use an asset for a period of time in exchange for consideration. For lessees, the new Standard requires a totally new approach towards accounting for lease contracts. In future, therefore, every lease as a rule has to be represented with the lessee on the balance sheet as a financing transaction in the form of a right of use. For lessors, the accounting rules remain largely unchanged. The adoption of IFRS 16 as lessee is not likely to have any material impact on the net assets, financial position and results of operations of RHÖN-KLINIKUM AG. Thus, within the balance sheet there will be an increase in assets and liabilities (balance sheet extension) as well as a lower equity ratio. Existing lease expenditure will benefit EBITDA, which in turn will result in an increase in the depreciation/amortisation item. As a result of the mark-up on lease liabilities, higher interest expenses will put a drag on the finance result and have an impact on EBT as of financial year 2019. It is not possible to definitively quantify the impact at this time given the complexity of lease structures, particularly in the case of medical equipment. In all other respects, the adoption of IFRS 16 as lessor will have no material impact on the net assets, financial position and results of operations of RHÖN-KLINIKUM AG.

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. 2017	Additions	Disposals	30 June 2018
Fully consolidated subsidiaries	28	-	-	28
Companies consolidated using the equity method	2	-	-	2
Other subsidiaries	9	-	-1	8
Consolidated companies	39	-	-1	38

During the reporting period, our equity interest in the company Gesellschaft zur Durchführung des Schulversuchs Generalistische Pflegeausbildung mit beruflichen Schwerpunkten in Bayern UG (limited liability), Röhrmoos, in which we held an interest of 30%, was sold. The sale resulted in neither a gain nor a loss.

Company acquisitions

As at 1 January of financial year 2018, two physician's practices were acquired in each case whose conditions of validity as per agreement were satisfied during the reporting period of 2018:

Purchase of physician's practices, January to June 2018	Fair value post acquisition € m
Acquired assets and liabilities	
Intangible assets	0.0
Property, plant and equipment	0.0
Net assets acquired	0.0
+ Goodwill	0.6
Cost	0.6
- Purchase price payments outstanding	0.0
- Acquired cash and cash equivalents	0.0
Cash outflow on transaction	0.6

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.

In financial year 2018 no further physician's practices were acquired whose conditions of validity as per agreement will be satisfied only after 1 July 2018.

SELECTED NOTES TO THE INTERIM CONSOLIDATED INCOME STATEMENT

According to IFRS 8 – Operating Segments –, segment information on operating segments is to be presented in accordance with the internal reporting to the chief operating decision maker (management approach). The chief decision making body in our Group is the Board of Management. It is in this body that the strategic decisions are made for the Group and to this body that the key ratios of the hospitals, which represent our operating segments, are reported. We continue to have only one operating segment subject to reporting.

Revenues

January to June	2018 € m	2017 € m
Business Areas		
Acute hospitals	600.2	579.9
Medical care centres	7.2	5.7
Rehabilitation hospitals	12.8	12.8
	620.2	598.4
Regions		
Bavaria	130.5	128.1
Saxony	0.1	0.1
Thuringia	83.1	85.0
Brandenburg	70.6	69.3
Hesse	335.9	315.9
	620.2	598.4

According to IAS 15, revenues constitute revenues generated from the provision of services and rose compared with the same period last year by € 21.8 million or 3.6% to reach € 620.2 million.

As a result of implementation of the provisions of IFRS 15 to be adopted as of 1 January 2018, revenues of the first quarter of 2018 include revenue reductions of € 5.8 million which in the previous year were reported under other income or other expenses. Moreover, the first half of 2018 is helped by the invoicing of an additional remuneration component for the treatment of SMA (spinal muscle atrophy) in the amount of € 13.0 million, which is remunerated in addition to the relevant DRG and lowers the item materials and consumables used by the same amount. The drug concerned was authorised by the European Commission only at the beginning of July 2017. The drug was invoiced within the Group for the first time in the fourth quarter of 2017 as an additional remuneration component.

Other income

January to June	2018 € m	2017 € m
Income from services rendered	65.1	64.9
Income from grants and other allowances	5.9	5.4
Income from adjustment of receivables	0.2	0.6
Income from indemnification payments/other reimbursements	0.3	0.1
Other	4.2	4.0
	75.7	75.0

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 rise of € 0.7 million or 0.9% to € 75.7 million.

Materials and consumables used

The rise in materials and consumables used by € 14.6 million or 8.6% is largely attributable to the costs associated with the additional remuneration components for treatment of SMA.

Employee benefits expense

Compared with the same period last year, the employee benefits expense in the first six months of 2018 saw a rise of € 9.8 million or 2.5% to reach € 401.3 million. During the previous year, the employee benefits expense item included one-off expenditures from the Board of Management's reorganisation in the low single-digit million range.

Other expenses

January to June	2018 € m	2017 € m
Maintenance	23.9	23.7
Charges, subscriptions and consulting fees	12.3	12.0
Insurance	6.1	5.6
Administrative and IT costs	5.0	4.6
Rents and leaseholds	2.6	3.1
Other personnel and continuing training costs	2.6	2.1
Travelling, entertaining and representation expenses	1.0	1.0
Impairment on receivables	0.4	5.7
Secondary taxes	0.1	0.2
Losses on disposal of non-current assets	0.0	0.0
Other	5.3	4.5
	59.3	62.5

Compared with the same period last year, the other expenses item declined in the first half of 2018 by € 3.2 million or 5.1% to € 59.3 million. As a result of this, revenue reductions due to verity risks previously reported under depreciation on receivables, as of 1 January 2018 pursuant to IFRS 15, are no longer to be reported under the other expenses item but included in the realisation of revenues. The Standard IFRS 15 results in a decline in the other expenses item in the amount of € 5.8 million.

Result of impairment on financial assets

IFRS 9, which is the subject of mandatory adoption as of 1 January 2018, prescribes the revaluation of the risk of default for financial assets. In the first half of 2018 this resulted in expenses of € 0.4 million.

Depreciation/amortisation and impairment

In the context of our higher level of investment in building structures and particularly also in medical equipment, depreciation/amortisation increased compared with the same period last year by € 0.9 million or 3.1% from € 29.3 million to € 30.2 million.

Finance result (net)

Compared with the same period last year, we recorded an improvement in the finance result by € 0.6 million to € 0.0 million in the first six months of financial year 2018. The increase essentially stems from declining shares in losses in companies consolidated using the equity method.

The initial adoption of IFRS 9 prescribes the revaluation of the risk of default for financial assets. Where this relates to financial investments, these are to be reported under the finance result. In the first half of 2018 income of € 0.1 million resulted from the valuation of the risk of default of fixed deposit investments.

Income taxes

January to June	2018 € m	2017 € m
Current income taxes	1.9	1.8
Deferred taxes	1.4	1.6
	3.3	3.4

At an unchanged rate of taxation, the income taxes expense item declined slightly by € 0.1 million to € 3.3 million (previous year: € 3.4 million) compared with same period of the previous year.

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 NOTES TO THE INTERIM CONSOLIDATED BALANCE SHEET

Goodwill and other intangible assets

	Goodwill € m	Other intangible assets € m	Total € m
Cost			
1 January 2018	163.3	39.8	203.1
Additions due to changes in consolidated companies	0.6	0.0	0.6
Additions	0.0	2.4	2.4
Disposals	0.0	0.5	0.5
Transfers	0.0	0.0	0.0
30 June 2018	163.9	41.7	205.6
Cumulative depreciation and impairment			
1 January 2018	0.0	28.6	28.6
Depreciation	0.0	1.7	1.7
Disposals	0.0	0.5	0.5
30 June 2018	0.0	29.8	29.8
Balance sheet value as at 30 June 2018	163.9	11.9	175.8

	Goodwill € m	Other intangible assets € m	Total € 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

Property, plant and equipment

	Land and buildings € m	Technical plant and equipment € m	Operating and office equipment € m	Plant under construction € m	Total € m
Cost					
1 January 2018	958.0	50.0	301.3	114.3	1,423.6
Additions due to changes in consolidated	0.0	0.0	0.0	0.0	0.0
Additions	1.7	0.4	8.2	48.4	58.7
Disposals	0.0	0.0	6.6	0.0	6.6
Transfers	4.1	0.0	2.5	-6.6	0.0
30 June 2018	963.8	50.4	305.4	156.1	1,475.7
Cumulative depreciation and impairment					
1 January 2018	416.7	32.9	226.9	0.0	676.5
Depreciation	15.3	1.7	11.4	0.0	28.4
Disposals	0.0	0.0	6.5	0.0	6.5
30 June 2018	432.0	34.6	231.8	0.0	698.4
Balance sheet value as at 30 June 2018	531.8	15.8	73.6	156.1	777.3

	Land and buildings € m	Technical plant and equipment € m	Operating and office 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	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

Other financial assets (non-current)

The fixed deposit investments under other financial assets (non-current) expired (31 December 2017: € 30.0 million). Moreover, equity interests in the amount of € 6.3 million (31 December 2017: € 5.2 million) are reported under this item. These are the equity investments of the company founded in early 2016, RHÖN-Innovations GmbH, in the start-up companies Inovytec Medical Solutions Ltd., Telesofia Medical Ltd. and CLEW Medical Inc.

Other financial assets (current)

As a result of current finance requirements of extensive investment measures, freely disposable funds for the most part are invested short-term. Fixed deposit investments were made in the amount of € 74.6 million (31 December 2017: € 105.1 million) in the form of overnight deposits and short-term deposits with a remaining term of < 1 year. In addition, receivables according to the Hospital Financing Act (KHG) are reported under this item in the amount of € 35.9 million (31 December 2017: € 27.8 million). The change in the payment mode of the universities in Giessen and Marburg in connection with the reimbursements of costs for research and teaching resulted in an increase in receivables. As at the balance sheet date, the receivables in this regard amount to € 18.7 million (31 December 2017: € 0.0 million).

Equity

The increase in equity capital compared with the reporting date of 31 December 2017 by € 1.7 million results from consolidated profit (€ 17.6 million), from gains resulting from the adjustment of the fair values of investments which according to IFRS 9 are assigned to the category of fair value through other comprehensive income (FVOCI) (€ 1.0 million), and from gains resulting from the revaluation of defined benefit pension plans (€ 0.2 million). An opposite effect came from the loan default risk of financial assets according to IFRS 9 recognised directly in equity as of the initial adoption date of 1 January 2018 (€ 1.2 million), dividend payments to the shareholders of RHÖN-KINIKUM AG (€ 14.7 million) as well as dividend payments to non-controlling interests in profit (€ 1.2 million).

Financial liabilities

Given the favourable interest rate environment, RHÖN-KLINIKUM AG at the beginning of October 2017 entered into a syndicated line of credit for € 100.0 million with a term of five years to secure its planned investment requirement in the medium term. As at 30 June 2018, this line had not yet been utilised.

Additional disclosures regarding financial instruments

The Standard IFRS 9 “Financial Instruments” was published in July 2014 and replaces the Standard IAS 39 “Financial Instruments”. The Standard IFRS 9, which is the subject of mandatory adoption as of 1 January 2018, resulted in the thorough revision of the provisions on classification and measurement of financial instruments. The new Standard results in a fundamental change in the calculation of impairments, since under it no longer only incurred losses are to be recognised but also already expected losses, wherein the extent of the recognition of expected losses again requires a differentiation to be made as to whether or not the default risk of financial assets has materially deteriorated since their acquisition.

The table below presents the carrying amounts and fair values of the individual financial assets and liabilities for each individual category of financial instruments according to IFRS 9 and transfers these to the corresponding balance sheet item:

Measurement category according to IFRS 9	30 June 2018	Of which		1 Jan. 2018	Of which	
		Financial Instruments	Fair	Financial Instruments	Carrying	Fair
	€ m	Carrying amount € m	value € m	Carrying amount € m	amount € m	value € m
ASSETS						
Non-current assets						
Other financial assets	6.3	6.3	6.3	35.2	35.2	35.2
of which investments	6.3	6.3	6.3	5.2	5.2	5.2
of which investments	0.0	0.0	0.0	0.0	0.0	0.0
of which other	0.0	0.0	0.0	30.0	30.0	30.0
Current assets						
Trade receivables and other financial assets	375.9	375.9	375.9	342.6	342.6	342.6
Cash and cash equivalents	103.2	103.2	103.2	122.5	122.5	122.5
EQUITY AND LIABILITIES						
Non-current liabilities						
Financial liabilities	-	-	-	-	-	-
Other financial liabilities	15.2	15.2	16.5	15.0	15.0	16.3
of which other financial liabilities	12.2	12.2	13.5	12.1	12.1	13.4
of which under finance leases	3.0	3.0	3.0	2.9	2.9	2.9
Current liabilities						
Trade payables	106.1	106.1	106.1	108.2	108.2	108.2
Financial liabilities	-	-	-	-	-	-
Other financial liabilities	21.6	21.6	21.6	19.9	19.9	19.9
of which other financial liabilities	20.6	20.6	20.6	18.9	18.9	18.9
of which under finance leases	1.0	1.0	1.0	1.0	1.0	1.0
Aggregated according to measurement categories, the above figures are as follows:						
Financial assets measured at amortised cost		479.1	479.1		495.1	495.1
Financial assets measured at fair value directly in equity (fair value through other comprehensive income; without recycling)		6.3	6.3		5.2	5.2
Financial assets measured at fair value through profit or loss		0.0	0.0		0.0	0.0
Financial liabilities measured at amortised cost		138.9	140.2		139.2	140.5

The principal part of financial assets is measured at RHÖN-KLINIKUM AG, pursuant to IFRS 9, at amortised cost. Trade receivables, other financial assets as well as cash and cash equivalents covered by this in general have short remaining maturities. Their carrying amounts as at the reporting date therefore correspond to their fair values.

As of the initial adoption date of IFRS 9, investments in the amount of € 6.3 million are measured at fair value directly in equity (fair value through other comprehensive income, without recycling). These investments relate to start-up equity interests whose market value was calculated based on current equity transactions between market participants in the context of additional financing rounds or applying the DCF method. Moreover, additional immaterial investments amounting to € 0.0 million are measured at fair value (fair value through profit or loss). Positive changes in the market valuation of investments, which are measured at fair value directly in equity (fair value through other comprehensive income, without recycling), were recognised in the amount of € 1.0 million (after tax) directly in equity under other comprehensive income (OCI).

The rules on classification and measurement for financial liabilities have remained almost unchanged as a result of IFRS 9. Only for liabilities designated at fair value that are to be attributable to changes in their own credit risk are no longer to be recognised in the income statement but in other comprehensive income (OCI). Currently, no such liabilities exist at RHÖN-KLINIKUM AG. The fair value

of non-current other financial liabilities of RHÖN-KLINIKUM AG 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. 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.

Regarding the subject of impairment of financial assets or the amended impairment model within the meaning of IFRS 9, a decline in financial assets measured at amortised cost without effect on the income statement in the amount of € 1.4 million, and in equity in the amount of € 1.2 million (after tax) takes place as of the initial adoption date. The decline in financial assets as of the initial adoption date in the amount of € 1.4 million is essentially accounted for by trade receivables (€ 0.6 million) and fixed deposit investments (€ 0.4 million). In the first half of 2018, adjustments of the impairments on financial assets within the meaning of IFRS 9 resulted in a burdening effect on earnings (after tax) of € 0.3 million.

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

	Level 1 € m	Level 2 € m	Level 3 € m	Total € m	1 Jan. 2018 € m
Non-current assets measured at fair value directly in equity (fair value through other comprehensive income; without recycling)	-	6.3	-	6.3	5.2
Non-current assets measured at amortised cost	-	0.0	-	0.0	30.0
Current assets measured at amortised cost	-	375.9	-	375.9	342.6
Non-current liabilities from other financial liabilities measured at amortised cost	-	16.5	-	16.5	16.3
Current liabilities from trade payables measured at amortised cost	-	106.1	-	106.1	108.2
Current liabilities from other financial liabilities measured at amortised cost	-	21.6	-	21.6	19.9

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, interest rates) or indirectly (e.g. derived from prices) observable, and
- Level 3: Information on assets and liabilities not based on observable market data.

The carrying amounts, valuations and fair values according to the now replaced IAS 39 would be as follows:

Measurement category according to IAS 39	30 June 2018	Of which		Of which		
		Carrying amount	Fair value	Carrying amount	Fair value	
	€ m	€ m	€ m	€ m	€ m	€ m
ASSETS						
Non-current assets						
Other financial assets	6.3	6.3	6.3	35.2	35.2	35.2
of which investments	6.3	6.3	6.3	5.2	5.2	5.2
of which other	0.0	0.0	0.0	30.0	30.0	30.0
Current assets						
Trade receivables and other financial assets	377.6	377.6	377.6	344.0	344.0	344.0
Cash and cash equivalents	103.2	103.2	103.2	122.5	122.5	122.5
EQUITY AND LIABILITIES						
Non-current liabilities						
Financial liabilities	-	-	-	-	-	-
Other financial liabilities	15.2	15.2	16.5	15.0	15.0	16.3
of which other financial liabilities	12.2	12.2	13.5	12.1	12.1	13.4
of which finance leases	3.0	3.0	3.0	2.9	2.9	2.9
Current liabilities						
Trade payables	106.1	106.1	106.1	108.2	108.2	108.2
Financial liabilities	-	-	-	-	-	-
Other financial liabilities	21.6	21.6	21.6	19.9	19.9	19.9
of which other financial liabilities	20.6	20.6	20.6	18.9	18.9	18.9
of which finance leases	1.0	1.0	1.0	1.0	1.0	1.0
Aggregated according to measurement categories, the above figures are as follows:						
Loans and receivables		480.8	480.8	496.5	496.5	
Available-for-sale financial assets		6.3	6.3	5.2	5.2	
Financial liabilities measured at amortised cost		138.9	140.2	139.2	140.5	

OTHER DISCLOSURES

Interests held in the Company

During the period of 1 January 2018 up to and including 30 June 2018, we have received the following notifications from shareholders that their voting interest exceeded or fell below the statutory reporting thresholds pursuant to section 33 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 %	Attributed %	Voting rights held %	Date that interest exceeds/falls below the threshold	Interest exceeding / falling below threshold in the case of	Notification pursuant to section 33 et seq. WpHG Attribution pursuant to WpHG/additional information:
Asklepios Kliniken GmbH & Co. KGaA	5 Jan. 2018	0.0005	25.10	25.10	29 Dec. 2017	>25%	attributed (section 34 WpHG): Asklepios Kliniken GmbH & Co. KGaA

The voting interests may have changed since 30 June 2018. With regard to notifications on threshold events pursuant to section 33 of the WpHG that took place as of 1 July 2018, and for additional information on the attribution of the respective voting rights pursuant to section 33 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 section 33 of the WpHG in terms of shareholder structure emerges as at the relevant key date of 30 June 2018:

Voting interest pursuant to section 33 et seq. WpHG on date that interest exceeds / falls below threshold							
Person subject to notification requirement	Published on	Held directly %	Attributed %	Voting rights held %	Date that interest exceeds/falls below the threshold	Interest exceeding / falling below threshold in the case of	Notification pursuant to section 33 et seq. WpHG Attribution pursuant to WpHG/additional information:
Asklepios Kliniken GmbH & Co. KGaA	5 Jan. 2018	0.0005	25.10	25.10	29 Dec. 2017	>25%	attributed (section 34 WpHG): Asklepios Kliniken GmbH & Co. KGaA
B. Braun Melsungen Aktiengesellschaft*	7 Apr. 2017		25.0003	25.00	6 Apr. 2017	>25%	attributed (section 34 WpHG): B. Braun Melsungen Aktiengesellschaft
Eugen Münch	28 Nov. 2017	6.94	7.61	14.56	23 Nov. 2017	>10%	attributed (section 34 WpHG): HCM SE
Ingeborg Münch	26 Oct. 2015	5.44		5.44	15 Oct. 2015	>5%	§ 33
Landeskrankenhilfe V.V.a.G	21 Oct. 2015	3.19		3.19	15. Oct. 2015	>3%	§ 33

* B. Braun notified us by the manager's transaction notification dated 24 July 2017 that an interest-preserving order for purchase of up to 4.97% of the voting rights (3,330,074 voting rights) was issued by 23 July 2018 inclusive.

In the reporting period of 1 January to 30 June 2018, we received no notifications on statutory reporting thresholds according to sections 38 of the WpHG.

The voting interests may have changed since 30 June 2018. With regard to notifications on threshold events that took place as of 1 July 2018, 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 2018, the Company holds 24,000 treasury shares. This corresponds to 0.04% of the voting rights.

Corporate bodies

At its meeting on 28 March 2018, the Supervisory Board released Dr. Dr. Siebert from his function as member of the Board of Management with immediate effect. At the same time, Dr. Gunther K. Weiß was appointed to the Board of Management with effect from 1 May 2018.

As members of the employee representatives, Ms. Bettina Böttcher left the Supervisory Board with effect from 31 December 2017 and Mr. Björn Borgmann with effect from 28 February 2018. As substitute members, Ms. Natascha Weihs has been the new member on the Supervisory Board for Ms. Bettina Böttcher since 1 January 2018 and Mr. Oliver Salomon for Mr. Björn Borgmann since 1 March 2018.

Moreover, the allocation of responsibilities within the Board of Management as well as within the Supervisory Board is regularly adapted to changing requirements. The Declaration on Corporate Governance, the Declaration of Compliance pursuant to section 161 of the AktG 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 Notes to the Consolidated Financial Statements of financial year 2017.

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 2017. 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 2017. 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 2018 with the group companies of B. Braun Melsungen Aktiengesellschaft decreased by € 0.4 million to € 4.8 million (previous year: € 5.2 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 and the Board of Management

The contractual remuneration for the members of the Supervisory Board and of the Board of Management as well as the corresponding remuneration guidelines as compared with the key date of 31 December 2017 have remained unchanged with the exception of the Board of Management service contract newly concluded for Dr. Gunther K. Weiß. Detailed information with regard to contractual remunerations and the remuneration guidelines is presented in our 2017 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. Expenses as part of this remuneration were incurred during the reporting period in the amount of € 0.1 million.

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 2017 Annual Report, Notes 2.16.4 and 9.5.

During the reporting period, RHÖN-KLINIKUM AG received no 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.

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 2018 the Group employed a total of 16,673 persons (31 December 2017: 16,688 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 2018	No. of shares on 30 June 2017
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 2018	30 June 2017
Share in consolidated profit (€ '000)	16,995	15,982
Weighted average number of shares outstanding, in thousands	66,938	66,938
Earnings per share in €	0.25	0.24

Consolidated Statement of Cash Flows

The consolidated 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 continues to include 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. As at 30 June 2018 there were no bank overdrafts.

The change in cash used in operating activities compared with the previous year results primarily from the increase in trade receivables due to invoicing delays relating to the introduction of a new hospital information and billing system at one hospital. As of the second quarter of 2018, the reimbursements of the costs of research and teaching at the universities of Giessen and Marburg no

longer take place monthly but quarterly. This is accompanied by an increase in other financial assets. An opposite trend was witnessed by other liabilities. This is attributable to advance payments relating to the negotiations on the future cost reimbursements for research and teaching at Universitätsklinikum Giessen und Marburg.

The change in the area of investing activities stemmed from the decline in terminations of fixed deposits 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.

In the area of finance activities, there were payments for dividends to the shareholders of RHÖN-KLINIKUM AG as well as to one non-controlling interest in profit.

The cash flow statement included a total of € 18.8 million (previous year: € 9.2 million) in outstanding construction invoices as non-cash item.

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, 2 August 2018

RHÖN-KLINIKUM Aktiengesellschaft
THE BOARD OF MANAGEMENT

Prof. Dr. Bernd Griewing

Stephan Holzinger

Dr. Gunther K. Weiß

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, 2 August 2018

RHÖN-KLINIKUM Aktiengesellschaft
THE BOARD OF MANAGEMENT

Prof. Dr. Bernd Griewing

Stephan Holzinger

Dr. Gunther K. Weiß

REVIEW REPORT

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

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of RHÖN-Klinikum Aktiengesellschaft, Bad Neustadt a. d. Saale, for the period from 1/1/2018 to 6/30/2018 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Frankfurt am Main, August 2nd, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Conrad
Wirtschaftsprüfer
German Public Auditor

ppa. Stefan Sigmann
Wirtschaftsprüfer
German Public Auditor

KEY FIGURES

KEY FIGURES JANUARY TO JUNE 2018/JANUARY TO JUNE 2017

Data in € m	Jan. - June 2018	Jan. - June 2017	Change in %
Revenues	620.2	598.4	3.6
Materials and consumables used	183.8	169.2	8.6
Employee benefits expense	401.3	391.5	2.5
Depreciation/amortisation and impairment	30.3	29.3	3.4
Consolidated profit according to IFRS	17.6	16.9	4.1
Profit share of shareholders of RHÖN-KLINIKUM AG	17.0	16.0	6.3
Profit share of non-controlling interests	0.6	1.0	-40.0
Return on revenue (%)	2.8	2.8	0.0
EBT	20.9	20.3	3.0
EBIT	20.9	20.9	0.0
EBIT ratio (%)	3.4	3.5	-2.9
EBITDA	51.1	50.2	1.8
EBITDA ratio (%)	8.2	8.4	-2.4
Property, plant and equipment as well as investment property	779.8	717.4	8.7
Equity according to IFRS	1,127.0	1,107.1	1.8
Return on equity in %	3.1	3.4	-8.8
Balance sheet total according to IFRS	1,492.5	1,452.5	2.8
Investment in property, plant and equipment, intangible assets as well as in investment property	61.7	44.0	40.2
Earnings per ordinary share (in €) (undiluted/diluted)	0.25	0.24	4.2
Number of employees (headcount)	16,673	16,541	0.8
Number of cases (patients treated)	432,317	422,950	2.2
Beds and places	5,370	5,358	0.2

KEY FIGURES APRIL TO JUNE 2018/APRIL TO JUNE 2017

Data in € m	April - June 2018	April - June 2017	Change in %
Revenues	308.5	298.3	3.4
Materials and consumables used	91.0	85.8	6.1
Employee benefits expense	201.6	194.3	3.8
Depreciation/amortisation and impairment	15.2	14.7	3.4
Consolidated result according to IFRS	7.2	8.5	-15.3
Profit share of shareholders of RHÖN-KLINIKUM AG	7.0	8.1	-13.6
Profit share of non-controlling interests	0.2	0.4	-50.0
Return on revenue (%)	2.3	2.8	-17.9
EBT	8.5	9.8	-13.3
EBIT	8.4	10.0	-16.0
EBIT ratio (%)	2.7	3.3	-18.2
EBITDA	23.5	24.7	-4.9
EBITDA ratio (%)	7.6	8.3	-8.4
Property, plant and equipment as well as investment property	779.8	717.4	8.7
Equity according to IFRS	1,127.0	1,107.1	1.8
Return on equity in %	2.5	3.0	-16.7
Balance sheet total according to IFRS	1,492.5	1,452.5	2.8
Investment in property, plant and equipment, intangible assets as well as in investment property	34.6	22.5	53.8
Earnings per ordinary share (in €) (undiluted/diluted)	0.10	0.12	-16.7
Number of employees (headcount)	16,673	16,541	0.8
Number of cases (patients treated)	215,715	210,763	2.3
Beds and places	5,370	5,358	0.2

KEY FIGURES APRIL TO JUNE 2018/JANUARY TO MARCH 2018

Data in € m	April - June 2018	Jan. – March 2018
Revenues	308.5	311.7
Materials and consumables used	91.0	92.8
Employee benefits expense	201.6	199.7
Depreciation/amortisation and impairment	15.2	15.1
Consolidated result according to IFRS	7.2	10.4
Profit share of shareholders of RHÖN-KLINIKUM AG	7.0	10.0
Profit share of non-controlling interests	0.2	0.4
Return on revenue (%)	2.3	3.3
EBT	8.5	12.4
EBIT	8.4	12.5
EBIT ratio (%)	2.7	4.0
EBITDA	23.5	27.6
EBITDA ratio (%)	7.6	8.9
Property, plant and equipment as well as investment property	779.8	760.1
Equity according to IFRS	1,127.0	1,135.4
Return on equity in %	2.5	3.0
Balance sheet total according to IFRS	1,492.5	1,503.7
Investment in property, plant and equipment, intangible assets as well as in investment property	34.6	27.1
Earnings per ordinary share (in €) (undiluted/diluted)	0.10	0.15
Number of employees (headcount)	16,673	16,656
Number of cases (patients treated)	215,715	216,602
Beds and places	5,370	5,370

FINANCIAL CALENDAR

Dates for shareholders and analysts

2018

2 August 2018	Publication of Half-Year Financial Report as of 30 June 2018
9 November 2018	Publication of Interim Report for the quarter ending 30 September 2018

<http://www.rhoen-klinikum-ag.com/interimreports>



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This Interim Report is also available in
German.