

Corporate News

Bad Neustadt / Saale | 1st August 2019

RHÖN-KLINIKUM AG Confirms Guidance for 2019 Following Increase in Revenues and Earnings in the First Six Months

- **Revenues increased in the first six months of 2019 by 3.9 % to Euro 644.2 million; number of patients treated rose to 432,560**
- **Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased significantly by 19.2 % to Euro 60.9 million; net consolidated profit rose considerably by 16.5 % to Euro 20.5 million**
- **Guidance for 2019 is confirmed: Revenues in the amount of Euro 1.30 billion +/- 5 %; EBITDA in a range from Euro 117.5 million to Euro 127.5 million**

RHÖN-KLINIKUM AG, one of the leading healthcare providers in Germany, developed better than the overall healthcare market in the first six months of 2019 notwithstanding the consequences resulting from tightened regulation and increasing bureaucratisation in the healthcare service as well as the trend towards more out-patient services.

Stephan Holzinger, CEO of RHÖN-KLINIKUM AG, stated: “RHÖN-KLINIKUM is continuing its positive development contrary to the market trend. This is partly due to the success of separate accounting and higher revenues from university out-patient clinics. However, our Company cannot avoid the growing challenges which result from the widespread lack of specialist staff, bureaucratisation and the regulation of the healthcare market. We have identified relevant measures to be taken in our operative business and they are already being consistently implemented at the corresponding sites.”

Noticeable Increase in Revenues, Operative Earnings and Net Consolidated Profit

Revenues rose by 3.9 % to Euro 644.2 million in the first six months of 2019. Operative earnings (EBITDA), i.e. earnings before interest, taxes, depreciation and amortisation, increased disproportionately by

approx. 19.2 % to Euro 60.9 million. The EBITDA margin stood at 9.5 % after 8.2 % in the previous year. The significant rise in EBITDA is primarily due to the success of separate accounting and the associated higher remuneration for our services for research and teaching at our two privatised university hospitals in Giessen and Marburg. The effect from the separate accounting was not included in our figures for the first six months of 2018. Subsequent effects from the past Fresenius/Helios transaction have also positively influenced our earnings for the first six months of 2019. Net consolidated profit rose from Euro 17.6 million in the same period last year to Euro 20.5 million in the first six months of 2019. With 73.6 % the equity ratio continues at a very high level.

A further contribution to the Company's earnings in the reported period came from the consistently implemented programme to improve profitability which was initiated in 2017. Part of the package of measures is to use the Tiplu Momo coding software to avoid losses which arise when the Medical Review Board of the Statutory Health Insurance Funds (Medizinischer Dienst der Krankenversicherungen – MDK) raises objections to hospital bills. At the beginning of 2019 RHÖN-KLINIKUM AG entered into a strategic partnership and obtained an interest in Tiplu GmbH, a software company in Hamburg. There has been a very positive development both in the interest held in Tiplu and also in the results from using Tiplu Momo.

The higher expenses from taking the RHÖN-KLINIKUM Campus in Bad Neustadt into service also left their mark on the first six months of 2019. We successfully implemented our Campus Concept in Bad Neustadt as a prototype for forward-looking healthcare particularly for patients in rural areas. Four clinics which had hitherto been working independently from each other moved into new buildings on a new site. This technical triumph also involved creating new arrangements in the processes for looking after our patients as well as continuing the consistent digitalisation of our company.

The operative development of individual sites did not come up to our expectations in the second quarter. In 2018 and the first six months of 2019 we closely studied the regional competitive environment and range of services available and implemented a series of specific measures, from which we expect initial success in the second half of 2019. We have also created a package of measures to counteract the lack of specialist staff, among other things.

Entry in the Growth Market of Telemedicine on Schedule

The preliminary negotiations with Swiss telemedicine provider Medgate to enter the German telemedicine market are on schedule. We believe that telemedicine and also increasingly new data-based and data-driven healthcare models will become an important addition to existing structures. In May 2018 the German Medical Association (Deutscher Ärztetag) passed a resolution to relax the ban on telemedicine which the federal states have so far gradually acted on. This opens up new business opportunities for our Company. Different regulations permitting telemedicine continue to remain in the individual federal states which we believe discriminate patients with statutory health insurance but we are pleased that there is a high level of interest among the private health insurance companies.

New Healthcare Models

With respect to the new remuneration structures we are of the opinion that the DRG (Diagnosis Related Groups) remuneration no longer matches a modern healthcare system and that it sets false remuneration

incentives particularly with respect to the nursing budget where it has been decided that it will be taken out of the remuneration system as of 2020. We consider a transition to a model geared towards prevention inevitable where there are so-called regional healthcare budgets which are allocated via a capitation model and which include all levels of healthcare while the DRG system is geared towards in-patient healthcare. In this case telemedicine can be a potential addition to existing healthcare services. The corresponding inclusion is currently being evaluated.

RHÖN-KLINIKUM AG is one of the largest healthcare providers in Germany. The hospital group offers excellent medical care with a direct link to universities and research institutes. More than 850,000 patients are treated every year at the five group hospitals located in Bad Berka, Bad Neustadt, Frankfurt (Oder), Giessen and Marburg where more than 17,000 employees work. With the RHÖN campus concept the Company is currently implementing a new and forward-looking project which raises fully comprehensive healthcare in rural areas to a new level of excellence and is geared to the growing needs of patients.

Further information on the development of our business in the second half of 2019 is available in our interim report which will be published on 1st August 2019 and is accessible with the following link:
<https://www.rhoen-klinikum-ag.com/interimreports>

More information under www.rhoen-klinikum-ag.com

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