



Corporate News

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RHÖN-KLINIKUM AG Increases Revenues by 5.8 Percent to Euro 1.3 billion Pursuant to Preliminary Figures – Operative Challenges in 2019

- **Revenues rose in 2019 by 5.8 percent to Euro 1.3 billion pursuant to preliminary figures; number of patients increased by 1.2 percent to 860,528**
- **EBITDA at previous year's level with Euro 125.3 million; as expected net consolidated profit below previous year's level with Euro 44.5 million; equity ratio at a high level with 72.7 percent**
- **Highlights in 2019: Establishing Medgate Deutschland, taking over MIT, starting Campus in Bad Neustadt, strategic contribution in Tiplu software company**
- **2019 intensifies operative challenges at some sites; next stage of the improvement programme initiated after package of measures in 2017**
- **Guidance for 2020: Revenues of Euro 1.4 billion +/- 5 percent; EBITDA in a range of Euro 72.5 million to Euro 82.5 million**

RHÖN-KLINIKUM AG, one of the leading healthcare providers in Germany, ended financial year 2019 in a difficult market environment with increased revenues pursuant to its preliminary figures. The increasing regulation and bureaucracy in the hospital sector as well as the lack of skilled staff presented the entire industry with great difficulties. There was also a greater intensity of operative challenges at some of our sites in 2019. RHÖN-KLINIKUM AG is already dealing with them proactively with extensive measures to improve earnings.

Exploiting Opportunities for Acquisitions – Structurally Well Prepared

Stephan Holzinger, CEO and CFO of RHÖN-KLINIKUM AG, stated: "Contrary to many of our competitors we are structurally well prepared with our five hospital sites providing maximum and intermediate medical

care. About seven years ago we anticipated with the transaction to Fresenius/Helios of dozens of especially smaller and medium-sized hospitals worth billions of Euros that it would be precisely such smaller and medium-sized facilities that would be sacrificed if the market was shaken up. We possess a broad financial scope for making judicious acquisitions when suitable market opportunities arise. We are also assessing further strategic contributions in innovative companies. But we must place an even stronger focus on our operative performance if we wish to remain competitive in the future. That is the only way in which we can withstand the legislative pressure and grasp new opportunities which result from the market consolidation.”

RHÖN-KLINIKUM AG is currently exploiting the opportunities available to develop new areas of growth. Entering the forward-looking telemedicine market, the RHÖN campus concept for offering healthcare across sectoral boundaries as well as consistently extending our corporate digitalisation are key pillars of the corporate strategy.

Significant Increase in Revenues in 2019 – As Expected Net Consolidated Profit Lower Than Last Year

In financial year 2019 revenues rose by 5.8 percent to Euro 1.3 billion pursuant to the preliminary figures. EBITDA was almost at the previous year’s level with Euro 125.3 million. Revenues and EBITDA developed within the forecast range. The EBITDA margin amounted to 9.6 percent. Net consolidated profit of Euro 44.5 million following Euro 51.2 million last year resulted from EBITDA while taking higher depreciation and amortisation as well as financing costs into account.

The operative result was influenced by several factors: on the one hand we realised last year the first positive results in the balance sheet from the agreement on the so-called separate accounting at the university hospital in Giessen and Marburg so that EBITDA was positively influenced by a single amount of Euro 20.0 million in 2018. Positive effects resulted from higher earnings in the university out-patient clinics in Giessen and Marburg and subsequent effects from the earlier Fresenius/Helios transaction. Further influencing factors were regulatory interventions, a highly competitive environment and difficult conditions to win specialist employees.

860,528 patients, up by 1.2 percent, were treated at our five hospital sites at the Campus in Bad Neustadt, the university hospital in Giessen and Marburg as well as our hospitals in Bad Berka and Frankfurt (Oder).

Our company has a very strong financial basis with an equity ratio of 72.7 percent and a long-term financial strategy. We exploited the favourable interest rate environment in July 2019 to augment our previous financial instruments by issuing registered bonds with a total nominal value of Euro 60.0 million and a term of 20 years.

Continuation of Improvement Programme Initiated in 2017

RHÖN-KLINIKUM AG must place an even stronger focus on its operative performance in order to be able to remain competitive in the future. A variety of organisational, technical and staffing measures have been taken to further optimise processes in the clinics, group headquarters and also between the clinics, to reduce costs and to increase earnings. Focus is being placed on the administrative structure of the corporate group and individual sites in 2020. To this end we have commissioned an analysis and feasibility

study which should show in the first six months of 2020 how more efficient administrative structures, such as Shared Service Centres at our sites and group headquarters, can make a positive contribution to earnings, thus helping to alleviate the heavy financial burdens from the regulation of medical care.

Campus in Bad Neustadt – Prototype for Future Healthcare

RHÖN-KLINIKUM AG takes account of the growing significance of out-patient medical services with its campus concept and offers excellent healthcare in a rural area. Prevention, out-patient and in-patient medical treatment, rehabilitation, services to improve the general health of the patients and telemedical services are the cornerstones of this innovative, forward-looking and patient-orientated concept.

Financial year 2019 was characterised by start-up effects at our new campus in Bad Neustadt. The move of four clinics which had been working independently from each other for decades under one roof on a new site, the new teams which needed to establish themselves, the new arrangements to combine and integrate the various medical and organisational processes of the different clinics as well as technical challenges all took up a little more time than originally expected. Also, the reduction in the number of patients at the beginning of the year which was associated with the move initially had a noticeable effect on the development of the operative results.

Continuation of Digitalisation Strategy

We are continuing to drive our digitalisation strategy forward. A modern IT infrastructure is the basis for using digital applications and information systems across several sites. It provides a better and faster network for all participants in the treatment processes with the common goal to provide faster, better and safer medical care.

In the course of its digitalisation strategy RHÖN-KLINIKUM AG made a strategic financial contribution in the Tiplu GmbH software company in 2019. We use the Tiplu Momo coding software to produce comprehensive performance-linked invoices as well as to safeguard earnings and check the length of hospital stays. The digital patient history, online management of appointments and the Medical Cockpit all belong to the digital applications which are already being used at the individual sites.

Entrance in the Growth Market of Telemedicine – Establishing Medgate Deutschland

In the future market of telemedicine RHÖN-KLINIKUM AG is cooperating with Swiss telemedical pioneer Medgate to establish a range of telemedical services. Medgate Deutschland GmbH was founded in December 2019. RHÖN-KLINIKUM AG holds the majority with 51 percent and Medgate has a 49 percent contribution. The operative start of the company is foreseen for 2020. Telemedicine is a growth market: RHÖN-KLINIKUM AG and Medgate are convinced that the gradual relaxation of the ban on remote treatments will cause the demand for telemedical services to rise significantly in Germany in the years to come. In Medgate Deutschland GmbH's initial year we expect financial expenditure in a low single-digit million figure. The investments in the new telemedicine business model are intended to augment RHÖN-KLINIKUM's range of services in a positive manner and be an important contribution in the medium

term to less dependency on the economic development of the core business with hospital services.

Patient Care Secured at the Marburg Ion Therapy Centre (MIT)

On 1st August 2019 RHÖN-KLINIKUM AG took over responsibility for the technical operation of the “Marburger Ionenstrahl-Therapiezentrum” (MIT – Marburg ion therapy centre) and the university hospital in Giessen and Marburg took over medical responsibility for the treatment of patients at MIT. Patient numbers have been rising significantly ever since. In 2019 the Board of Management confirmed its resolution to maintain MIT for the long-term. The course was already set at the end of 2018 for a successful relaunch. RHÖN-KLINIKUM AG took over 75.1 percent of the shares in MIT GmbH from the university hospital in Heidelberg and is therefore now the sole shareholder.

Guidance

RHÖN-KLINIKUM AG expects revenues in the amount of Euro 1.4 billion +/- 5 percent for the current financial year 2020. We also expect earnings before interest, taxes, depreciation and amortisation (EBITDA) in the range of Euro 72.5 million to Euro 82.5 million.

This forecast reflects the regulatory legislative intervention, such as the German regulation for the threshold for nursing staff (Pflegepersonaluntergrenzen-Verordnung – PpUGV), the German nursing staff reinforcement act (Pflegepersonal-Stärkungsgesetz - PpSG) and the minimum volume requirements, which has become even tighter in 2019. Our corporate group will be burdened here with an additional low double-digit million amount in financial year 2020. The guidance is subject to any further regulatory legislation affecting the remuneration structure in 2020.

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 860,000 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. We have now put our ideal RHÖN healthcare campus concept into practice at our site in Bad Neustadt. It provides fully comprehensive forward-looking healthcare, thus crossing sectoral boundaries. The patient-orientated concept takes account of the increasing importance of out-patient medical services and raises modern healthcare in rural areas to a new level of excellence.

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