

Annual Report 2021



RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

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Our Mission

RHÖN-KLINIKUM AG is one of the largest healthcare providers in Germany. We offer excellent medical care with a direct tie-in to universities and research facilities. With our campus approach we are setting standards for excellent, cross-sector medical and therapeutic care – and that not just in rural areas.

Our five maximum- and intermediate-care hospital sites – Campus Bad Neustadt, Klinikum Frankfurt (Oder), Giessen and Marburg University Hospitals as well as Zentralklinik Bad Berka – are attractive employers and training centres. People from over 70 nations work there for our Company. Our activities are underpinned by common values such as integrity, responsibility, compassion, care and respect.

Sustainability is an essential part of our identity. It is a reflection of how we create a sound environment for our patients, employees, business partners and investors. At the same time, it enables us to safeguard our success on a sustainable basis.



Chairman of the Board of Management
Dr Christian Höftberger

Dear Ladies and Gentlemen, Dear Shareholders,

Since 24 February, the pandemic has no longer been the dominating theme of our time. The military attack launched on Ukraine by the Russian Federation has left the world horrified and outraged, and has turned what was unimaginable into bitter reality: war in Europe.

We are utterly appalled, and it is our humanitarian responsibility to help the people. Together with the Asklepios hospitals, we immediately pledged our assistance in caring for war refugees and injured people from the conflict areas. Moreover, we are making available accommodations in vacant properties of the Group to those fleeing the conflict and are helping doctors, hospitals and the general population in Ukraine with medicines, medical supplies and donations in kind.

We are watching the situation with great concern, including its impact on the global economy. Rising energy and commodity prices, disruptions in payment processing or interrupted supply chains are imminent or in some cases have already become a reality. Moreover, the economy continues to be hampered by the COVID-19 pandemic that confronted us with numerous challenges also in 2021.

The fourth wave of the pandemic triggered an exponential rise in infections and thus – parallel to the seasonal disease incidence – a worsening situation in the hospitals. Since the beginning of the pandemic, some 5,000 COVID-19 patients have been treated at our facilities on an inpatient basis, including roughly 3,000 in 2021 alone. Like the healthcare system as a whole, this period also tested the strength and resilience of the subsidiaries of RHÖN-KLINIKUM AG and of our employees as never before. For this reason, we owe our employees our deepest gratitude for their tireless efforts and commitment over the past two years.

We have learned to live with the pandemic. We have developed a certain routine. Nonetheless, we remain steadfast in our hope that this emergency situation, the likes of which we have never seen before, will soon come to an end. Here, our confidence is bolstered by the vaccines as we are firmly convinced of their effectiveness. As one of Germany's largest hospital operators, we have performed over 48,000 vaccinations at our facilities for several thousand of our employees and their relatives over the past months. In this way, we have significantly reduced the workload of vaccination centres and doctors' practices and made an important contribution to society towards fighting the pandemic. Therefore, the only appeal we can make to you now is: get your job and assume responsibility for our society!

Economic development over the past year

Despite the considerable obstacles faced as a result of the pandemic, we treated 845,642 patients on an inpatient and outpatient basis at our facilities. This is an increase of 36,987 persons treated, or 4.6 per cent, compared with financial year 2020. With the current situation of our hospitals, we remain confident that we will be able to provide a high level of care to all patients, particularly also to those not infected with COVID-19.

With consolidated EBITDA of roughly 101.2 million euros and revenues of 1.4 billion euros, we achieved our adjusted financial targets. Consolidated profit of 30.2 million euros is 27.8 million euros above the level of previous year. The figures are encouraging and confirm that we are on the right track with the measures we have taken. Nonetheless, we have not yet reached the goal of our strategic reorientation, which we are pursuing together with Asklepios Kliniken GmbH & Co. KGaA.

#teamrhön

The development over the past financial year would not have been possible without the tireless efforts made by our employees: they are the backbone of RHÖN-KLINIKUM AG. We must strengthen them, especially during the pandemic with the greater professional and personal burdens it has brought. That is why, in 2021, we introduced the new Employee Assistance Program (EAP). This advisory programme assists our employees and their relatives in personal, professional, health or family matters and thus also helps us in our efforts to protect the health of our staff.

The development over the past financial year would not have been possible without the tireless efforts made by our employees: they are the backbone of RHÖN-KLINIKUM AG.

Despite the extraordinary situation, we achieved a lot as a team last year and are proud to know that we enjoy the backing of our employees and cooperation partners.

To counter the shortage of qualified staff in nursing, we have taken numerous measures to recruit new employees, provide them with continued and higher-qualification training and retain them in our company over the long term. Here we directly approach qualified persons abroad and have entered into an agreement with an academy (Akademie) whose mission it is to provide support to international healthcare specialists – qualified as nurses, anaesthesia technical assistants (ATA), operation technical assistants (OTA) and physiotherapists – and which closely cooperates in this area with hospitals and long-term care facilities. We look forward to boosting our hospitals and thereby reducing their workload very soon with newly recruited qualified staff.

**RHÖN's future ambitions:
from promoting nursing to
digitisation**

Despite the extraordinary situation, we achieved a lot as a team last year and are proud to know that we enjoy the backing of our employees

and cooperation partners. Some of our most pressing tasks in the company are in the following areas of action: strengthening nursing and medical care, ensuring that hospitals concentrate on their core activities, further optimising our processes as well as pooling know-how, e.g. at the (in some cases newly established) service companies providing in-house services.

Moreover, we will further press ahead with digitisation. Our employees still spend a significant part of their working time on unnecessary documentation tasks. That is an area we want to change and invest in to reduce the workload on staff, to standardise structures and clinical processes, and thus ultimately further improve the quality of healthcare for the patients treated. One main area of focus in this regard is on introducing a telematics infrastructure – one of the strongest and most future-oriented trends in healthcare. We are prepared for this.

RHÖN in Germany's healthcare market

That being said, these tasks will not be easy. In light of the imponderables, primarily as a result of the pandemic but also the challenging financial situation of hospitals in Germany, we badly need to see noticeable relief from bureaucratic red tape and better financial support through investment grants from the federal states.

In Germany, we have a hospital system with well-trained, highly qualified and dedicated professionals. To make sure it stays that way in the future, this heavily regulated system must be funded in line with the principle of dual financing for all hospitals. Dual financing means that the operating costs (costs for current patient care) in the form of what are referred to as DRGs (diagnosis-related groups) are covered by the healthcare funds and the investment costs (buildings, medical equipment, etc.) by the federal states. This holds true for all hospitals, regardless of their care category and ownership type, i.e. regardless of whether they are public basic- and standard-care facilities, non-profit intermediate care hospitals or privately run university hospitals.

But according to the German Hospital Association (Deutsche Krankenhausgesellschaft, DKG), there is still a huge billion-euro gap between the investment required and the funding actually being provided by the federal states. For example, the investment requirement for the hospitals calculated for 2020 is more than six billion euros. This is set against only around three billion euros that the federal states have provided for hospital investments.

It is therefore vital for the federal states to better fulfil their statutory responsibility to assume the investment costs and thus ensure the future viability of hospitals in Germany – in the interests of healthcare workers and patients alike.

As the operator of several systemically relevant hospitals, we also consider it essential to call on federal politicians to likewise undertake an all-encompassing reform of healthcare planning and funding. The current rules are characterised by obstacles and barriers between the outpatient and inpatient sectors which are now outdated and obsolete. Moreover, they fail to adequately reflect the cost structures of the intermediate- and maximum-care providers and in particular university medicine. The reform announced by the traffic light coalition partners must be clarified promptly with the involvement of representatives of service providers and then implemented without any further delays.

We will further press ahead with digitalisation.
Our employees still spend a significant part of their working time on unnecessary documentation tasks.

Already today we are Europe's biggest provider in the area of cardiology and neurology, making us attractive for development partnerships with industry.

**Important milestone:
future of UKGM secured**

At the beginning of this year, we were able to conclude an important preliminary agreement for Universitätsklinikum Gießen und Marburg (UKGM). RHÖN-KLINIKUM AG reached an agreement in principle with the Hesse State Government, UKGM and Asklepios Kliniken GmbH & Co. KGaA on a Letter of Intent regarding the future financing of investments for the university hospitals. For the period of 2022 to 2031 – i.e. the next ten years – the Federal State of Hesse has made a funding commitment totalling nearly half a billion euros to cover investment costs. This brings us a big step closer to reaching the normal level of dual hospital financing. In return though, RHÖN-KLINIKUM AG, for the term of the agreement, and in addition to providing optimum healthcare and ensuring the usual quality of research and teaching, would also have to refrain from redundancies and from outsourcing business units at UKGM. These restrictions of our entrepreneurial freedom are a huge challenge, especially given the current

transformation towards a healthcare system which is more outpatient-oriented – overcoming the existing sectoral boundaries – and digitised.

Nevertheless, the Letter of Intent is an important milestone for UKGM and good news for healthcare delivery in the region. But it still has to be followed up by a binding agreement in the second quarter of 2022, since the funding planned for 2022 otherwise cannot be accessed and we would be forced to terminate the 'future agreement' of 2017 with effect from the end of the year. For this purpose, UKGM and RHÖN-KLINIKUM AG are currently in negotiations with representatives from the Federal State of Hesse and the Giessen and Marburg university hospitals. But since the representatives from the Federal State of Hesse have most recently been calling for additional commitments on the part of the company in terms of internally funded investments not provided for in the painstakingly balanced Letter of Intent, the discussions are still proving difficult at this point in time. We do, however, hope to jointly resolve these issues as soon as possible in a way which is acceptable to all parties and which safeguards the future of UKGM.

RHÖN's strategic partner: Asklepios Kliniken

Asklepios and RHÖN-KLINIKUM AG have already been acting as strategic partners for more than a year. With the many areas we have in common as well as our shared visions, we have already embarked on a path of cooperation together: by working together, we will be able to gain a stronger position on the market and mutually benefit from the exchange of expertise. Already today, for example, we are Europe's biggest provider in the area of cardiology and neurology, making us attractive for development partnerships with industry. Particularly in the field of tumour medicine, there are significant overlaps and areas of potential that we can jointly leverage. This is enabling us to further expand our care offering, to effectively promote our specialisation in certain areas and moreover provide fresh impetus to scientific research. For example, the Comprehensive Cancer Center (CCC) of the Giessen and Marburg University Hospitals and the Asklepios Tumour Centre of Hamburg are already stepping up their cooperation. For us, one thing is sure: we need the best of both worlds, medical care and research, for our patients but also for our employees – not just on paper.

The training area also benefits from the merger of RHÖN and Asklepios. Last year in Hesse, a cooperation scheme aimed at better coordinating the offerings of our training centres and providing joint courses was agreed. Our employees are learning new insights and subject areas which otherwise would not be available within a hospital's own continued training programmes, and are increasingly growing together into one big team.

The past year has been very demanding for us. However, we have been steadfast and determined in overcoming each wave. That gives us courage and strength for the future.

Dear Shareholders, I would like to thank you for your trust as well as your interest in RHÖN-KLINIKUM AG. Stay well.

Yours sincerely,

Dr Christian Höftberger
Chairman of the Board of Management
RHÖN-KLINIKUM Aktiengesellschaft

Bad Neustadt a.d. Saale, March 2022



Chairman of the Supervisory Board
Dr Jan Liersch

Dear Shareholders, Dear Ladies and Gentlemen,

In the following I inform you on the work of the Supervisory Board and its committees during financial year 2021.

Cooperation between the Supervisory Board and the Board of Management

During financial year 2021 also, the Supervisory Board examined on an ongoing basis and in detail the situation and development of the Company, fully performing the duties incumbent on it by law, the Articles of Association and the Terms of Reference. These include continuously monitoring management activity and regularly advising the Board of Management on directing the Company. In performing its duties, the Supervisory Board was at all times guided by the decisive principles of appropriateness, compliance with legal provisions, expediency and efficiency. Observance of these principles by the Board of Management was monitored by regularly reviewing the Company's general organisation and verifying the instruments used for internal risk control.

The Supervisory Board was involved in fundamental and important decisions taken by the Board of Management of RHÖN-KLINIKUM AG. The Board of Management complied with its duties to inform, keeping us informed on a timely basis both in written form and orally, with documents and records of relevance for decisions being provided to us in good time prior to the respective deliberations and formal meetings. We reviewed the reporting and the information

submitted by the Board of Management regarding strategic and operative business performance, compliance issues as well as risks and risk management for plausibility and comprehensibility, advised the Board of Management, discussed issues of development comprehensively with the Board of Management and also scrutinised the same whenever appropriate.

As chairman of the Supervisory Board, I also engaged in a regular exchange of information and ideas with all members of the Board of Management – also between meetings held by the corporate bodies – and was kept thoroughly informed at all times about material developments and current business transactions. The Board of Management complied with its duties to inform. We thoroughly discussed the resolution proposals made by the Board of Management and, to the extent that was required by statute, the Articles of Association and the Terms of Reference, gave our opinion on the same after a thoroughgoing review in the Supervisory Board and in the respective competent Supervisory Board committees. Where required in the case of particularly pressing and time-critical business matters, the Supervisory Board, or, as the case may be, the competent committee, held meetings by means of conference calls and also adopted resolutions by voting in written form. Moreover, in various instances meetings were held in the form of a video conference in view of the COVID-19 pandemic.

Work of the Supervisory Board in the committees and plenary session

With a view to performing its tasks and assuming its responsibility in the best possible way, the Supervisory Board has set up standing committees whose members possess specific expertise and experience for the special issues dealt with in the committees.

The committees prepare resolutions and issues to be decided in the plenary session of the Supervisory Board. They act as bodies with power to pass resolutions within the scope prescribed by law, the Articles of Association – also in lieu of the Supervisory Board – and the Terms of Reference of the latter to the extent consistent with statute and previously defined by the Supervisory Board.

The committees generally meet separately from plenary sessions. Meetings were also held as conference calls convened on short notice or – in view of the COVID-19 pandemic – in the form of a video conference as required.

Information on the composition of the Supervisory Board and the committees as well as attendance of the individual members in the meetings can be found in the overview at the end of this Report.

Work of the Supervisory Board in the committees

At a meeting by video conference, the **Personnel Affairs Committee** prepared subjects relating to personnel matters of the Board of Management for the Supervisory Board and, to the extent required, adopted resolutions and made recommendations to the Supervisory Board on the adoption of resolutions.

During the past financial year, the **Mediation Committee** (pursuant to section 27 (3) of the Co-Determination Act (MitBestG)) did not meet.

The **Audit Committee** of the Supervisory Board met five times in the year under review. All meetings were attended by representatives of the Board of Management. One meeting was attended by the statutory auditor for financial year 2020, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("**PwC**"). At another meeting, KPMG AG Wirtschaftsprüfungsgesellschaft ("**KPMG**") attended as auditor for the review of the interim report for the first half of financial year 2021.

The Committee notably was responsible for review and preliminary consultation for the RHÖN-KLINIKUM Aktiengesellschaft consolidated annual financial statements for financial year 2020.

The Audit Committee assessed the independence of KPMG designated for auditing the consolidated financial statements and the Group Management Report as well as the annual financial

statements and the management report for financial year 2021 and for the review of the half-year financial report, obtained the statement regarding the auditor's independence, recommended to the plenary session of the Supervisory Board a proposal for the election of the auditor to be submitted to the Annual General Meeting and – after the election – issued the statutory auditor with the audit mandate and concluded with it a reasonable fee agreement for the same.

KPMG moreover reported to the Committee on orders for services performed in addition to the auditing services rendered. The qualification of the statutory auditor was monitored by the Committee. A list of audit items was once again prepared and defined for the audit in 2021.

Questions of fundamental importance relating to accounting, corporate planning, the capital base, the supervision of the accounting process, as well as the effectiveness of the internal controlling system, risk management system (including special business risks) and the internal audit system were discussed with the Board of Management and in some cases also with the statutory auditor. The interim reports were thoroughly discussed on a regular basis with the Board of Management prior to their publication, as well as the half-year financial report with the Board of Management and in the presence of KPMG giving due regard to the review by the latter.

The Group controlling report on performance and finance controlling submitted quarterly, which forms part of our risk management system, was thoroughly discussed in each case with the Board of Management. Here, the development of service volumes and earnings of the Group and of the individual Group hospitals was also analysed, scrutinised and discussed with the Board of Management, also with regard to deviations from targets.

The body kept itself regularly informed by the responsible member of the Board of Management and by reports submitted by the head of Internal Auditing about the activity of the internal auditing department as well as the expansion of cooperation with Asklepios Kliniken GmbH & Co. KGaA in this area, and examined the auditing plan for 2021 as well as its update. The auditing plan for 2022 was approved. The audit reports of the internal auditing department as well as the 2020 activity report were then submitted in the Committee and discussed with the Board of Management. The Board of Management kept itself informed of the implementation of the recommendations by the internal auditing department by obtaining information on the results of follow-up reporting and review. We once again satisfied ourselves of the effectiveness of the internal auditing department.

Furthermore, the Committee kept itself informed on the activity of the compliance department as well as the expansion of cooperation with Asklepios Kliniken GmbH & Co. KGaA in this area through reports by the responsible member of the Board of Management and the head of compliance.

For the non-financial declaration at the Company level and Group level to be submitted in the form of a separate condensed non-financial report for 2021, the Committee once again adopted a resolution on the performance of a voluntary external audit. The audit assignment was issued on the basis of an offer and by fee agreement to the statutory auditor, KPMG.

The **Medical Innovation and Quality Committee** provides the Board of Management with technical advice on developments and trends in medicine and monitors the situation and development of medical quality within the Company. The Committee did not hold any meeting during the year under review.

The **Nomination Committee**, which selects candidates from the shareholders' representatives for Supervisory Board office and proposes them for nomination to the Supervisory Board, developed in a conference call in financial year 2021 the proposal for the election of one shareholders' representative at the 2021 Annual General Meeting.

The **Committee for Decisions on Related-Party Transactions** did not meet during the past financial year.

Work of the Supervisory Board in the plenary session

During the reporting period, four **plenary Supervisory Board** meetings were held. The members of the Board of Management to a predominant extent attended the meetings of the Supervisory Board except in those cases of agenda items relating to internal matters of the Supervisory Board and matters pertaining to the Board of Management.

At the meetings of the Supervisory Board the plenary session, based on detailed reports of the Board of Management on current developments, strategic issues and the financial position of the Group, as well as based on the written reports and presentations by the Board of Management, regularly deliberated together with the Board of Management on the net assets, financial position and results of operations, the trend in revenues and earnings, the performance data, key figures and personnel of the Company and Group as well as of the individual Group subsidiaries. The Supervisory Board moreover, together with the Board of Management, examined the impact of the COVID-19 pandemic on the business development and the hospitals of the RHÖN-KLINIKUM

Group. The Board of Management moreover informed on current developments in healthcare policy, the healthcare environment, healthcare legislation and their impact on the Group as well as the competitive situation. The respective interim reports for the past quarters were explained by the Board of Management in detail at the plenary session prior to publication.

At the first meeting of the financial year on 24 February 2021, the Supervisory Board examined the general economic situation as well as the position of the Company. In this regard the Board of Management reported extensively on the economic development of the hospital sites; furthermore, developments in the area of human resources and collective agreements were discussed. In addition, we examined the draft Report of the Supervisory Board for financial year 2020, the current status of the Board of Management regarding relations to affiliates (dependent company report) in financial year 2020 and were informed of the measures planned with regard to the assignment of interests held by the co-shareholders of Rhön-Innovations GmbH.

At the balance sheet meeting on 24 March 2021, which was also attended by PwC (as statutory auditors for financial year 2020), we thoroughly discussed in the plenary session – after a statement given by the Audit Committee – together with the Board of Management the annual financial statements and management report of RHÖN-KLINIKUM Aktiengesellschaft as well as the consolidated financial statements and the Group Management Report for financial year 2020. The auditors reported on the essential findings and results of the audits and were available to us for questions and additional information. The plenary session approved both the annual financial statements and the consolidated financial statements. After the Supervisory Board completed its own review, the separate condensed non-financial report for 2020 reviewed by PwC was moreover approved. The meeting also focused on various matters pertaining to the Board of Management. Thus, the Supervisory Board in particular resolved on the new remuneration scheme for the members of the Board of Management as well as submission of the remuneration scheme to the Annual General Meeting for approval. Another resolution item was the prolongation of the appointment of Dr Weiß for a further term of office of three years until 31 December 2024 and along with that the conclusion of a new Board of Management service contract with effect from 1 January 2022. The Supervisory Board likewise examined the achievement of targets under the bonus agreements with the members of the Board of Management and adopted target agreements for 2021. In addition, the Supervisory Board resolved to support the Board of Management's proposal for the appropriation of net distributable profit for financial year 2020. Lastly, the Supervisory Board looked at the Report of the Board of Management on Relations to Affili-

ates (dependent company report) and resolved – on recommendation by the Audit Committee – that no objections were to be raised against the declaration made by the Board of Management at the end of the report. The Supervisory Board also adopted approval resolutions for the Declaration on Corporate Governance pursuant to section 289f of the German Commercial Code (Handelsgesetzbuch, HGB) and on the Report of the Supervisory Board for financial year 2020. Another item addressed at the meeting was the preparation of the Annual General Meeting. In this regard, we as the Supervisory Board approved the holding of the Annual General Meeting as a virtual Annual General Meeting as well as the agenda and the resolutions proposed to the Annual General Meeting.

In the context of the adoption of the new remuneration scheme and following the meeting on 23 April 2021, the Declaration of Compliance of 5 November 2020 was updated during the year under way with respect to the recommendations of the German Corporate Governance Code ("GCGC").

At the meeting on 1 July 2021, the Supervisory Board once again examined the position of the Company as well as the current position and economic performance of key operative companies and discussed this thoroughly with the Board of Management. Furthermore, we looked at developments in areas of human resources and collective agreements and were provided with reporting on progress made in strategic areas of activity. In this context, the Supervisory Board approved the establishment of several subsidiaries for providing business services, purchasing and supply as well as IT services. It was also informed of the execution of the assignment of interests held by co-shareholders of Rhön-Innovations GmbH.

At the meeting on 10 November 2021, the Supervisory Board together with the Board of Management discussed the interim report for the quarter ending on 30 September 2021 and primarily dealt with the preliminary economic and investment planning for financial year 2022. The Board of Management also reported on current cooperation schemes, projects and strategic areas of activity – particularly also in the context of the COVID-19 pandemic. At this meeting the Supervisory Board also examined the implementation of the recommendations and suggestions of the GCGC. On the recommendation of the Audit Committee, the Declaration of Compliance issued during the year under way on 23 April 2021 pursuant to section 161 of the Stock Corporation Act (Aktiengesetz, AktG) was revised as planned – following a previous resolution adopted for this purpose – by a Declaration of Compliance issued on 10 November 2021 by the Board of Management and the Supervisory Board.

Examination and approval of the 2021 financial statements

The Board of Management adopted the financial statements of the Company and the management report for the year ended 31 December 2021 in accordance with the provisions of the HGB, while the consolidated financial statements as at 31 December 2021 and Group Management Report for financial year 2021 were adopted pursuant to section 315e HGB in accordance with the principles set out in the International Financial Reporting Standards (IFRS). The auditors, KPMG, examined the annual financial statements and the management report of the Company for financial year 2021 as well as the consolidated financial statements and Group Management Report for financial year 2021. The statutory auditors issued an unqualified auditor's report in each case.

The financial statements and management report of the Company, the consolidated financial statements and Group Management Report as well as the reports of the auditors KPMG as statutory auditors on the result of their audit were received by all members of the Supervisory Board together with the Board of Management's proposal for the appropriation of the net distributable profit for the year. These documents were examined by the Supervisory Board and extensively discussed by the Audit Committee and by the Supervisory Board with representatives of the auditors at the respective balance sheet meetings. As part of the audit, the Audit Committee and the Supervisory Board examined both the accounting findings and the procedures and processes relating to the accounting findings. As the standard of their review, they primarily applied the criterion of legality and verified whether the documents submitted comply with legislation in force and in particular with applicable accounting rules. Furthermore, in addition to their review of legality they also conducted an expediency review in terms of accounting, financial and business policy aspects. Based on the findings of the preliminary review by the Audit Committee, the Supervisory Board concurred with the findings of the auditors and, having conducted its own review, determined that it also sees no grounds for objections.

The Supervisory Board approved the annual financial statements of the Company and the consolidated financial statements prepared by the Board of Management at the meeting on 23 March 2022 on recommendation of the Audit Committee; the annual financial statements of the Company are thus adopted as final. The Supervisory Board approved the Board of Management's proposals for the appropriation of net distributable profit.

Moreover, the Supervisory Board, together with the Board of Management, adopted the remuneration report for financial year 2021 in accordance with section 162 AktG.

Review of separate condensed non-financial report

The Audit Committee and the Supervisory Board has further examined the separate condensed non-financial report prepared with the Board of Management for 2021. KPMG has conducted a review to obtain limited assurance and has issued an unqualified report. The documents were carefully reviewed by the Audit Committee at its meeting on 22 March 2022 and by the Supervisory Board at its meeting on 23 March 2022. The Board of Management thoroughly explained the report at both meetings. Representatives of the auditor attended the meetings and reported on the key results of their review and answered additional questions from the Supervisory Board members. After its review, the Supervisory Board had no objections.

Audit of the Report on Relations to Affiliates

Since the takeover by Asklepios Kliniken GmbH & Co. KGaA in 2020 and in the absence of a controlling agreement, a Report on Relations to Affiliates (also known as dependent company report) pursuant to section 312 AktG was to be prepared by the Board of Management of the Company annually. This report must state all legal transactions effected by the Company in the past financial year with the controlling enterprise or an enterprise affiliated with it or at the request or in the interests of such enterprises, and all other measures it has taken or refrained from taking in the past financial year at the request or in the interests of such enterprises. The performance effected and consideration paid for the legal transactions, and the reasons for the measures and their advantages and disadvantages entailed for the Company and, in the case of disadvantages, how such disadvantages have been offset, must be stated.

KPMG, as statutory auditor, audited the Report of the Board of Management on Relations to Affiliates and issued the following auditor's opinion:

"Based on our duly performed audit and assessment, we hereby confirm that

1. the factual statements of the Report are true,
2. for the legal transactions as specified in the Report, the consideration paid by the Company was not unduly high or any disadvantages were offset."

The Supervisory Board examined the Report of the Board of Management on Relations to Affiliates. At our meeting on 23 March 2022, which was attended by KPMG as statutory auditor, we discussed the Report with the Board of Management thoroughly. Questions put to the Board of Management on individual legal transactions and measures specified in the Report were answered by the Board of Management fully and to the satisfaction of the Supervisory Board. Based on its review the Supervisory Board takes the view that the Report of the Board of Management on Relations to Affiliates satisfies the legal requirements. Following the conclusive findings of the reviews conducted by the Supervisory Board, no objections are to be raised against the declaration by the Board of Management at the end of the Report. Moreover, the Supervisory Board approved the audit report of the statutory auditor.

Composition of the Board of Management

This Annual Report presents the composition of the Board of Management and the personal data, functions and duties of the individual members of the Board of Management under the heading "Corporate bodies of the Company".

Composition of the Supervisory Board

In accordance with the requirements of the Co-Determination Act (MitBestG), the Supervisory Board of RHÖN-KLINIKUM Aktiengesellschaft pursuant to section 10 (1) MitBestG is comprised of 16 members. Eight Supervisory Board members are elected by the shareholders and eight Supervisory Board members by the employees. In accordance with section 96 (2) AktG, at least 30 per cent of the Supervisory Board is to be made up of women and at least 30 per cent of men, which – relative to the entire Supervisory Board – corresponds to at least five seats in each case. The minimum share must be met by the Supervisory Board as a whole, since neither the shareholder nor employee representatives raised any objections regarding the issue of overall compliance.

After Prof. Dr Gerhard Ehninger left the Supervisory Board with effect from 15 January 2021, the Local Court (Amtsgericht) of Schweinfurt by decision of 3 March 2021 appointed Mr Marco Walker as member of the Supervisory Board of the Company. Marco Walker, whose court appointment ended with the conclusion of the Annual General Meeting on 9 June 2021, was elected by the Annual General Meeting as member of the Supervisory Board of the shareholders for the period until conclusion of the Annual General Meeting resolving on formal approval of actions for financial year 2024.

The personal details of the members of the Supervisory Board in 2021 are set out in the notes to the consolidated financial statements. The section also provides information on the professional qualifications of the Supervisory Board members as well as their further mandates. The organisational structure of the Supervisory Board and the composition of the committees during the past financial year are set out in the overview provided following this Report.

One change in the Supervisory Board occurred after the end of financial year 2021: Ms Nicole Mooljee Damani notified the Company on 8 December 2021 that she was resigning her mandate as member of the Supervisory Board of the Company, and accordingly left the Supervisory Board with effect from 8 January 2022. The Supervisory Board therefore resolved on 1 February 2022 on the recommendation of the Nomination Committee to propose Dr Cornelia Sufke, head of the Medical Law, Compliance and Insurance division of Asklepios Kliniken GmbH & Co. KGaA, Hamburg, for the election to be held at the 2022 Annual General Meeting, to succeed Nicole Mooljee Damani as member of the Supervisory Board of RHÖN-KLINIKUM AG for

the remaining term of office. For the period until then, the Local Court of Schweinfurt, by Decision of 2 March 2022 issued on the application by the Board of Management based on a corresponding proposal of the Supervisory Board, appointed Dr Cornelia Sufke as member of the Supervisory Board of the Company.

The Supervisory Board thanks the members of the Board of Management, all employees of the Group as well as the employee representatives of all Group companies for their tremendous commitment and work performed during the past financial year, which presented huge challenges for everyone.

The Supervisory Board

Dr Jan Liersch
Chairman

Bad Neustadt a. d. Saale, 23 March 2022

OVERVIEW OF THE ORGANISATIONAL STRUCTURE OF THE SUPERVISORY BOARD AND COMPOSITION OF THE STANDING COMMITTEES (AS AT 31 DECEMBER 2021)

1. Composition of the Supervisory Board

Dr Jan Liersch
Chairman

Georg Schulze
1st Deputy Chairman

Hafid Rifi
2nd Deputy Chairman

Members	Number of meetings: 4	
	Attendance	
Peter Berghöfer	4	100%
Dr Julia Dannath-Schuh	4	100%
Regina Dickey	4	100%
Peter Ducke	4	100%
Prof. Dr Leopold Eberhart	4	100%
Prof. Dr Gerhard Ehninger (until 14 January 2021)	–	–
Irmtraut Gürkan	4	100%
Kai Hankeln	4	100%
Dr Jan Liersch	4	100%
Dr Martin Mandewirth	4	100%
Nicole Mooljee Damani	4	100%
Dr Thomas Pillukat	4	100%
Christine Reißner	4	100%
Hafid Rifi	4	100%
Oliver Salomon	4	100%
Georg Schulze	4	100%
Marco Walker (from 9 March 2021)	3	100%

2. Composition of the standing committees

Personnel Affairs Committee

Dr Jan Liersch, Chairman

Members	Number of meetings: 1	
	Attendance	
Peter Ducke	1	100 %
Kai Hankeln	1	100 %
Dr Jan Liersch	1	100 %
Dr Thomas Pillukat	1	100 %

Medical Innovation and Quality Committee

Prof. Ehninger, Chairman (until 14 January 2021)

No chairman elected (from 15 January 2021)

Members	Number of meetings: 0	
	Attendance	
Prof. Dr Leopold Eberhart		
Prof. Dr Gerhard Ehninger (until 14 January 2021)		
Dr Martin Mandewirth		
Nicole Mooljee Damani		

Mediation Committee

Dr Jan Liersch, Chairman

Members	Number of meetings: 0	
	Attendance	
Kai Hankeln		
Dr Jan Liersch		
Dr Thomas Pillukat		
Georg Schulze		

Nomination Committee

Dr Jan Liersch, Chairman

Members	Number of meetings: 1	
	Attendance	
Kai Hankeln	1	100 %
Dr Jan Liersch	1	100 %
Hafid Rifi	1	100 %

Audit Committee

Hafid Rifi, Chairman

Members	Number of meetings: 5	
	Attendance	
Peter Berghöfer	5	100 %
Regina Dickey	5	100 %
Prof. Dr Leopold Eberhart	5	100 %
Irmtraut Gürkan	5	100 %
Dr Jan Liersch	5	100 %
Hafid Rifi	5	100 %

Committee for Decisions on Related-Party Transactions

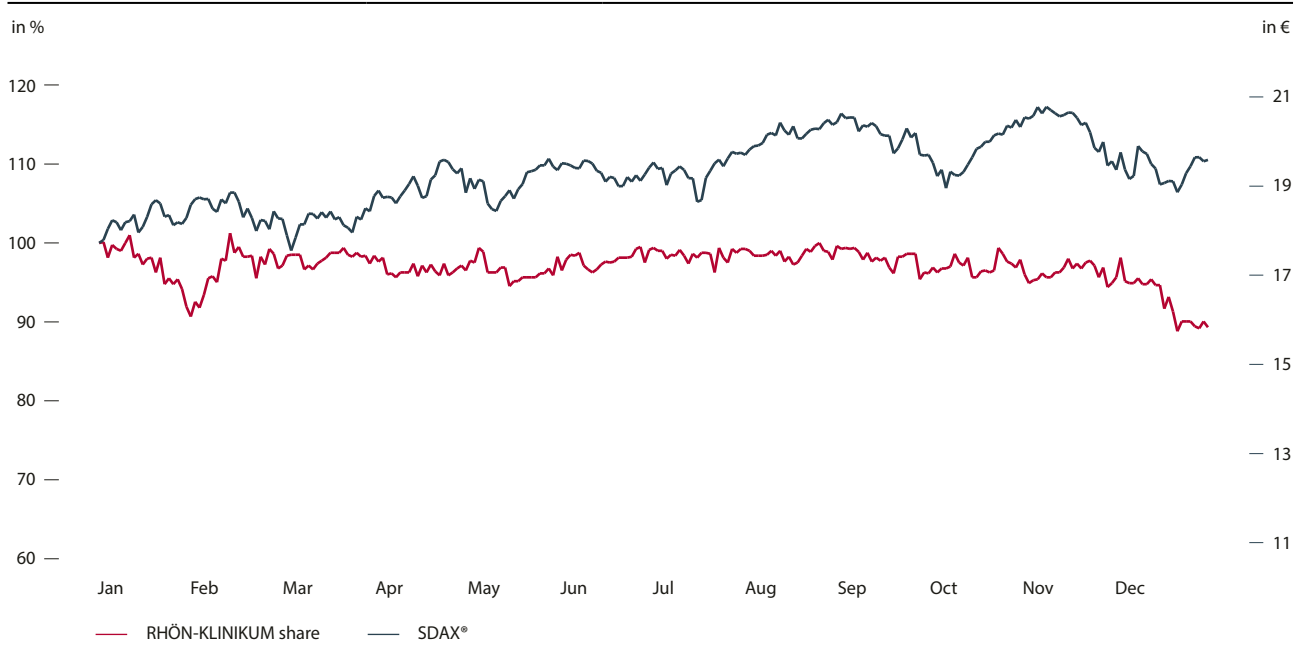
Dr Jan Liersch, Chairman

Members	Number of meetings: 0	
	Attendance	
Nicole Mooljee Damani		
Dr Jan Liersch		
Oliver Salomon		
Georg Schulze		

The RHÖN-KLINIKUM share

The RHÖN-KLINIKUM share opened the 2021 stock market year at a XETRA price of 16.10 euros. The RHÖN share reached its high for the year of 16.30 euros on 15 February 2021. However, the RHÖN share then went into decline in the further course of the 2021 pandemic year. The RHÖN-KLINIKUM share closed the stock market year at a XETRA price of 14.38 euros.

RHÖN-KLINIKUM SHARE IN COMPARISON TO SDAX®



Source: XETRA®-indexed (4 January 2021 = 100)

Performance of stock markets

In the 2021 stock market year the German leading index DAX®, despite the adverse effects on the global economy brought about by the COVID-19 pandemic, reached a new all-time high of 16,251 points. Overall, the DAX® recorded a gain in the 2021 stock market year of 15.8 per cent, closing the year at 15,885 points. With a trend that

was slightly disproportionately moderate compared with the DAX®, the second-tier German index SDAX® saw a gain of 11.2 per cent and closed the year at 16,415 points. During the same period, the European leading index DJ EURO STOXX 50® rose by 20.6 per cent. The benchmark index for European stocks from the healthcare industry, DJ EURO STOXX Healthcare®, saw a 14.6 per cent increase.

RHÖN-KLINIKUM SHARE

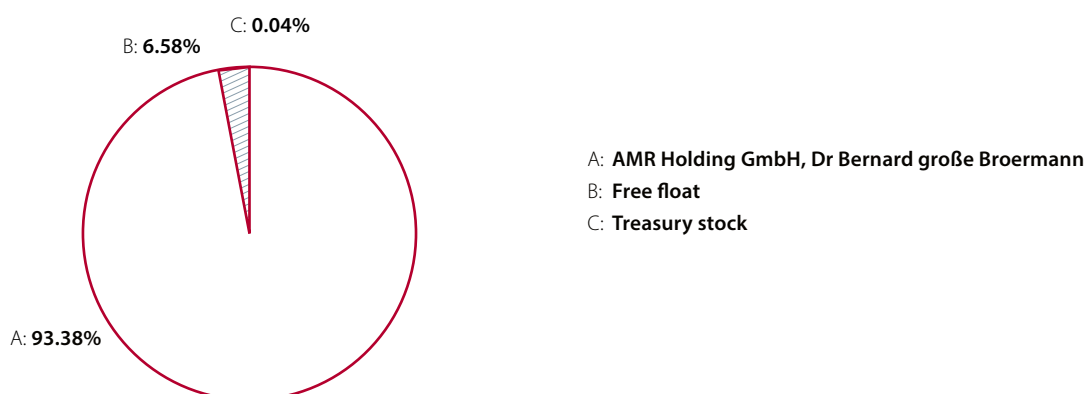
ISIN			DE0007042301
Ticker symbol			RHK
Registered share capital (€)			167,406,175
Number of shares			66,962,470
Share prices (€)	01.01.–31.12.2021		01.01.–31.12.2020
Closing price	14.38		16.50
High	16.30		18.56
Low	14.30		14.72
	31.12.2021		31.12.2020
Market capitalisation (€ m)	962.92		1,104.88

Shareholder structure

According to the notifications of voting rights pursuant to section 33 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), the shareholder structure of RHÖN-KLINIKUM AG is as follows.

SHAREHOLDER STRUCTURE OF RHÖN-KLINIKUM AG

As at 31 December 2021 (on the basis of the most recent notification of voting rights to the company)



Prime Standard and indices membership

The RHÖN-KLINIKUM share is admitted to the Prime Standard of the Frankfurt Stock Exchange, the segment with the highest post-admission obligations for exchange-listed companies, and thus upholds the highest level of transparency.

The RHÖN share is listed in the CDAX composite index and the sector index DAXsector Pharma+Healthcare.

Capital market communication

RHÖN-KLINIKUM AG is committed to transparent and fair communication. That is why investor relations (i.e. the dealings it has with the shareholders) take high priority for RHÖN-KLINIKUM AG. As part of its financial market communication, RHÖN-KLINIKUM AG therefore again strived in 2021 to convey a realistic picture of the Group. For that purpose, RHÖN-KLINIKUM AG makes available to investors, analysts and all other interested market participants a platform with comprehensive and timely information. Moreover, RHÖN-KLINIKUM AG seeks a direct, ongoing and personal dialogue with investors and analysts.

As part of its financial reporting, RHÖN-KLINIKUM AG reports on operating business performance each quarter. Investors, analysts and the media are provided with current and share-price-relevant information on the Group in real time and directly. Moreover, such information is published promptly as news items on the Company's website. Further sources of information are the regular annual events such as the analyst conference, the Annual Press Conference and the Annual General Meeting. The next Annual General Meeting will be held on Wednesday, 8 June 2022.

DATES FOR SHAREHOLDERS AND ANALYSTS IN 2022

24 March	Results press conference: publication of 2021 Annual Financial Report
12 May	Publication of interim report for the quarter ending 31 March 2022
8 June	Annual General Meeting
4 August	Publication of half-year financial report as at 30 June 2022
10 November	Publication of interim report for the quarter ending 30 September 2022 – analyst conference

You will find the financial calendar containing all important financial dates for 2022 also on the website at www.en.rhoen-klinikum-ag.com under the "Investor Relations" section.

Corporate Social Responsibility Report

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Environmental protection	41
Supplier management	45



Assuming our responsibilities

We gladly take on our wide range of responsibilities arising from our role as a provider of healthcare services, an employer and a company. This reflects medical, ecological and social aspects. We establish the highest standards for the quality of our medical services and are committed to sustainability in all its many facets. For example, we create a sound environment for our patients, employees, business partners and investors, whilst at the same time securing our future on a sustainable basis.

Corporate Social Responsibility Report

SUSTAINABILITY MANAGEMENT AND ORGANISATION

For us, sustainability has long formed an integral part of our corporate strategy. In addition to medical aspects, other areas that play an important role are the environment, governance and social issues.

Responsibility lies with the Board of Management

✓ | With RHÖN-KLINIKUM AG, responsibility for sustainability lies with the full Board of Management, because this subject was not made an integral part of our corporate strategy merely by the statutory requirements. For us as a healthcare Group, our success is inseparably bound up with medical, ecological and social responsibility.

✓ | Our Corporate Code sets out both the fundamental conduct of all employees amongst one another as well as the relationship between employees and patients. Acting with integrity at all times is part of our self-perception at RHÖN-KLINIKUM AG. Group-level works council agreements between the Board of Management and the employee representatives moreover ensure that the personal integrity of our employees is also safeguarded whenever we cooperate with external entities. These Group-level works council agreements relate, for example, to our cooperation with industry or serve to prevent corruption, and are regularly adapted. In reporting year 2021 we entered into a new Group-level works council agreement to implement an Employee Assistance Program (EAP). For more detailed information, please refer to the section "Employees".

Our sustainability reporting

✓ | The present Corporate Social Responsibility Report (CSR Report) also includes the separate condensed Non-financial Report (NFR) in accordance with sections 315b in conjunction with sections 289b to 289e of the German Commercial Code (Handelsgesetzbuch, HGB). Moreover, the reporting requirements of the HGB are met. Unless otherwise indicated, all information stated refers to the parent (AG) and the Group equally. Above and beyond the statutory requirements, we voluntarily report on specific employee issues as well as on supplier management.

For us, sustainability has long formed an integral part of our corporate strategy.

✓ | The reporting period is from 1 January to 31 December 2021. The NFR covers all Group subsidiaries included in the consolidated financial statements. You will find information on the business model in the Group Management Report of this Annual Report in section 1 "Basic Characteristics of the RHÖN-KLINIKUM Group" and on the internet under the link www.rhoen-klinikum-ag.com.

✓ | The paragraphs marked with an (✓) form the NFR and were reviewed by the accounting firm KPMG in accordance with the auditing standard ISAE 3000 (Revised) with limited assurance (in this regard see Auditor's Report).

✓ | This year also, the option of orienting ourselves on general reporting frameworks on sustainability subjects when preparing the NFR was not exercised since our sustainability management is currently being expanded and medical subjects are not reflected in the relevant frameworks. We regularly review this decision.

✓ | References to statements outside the Group Management Report constitute additional information and are not an integral part of the NFR.

Acting with integrity at all times is part of our self-perception at RHÖN-KLINIKUM AG.

Reporting according to EU taxonomy

✓ | One of the key goals under the action plan for financing sustainable growth (EU Action Plan on Sustainable Finance) is to divert capital flows to sustainable investments. In this context, the EU Taxonomy Regulation entered into force in the middle of 2020. As a uniform and legally binding classification system, it defines which economic activities of the EU are considered to be “environmentally sustainable”. The results of this classification are to be reported annually on a company-specific basis.

✓ | Article 9 of the Taxonomy Regulation sets out the following environmental targets:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems

✓ | For two environmental targets (climate change mitigation and climate change adaptation) the EU has currently published requirements for sustainable economic activities as defined by EU taxonomy (“EU Catalogue”). The description of the economic activity in the Delegated Acts defines which economic activities can be taken into consideration in principle.

✓ | When it comes to classifying an economic activity as “environmentally sustainable” within the meaning of EU taxonomy, a distinction has to be made between taxonomy eligibility and taxonomy conformity. For reporting year 2021, based on an exemption granted by the EU, only the shares of taxonomy-eligible and not taxonomy-eligible economic activities in revenues as well as in investment and operating expenditures are to be disclosed.

✓ | The basis of the capital expenditures are additions of property, plant and equipment and intangible assets during the financial year under review before depreciation and any revaluations for the financial year in question and excludes changes in fair value. Moreover, the capital expenditures also include additions to property, plant and equipment and intangible assets resulting from business combinations (application of IFRS (IAS 16, 38, 40, 41, IFRS 16) as well as national accounting methods). This does not take into account goodwill arising on acquisitions. Investment in non-current assets classified as for-sale or for-distribution are included only up to the initial date of such classification.

✓ | The basis for the operating expenditures is as follows: direct, non-recognised costs of research and development, building modernisation measures, short-term leasing, servicing and regular preventive maintenance as well as all other direct expenditures made by the company or by third parties for regular preventive maintenance of property, plant and equipment which are necessary to ensure the continuing and effective operability of such facilities.

✓ | RHÖN-KLINIKUM AG is obliged to apply the rules of the Taxonomy Regulation. The amounts used for calculating the revenue, capex and opex key ratios are based on the figures reported in the consolidated financial statements.

✓ | If economic activities of RHÖN-KLINIKUM AG are contained in the EU Catalogue, these are considered taxonomy-eligible. In the case of RHÖN-KLINIKUM AG, for example, the economic activity of 7.1 “New construction” is to be considered relevant. Revenues, investments and operating expenditures associated with this economic activity can be classified as taxonomy-eligible.

✓ | The disclosure of the share of taxonomy-eligible revenues/capital expenditures (capex)/operating expenditures (opex) in the respective total amounts of RHÖN-KLINIKUM AG for financial year 2021 is made based on a full analysis of the economic activities.

Key ratios

Revenue ratio

✓ | For RHÖN-KLINIKUM AG, no relevant economic activities were identified in the Delegated Acts based on the current rules. RHÖN-KLINIKUM AG is an operator of hospitals and as such belongs to the healthcare sector. Such economic activity is not contained in Annexes I and II of the Delegated Act. As a result, no taxonomy-eligible revenue was calculated.

Capex ratio

✓ | The capex ratio states the share of capital expenditures (capex) which is associated with either a taxonomy-eligible economic activity or with a capital expenditure plan for expanding or achieving an environmentally sustainable economic activity, or which relates the purchase of products and services from a taxonomy-eligible economic activity.



✓ | Capital expenditures according to the EU Taxonomy Regulation total €75.3 million.

✓ | Based on the project description of the additions, an analysis for taxonomy eligibility and a comparison with Annex I (substantial contribution to climate change mitigation) and Annex II (substantial contribution to climate change adaptation) of Delegated Regulation (EU) 2020/852 are made. The total of all additions which reflect a taxonomy-eligible capital expenditure is the numerator of the capex key ratio.

Opex ratio

✓ | The opex ratio states the share of operating expenditures within the meaning of EU taxonomy associated with taxonomy-eligible economic activities, with a capex plan described above or with the purchase of products from a taxonomy-eligible economic activity.



✓ | To determine the denominator, those accounts reflecting the direct, non-recognised costs for research and development expenditures, building modernisation measures, short-term leases, servicing and preventive maintenance expenditures were considered.

✓ | The numerator results from an analysis of the assets relating to the expenditures recorded in the aforementioned accounts for their taxonomy eligibility based on Annex I (substantial contribution to climate change mitigation) and Annex II (substantial contribution to climate change adaptation) of Delegated Regulation (EU) 2020/852.

Our material subjects in 2021

✓ | In 2017 we identified the subjects that are material for us within the meaning of the HGB. Since then, the environment in which we operate has undergone further changes and we entered into a strategic partnership with the Asklepios Group in the middle of 2020. As part of that, we also updated the materiality analysis.

✓ | In 2021 the Asklepios Group conducted a detailed materiality analysis voluntarily taking into account the requirements of the HGB. This produced a clustered list of issues (short list) which included the CSR issues of relevance for RHÖN-KLINIKUM AG up to 2020 as well as the potentially material issues (long list). In a meeting, the Board of Management of RHÖN-KLINIKUM AG reviewed the list and the Asklepios Group's results of the materiality analysis. This reflects the increasing cooperation and joint strategic orientation of both companies.

✓ | The following issues are material for RHÖN-KLINIKUM AG:

- Patient safety
- Patient satisfaction
- Employee health
- Reducing waste (including food waste)
- Reducing water consumption
- CO₂ reduction
- Strengthening awareness of Code of Conduct/principles of action

✓ | These issues are necessary for understanding the business performance, results of operations and position as well as the impact of business operations on the non-financial aspects. They are of special strategic importance for business development and represent areas of focus for us which are to be driven forward and guided by measures and corresponding KPIs. Environmental issues were also classified here as material for the first time. We report in detail on the objectives, actions and results in the relevant sections as set out in the table below.

✓ | As part of responsible corporate governance, we also regard training, including continued and higher-qualification training, as well as supply management as important subjects and report on them voluntarily.

Non-financial risks

✓ | The Board of Management of RHÖN-KLINIKUM AG has implemented a Group-wide risk management system to detect imminent risks early on and to specifically counter them in a systematic process. At the same time, our risk management function relates not only to financial risks but also all manner of risks within the Company. We regard the risk posed to the life and health of our patients potentially resulting in a medical intervention as the greatest risk.

✓ | NFR REFERENCING

Aspect acc. to section 289c (2) HGB	Subject matter RHÖN-KLINIKUM AG	Reporting in section
Social matters	Patient safety Patient satisfaction	Patients
Employee matters	Employee health	Employees
Environmental matters	Waste reduction (including food) Reduction in water consumption CO ₂ reduction	Environmental Protection
Anti-corruption	Strengthening awareness of Code of Conduct/principles of action	Compliance
Respect of human rights		

As part of responsible corporate governance, we also regard training, including continued and higher-qualification training, as well as supply management as important subjects and report on them voluntarily.

✓ | RHÖN-KLINIKUM AG has implemented risk reduction measures. On a net view of risks (including COVID-19), no risks were identified that are very likely to have a serious adverse impact on these aspects.

For detailed information on our risk management (approach) and our material risks, also in connection with non-financial aspects, please see the section "Opportunities and risk report" of our Group Management Report.

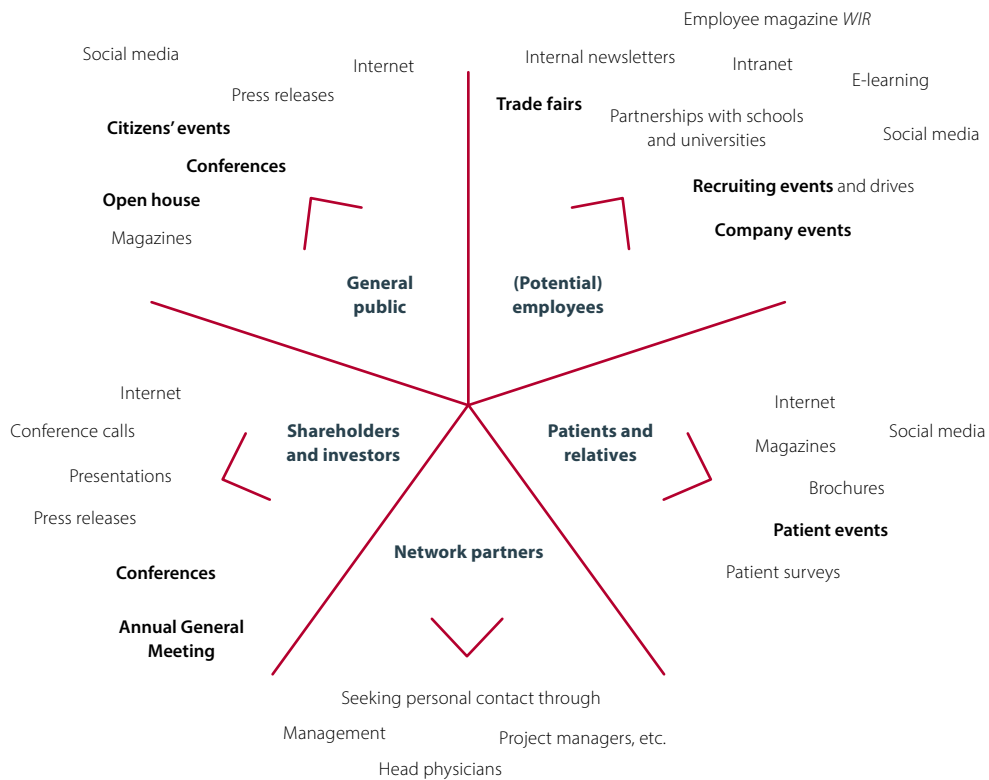
Our stakeholders

✓ | The first and foremost concern for us is always our patients and their well-being. That is why their feedback is especially important to us. But also maintaining a continuous exchange with our stakeholders – i.e. the relatives of our patients, (potential) employees, the general public, shareholders and investors, as well as the members of our network – is important to us. It is only thanks to the wide range of different views and sometimes even conflicting interests that we are provided with valuable ideas and constructive criticism enabling us to improve even further. Suggestions and possible improvements are promptly implemented and monitored by our quality management department.

✓ | Moreover, we are continuously striving to improve communication with our stakeholders and enhance specific aspects of our communication. Also in 2021, this exchange was made for the most part on a digital basis due to the COVID-19 pandemic. Many events, such as job fairs, events for patients and their relatives, or also excursions for trainees and students as well as press conferences, were held only to a limited extent or had to be replaced by digital offerings.

✓ | You will find further information on patient communication in the section "Patients" on the following pages of this Report.

✓ | FORMS OF DIALOGUE WITHIN STAKEHOLDER ENVIRONMENT



The formats in boldface could take place only to a limited extent due to the COVID-19 pandemic and the related regulations in 2021 or were replaced by digital substitute formats such as video conferences, webcasts, podcasts and telephone consultations.

PATIENTS

Ensuring the safety and satisfaction of our patients is at the heart of everything we do. The way to achieve this is through our high standard of medical excellence, a comprehensive quality management system with interfacility structures, and further integration with our strategic partner Asklepios Group. This will enable us to introduce innovations and live up to our own standards of quality.

Our management approach

✓ | We do everything possible to ensure the patients turning to us feel safe, are happy and receive excellent medical care. We achieve these objectives together with our strategic partner, the Asklepios Group. We are constantly seeking ways to improve the quality of our medical services, to integrate innovative technologies, and to further improve clinical processes.

✓ | For this purpose, an exchange took place in medical bodies, which we harmonised and interlinked during the reporting period. Representatives from RHÖN-KLINIKUM AG were included in the Medical Advisory Board of the Asklepios Group, while representatives from the latter were appointed to our medical expert panels. Moreover, regular meetings are held both at Board level and among the head physicians of both companies.

✓ | The Board division Medical contributes its expertise, participates in the strategic development of the hospital sites and promotes their interdisciplinary medical exchange. Since the related decisions affect all levels of the Group, the Board members are also supported and assisted in their work by many specialist and executive staff.

Medical Board coordinates Group-wide exchange

✓ | Our organisational structure enables good cooperation between the various departments and RHÖN-KLINIKUM AG sites. The Medical Board is a standing advisory body to the Board of Management and management bodies of the hospitals. The top-ranking medical doctors belonging to it prepare for decisions relating to medical-strategic issues and the further development of care quality. The members of the Medical Board work together with their colleagues at the individual hospitals on an interfacility and interdisciplinary basis and assess medical and technological innovations as well as the latest therapy procedures. Moreover, the body is responsible for harmonising economic and medical targets in patient care. The Medical Board thus also regularly deals with issues from the areas of human resources, materials management, trend in service

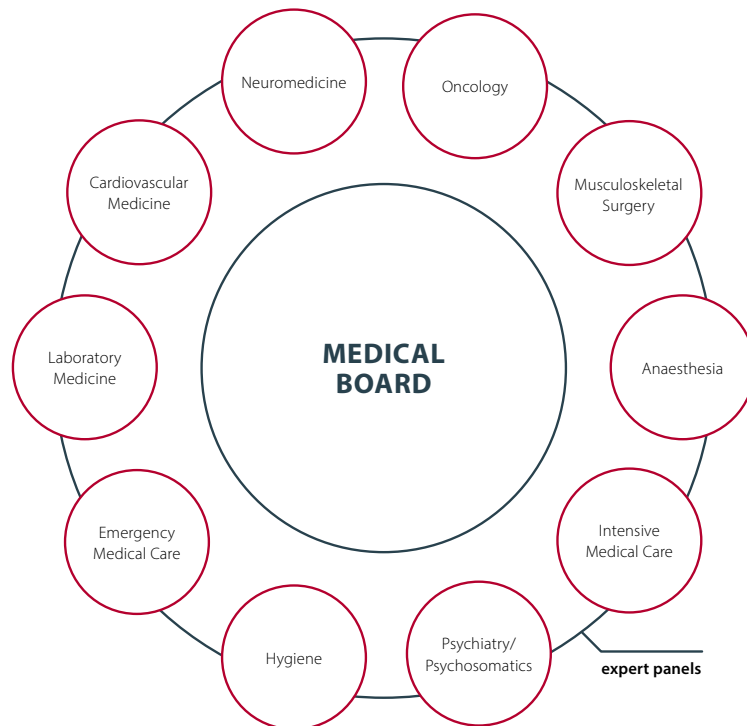
volumes and corporate communications. In reporting year 2021, the Medical Board met five times as part of a hybrid event. The main subjects included the interdisciplinary and interdepartmental fight against the spread of the COVID-19 virus, coordinating a vaccination and testing strategy as well as exploiting synergy effects with the Asklepios Group.

✓ | Expert panels comprehensively reformed

Physicians and nursing staff from the respective specialist areas from different sites meet in our medical expert panels. They also deliberate on non-medical issues in the Group divisions of Materials Management, IT and Human Resources. Thanks to such networked, interfacility exchange, the results benefit patients from all Group hospitals. Each expert panel meets twice a year, presents its findings to the Medical Board and forwards them to all hospital sites. The areas of focus during the reporting period included our managing of the COVID-19 pandemic, analysing scientific studies, establishing new centres in accordance with the provisions of the Joint Federal Committee (JFC) as well as analysing processes across departments, sectors and sites.

We do everything possible to ensure the patients turning to us feel safe, are happy and receive excellent medical care.

✓ | MEDICAL BOARD – ADVISORY BODY MADE UP OF TOP-RANKING PHYSICIANS



✓ | Following the harmonisation of medical bodies with our strategic partner Asklepios Group, each expert panel was expanded by two to three members from various Asklepios hospitals. This made it possible to promote Group-wide networking of medical experts and knowledge transfer. Moreover, the number of expert panels was reduced from twelve to currently ten. Three expert panels were dissolved and one new one was established. The existing expert panels Nursing Management as well as Quality and Clinical Risk Management were dissolved and replaced by new formats. In their stead, a Forum for Quality Management and Clinical Risk Management was introduced, which meets four times a year. This increased the opportunity to exchange information with a view to pooling the wealth of knowledge and experience of both Group areas together with the Group division Quality at Asklepios. In this way we also harmonise the systems of quality management and those systems ensuring the greatest possible safety for patients and employees within the Asklepios Group.

✓ | The expert panel Nursing Management, previously assigned to the Medical Board, was dissolved and replaced by a new Nursing Management Board format. From an organisational standpoint, the new body is assigned to the head of nursing process management, patient processes and process control in the area of organisational development. Outpatient medical care is a permanent agenda item of all clinical expert panels. This means that the subject area is

assessed specifically for each specialist field. A separate expert panel for outpatient medical care thus no longer exists. In addition, a new Emergency Medical Care expert panel was established.

✓ | The Medical Board will be phased out in its function at the end of April 2022. In future, work in medical bodies will take place at an operative level in meetings of the medical management boards and directors with the Medical division and via the proven medical expert panels. Cross-medical strategic consultations within the context of the entire Asklepios Group will take place in the Medical Advisory Board of Asklepios and will include representatives from MediClin, Asklepios and RHÖN-KLINIKUM AG. This will be supplemented by regular consultations of the Medical divisions.

Scope for interfacility exchange of experience for outpatient care

✓ | In future, the existing semi-annual dialogues of the medical care centres (MVZs) will take place together with the Asklepios Group as annual MVZ conferences. These will continue to be held for the purpose of facilitating the interfacility exchange of experience with the aim of jointly developing best-practice approaches for the MVZs. The focus of the agenda of this year's conference is on subjects such as management and organisation of medical practices, outpatient operations, change management, digitalisation and artificial intelligence.

Medical strategy and objectives

✓ | We want to ensure excellent medical care for everyone and at all times. Our goals are to continuously improve the quality of medical care and further increase patient safety and satisfaction as well as improve patient communication and services. We moreover want to achieve an at least 90 per cent fulfilment rate for statutory quality assurance. With a fulfilment of 91 per cent in 2021, we not only met but also exceeded this target.

✓ | We will achieve our targets with our medical strategy focusing on cross-sector care and digitalisation. We examine and treat our patients with the latest and scientifically sound therapy procedures using state of the art medical technology, offer the best-possible treatment and care and in this way create the basis for sustainable treatment success.

✓ | We also plan to broaden our existing scope of outpatient care and cooperation with the aim of avoiding unnecessary inpatient hospital cases. We expect that the strategic partnership with Asklepios Group will provide further stimulus towards further promoting the development of our medical strategy.

✓ | With a view to achieving the maximum level of safety for our patients, we will be assisted in future by new software for which the Asklepios Group has already reported very positive experiences. With this software we can implement a comprehensive internal error reporting system, and in addition to the Critical Incident Reporting System (CIRS) that has already been in place for many years can also use it for further areas such as management of clinical risks or damage events. In future we want to measure patient satisfaction also by adopting a uniform digital survey system.

Efforts to fight COVID-19 pandemic once again successful

✓ | The subject of COVID-19 with its many facets and impacts on our organisational structures unfortunately took up a great deal of our efforts also during the 2021 reporting period. Our clinical and interfacility taskforce met on a weekly basis to take any actions necessary depending on how the pandemic developed at each of the various sites. This body brought together experts from all relevant areas, including the Board division Medical, the management boards of the hospitals, the medical directors of the hospital sites, the Group divisional heads for patient safety, quality management and hygiene, materials management, human resources and finance, as well as employees from corporate communications. This allowed the sites to respond flexibly to the development of the pandemic in each specific region and in close cooperation with the local health authorities. The expertise of our physicians and scientists was also increasingly sought out in various bodies at the state and federal level.

During the reporting year, we steadily enhanced our cooperation with our strategic partner, Asklepios Group.

✓ | Overall, we once again successfully tackled the emerging challenges – for example with regard to issues of occupancy management with regard to infected patients, of obtaining the necessary PPE for our employees, as well as all aspects relating to the vaccination campaign.

Medical excellence

✓ | During the 2021 reporting period we took numerous measures to help improve medical excellence and quality at our Company for the well-being of patients. We wish to present some of these to you in the following.

Outpatient care further expanded

✓ | Since April 2021, operations at the Outpatient Operating Centre (OOC) can be performed in the state of the art and expanded premises of the RHÖN-KLINIKUM Campus Bad Neustadt. Patients are treated there by our physicians from all surgery and orthopaedic disciplines. Since 2020, community-based partners from the region also operate at the OOC. This ensures the provision of care rurally whilst avoiding unnecessary hospital stays.

✓ | Moreover, since August 2021 we have a new offering of outpatient advisory services for cancer patients and their relatives at Klinikum Frankfurt (Oder). The concept, realised in cooperation with an association providing advice on cancer, Krebsberatung Berlin-Brandenburg e. V., closes a gap in care for cancer patients who, in addition to an inpatient stay or as part of their oncology treatment, also need further psycho-oncological and/or social support.

Rehab offering expanded

✓ | In the middle of August 2021, we opened the new building for Psychosomatic Rehabilitation at RHÖN-KLINIKUM Campus Bad Neustadt. Rehabilitation rounds off the existing offering in acute care and the day clinic for the treatment of psychological and psychosomatic conditions. At the same time this is consistent with our "digital – outpatient – acute-inpatient – rehabilitative" RHÖN-Campus concept being implemented at the Bad Neustadt site.

Expansion of medical treatment offering of paediatric and adolescent medicine

✓ | The incidence of chronic inflammatory bowel diseases in children and adolescents has seen an increase over the past decades. The Klinik für Kinder- und Jugendheilkunde, a clinic for paediatric and adolescent medicine, at Klinikum Frankfurt (Oder) has responded to this by expanding its medical treatment offering. Up to now, children and adolescents with gastroenterological diseases had to drive to Potsdam for treatment. Since September such treatment is now also available in Frankfurt (Oder). Moreover, the hospital is planning a new ward for paediatric psychosomatics to be put into service in 2022.

Cooperation efforts stepped up

✓ | During the reporting year, we steadily enhanced our cooperation with our strategic partner, Asklepios Group. After completing a thorough and careful exploratory stage, numerous potential areas for synergies were identified. In some areas this is already being successfully implemented in cooperation efforts that are proving constructive – for example when it comes to reporting on medical quality and the use of software for ensuring and enhancing patient safety.

✓ | Moreover, we embrace the concept of networking and are also cooperating with external partners. Since the middle of April 2021, experts from the gynaecological hospital Würzburger Universitäts-frauenklinik in Bad Neustadt have been offering a special consultation for patients with breast cancer or other gynaecological tumours. The aim of the new cooperation is to further improve the care provided within the Rhön-Grabfeld region to women suffering from breast cancer and other gynaecological tumour diseases close to where they live.

Forging ahead with digitalisation

✓ | Medical excellence can be achieved only if we take advantage of all available technical support means and always ensure that our equipment is state of the art.

✓ | For example, we succeeded in further developing the area of tele dermatology. The dermatology unit of UKGM Marburg offers its tele-consulting service to the acute clinic of Campus Bad Neustadt as well as to its psychosomatic clinics. Through the fast, digital exchange of data and the involvement of the experts from Marburg University, we save precious time in the treatment process and thus improve the quality of diagnosis and care. Despite the physical distance separating them, the Marburg dermatologists are in direct contact with the patient and assist their colleagues with diagnosis and therapy. A twice-weekly telemedical consultation was set up specifically for this purpose. Images and data are exchanged and discussed amongst the doctors by live video transmission, for example in an electronic visit made right at the patient's bedside. Any photos and relevant information relating to the patient can be sent in advance. At the end of the reporting period, a new technical platform was installed at UKGM Marburg, and the related equipment installed at the hospital in Bad Neustadt. We are also in negotiations with further potential cooperation partners.

✓ | We are also making progress with our sektOR-HF project launched in the middle of 2020. It brings a significant improvement in the treatment of patients suffering from left ventricular failure. The goal is to reduce the mortality rate and hospital referrals through optimum care and coordinated cooperation amongst all service providers – such as GPs or specialists, hospitals, specialist post-care providers – whilst at the same time raising the quality of life of patients suffering from cardiac failure. The patient and telemedicine play an active role in this. In a training course, each participant learns how to send his or her vital signs or details about their current state of health via app or internet portal to the competent doctors and a network contact. If monitoring reveals any anomalies, the network contact can define specifically adapted measures and coordinate individual treatment recommendations with the physicians involved. At the beginning of the project each patient is given comprehensive training in the use of the telemedical devices and in self-management. At the same time, another goal we are pursuing with the sektOR-HF project is to establish a cross-sector care model by which the underlying processes thus can be coordinated and remunerated on a new

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basis. In 2021 already 50 doctor's practices and roughly 100 patients voluntarily participated in the project.

We offer our patients cutting-edge medical care

✓ | RHÖN-KLINIKUM AG enjoys an excellent reputation in the medical community. Also in 2021, awards were received for a number of research findings and treatment methods.

✓ | In a global competition, the Parkinson's Centre in the clinic for neurology at the University Hospital of Marburg received the Center of Excellence Award 2022 from the international Parkinson's Foundation in November 2021. The jury had convincingly shown how in Lahnbergen the highest clinical care in the inpatient and outpatient areas and in the Parkinson's network PANAMA is combined with the Marburg-based research projects undertaken by the German Parkinson's Study Group, the Clinical Systems Neuroscience Platform for junior research groups and the HessenKohorte 2040 study, a new long-term Parkinson's cohort with deep phenotyping.

✓ | In October 2021, Zentralklinik Bad Berka was certified as a Cardiac Arrest Center (CAC) by the German Cardiac Society (DGK) and the German Resuscitation Council (GRC). In these centres, people having suffered from a cardiac arrest are provided with fast and extensive further treatment. Optimum care and thus a higher survival rate of the persons affected are ensured thanks to the interdisciplinary cooperation amongst emergency care doctors, cardiologists, anaesthetists, intensive care doctors and neurologists. Thanks to its technical facilities, Zentralklinik is moreover a supraregional cardiac and emergency centre maintaining close networking ties with regional and supraregional first responders.

✓ | Likewise in October 2021, a special ward for patients suffering from heart valve diseases was put into service in the Bad Berka cardiac centre. On the 32-bed ward, heart valve implantations and the related post-operative aftercare can be performed using a special technique to meet the rising demand for this particular type of operation.

✓ | The cardiologists at RHÖN-KLINIKUM Campus Bad Neustadt also have another innovative treatment method available to them. Since the summer of 2021, they have been using an ultra-modern complete single-catheter solution to treat atrial fibrillation, a common form of cardiac arrhythmia. RHÖN-KLINIKUM Campus Bad Neustadt is one of five centres performing this operation in Germany.

Successful innovation taken over into normal clinical operations

✓ | The maxim guiding our every activity is to look for new ways in which to improve the medical quality of our services even further. That includes the project SPI, a platform for standardisation and optimisation of medical procedures which we implemented in 2019 at the University Hospital of Giessen in the orthopaedics/trauma surgery department. Since 2020 the project has also been used for

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OR process navigation in the new heart catheter laboratory. This level of standardisation in the treatment of cardiac arrhythmia is currently unique in Germany.

✓ | During the operation, the operator controls the program using a foot pedal or a touchscreen. The high degree of standardisation and the digital representation of each OR step resulted in a high quality of operation outcomes. Looking ahead, use of SPI is also being planned for sports medical procedures.

We train in the simulation room and not in the OR

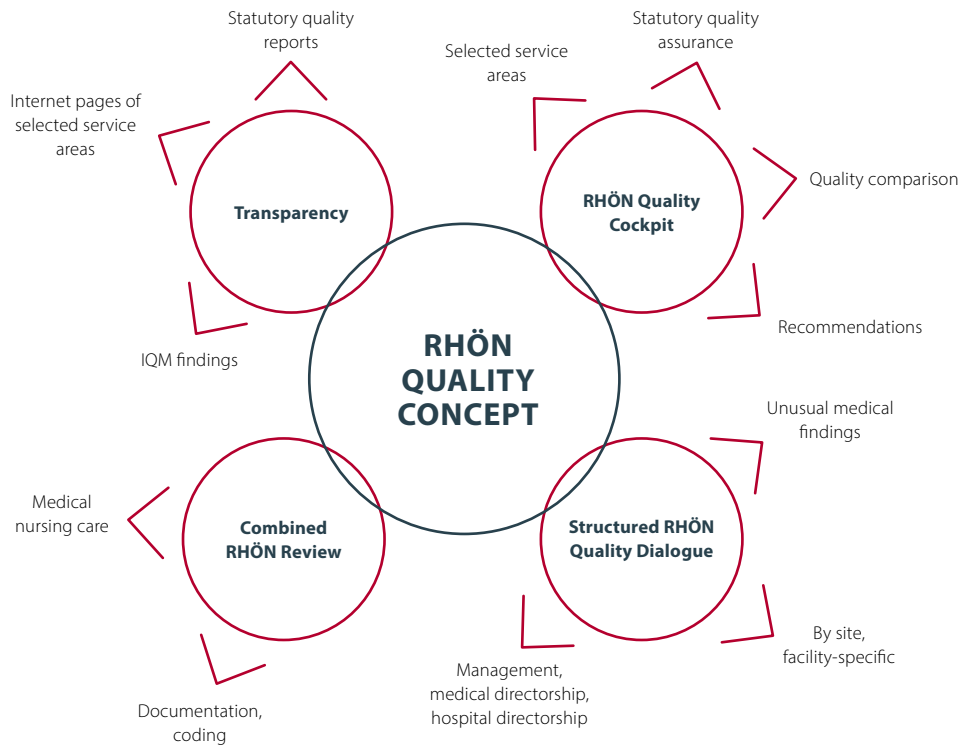
✓ | Already from 2007, our employees have been able to train for treatment procedures in the simulation room at RHÖN-KLINIKUM Campus Bad Neustadt. Here, the training offering includes the fields of anaesthesia, emergency care, cardiac and trauma surgery, obstetrics and even (emergency) care for newborns. The simulation centre thus makes an important contribution towards greater patient safety and a higher quality of medical care at RHÖN-KLINIKUM Campus Bad Neustadt. Space and staffing capacities are currently being increased.

Cancer research project HITRIplus very well received

✓ | We were able to make further headway in expanding the radiation therapy offering and in making scientific and medical advances in cancer treatments. The Marburg Ion Beam Therapy Centre (MIT) performs radiation therapy with carbon ions in addition to hydrogen ion radiation treatments. During the reporting period, two clinical trials on irradiating brain tumours were prepared at the MIT. They have been submitted to the regulatory authorities for assessment and approval.

✓ | Through the HITRIplus project funded by the European Union in 2021 in the total amount of five million euros, we were able to further press ahead with scientific networking within the EU and elevate it to an institutional level. The project's participants are made up of

RHÖN QUALITY CONCEPT



18 European research institutions from the areas of physical and biological basic research as well as clinical research. They include the four clinical centres in Europe where patients are irradiated with carbon ions. In terms of evidence-based medicine, close transnational and interdisciplinary cooperation in the project will further promote the improvement and expansion of the therapy offering for patients by expanding the scientific infrastructure.

RHÖN Quality Concept

✓ | With our RHÖN Quality Concept we are pursuing the goal of steadily improving our medical quality through a comprehensive approach. It is a key tool for further enhancing patient safety. Together with the Group division Quality of our strategic partner Asklepios Group, we are currently working on modifications to be rolled out gradually over the coming three years. These include, among others, harmonising various issues in the area of quality management and clinical risk management.

✓ | The RHÖN-Qualitäts-Konzept is based on four core elements: the RHÖN Quality Cockpit, the structured RHÖN Quality Dialogues, the combined RHÖN Reviews and transparency. Its results are regularly presented to the Medical division of the Board of Management and in some cases also discussed in the Medical Board.

✓ | The RHÖN Quality Cockpit helps us direct and guide our medical quality. We measure and continually assess defined quality indicators from which we derive measures for improvement. The RHÖN Quality Cockpit was thus adopted by the Group division Quality of the Asklepios Group as a template for an Asklepios-internal quality reporting system. Together, content was structured and supplemented uniformly so that both companies benefit from this result.

✓ | The structured RHÖN Quality Dialogues enabling the Board member for the Medical division to liaise with the hospitals on quality assurance and implement the quality strategy was suspended in 2021 due to the corona pandemic.

✓ | We ensure transparency in the quality of care provided by publishing the legally mandatory quality reports of select specialist fields on the Internet sites of the hospitals, providing a comparison with the federal and in some cases federal state average. These publications give patients, relatives, referring physicians and health insurers the opportunity to obtain comprehensive information about the quality of treatment at the hospitals of RHÖN-KLINIKUM AG.

✓ | During the reporting year, the combined RHÖN reviews established since 2018 were also performed in 2021 on an online basis as well as at two site hospitals as an in-person event. Nonetheless, we engaged with the Asklepios Group with a view to identifying areas in which we might complement each other.

Hospital hygiene as basis for fighting COVID-19 and other viruses

✓ | The most stringent hospital hygiene is vital when it comes to the safety of our patients. The ongoing COVID-19 pandemic has once again made it clear that the continuous expansion of our hygiene management over the past years has paid off. We continuously adapted pandemic plans and hygiene to the respective situation.

✓ | A particularly important task for us is to protect our patients, visitors and employees from infection with pathogens as far as possible. Our measures taken for that purpose are recorded and monitored permanently and systematically. This is enabled by a hygiene surveillance software program used Group-wide. We compare the hygiene-relevant data recorded in the hospitals with national reference data, for example on consumption of hand disinfectants, allowing us to adopt improvement measures on that basis. During the reporting year, we expanded this software as planned.

✓ | We moreover resumed the Antibiotic Stewardship programme (ABS) by site and subject to the COVID-19-related restrictions.

Clinical risk management expanded and optimised

✓ | At RHÖN-KLINIKUM AG, we give top priority to the safety of our patients. To help achieve this we employ 35 clinical risk managers from different areas and professions throughout the Group. They exchange their insights in an interfacility expert group. In future, they will be assisted in their work by a software program implementing an internal error reporting system to identify relevant risks as well as establish and introduce measures for risk minimisation.

✓ | To steadily expand patient safety, we moreover performed a risk audit at one site during the 2021 reporting period and thus implemented our project from the previous year. The results of this risk audit will be used together with those from other scheduled risk audits at the other four sites to further promote clinical risk management.

Patient satisfaction

✓ | In addition to a high standard in the quality of its medical services, a good hospital is characterised by exemplary communication with its patients and a comprehensive service offering. We are continuously striving to excel in both criteria.

✓ | The COVID-19 pandemic with its many facets remained the dominating theme of patient communication in 2021. We assess these and other subjects ad hoc and based on the group addressed, and keep our patients informed in many different formats. That is something that can be seen from texts for our internet pages, notices posted on our hospital premises, written or filmed interviews on our hospital premises, as well as explanatory videos or podcasts which we disseminate through various channels.

✓ | In addition to communicating externally, we have been providing our employees with comprehensive information on the COVID-19 situation within our hospitals by email, newsletters, intranet reports and other notices, providing them with guidance in the form of detailed instructions. One of the aims here is to enable them to give consistent and appropriate answers to patient queries at all times.

✓ | We also hope to raise patient satisfaction with our collaboration with samedi GmbH. In future, we will use its software to organise patient admissions and visit management digitally. We have already used samedi's software to coordinate vaccination appointments in the past. In 2022, the use of samedi for patient admissions and visitor management is planned as an initial project at our Frankfurt (Oder) site. Before their hospital stay, patients can register online and receive the required documents at home by email. Relatives can make visit appointments online and enter their data, for example relating to their vaccination status. They then receive a QR code which is scanned at the reception when they enter the hospital. After the QR code is scanned, the visitor can enter the hospital without having to fill out any further documents. In this way waiting times can be avoided while significantly reducing bureaucratic hassle and paperwork in the interests of the environment.

EMPLOYEES

Highly trained and efficient employees in good health are the backbone of our hospital operations and our most valuable asset. In our health management approach we make sure to be attentive to our employees' needs. RHÖN-KLINIKUM AG's attractiveness as an employer is further enhanced by its comprehensive offering of further, continued and higher-qualification training for its employees.

✓ | With 18,227 employees, we are one of Germany's biggest healthcare groups. Over financial year 2021 we have taken a variety of measures to recruit new, qualified staff. Thanks to the strategic partnership with Asklepios from the second half of 2020, the range of opportunities we can offer has grown further. Together, we have developed and implemented some concepts making us even more attractive as an employer.

Our human resources management

✓ | During the 2021 reporting period, our two-tier organisation and human resources management approach has once again proven itself. Each of our hospitals has its own human resources department that reports to the respective hospital management. Under this decentralised structure, operative decisions producing the best outcomes for the hospital site can be made. By contrast, any strategically important decisions are made centrally with the involvement of Group Human Resources. For example, the orientation of the Group's human resources policy as well as the establishment and further development of the employer branding concept are defined at the Group level. In this regard we always maintain a close exchange with our strategic partner, Asklepios Group. This has led to a further professionalisation and improvement in HR management. Our cooperation is based on a high level of trust and on promoting increasingly close ties. For example, in the past financial year we purchased new e-learning software to be implemented in 2022. We have also come up with a sensible way of harmonising the various bonus and employee benefits programmes.

✓ | For 2022, we have identified further areas in which we would like to cooperate even more closely with the Asklepios Group. One example of this relates to the respective trainee programmes, particularly at the management level of both organisations. These are to be harmonised so that young talent can feel part of an increasingly integrated, close-knit corporate group from the outset.

Strategic partnership expands scope of action and increases our attractiveness as an employer

✓ | RHÖN-KLINIKUM AG is an independent employer brand operating under the umbrella of the Asklepios Group. Working in close cooperation with the latter we have expanded our continued training and employee advisory offerings and now post job offers across the entire corporate group. In the middle of 2020 we established an Employee Assistance Program (EAP) which is available to advise and assist the Company's employees and executive staff.

✓ | For years we have been committed to excellent medical care, competence and know-how as well as maintaining a close relationship based on a human approach. We have a high level of digitalisation, act responsibly and have a highly efficient and sound structure. As a corporate group with a network of hospitals, we offer good personal development opportunities at the various sites as well as throughout the group. That is something that is particularly valued by doctors in Germany. As large intermediate- and maximum-care facilities with access to university medicine, our hospitals are attractive and have a unique selling point. That is something we are proud of.

We are paving the way for the integration of new employees from Germany and abroad

✓ | In 2021, we took numerous measures to recruit new employees and provide them with continued and higher-qualification training in order to retain them in our Company. In this regard we are specifically looking to attract new staff from abroad. We meet the related challenges with the support of committed colleagues from the specialist and HR departments. Here we are particularly interested in taking account of cultural differences, overcoming language barriers as well as enabling the smoothest possible integration.

✓ | For example, we entered into an agreement with Amesol Akademie in Hamburg, which has committed itself to providing assistance to international healthcare specialists in close cooperation with hospitals and long-term care facilities. The specific programme developed by Amesol promotes the long-term, successful qualification and integration of international healthcare specialists qualified as nurses, anaesthesia technical assistants (ATA), operation technical assistants (OTA) and physiotherapists.

✓ | In July 2021 we also introduced the Nursing Management Board at group level. It replaces the existing Nursing Expert Panel. The new body is made up of representatives from all hospitals who meet regularly for an exchange on the very broad subject of nursing. In the specialist bodies, specific aspects are further elaborated and best-practice examples identified. One of them exclusively deals with all questions relating to the subject of integration (of foreign workers).

✓ | Lastly, we reached an agreement on a training cooperation scheme with the Asklepios Group in the Federal State of Hesse. The

goal pursued by this intensified cooperation in the training area is to better coordinate the offerings and to offer additional joint training courses. Similar events of this kind were already held during the 2021 reporting year, attended in each case by equal numbers of employees from the Asklepios Group and RHÖN-KLINIKUM AG.

✓ | In the field of application management, we have adopted a system now in use at Zentralklinik Bad Berka as well as RHÖN-KLINIKUM Bad Neustadt. We have also been using the job portal REXX already since June 2020.

✓ | EMPLOYEES

	2021		2020	
	Total	Proportion of part-time employees %	Total	Proportion of part-time employees %
Employees (headcount)	18,227	44.35	18,449	42.96
Employees (full-time positions)	14,398	35.60	14,579	33.86
Female employees (headcount)	13,127	51.15	13,272	50.23
Male employees (headcount)	5,100	26.82	5,177	24.33

Employee health

We take care of our employees and their health

✓ | Our overall aim as an employer is to preserve, restore or improve our employees' health, work and performance capacity as well as their well-being and job satisfaction, depending on their specific needs in the individual case. We want to help and assist our employees with various offerings, thus fulfilling our role as a responsible employer.

✓ | During the reporting period 2021, we further developed our already existing system into an occupational health management department. For example, Zentralklinik Bad Berka follows a comprehensive approach under which the employees from the areas of occupational and health protection as well as human resources work together under the supervision of the hospital management and contribute their ideas in regular meetings.

✓ | Our occupational healthcare management covers the following measures:

- Regular visits and risk assessments
- Occupational integration management
- Operational addiction prevention
- Nutritional advice
- De-escalation management
- Health reporting
- Psychosocial support and assistance (occupational social advice)
- Occupational medical care
- Workplace ergonomics
- Health conferences
- Occupational health promotion (various sports courses and preventative offerings)
- Further training in issues of relevance for health
- Executive training events
- Supervision and coaching
- Mediation and conflict management

✓ | Some of these measures are developed, implemented and offered in close cooperation with healthcare funds and occupational insurance agencies.

Promoting health with the Employee Assistant Programme

✓ | In 2021, we decided in a Group-wide agreement to introduce the Employee Assistance Program (EAP) as part of a Group-level works agreement supported by the Group-level works council and established it at the hospital sites of Frankfurt (Oder), Giessen and Marburg. The sites of Bad Neustadt and Bad Berka are to follow suit early in 2022. This measure is also part of our aim to promote the health of our employees. Under the EAP, employees of RHÖN-KLINIKUM AG can take advantage of consultations with the trained and knowledgeable staff of the Fürstenberg Institute whenever they find themselves in difficult personal situations. Employees are thus provided with assistance in finding their way out of their current difficulties.

✓ | The EAO concept has proven itself and is being used by employees from all areas. Frequently, employees also reach out for help to prevent mental health issues and stress-related health risks as well as the related problems of work performance and sickness-related absences.

✓ | Moreover, the EAP is specifically used to train executive staff, HR departments and works councils in managing employees dealing with psychological stress and addiction-related problems.

✓ | We have noticed that the EAP has helped some employees better identify with the Company whilst boosting their motivation and, as a result, also their performance.

✓ | Employees may have an individual consultation at the hospital premises, by phone, or by video conference via a specific password-protected internet link to the cooperation partner Fürstenberg Institute.

✓ | Currently, employees can make use of this offering at the Giessen and Marburg University Hospitals as well as at Klinikum Frankfurt (Oder), with the programme to be rolled out at all sites by March 2022.

Work-life balance of our employees

✓ | We realise that keeping a work-life balance is of key importance when it comes to maintaining stable mental and physical health. That is why we see it as our duty to create the environment in which our employees can succeed in harmonising their professional and personal life. We achieve this by ensuring the most flexible working hours possible, and have provisions in place for our employees to perform their work under trust-based, flexitime or part-time schemes. In 2021, 8,083 employees (roughly 45 per cent) were employed part-time. We have entered into individual agreements for each site in

which we take greater account of employees' personal priorities. In this regard we have adopted clear staffing back-up rules, try to take personal requests into account and have established on-call service or stand-in employee pools. Whenever possible, we also allow our employees to work from home.

✓ | We moreover provide our employees and their families with an extensive childcare offering, for example by running our own kindergartens, cooperating with facilities locally, and providing for individual childcare options for employees attending continued training or mandatory events. For employees providing nursing care to relatives, we help them cope with balancing their work with looking after their relatives. UKGM has been certified as a family-friendly employer already since 2009. RHÖN-KLINIKUM Campus Bad Neustadt joined Familienpakt Bayern (Bavarian Pact for the Family) at the end of 2021.

Challenges of the COVID-19 pandemic once again managed together

✓ | Another positive outcome from the good cooperation with the Asklepios Group is the harmonisation of measures to manage the COVID-19 pandemic. Sufficient capacities of protective equipment and instruments for performing infection tests were available at all times and at all sites throughout the Group. Moreover, the management bodies and HR departments worked together to provide employees with the best possible support in managing the additional challenges arising from the special social behaviour measures brought in to contain the pandemic. We allowed our employees to perform their work at home wherever working procedures permitted. To make things as easy as possible for the parents among our employees, we organised emergency childcare at times when day-care centres were closed. In addition, we have offered all colleagues a first and second vaccination dose since January 2021, and since late autumn this was supplemented by the booster shot.

✓ | During the reporting period, the workload for those employees who treated COVID-19 patients directly was particularly high. Here we sought to boost staffing capacities and to provide for offsetting measures for overtime.

✓ | We sought to introduce quick and effective countermeasures to address an increase in psychological stress resulting, for example, from homeschooling. In addition to measures from the EAP, at a number of sites we offer our employees training programmes on the issues of stress and burnout, for example.

Putting further, continued and higher-qualification training front and centre

RHÖN-KLINIKUM AG invests in the training of new colleagues and the advancement of its employees. It promotes development opportunities with numerous continued and higher-qualification training offerings addressed to all professional groups represented in the Group. That is just as true for our nursing employees as it is for our doctors and therapists. Doctors, for example, can obtain additional qualifications including specific focus areas, and can be trained as specialist doctors at all the Company's sites. Expenditure on training including continued and higher-qualification training totalled roughly €3.09 million in 2021 – after €2.85 million in the previous year. The strategic partnership with the Asklepios Group opens up additional opportunities for improving the quality of continued and higher-qualification training. At the same time, it strengthens our role as a trustworthy and valued provider of healthcare training.

Sitting close together in the virtual classroom

Also in the 2021 reporting year, we combined the advantages of online instruction with those of in-person training. By this blended learning approach, we can impart both theoretical and practical knowledge to our employees. Already in 2017, we implemented a learning management system (LMS) that is accessible to each employee. The already extensive offering is being continuously expanded. For example, subjects are coordinated by the instructors at the various sites. Content for the offering is created by means of an authoring tool (Scorm).

We are also planning to add a new software program to the LMS in the course of 2022. In our view this confirms our course pursued to date. That is because we once again had to reduce the number of in-person events significantly during the 2021 reporting period due to the COVID-19 pandemic.

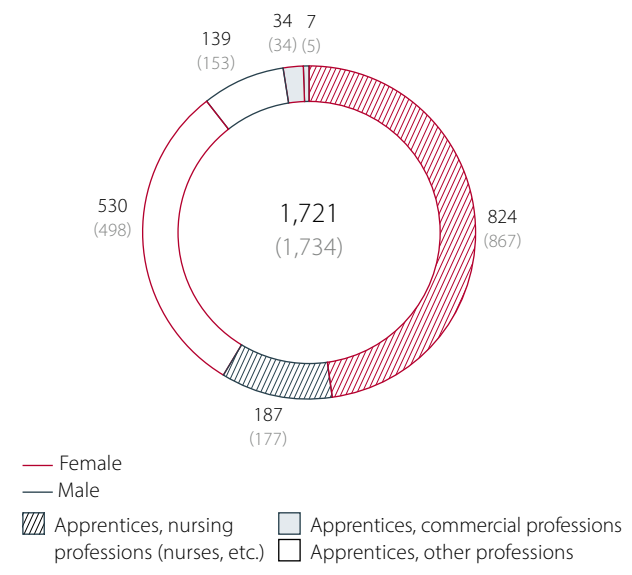
Number of persons in training remains stable

Despite the restrictions due to the COVID-19 pandemic we succeeded in keeping the number of apprentices in our Company stable at 1,721 (previous year: 1,734). We attribute that to the attractive training remuneration and the good reputation of RHÖN-KLINIKUM AG as an attractive employer.

During the reporting period, 1,011 young persons completed their training nursing professions, 41 in commercial professions and 669 in other areas. In 2021, 286 graduates of training in the respective last year of training were taken over into an employment relationship.

APPRENTICES, TRAINING YEAR 1–3 2021 (2020)

Headcount



✓ | APPRENTICES TAKEN ON AFTER COMPLETION OF TRAINING

Headcount

	2021			2020		
	Total	Female	Male	Total	Female	Male
Number of apprentices taken on after training	286	223	64	212	177	35
Number of apprentices taken on after training, nursing professions (nursing, etc.)	238	185	53	159	136	23
Number of apprentices taken on after training, commercial professions	10	10	1	6	5	1
Number of apprentices taken on after training, other professions	38	28	10	47	36	11

We meet all requirements for generalist training of nurses

In 2021, training of geriatric, healthcare and paediatric nurses was merged under the degree of nursing expert (Pflegefachkraft). Thanks to our early preparations we were able to satisfy all requirements for the new nursing expert training programme in accordance with the new Care Professions Reform Act (Pflegeberufereformgesetz, PflBRefG) and to fully secure the training programme. In particular, we succeeded in finding suitable cooperation partners for all training fields. We continued the collaborative training agreements from 2020 also in 2021 and entered into new partnerships.

We are bringing about rising attendance and digitalisation at our in-house schools

As a healthcare Group, we operate several schools to train qualified staff ourselves. These include schools for nursing care, physiotherapy, ergotherapy, speech therapy, dietician services, for medical assistance professions in the areas of functional diagnosis (MTAF), laboratory (MTLA), radiology (MTRA) and medical documentation (MDA). We also provide training in the business, gastronomy and IT fields.

We also report successes in further digitalising the learning environment of our schools, promoting the quality of our training offerings. The "Team Digital" established in 2019 equipped all classrooms so that classes could continue to be held without interruption in the event of schools being locked down again. By availing ourselves of all state and federal programmes for funding the digitalisation of the schools, we were able to procure sufficient quantities of laptops to be loaned permanently to students, and to provide each instructor with their own work laptop.

We promote dual training at our campus academy

In the course of 2021, we completed the planned change in ownership of the schools from ESB-Gemeinnützige Gesellschaft für berufliche Bildung mbH to RHÖN-KLINIKUM AG. This change took effect on 1 January 2022. With the change in ownership and the combining of theoretical and practical training at Campus Bad Neustadt, we pooled and integrated further, continued and higher-qualification training. Our students benefit from these synergies. Already during the training, we can provide them with guidance on prospects for their future professional life and work together with them to plan their careers.

We also decided to pool all measures of further, continued and higher-qualification training at Campus Bad Neustadt under a campus academy.

Attractive employer

We embrace diversity

During the reporting period, people from over 70 nations worked for our Group. Regardless of their age, gender, qualification or what their interests may be, they work in a team daily and perform outstanding work. The basis for that is respectful and fair dealings with one another. For us this is all just a self-evident part of our day-to-day hospital activities. We are committed to such diversity and oppose discrimination or harassment in any form. We maintain the principle of equal opportunities by filling positions exclusively on the basis of qualifications. Almost 40 per cent of executives at the three management levels below the Board of Management are women. We also make sure that our teams are made up of both young and experienced employees.

During the reporting period, people from over 70 nations worked for our Group.

EXECUTIVE EMPLOYEES BY MANAGEMENT LEVEL IN 2021

Headcount	Total	Female	Male
1st management level	43	11	32
2nd management level	243	55	188
3rd management level	1,080	472	608
Total	1,366	538	828

AGE STRUCTURE OF EMPLOYEES

Headcount

	2021			2020		
	Total	Female	Male	Total	Female	Male
Number of employees	18,227	13,127	5,100	18,449	13,272	5,177
of which under 30 years	4,340	3,343	997	4,840	3,645	1,195
of which 30 to 50 years	8,134	5,632	2,502	7,903	5,475	2,428
of which over 50 years	5,753	4,152	1,601	5,706	4,152	1,554

Moreover, through our nursing integration programmes in Bad Neustadt and Giessen we have also been providing new professional opportunities for refugees already since 2015. Nurses forced to flee from their home countries are hired as nursing assistants at the hospital as a general rule for an initial period of twelve months. They acquire the necessary language skills in the supporting German language courses. We then have the original professional qualifications of these employees recognised so that we can retain them in our employment in the long term once they have completed the programme. For these two sites, we have successfully recruited more than 130 employees with professional and social skills since the beginning of the first nursing integration programme.

Ensuring fair compensation through in-house collective agreements and special benefits

Fair remuneration has an influence on employee satisfaction. At the same time they benefit from our in-house collective agreements we have negotiated for our hospitals with the social partners ver.di and Marburger Bund. Compared with the other collective wage agreements in the healthcare system our employees enjoy, for example, high night-shift premiums and differential surcharges exempt of tax and social insurance contributions.

Moreover, we have succeeded in ensuring that our employees receive their COVID-19 bonuses exempt of tax and social insurance charges.

In all these measures we would like to express our high degree of appreciation for our employees, who were already performing great work before the pandemic.

COMPLIANCE

At RHÖN-KLINIKUM AG, compliance is about promoting fair dealings – both within the Company and in the relationship with our external stakeholders.

✓ | The relationship of trust between hospital staff and patients is of tremendous importance for our day-to-day work. It is reflected in the principle “Don’t do to others what you would not like done to yourself, and don’t leave off doing anything that you would like done to yourself” and is binding on all our employees.

Compliance rules for appropriate conduct in internal and external relationship

✓ | We have in place a compliance management system in which the principles and rules of legally compliant behaviour, fair dealings and responsible corporate governance are defined. The compliance management system is being continuously enhanced. In our Group-wide compliance rules, requirements setting out the relationships with our patients, customers, suppliers, shareholders and the general public as well as the conduct of employees amongst one another are described. The highest level of responsibility for compliance is held by the Chairman of the Board of Management, who reports to the Audit Committee of the Supervisory Board. A central compliance department for establishing the compliance framework is set up at the Group level.

✓ | RHÖN-KLINIKUM AG is an independent Company operating under the umbrella of Asklepios Kliniken GmbH & Co. KGaA. RHÖN-KLINIKUM AG and Asklepios Kliniken GmbH & Co. KGaA form the effective corporate group within the meaning of sections 311 et seq. of the German Stock Corporation Act (Aktiengesetz, AktG). As part of this cooperation, the central compliance department of RHÖN-KLINIKUM AG was restructured in 2021.

✓ | Within the RHÖN/Asklepios Group, the compliance management system will and must be harmonised. This is aimed at exploiting synergies as well as bringing compliance “under one roof” to reduce compliance risks for directors, officers and employees. A first measure was to expand the Central Compliance department at RHÖN and to appoint the Head of Compliance of Asklepios Kliniken GmbH & Co. KGaA as Head of Central Compliance at RHÖN-KLINIKUM AG. Moreover, the organisational principles of the compliance were revised. At the time of editorial closing, the measures had not yet been completed and will still result in changes in 2022. During the reporting period, compliance queries and reports of RHÖN subsidiaries were processed at the level of the Central Compliance function, and specific compliance measures were implemented. As a result of the still ongoing harmonisation, the compliance programme expanded along very selective lines.

✓ | The central compliance department is supported locally by compliance officers. They report to the central compliance department and act as contacts on-site. The compliance officers receive further training on a regular basis, most recently in an in-person training course in October 2021.

✓ | To ensure an ongoing exchange between the risk management, internal auditing and compliance departments, there is also a Compliance Committee that meets each quarter and deals with compliance cases and their risk assessment.

The relationship of trust between hospital staff and patients is of tremendous importance for our day-to-day work.

Procedure for compliance reports

✓ | Employees of RHÖN-KLINIKUM AG can submit compliance reports using various reporting channels. Besides written reports by mail and e-mail, reports can also be made by telephone. A tool for compliance reports that can be accessed via the intranet is to be introduced from mid-2022. In addition to the senior executives, the employees of the central compliance department as well as the compliance officers at the individual subsidiaries in particular act as contact persons when compliance reports are made. If compliance reports are not addressed to the central compliance department directly, they are immediately sent by the addressee to the central compliance department. The central compliance department organises the review of the case – which as a rule is conducted locally – and is available to provide its assistance. If required, the internal auditing and risk management departments are involved. If a compliance report is confirmed, the central compliance department recommends to the responsible management body to introduce risk-mitigating measures as appropriate, for example the adjustment of processes or the revision of policies. If a Group-wide guideline is affected, the respective Group division is involved. For Group-wide measures, the decision on the implementation of recommendations by the Compliance unit is made by the Executive Board. During the reporting period, 19 compliance reports were recorded, which for the most part related to matters with criminal law relevance.

Our roadmap for 2022

✓ | In 2022 the project for harmonising the compliance structures between RHÖN-KLINIKUM AG and Asklepios, which was initiated at the end of 2021, is being continued. A revision of the Corporate Code as well as an update of relevant compliance procedure instructions are also planned. Furthermore, implementation of a tool-based whistleblower system in accordance with the EU requirements for protecting whistleblowers is planned. First steps for implementing the requirements were already taken in 2021.

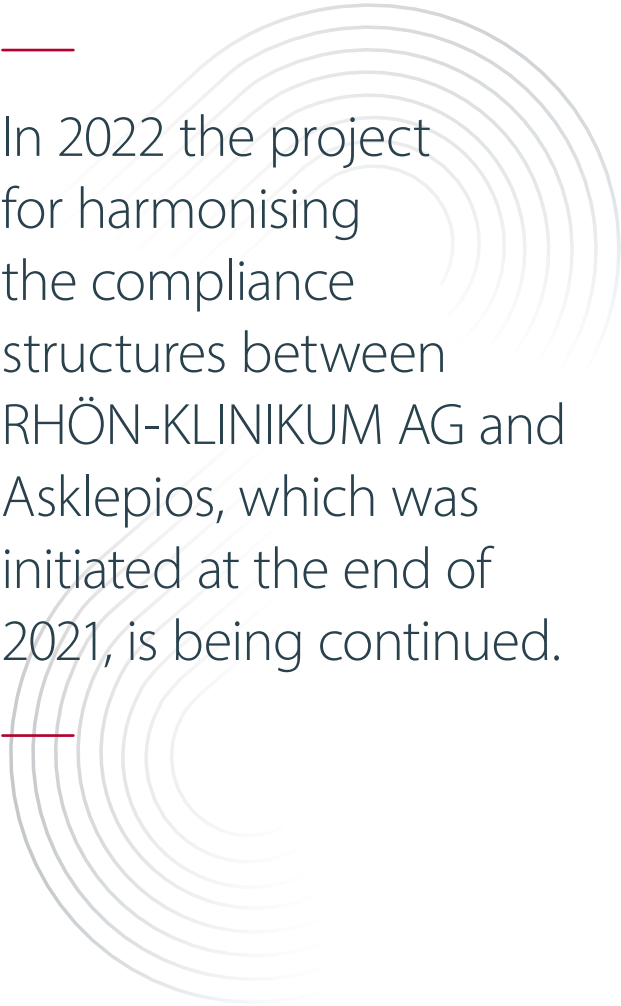
✓ | The purpose of the compliance measures is to prevent breaches from the outset by identifying and averting risks in good time.

Raising awareness of data protection issues

The General Data Protection Regulation (GDPR) and the resulting revised German federal and state rules on data protection have been in force since 25 May 2018. In addition to provisions on managing personal data in compliance with data protection legislation, they also include various new or amended requirements. In this context,

the Board of Management of RHÖN-KLINIKUM AG adopted a data protection guideline which is adapted to the rules and regulations and addresses key points of the Regulation, presents the Company's data protection law strategy and sets out the organisational framework for employees.

In addition to Group-wide statements, for example on data protection management, roles and responsibilities as well as consequences in the event of breaches of requirements of data protection legislation, the guideline also includes information on the operative implementation which is being adapted by the Group-affiliated facilities in the context of their own data protection concepts. The implementation of data-protection-compliant actions is rounded off by manifold technical and organisational measures. Internal and external audits help ensure compliance with the requirements and enable the measures established to be improved. In addition, employees and executive staff are given greater awareness of the lawful management of personal data through web-based training and target-group-based in-person training sessions.



In 2022 the project for harmonising the compliance structures between RHÖN-KLINIKUM AG and Asklepios, which was initiated at the end of 2021, is being continued.

ENVIRONMENTAL PROTECTION

As a modern hospital group, we use innovative technology for the well-being of our patients and to take good care of the environment. We see making responsible use of energy and water resources as something self-evident and thus also as a guiding principle for environmental protection at our Company. Moreover, we are wholly committed to keeping our waste and emissions levels as low as possible.

Environmental management is a top priority for us

✓ | Protecting the well-being of our patients and taking good care of the environment are a top priorities for RHÖN-KLINIKUM AG. That is why we have firmly integrated environmental management into our organisational structure. Our main focus and concern in this regard is to reduce CO₂, waste volumes and water consumption without compromising on ensuring the care and comfort of our patients.

✓ | Based on its decentralised structure, environmental management at RHÖN-KLINIKUM AG is established at two levels: firstly in the technical control departments of the hospitals, and secondly at the Group division Construction and Technology. Overall responsibility lies with the Board of Management. The respective technical control department is responsible for the hospital's safe operation: it monitors all technical and medical-technical equipment and systems but also construction projects, and assumes the task of energy controlling as well as modernisation and optimisation planning. Where required, it is assisted in all measures by the Group division Construction and Technology: it advises the hospitals of RHÖN-KLINIKUM AG on questions of energy management and provides assistance with major investment measures at the hospital sites, above all modernisation and extension measures.

✓ | Already since the end of 2016 we have pooled procurement of energy Group-wide in the company "RHÖN Energie für Gesundheit GmbH". This enables us to obtain more attractive purchasing prices for electricity and gas and gives us a centralised overview of the energy consumed and monthly controlling. As part of the change in management, RHÖN-KLINIKUM Energie für Gesundheit GmbH has decided to instruct an external service provider with, among other things, the task of allocating and charging the energy purchased to the facilities of RHÖN-KLINIKUM AG, as well as appropriately advising the management and informing it in good time of any changes in legislation. AKTIF GmbH already acts for the Asklepios Group as an expert in the energy sector and is now slated to provide assistance in transforming the energy management area. After the expiry of

the existing contracts for gas and electricity purchases, these energy requirements are to be covered jointly on the market. Currently, the fixed-price contracts will continue until the end of 2023. Our main focus in this regard will be on ensuring the most efficient electricity consumption possible in our operative business so as to achieve our primary goal of minimising unnecessary energy consumption independent of the energy mix. Nonetheless, in future tenders we will endeavour to further optimise the ecological and economic targets and to increase even further the current share of renewable energy.

✓ | In 2015/2016 we conducted an energy audit to DIN EN 162471 for the first time. In 2020, we conducted and successfully concluded the energy audit once again. The next audit is planned for 2023.

Protecting the well-being of our patients and taking good care of the environment are a top priorities for RHÖN-KLINIKUM AG.

Energy consumption and emissions

✓ | Modern hospital operations need a lot of energy. We use a wide variety of technical equipment and systems that are important for the treatment and care of our patients. Our patients and employees rely on rooms being kept at the right temperature. And the increasing pace of digitalisation and expansion of equipment-based medical care will also bring increasing demand for energy. At RHÖN-KLINIKUM AG, emissions are produced primarily in the form of carbon dioxide (CO₂) from heat generation or from electricity purchases. Through modernisation measures, energy efficiency improvements and the use of renewable energies, we are looking to curb the increase in such emissions.

✓ | To ensure energy-optimised operations, we invest in sustainable technology at all our sites. Since we control the reduction in emissions through our primary energy consumption, automation of our buildings plays a key role in the hospitals and properties. State of the art instrumentation and control technology with numerous metering points creates greater transparency, shows us where there is a specific need for action and allows us to take targeted and highly effective countermeasures. In this way, energy consumption can be adapted to user-specific requirements. All our hospitals are equipped with instrumentation and control technology.

✓ | In the following section we present some measures which we have already taken and by which we have saved energy and thus also emissions.

Efficient cogeneration plants have a long tradition with us

✓ | For more than 20 years, we have been generating energy using highly efficient cogeneration plants, which we regularly replace. The plants deliver electrical energy and heat from burning natural gas. That helps reduce CO₂ emissions at RHÖN-KLINIKUM AG. We achieve this by using the heat to generate the required cooling energy using absorption coolers. We thus save electrical energy that would otherwise be needed for generating cooling energy.

✓ | At the Bad Neustadt site we cover 65 per cent of our energy requirement for electricity ourselves. In Bad Berka this figure is 96 per cent, in Giessen 29 per cent, and at the Marburg site the share of electricity we generate ourselves, at 21 per cent, is not insignificant either.

Intelligent lighting systems with LED technology save energy

✓ | We are gradually switching our existing lighting systems used in our hospitals, the outdoor installations and parking facilities to energy-saving LED technology. We further pressed ahead with the transition to LED technology during the reporting year. In all new buildings and extensions as well as in connection with modernisation

To energy-optimize operations, we invest in sustainable technology at all our sites.

measures, we are exclusively installing LED lamps. In addition, lighting of public spaces is centrally controlled based on specific use (for example with day/night switching). Illumination levels are also adapted to requirements and the time of day or night. This allows us to control the illumination level, and with it energy consumption, as required depending on the time of day or night, and to operate the lighting system during the day at only around 65 per cent of the maximum illumination level.

Energy optimisation measures

✓ | The potential for saving energy features very prominently in all modernisation measures we perform on our buildings. During the reporting period we identified and adopted some new approaches in this regard.

✓ | In the course of 2021 we completed the modernisation measures at a new specialist centre, the Fachärzteezentrum Seltersberg near Giessen, and put this facility into service. The entire building was completely overhauled and, as permitted by the regulations protecting buildings of architectural interest, was provided with interior insulation, new windows and LED lighting with intelligent lighting control.

✓ | During the reporting year, we optimised the adiabatic cooling system (a cooling method used to air-condition rooms through evaporation cooling) at the Bad Neustadt site to provide air conditioning to the operating rooms and ward areas. On hot summer days, the re-cooling systems are sprayed with fine water mist. The evaporation cooling lowers temperatures by up to five degrees Celsius. This allows electrical coolers to be used more efficiently.

✓ | During the reporting year, we replaced the central osmosis and water softening system in the OR building in Bad Berka to ensure better water treatment. The new systems achieve higher efficiencies and are thus more energy-efficient. By the end of 2024 and in several

construction stages, this site will see its four existing cogeneration plants replaced, existing heating boilers adapted to the new requirements and the central cooling unit brought in line with the new operating environment. In future, CO₂ emissions will be significantly reduced and energy costs reduced annually by roughly 340,000 euros once the project has been completed.

✓ | At the Frankfurt (Oder) site during the reporting year, the replacement of the lighting system was continued as part of the refurbishment project, and the instrumentation and control technology system was modernised.

✓ | In Marburg, replacement investment measures during the reporting year allowed us to reduce energy consumption by replacing some large medical equipment units with more energy-efficient ones. For example, the new MRI unit dispenses with helium cooling, the new CT angio unit is operated as a synergy concept, and the new linear accelerator features a particularly high operating efficiency. For the newly constructed clinic for paediatric and juvenile psychiatry, a photovoltaic system with an output of 40 kWp (kilowatt peak) is to cover part of the energy requirement when the clinic is put into operation in 2022.

✓ | In all new construction and modernisation measures, we provide for redundancy and availability of the technical facilities to make sure we are ready for any failure of the external energy supply grid. Two emergency power generators per hospital ensure self-sufficiency in electricity for several days. With oil-operated back-up boilers, we moreover ensure a supply with sufficient heat and, where applicable, steam. We are thus able to ensure safe patient care in the event of protracted external supply failures.

Environmentally sound alternatives for private transport

✓ | We are aware that CO₂ emissions arise whenever our employees, patients and their visitors travel to and from a hospital using their own private vehicles. That is why we took various measures during the reporting period to limit private transport, to offer alternatives and to thus make transfers more environmentally friendly.

✓ | Already in previous years, for example, we have improved the connection to local public transport (Bad Berka), set up a free shuttle service (Frankfurt (Oder)), and provided additional bicycle stands on the hospital grounds in Bad Berka and Frankfurt (Oder). From 2022, our employees at the Marburg and Giessen sites will be able to take advantage of a free ticket for local public transport and will also be able to enjoy the benefits of a job-bike offer. We promote electrical mobility by gradually installing additional charging stations for the electrical vehicles of our employees and guests.

Tangible results^{1, 2}

✓ | In 2021, we generated with combined heat and power units a total of 39,607 megawatt hours (MWh) (previous year: 40,250 MWh) of electricity, covering roughly 34 per cent (previous year: 35 per cent) of our requirements. This is cost-efficient and saves roughly 5,926 t in CO₂ emissions each year as compared with conventional energy supply. Compared with the previous year, electricity the consumption at RHÖN-KLINIKUM AG in 2021 saw a minor increase of roughly 0.4 per cent to 109,657 MWh (previous year: 109,227 MWh).

✓ | Heat consumption increased by around 3.0 per cent to 87,528 MWh (previous year: 84,975 MWh).

✓ | The higher energy requirements of our hospitals are also resulting in a rise in CO₂ emissions. What are referred to as Scope 1 emissions are produced directly on-site in our own heat and electricity generation. During the reporting period, these amounted to over 48,803 t of CO₂ (previous year: 41,473 t of CO₂). Scope 2 emissions cover all indirect emissions from district heating and electricity deliveries. In 2021 they amounted to around 35,553 t of CO₂ (previous year: 26,201 t of CO₂).

Reducing waste volumes through waste avoidance and recycling

✓ | Waste is unavoidable, especially in hospitals with their stringent hygiene requirements. Given the special situation of COVID-19 and the huge hygiene requirements associated with it, achieving a generalised reduction in waste is currently not possible. This situation did not improve during the reporting year either.

✓ | Nevertheless, our goal is to reduce waste in the medium term. That is why RHÖN-KLINIKUM AG recognises the tremendous importance of avoiding and recycling waste as far as possible as well as ensuring proper sorting and disposal of waste. The waste officers at each of our sites monitor compliance with the regulations and train new employees and apprentices in the careful management of consumables (waste avoidance), proper sorting (recycling of raw materials) as well as the correct disposal methods for different types of waste. In the current pandemic situation the possibility of holding such events in-person in 2020 and 2021 was greatly limited. The training is therefore offered under an interprofessional continued training programme and over the intranet. Where required in specific cases, training takes place in small groups: in 2021, for example, training in the management of COVID-19 waste was prioritised for all departments concerned.

1 Environmental data of previous year (2020) not verified.

2 Deviations from the figures given in the 2020 Report result from a new calculation method.

✓ | We strive to exhaust all recycling means and to find recycling methods, for example recovering iodine from contrast agents or recovering precious metals from catheter tips and spent X-ray films. Recycling soda lime (a moisture absorption agent used in ventilation cartridges) offers a double positive effect: it helps the environment, for example by improving soil for agricultural use, and through the click cartridges used by us reduces the health risk to employees working in the area of anaesthesia.

✓ | We dispose of any non-recyclable waste in an environmentally sound manner to the highest disposal standards. That is why we exercise great care when selecting our service providers and ensure that the disposal conditions are defined by contract.

✓ | Moreover, we attach special value to reducing food waste as far as possible. During the reporting period, we conducted a standardised survey of patient preferences at all hospital sites so that we purchase and prepare only the types of food that patients actually want. In 2021 we also reorganised the way in which we provide meals to patients so that meals are ordered only based on actual daily patient numbers as they increase and decrease. This allows us to take account of absences due to operations or discharges.

✓ | During the reporting period, the amount of category A–B waste produced was 4,636 tonnes (previous year: 4,419 tonnes). The higher waste volume in this category is due to the greater number of patients treated compared with the previous year. Compared with 2019, the volume of category A–B waste declined by 3.0 per cent. Category C–E waste increased due to the pandemic to 155 tonnes (previous year: 134 tonnes).

RHÖN-KLINIKUM AG
is aware of the significance
and urgency of climate
change mitigation and is
assuming its responsibility.

Optimising water consumption, ensuring water purity³

✓ | (Drinking) water is a valuable resource that is not always available in all parts of the world. We are engaged in targeted efforts to lower water consumption in our day-to-day clinical activities.

✓ | In this connection we implemented a number of measures enabling us to conserve water to a noticeable extent. All toilets are equipped with water-saving buttons for minimum flushing volumes. The sink fixtures are set to predetermined limits on the amount and temperature of the water running through them.

✓ | For a healthcare group like RHÖN-KLINIKUM AG, it is absolutely essential to be able to offer high-quality drinking water. That is why we drew up our own "Water Use Guideline" already years ago. Strict compliance with the requirements of this Guideline is to ensure the high quality of drinking water from the point of delivery from the public water mains to the final point of use. We also conduct regular water quality inspections through microbiological tests that exceed the legal requirements.

✓ | During the 2021 reporting period, water consumption decreased by roughly 3 per cent to 639,569 m³ (previous year: 660,957 m³).⁴

✓ | For environmental reasons it is also very important to us to keep contaminant levels in our waste water as low as possible. Waste water contaminants result from separation of contrast agents or medications. Waste water containing grease arising from the preparation of foods as a rule is passed through grease separators and only then discharged to the public sewerage system. In our kitchens, we also dispense with the use of cleaning and disinfection products containing chlorine. In 2021, the amount of waste water at all sites was roughly 610,687 m³ (previous year: 630,692 m³).

Stepping up efforts towards future-oriented climate concepts

✓ | RHÖN-KLINIKUM AG is aware of the significance and urgency of climate change mitigation and is assuming its responsibility. We are taking this into account by developing viable climate change mitigation concepts for the future. With the assistance of expert advisors, we are currently developing a comprehensive Group-wide climate strategy for the coming years. In Marburg we have moreover established a lecture as well as a steering group at the university there which is developing ideas for promoting e-mobility and creating a "green hospital".

³ Environmental data of previous year (2020) not verified.

⁴ Water consumption shown excluding Group headquarters (administration) of RHÖN-KLINIKUM AG.

SUPPLIER MANAGEMENT

We give top priority to actively maintaining ties to our suppliers. To obtain the highest quality of products at the lowest prices, we have centralised our supplier management activities for the entire Group and work together closely with the purchasing managers of the hospitals. This practice has stood us in good stead. We also benefit in this area from cooperation with our strategic partner, Asklepios Group.

Long-term partnerships with our suppliers

Over the years, those relationships with our suppliers of a purely business nature in some cases have ended up turning into partnerships based on mutual trust. This allows us to fully meet our requirements in terms of quality, reliability of deliveries and efficiency. This is also helped by the assessment of our main suppliers we perform each year. A big advantage in this regard is the cooperation with the purchasing department of our strategic partner Asklepios Group, which we have been pursuing since October 2020. This department is also responsible for entering into new contractual agreements. As experience has shown, this has given us an even stronger position in contract negotiations with our partners. Apart from purely economic effects from synergies, this also promotes knowledge growth, which we achieve by pooling the know-how found in both company groups.

Cooperation has had an extremely positive effect for the avoidance of supply shortages. For example, by working beyond the bounds of the Company and across our sites, we have been able to find solutions for what are now particularly rare goods. We also reduce supply shortages by working together with at least two suppliers for each product group. In this way, any short-term supply difficulties can usually be bridged through inventory or alternative products (generics).

Challenges as a result of COVID-19

The impact of the COVID-19 pandemic is still presenting us with challenges, albeit different from the ones we had to deal with in early 2020 when the COVID-19 wave first hit Europe. At that time products providing protection against the virus, including surgical masks, surgical caps, FFP2 masks as well as protective gowns, were often in short supply due to the exploding demand.

Over the years, those relationships with our suppliers of a purely business nature in some cases have ended up turning into partnerships based on mutual trust.

Today, we face a massive rise in transport costs, above all in container freight, but also due to significantly higher fuel prices. Comparable to other sectors, we are also feeling the effects of firming commodities prices, which has significantly driven up prices of, for example, medical products containing plastic. Lastly, the Medical Device Regulation, an EU regulation that has been in force in Germany since May 2021, is raising the prices of many medical devices. It provides for a costly certification process which passes on the costs of those products or results in the products being removed from the market, thus reducing the supply of alternative products.

The primary objective is to use only those products that have proven themselves from a medical standpoint and are characterised by outstanding quality and excellent long-term results.

Standardisation of products ensures their availability

For some time we have been trying to standardise and harmonise the products we purchase. The primary objective is to use only those products that have proven themselves from a medical standpoint and are characterised by outstanding quality and excellent long-term results. Coming after that is the cost aspect, since many manufacturers give rebates on large volume purchases. As the frank discussion amongst the materials management heads and in the medical expert panels has revealed, such standardisation does not lend itself to all products.

However, standardisation has proven advantageous in the following medical areas:

- Endoprosthetics (hips, knees, kyphoplasty etc.)
- Cardiology (pacemakers, defibrillators, heart valves, stents etc.)
- Anaesthetics (tubing, syringes, sensors etc.)
- Laboratory medicine (urine diagnostics, blood gas analysis etc.)
- Nursing area (urine measurement systems, OR drapes, suctioning, dressing materials, infusion solutions, sanitary products etc.)
- Hygiene products (water filters, disinfectants etc.)

In the non-medical area, we are pursuing for example the standardisation of office items or paper as well as the harmonisation of service providers in the technical area, and are also switching over our goods management systems to one uniform system for all hospital sites.

Key goods categories of RHÖN-KLINIKUM AG are:

- Drugs and blood products (blood supplies and blood coagulation factors)
- Transcatheter aortic valve implants (TAVI)
- Cardiac pacemakers and defibrillators
- Stents
- Endoprosthetics
- Care products

During the 2021 reporting period, we implemented digital supplier records in the Group materials management department as planned. This ensures that all necessary information is available in transparent form and from a centrally pooled source. We have also entered into various framework agreements.

Group Management Report

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Group Management Report

In financial year 2021, we treated 845,642 patients in our hospitals and medical care centres, generating revenues of €1,402.0 million as well as EBITDA of €101.2 million.

Financial year 2021 continued face a great number of challenges as a result of the COVID-19 pandemic.

The Letter of Intent for enhancing the separate accounting agreement was signed.

1 | BASIC CHARACTERISTICS OF THE RHÖN-KLINIKUM GROUP

1.1 Overview

Within the Group of RHÖN-KLINIKUM AG, essentially cross-sector (i.e. inpatient, semi-inpatient and outpatient) healthcare services are provided. With a few exceptions, the Group has a single-tier structure. With the exception of Campus Bad Neustadt, the individual hospital companies are organised in the form of legally independent corporations having their registered office at the respective facility sites and are managed as direct subsidiaries of RHÖN-KLINIKUM AG (ultimate Group parent company). The ultimate Group parent company has its registered office in Bad Neustadt a. d. Saale, Federal Republic of Germany.

With our eight hospitals and 5,420 beds/places at a total of five sites in four federal states, we are one of the largest hospital operators in Germany. A total of 845,642 patients (previous year: 808,655) were treated in our facilities in financial year 2021. With revenues of €1,402.0 million (previous year: €1,360.1 million), we generated EBITDA amounting to €101.2 million (previous year: €80.2 million) despite the considerable obstacles resulting from the pandemic. At the balance sheet date, the Group employed 18,227 persons (31 December 2020: 18,449).

1.2 Future of the Group

In financial year 2021, RHÖN-KLINIKUM AG's vigorous efforts to cope with the COVID-19 pandemic have continued undiminished. In this context, all hospital sites drew on their extensive experience the previous year, working together with the respective government authorities as well as medical networks to flexibly respond to the respective regional increases in case numbers.

Our most pressing tasks within the Company include the following areas of action: strengthening nursing and medical care, ensuring that hospitals concentrate on their core activities, and pooling special know-how, e.g. at the (in some cases newly established) service companies providing in-house services. We are tackling these areas with the involvement of our employees, being helped by our collaboration with the companies of the Asklepios Kliniken GmbH & Co. KGaA group.

As a result of the cooperation with Asklepios, RHÖN-KLINIKUM AG is in the midst of a comprehensive process of transformation. The feeling of belonging and togetherness as well as new networks are steadily growing within the new corporate group. In addition to the targeted economies of scale in the areas of purchasing and IT, we are also focusing our joint efforts on further optimising clinical procedures and processes. At the same time, new prospects and areas of activity are emerging for us as an employer.

Attractiveness as an employer

RHÖN-KLINIKUM AG is among Germany's most attractive employers. "Innovative. Digital. Sustainable" – that was confirmed for our

Company by the study of a leading German management and economic research institute in February 2021. We work hard in this area and are investing in our employees – whether through numerous professional qualification offerings, training courses at our hospitals' own training centres, recruiting nurses within Germany and from abroad, or promoting a better work-life balance of all colleagues.

In 2021, we introduced a new Employee Assistance Program (EAP), which is available to advise and assist the Company's employees and executive staff. This programme offers employees and their relatives assistance in personal, professional, health or family matters. It thus supports our aim of protecting and improving the health of our staff in the best possible way – especially during the pandemic given the greater professional and personal burdens it has created.

Moreover, we took numerous measures to recruit new employees, provide them with continued and higher-qualification training and retain them in our Company. Here, we are specifically looking to attract new staff from abroad and have thus entered into an agreement with Amesol Akademie in Hamburg. Amesol's mission is to provide support to international healthcare specialists qualified as nurses, anaesthesia technical assistants (ATA), operation technical assistants (OTA) and physiotherapists and closely cooperates in this area with hospitals and long-term care facilities on a cross-provider basis.

Medical and nursing excellence

Doctors of RHÖN-KLINIKUM AG are among Germany's top medical practitioners. Their expertise is moreover in demand both throughout Germany and beyond its borders and they enjoy the trust of patients. Our hospitals are attested a high standard of treatment quality, and many of them hold multiple certifications. The strong interdisciplinary cooperation enabling specific therapies for our patients based on state-of-the-art diagnostics ensures individual, holistic patient care to high quality standards.

Since 2021, the University Hospital of Marburg, together with the University Hospital of Frankfurt am Main, has gained recognition as one of the top 14 oncology centres in Germany. This distinction comes after many years of outstanding work and research at the highest level, and is a testament to its medical excellence.

The nursing and functional service is vital to our hospitals which we want to further strengthen. Consequently, last year we introduced the new Nursing Management Board at Group level. Its importance is seen from the fact that the chairman of the Board of Management is directly responsible for this body. It is made up of representatives from all hospitals who meet regularly to discuss and consult on the very broad subject of nursing. In the specialist bodies, specific aspects are further elaborated and best-practice examples identified.

Corporate model

The relationship of trust between doctor and patient is of tremendous importance for our day-to-day work. In this regard, the principle underlying everything RHÖN-KLINIKUM AG does as a healthcare provider is "Don't do to others what you would not like done to yourself, and don't leave off doing anything that you would like done to yourself." It is characterised by expertise and knowledge, closeness and humanity, responsibility and integrity.

This corporate model is binding on all employees. It provides the overall body of rules and guidelines and ensures the ethically sound activity within the Company. The essential basis for employment at RHÖN-KLINIKUM AG or one of its subsidiaries is the willingness of each individual to accept, promote and realise the Corporate Code through their conduct.

Corporate social responsibility

As a provider of healthcare services, an employer and a Company, RHÖN-KLINIKUM AG is wholly committed to sustainability. For us, sustainability has long formed an integral part of our corporate strategy. Our success is inseparably bound up with medical, ecological and social responsibility.

We also report on this in our Corporate Social Responsibility Report (CSR Report). Further information can be found in the integrated separate report provided there pursuant to section 315c in conjunction with sections 289c to 289e of the German Commercial Code (Handelsgesetzbuch, HGB).

a) Improving quality of life

The well-being of patients is the top priority for RHÖN-KLINIKUM AG. Ethical behaviour, providing excellent medical and therapeutic care and nursing of course form part of our corporate philosophy.

We are committed to integrated care completely oriented to the needs of patients – at each individual facility as well as in cooperation with other facilities and sectors. Our hospitals participate in research projects with external research and development partners helping to drive forward medical innovations and cutting-edge medical solutions for the well-being of our patients. In our strong healthcare network with a direct tie-in to university medicine, we specifically promote a professional exchange amongst our doctors and in nursing. With this knowledge transfer, we deliver cutting-edge medicine to the regions and thus secure access to advances in medical care also in rural regions.

b) Protecting the environment

Environmental protection is one of the key issues of our times. As a modern hospital group, we use innovative technology to care for our patients and to be good stewards of the environment. For us, making responsible use of energy and water resources is something self-evident and thus also a guiding principle for environmental

protection at our Company. Moreover, we are wholly committed to keeping our waste and emissions levels as low as possible.

That is why we have firmly integrated environmental management in our organisational structure. Our main focus and concern in this regard is to reduce CO₂ emissions, waste volumes and water consumption without compromising on the care, safety and comfort of our patients.

c) Promoting and retaining employees

Highly trained and efficient employees in good health are the backbone of our hospital operations and our most valuable asset. In our health management approach we make sure to be attentive to our employees' needs. RHÖN-KLINIKUM AG's attractiveness as an employer is further enhanced by its comprehensive offering of further, continued and higher-qualification training for its employees.

A wide array of human resources development and promotion measures as well as numerous offerings for balancing working and family life moreover make the Company an attractive employer and training entity, also nationally. We reach out to students of medicine and other specialty fields early, run our own training centres and train people for example in nursing, medical as well as commercial professions to an extent well beyond our own requirements. Moreover, we specifically promote the continued and higher-qualification training of all professional groups within the Group.

1.3 Objectives and strategies

The partnership between RHÖN-KLINIKUM AG and the hospitals of the Asklepios Group has existed now for more than a year. It has revealed many common points and shared visions, also in terms of political issues and the changes badly need to be made in the German healthcare system. Our joint network is characterised by a strong sense of togetherness. We are able to gain a stronger position on the healthcare market and we each benefit from the know-how of the other. Together, our objective is to develop and promote path breaking concepts of healthcare delivery to ensure we can continue providing excellent medical care. Under the common structure with Asklepios, we have created the ideal basis for meeting the challenges of our sector head-on and taking advantage of the Group's economies of scale for each individual facility and hospital in the best possible way.

In Germany, we have a very good healthcare system with highly qualified and committed employees. To make sure this stays that way in future, this heavily regulated system must be funded in line with the principle of dual financing. That means that the operating costs are borne by the healthcare funds and the investment costs of the hospitals by the federal states regardless of their ownership (public or private) and their care level or category. It is therefore vital for the federal states to once again better fulfil their statutory responsibility to assume the investment costs and to ensure the future viability of hospitals in Germany. This year we succeeded in taking one important step in this direction when we entered into a Letter of

Intent (LoI) with Universitätsklinikum Gießen und Marburg (UKGM): RHÖN-KLINIKUM AG reached an agreement with the Hesse State Government, UKGM as well as Asklepios Kliniken GmbH & Co. KGaA on a Letter of Intent regarding the future financing of investments at both university hospitals and on further joint cooperation. In the event a follow-on agreement to the LoI is successfully concluded, the State of Hesse over the next ten years intends to make a total investment of nearly half a billion euros in the further development of the Giessen and Marburg hospital sites. During the ten-year period of the contemplated agreement UKGM in return would, in addition to providing optimum healthcare and ensuring the quality of research and teaching, also guarantee to refrain from redundancies and from outsourcing business units. This Letter of Intent, which in the coming weeks is to be set out in the form of a concrete contractual agreement, is intended to provide UKGM with a solid future prospect as well as planning certainty. Nonetheless, the funding commitment alone would not be enough to cover the high investments that are absolutely necessary, for example for buildings or state-of-the-art medical equipment. It is only by combining state funding and profits generated by UKGM that we will be able in the coming years to actually implement all necessary investments. In this context, the integration of UKGM into the RHÖN-KLINIKUM Group offers the right opportunities to achieve this: for example, we will further lower costs by centralising our purchasing within the Group network, thus freeing up resources for further investments.

We see some of our most pressing tasks in the Company in the following areas of action: strengthening nursing and medical care, ensuring that hospitals concentrate on their core activities, further optimising processes as well as pooling know-how, e.g. at the (in some cases newly established) service companies providing in-house services.

Together with Asklepios, we can and will gain a stronger position on the market and benefit from each other's know-how. In the medical area and particularly in the field of tumour medicine, there are significant overlaps and thus potential that can be jointly leveraged to further expand the care offering for patients, to more effectively further promote specialisation and moreover to provide fresh impetus to scientific research. As one example of this, the Comprehensive Cancer Center (CCC) of the Giessen and Marburg University Hospitals and the Asklepios Tumour Centre of Hamburg are already stepping up their cooperation.

It is moreover our goal to move ahead even faster with digitalisation. Our employees still spend a significant part of their working time on documentation. That is something we want to change and continue to invest in this area to reduce the workload on staff, to standardise structures and clinical processes and thus ultimately improve the quality of healthcare even further. One main area of focus in this regard is on introducing and strengthening telematics infrastructure, one of the strongest and most future-oriented trends in healthcare.

The merger of RHÖN and Asklepios also provides benefits in the area of training. Last year in Hesse a cooperation scheme was agreed that is aimed at better coordinating training offerings and providing joint courses. This enables employees to learn new perspectives and subjects which would otherwise not be available within the Group's own continued training programmes, and to form one big team.

Our continued objective is to pursue new paths to uphold the standard of offering patients the best medical care. In this way, we can better respond to the changes and increasing requirements as compared with the market as a whole thanks to the merger with Asklepios and our large sites with highly specialised centres. In future, too, we will vigorously and undauntedly pursue the necessary task of restructuring the healthcare system and implementing our corporate goals.

1.4 Controlling system

The RHÖN-KLINIKUM Group is directed and controlled by the Board of Management of RHÖN-KLINIKUM AG. The Group is controlled giving due regard to medical, strategic and financial targets. The target system defines key figures of relevance for control such as revenues and EBITDA, as well as key figures for quality and growth in medical service volumes and consolidated profit. Key ratios are monitored by the Board of Management. Monthly reporting to the Board of Management includes the hospitals. Group management costs are fully distributed to the operative segments. The monthly target-to-actual and actual-to-actual comparison in the report to the Board of Management, by aggregating the operative segments into one reporting segment, serve to control the targets published in the Company forecast.

It is our firm view that profitable growth in our service volumes, number of cases or our valuation ratios as well as our revenues are important factors when it comes to increasing our enterprise value.

Valuation ratios are key figures used to account for medical services at hospitals. For each group of patients, the respective valuation ratio is obtained in combination with the case-mix index (variable indicating average case severity in the system of diagnosis related groups, DRGs). The valuation ratio is thus a measure of the medical severity of a treatment case and also of cost expenditure. If the valuation ratios are multiplied by the state base rate, the material amount that a payer (health insurance fund) has to pay to a hospital for an inpatient treatment case is obtained. Through supplementary fees and remuneration, e.g. for new forms of treatment, this amount may increase even further in certain cases.

Even if the share of outpatient revenues in controlling-relevant total revenues is increasingly rising, inpatient revenues still represent the most important indicator of financial performance. For the purposes of measuring and controlling, revenues as a general rule are adjusted for consolidation effects so as to calculate organic growth.

EBITDA describes our operative performance efficiency before depreciation/amortisation, interest and tax, and represents a further important controlling-relevant financial performance indicator. Our objective is to achieve EBITDA margins throughout the financial year which are amongst the most attractive in the hospital market in keeping with the orientation of the individual facilities. These margins are defined as the quotient of EBITDA and revenues.

Consolidated profit after tax is used to measure and control earnings strength at the Group level. This figure has the biggest influence on earnings per share (EpS) used for capital market communication.

The aim of the Management with regard to the handling of equity and debt is to adopt a strict policy of matching maturities (horizontal balance sheet structure) of the source and use of funds. Non-current assets should be funded on a long-term basis. The items of equity and non-current liabilities shown in the balance sheet are included under the source of long-term funds. This key ratio is to be at least 100%. Although given the personnel cost ratio of more than 50% the Group is frequently attributed to the services sector, our business model has a long-term focus and is initially investment-driven.

With regard to the use of debt capital, we focus on the following management ratio for minimising risks: the aim is to limit the ratio between net financial debt (corresponding to financial liabilities less cash and cash equivalents) and EBITDA to a maximum 3.5 multiple.

In addition to the financial key figures for growth in service volumes, we use further, non-financial performance indicators to further develop the Company on a sustainable basis. The further, non-financial performance indicators include quality assurance, occupational protection, patient surveys, human resources development and the subjects of energy and the environment.

1.5 Quality

Ensuring the safety and satisfaction of our patients is at the heart of everything we do. The way to achieve this is through our high standard of medical excellence, a comprehensive quality management system with interfacility structures and further integration with our strategic partner Asklepios. This will enable us to introduce innovations and live up to our own standards of quality.

With our RHÖN Quality Concept we are pursuing the goal of steadily improving our medical quality through a comprehensive approach. Transparency is ensured by our quality reports. The consistent and comprehensive publication of the results gives patients, relatives, referring doctors and health insurance funds the possibility of informing themselves extensively on the treatment quality of our hospitals.

For further information, reference is made to the separate non-financial report in accordance with section 315c in conjunction with sections 289c to 289e of the HGB in the Annual Report published on our website.

1.6 Medical research and its transfer into practice

Excellent healthcare at RHÖN-KLINIKUM AG is based on the continuous transfer of knowledge from research into daily clinical practice. Our hospitals work together in national and international research associations and projects and benefit from the close networking with the Company's university hospitals in Giessen and Marburg.

Thanks to the this direct link to university maximum care and the direct access to university research findings, we can translate state-of-the-art scientific findings quickly and precisely into hospital care and competently deliver the same to the regions.

For further information, reference is made to the separate non-financial report in accordance with section 315c in conjunction with sections 289c to 289e of the HGB in the Annual Report published on our website.

1.7 Compliance

At RHÖN-KLINIKUM AG, compliance is about promoting fair dealings – both within the Company and in the relationship with our external stakeholders. The relationship of trust between hospital staff and patients is of tremendous importance for our day-to-day work. It is reflected in the principle “Don't do to others what you would not like done to yourself, and don't leave off doing anything that you would like done to yourself” and is binding on all our employees.

RHÖN-KLINIKUM AG has in place a compliance management system in which the principles and rules of legally compliant behaviour, fair dealings and responsible corporate governance are defined. At the same time, the compliance management system is being continuously enhanced. In our Group-wide compliance rules, requirements setting out the relationships with our patients, customers, suppliers, shareholders and the general public, as well as the conduct of employees amongst one another, are described.

For further information, reference is made to the separate non-financial report in accordance with section 315c in conjunction with sections 289c to 289e of the HGB in the Annual Report published on our website.

1.8 Corporate Governance

Issued share capital

The subscribed capital of RHÖN-KLINIKUM AG stated in the consolidated financial statements is completely made up of 66,962,470 ordinary voting bearer shares (non-par shares) each having a nominal share in the registered share capital of €2.50. Restrictions on voting rights or the transfer of shares – even if these may result from agreements of shareholders – do not exist or are not known to us. None of our shares are issued with special rights that confer on its holder special powers of control. Employees who hold shares exercise their voting right freely. Shareholders may exercise their voting rights themselves at the Annual General Meeting or through proxies appointed for this purpose.

Based on the threshold events notified to us, the following picture pursuant to section 33 f. of the WpHG in terms of shareholder structure emerges as at the relevant key date of 31 December 2021:

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 Attributin pursuant to WpHG/ additional information
Dr Bernard große Broermann/ Eugen Münch; AMR Holding GmbH	23 July 2020/ 24 July 2020	0.0005	93.37	93.38	22 July 2020	> 75%	Attributed (section 34 WpHG): AMR Holding GmbH

Consolidated financial statements, communication with shareholders and analysts

The consolidated financial statements are drawn up in accordance with the provisions of International Financial Reporting Standards (IFRS) applicable within the European Union and applying section 315e of the HGB, and audited in accordance with both national and international auditing standards. When issuing auditor mandates, due care is taken to ensure the requisite independence of the auditors appointed. The audit mandate for the annual financial statements and for the half-year financial statements of the Group as well as for the Group's ultimate parent company is issued by the chairman of the Audit Committee after due examination pursuant to the resolutions adopted at the Annual General Meeting.

We publish our consolidated financial statements in March of the following financial year. The Annual General Meeting normally takes place within the first six months of the new financial year. We announce our forecasts for the respective financial years in accordance with the requirements. We conduct analyst and analysis and investor discussions and also report on business performance in analyst conference calls. With our financial calendar published in the Annual Report and in the Internet on our homepage, we inform our shareholders, shareholder associations, analysts and the media of all other recurring key dates.

Corporate bodies

The Board of Management and the Supervisory Board are constituted according to legislation governing German stock corporations. Under this regime the Board of Management directs the Company; the Supervisory Board advises the Board of Management and supervises its management activity. Members of the Supervisory Board and the Board of Management are appointed and dismissed in accordance with the provisions of stock corporation law (Supervisory Board: section 101 et seq. of the German Stock Corporation Act (Aktien-gesetz, AktG); Board of Management: section 84 of the AktG) and the German Co-Determination Act (Mitbestimmungsgesetz, MitbestG).

In line with the principle of equal representation of shareholders and staff pursuant to the German Co-Determination Act (Mitbestim-mungsgesetz, MitbestG) and the Articles of Association, the Super-visor-y Board of RHÖN-KLINIKUM AG comprises an equal number of employee and shareholder representatives (16) and held five meet-ings in 2021 (2020: eleven meetings).

At the Annual General Meeting of RHÖN-KLINIKUM AG on 9 June 2021, the shareholders, in addition to the proposed appropriation of profits, approved the actions of the members of the Board of Management and Supervisory Board as well as the new remuneration scheme for the Board of Management. By this scheme, the Company implements the amended regulatory requirements on executive compensation in accordance with the Act Implementing the Second Sharehold-er Rights Directive (ARUG II). The remuneration scheme offers an incentive for successful and sustainable corporate governance. It defines a maximum remuneration and includes detailed provi-sions on fixed remuneration and variable remuneration elements. Mr. Marco Walker, 45, COO of Asklepios Kliniken GmbH & Co. KGaA, Hamburg, and Managing Director (Geschäftsführer) of Asklepios Kliniken Management GmbH, was elected by the shareholders to the Supervisory Board of RHÖN-KLINIKUM AG. He succeeds Prof. Dr Gerhard Ehninger, who resigned his mandate and left the Supervisory Board of the Company with effect from 15 January 2021. On 8 Janu-ary 2022, Ms. Nicole Mooljee Damani left the Supervisory Board. The Supervisory Board therefore resolved already in January 2022 on the recommendation of the Nomination Committee to propose Dr Cornelia Sufke, head of the Medical Law, Insurance and Compliance division of Asklepios Kliniken GmbH und Co. KGaA, Hamburg, for the election to be held at the 2022 Annual General Meeting, to succeed Nicole Mooljee Damani as member of the Supervisory Board of RHÖN-KLINIKUM AG for the remaining term of office. The application of the Board of Management of the Company to the Local Court of Schweinfurt was made on 3 February 2022.

As at 31 December 2021, 31.3% of the Supervisory Board is currently comprised of women and 68.7% of men. As of 5 November 2020, there have been six standing committees: the Mediation Committee as well

as the Personnel Affairs Committee, the Audit Committee and the Committee for Deciding on Transactions with Related Parties within the meaning of section 111a of the AktG ("Related Party Committee") as committees with the power to adopt resolutions within the mean-ing of section 107 (3) AktG, as well as the Nomination Committee for candidates of the shareholders' representatives and the Medical Innovation and Quality Committee. The respective committee chair-men report to the Supervisory Board as required at regular intervals on the work of the committees.

Terms of Reference have been adopted for the activities of the Board of Management as well as of the Supervisory Board, including cooperation between these two bodies, in which among other things the allocation of responsibilities within the Board of Management as well as within the Supervisory Board is regularly adapted to changing requirements.

The Board of Management of RHÖN-KLINIKUM AG is responsible for directing the Company. In accordance with the Terms of Refer-ence, its business operations are carried out under joint responsibil-ity. The Board of Management reports regularly, without delay and comprehensively to the Supervisory Board on all significant issues relating to the business development and position of the Group and its subsidiaries. The composition of the Board of Management has not changed since 31 December 2020. As at 31 December 2021, the Board of Management of RHÖN-KLINIKUM AG is composed of four members: Dr Christian Höftberger (CEO), Prof. Dr Bernd Griewing (CMO), Dr Stefan Stranz (CFO) and Dr Gunther K. Weiß (COO). At its meeting on 24 March 2021, the Supervisory Board once again appointed Dr Gunther K. Weiß to the Board of Management of the Company as of 1 January 2022.

For information on remuneration of the Board of Management and of the Supervisory Board, reference is made to the separate Remunera-tion Report in the Annual Report published on our website.

Shareholdings of members of corporate bodies

As at 31 December 2021, the members of the Supervisory Board and the Board of Management and their related parties together held, pursuant to Article 19 of the Market Abuse Regulation (MAR), 0.0% (previous year: 0.0%) of the Company's registered share capital, of which the Supervisory Board and its related parties account for 0.0% (previous year: 0.0%) of the shares in issue. As in the previous year, the members of the Board of Management and their related parties do not hold any interests in the registered share capital.

We continue to disclose all transactions of members of the Board of Management and the Supervisory Board which are subject to notification pursuant to Article 19 of the MAR.

Other contracts containing a change-of-control clause

The company purchase agreements of the hospitals acquired by us contained provisions according to which, subject to the condition of a change of control as a result of a takeover bid for RHÖN-KLINIKUM AG, a retransfer of the company shares can be demanded. This rang true in particular for Universitätsklinikum Gießen und Marburg GmbH up to the end of financial year 2019. As at the balance sheet date of 31 December 2021, no such provisions exist.

As a precaution we point out that the Board of Management of RHÖN-KLINIKUM AG and the management body of Universitätsklinikum Gießen und Marburg GmbH (UKGM) on 14 January 2022 decided to sign a Letter of Intent of the Federal State of Hesse with regard to the grant of investment funding for UKGM. The Letter of Intent contains among other things provisions in the event of a change of control. All provisions stipulated in the Letter of Intent are subject to the condition of a legally binding agreement being entered into between RHÖN-KLINIKUM AG, Asklepios Kliniken GmbH & Co. KGaA, Universitätsklinikum Gießen und Marburg GmbH, the Federal State of Hesse and the Universities of Giessen and Marburg with their faculties of medicine.

Various contracts relating to financial instruments exist in which the lenders may demand immediate repayment in the event of a change of control. In this regard, a change of control is defined as the takeover of more than 50% of the interests in RHÖN-KLINIKUM AG.

For the former anchor shareholders B. Braun Melsungen AG/Asklepios Kliniken GmbH & Co. KGaA/Mr. Münch (HCM SE) and Ms. Münch, exceptions did and do exist in the promissory note loan agreement from financial year 2018 and the registered bond from financial year 2019. According to the contract documentation, no change of control exists if one or more of the former anchor shareholders acquire(s) more than 50%, but no more than 70.1% maximum (promissory note loan agreement 2018) and 70.3% maximum (registered bond 2019), respectively, of the voting shares in RHÖN-KLINIKUM AG within the group of anchor shareholders.

1.9 Declaration on Corporate Governance

The Declaration on Corporate Governance, in addition to the Declaration of Compliance of the Board of Management and the Supervisory Board pursuant to section 161 of the AktG, also contains information on corporate governance practices, the work approach of the Board of Management and the Supervisory Board as well as the committees established by them, and reports on equal participation of men and women in management positions as well as the diversity concept.

For further details, please visit our website www.rhoen-klinikum-ag.com where the Declaration on Corporate Governance is made accessible to the public under the Corporate Governance section.

2 | ECONOMIC REPORT

2.1 Macroeconomic conditions

After the sharp fall in economic output in Germany in 2020 due to the COVID-19 pandemic, gross domestic product rose in financial year 2021 by 2.7%, with economic output subsiding somewhat in the last quarter of 2021. Sentiment amongst companies was waning slightly as the year drew to a close. After hitting 96.6 points in November 2021, the ifo business climate index declined slightly to 94.7 points in December.

After the German labour market in 2020 was clearly impacted by the COVID-19 pandemic and gripped by the pandemic and the measures taken to combat it, a recovery began to take hold in the summer which also continued through to the end of the year. On average for 2021, the number of unemployed decreased by 82,000 to 2.613 million compared with the previous year. The jobless rate stood at 5.1% in December 2021. In December of the previous year, the rate was 5.9%.

2.2 Sector-specific conditions

As a result of overall decline in COVID-19 cases and a rising rate of vaccination – and thus also fewer COVID-19 patients in hospitals – in the first half of the year, the claim for relief payments for beds kept available introduced by the Third Civil Protection Act (Drittes Bevölkerungsschutzgesetz, BSchG) was initially ended with effect from 15 June 2021.

When the fourth wave of the COVID-19 pandemic came in the autumn of 2021, the German legislator in November initially introduced a new care surcharge for COVID-19 patients admitted from 1 November 2021 to 19 March 2022. Its amount is calculated based on the average inpatient duration of stay of COVID patients and is staggered by the respective daily lump sum amounts on which the relief payments are based. Just before the end of the year, the German Federal Parliament (Bundestag), with the Act Strengthening Vaccine Protection against COVID-19 and Amending Further Regulations in connection with the COVID-19 Pandemic (Gesetz zur Stärkung der Impfprävention gegen COVID-19 und zur Änderung weiterer Vorschriften im Zusammenhang mit der COVID-19-Pandemie), moreover decided to once again grant hospitals, with retroactive effect to 15 November 2021, relief payments for beds kept available if they postponed elective operations or procedures to make capacities available for COVID-19 patients. This provision, which was initially limited in term to 31 December 2021, has since been extended to 19 March 2022 by the Second Regulation Amending the Regulation on Further Measures to Safeguard the Economic Viability of Hospitals (zweite Verordnung zur Änderung der Verordnung zur Regelung weiterer Maßnahmen zur wirtschaftlichen Sicherung der Krankenhäuser).

The Regulation on Further Measures to Safeguard the Economic Viability of Hospitals (Verordnung zur Regelung weiterer Maßnahmen zur wirtschaftlichen Sicherung der Krankenhäuser), which entered into force on 9 April 2021, provides in 2021 for separate relief mechanisms for hospitals in connection with the relief payments made. Under this legislation, declines in a hospital's revenues compared with a 2019 revenue basis lowered to 98% are offset in hospitals' favour at a compensation rate of 85%. However, revenue increases compared with the 2019 revenue level attributable to relief payments received for beds kept available pursuant to section 21 (1a) or (1b) or to care surcharges pursuant to section 21a (1) of the German Hospital Financing Act (Krankenhausfinanzierungsgesetz, KHG) are subject to a full repayment obligation. At the same time, relief payments for beds kept available are applied at 85% in each case, the care surcharge created since 1 November 2021 at 50%, to 2021 the revenues.

With the Healthcare Further Development Act (Gesundheitsversorgungswesenentwicklungsgesetz, GVWG), which entered into force on 20 July 2021, the provisions on the nursing budget were clarified. For agreement year 2020, it provides for mandatory application of the clarification provision for agreement year 2021 if an agreement was still not concluded for the nursing budget for 2020.

As of 2022, further provisions on hospital invoicing inspections that were adopted with the Reform Act of the Medical Review Board of the Statutory Health Insurance Funds (MDK) (MDK-Reformgesetz) and postponed by one year due to the pandemic will enter into force. These include the introduction of quarterly inspection rates for inspection of invoicing cases by the statutory health insurance funds. In future, the level of the individual facility inspection rate per quarter will depend on the percentage of undisputed invoicing inspections of the previous year. In addition, this positive rate will also be decisive for the level of surcharges which will be applied to the invoice amount to be corrected for the hospitals from 2022 in the event of an invoice correction. Moreover, in future the observance of certain structural features will be assessed prospectively and from 2022 this will have to be proven by submitting a corresponding attestation. The shortening of the payment term for hospital invoices to five days as laid down in connection with the COVID-19 Hospital Relief Act (COVID-19-Krankenhausentlastungsgesetz) that took effect in 2020 was continued in 2021 and has now been extended to 30 June 2022.

2.3 Business performance

2.3.1 Overall statement on economic position

Financial year 2021 continued to be in the grip of the COVID-19 pandemic. Like the healthcare system as a whole, the year 2021 also tested the strength and resilience of RHÖN-KLINIKUM AG as never before.

Despite the huge challenges presented by the COVID-19 pandemic as well as declining earnings and reimbursements by the legislator in connection with COVID-19 legislation, we saw our key ratios rise as the number of patients treated on an inpatient/semi-inpatient as well as outpatient basis increased by 4.6% in total in financial year 2021 compared with the previous year. With revenues up by €41.9 million, we recorded an increase in EBITDA by €21.0 million to €101.2 million, an increase in EBIT by €19.9 million to €30.5 million, as well as an increase in consolidated profit by €27.7 million to €30.2 million.

2.3.2 Trend in service volumes

	Hospitals	Beds
As at 31 December 2020	8	5,304
Change in capacities	–	116
As at 31 December 2021	8	5,420

Of the change in capacities compared with 31 December 2020, 102 beds/places are essentially accounted for by the expansion of patient supply in the area of psychosomatic rehabilitation with the opening of the new building at the Bad Neustadt a. d. Saale site in August of the current financial year:

	Approved beds/ places		Change	
	31 Dec. 2021	31 Dec. 2020	absolute	in %
Inpatient capacities				
Acute hospitals	4,619	4,609	10	0.2
Rehabilitation hospitals and other inpatient facilities	602	500	102	20.4
	5,221	5,109	112	2.2
Semi-inpatient and day-clinical capacities	199	195	4	2.1
Total	5,420	5,304	116	2.2

As at 31 December 2021, we operate nine medical care centres with a total of 58.75 specialist practices:

	Medical care centres	Specialist practices
As at 31 December 2020	9	54.75
Opened/acquired		
MVZ Bad Berka	–	1.00
MVZ Frankfurt (Oder)	1	5.25
Disposals		
MVZ Bad Berka	–	–0.75
MVZ Gießen	–	–0.50
MVZ Marburg	–1	–1.00
As at 31 December 2021	9	58.75

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

January to December	2021	2020	Change	
			absolute	in %
Inpatient and semi-inpatient treatments at our				
Acute hospitals	191,076	190,093	983	0.5
Rehabilitation hospitals and other facilities	4,505	4,079	426	10.4
	195,581	194,172	1,409	0.7
Outpatient attendances at our				
Acute hospitals	439,714	426,410	13,304	3.1
Medical care centres	210,347	188,073	22,274	11.8
	650,061	614,483	35,578	5.8
Total	845,642	808,655	36,987	4.6

Compared with the same period of the previous year, the number of inpatient and semi-inpatient treatments saw a moderate increase of +1,409 or +0.7% as a result of a slight rise in the provision of elective services. Moreover, the COVID-19 pandemic and the further upward trend in outpatient medical care impacted has had an impact on the outpatient area where patient numbers increased by +35,578 or +5.8%.

2.3.3 Results of operations

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

Consolidated performance figures developed as shown below:

in € million		Change	
January to December	2021	2020	in %
Income			
Revenues	1,402.0	1,360.1	41.9 3.1
Other income	198.5	196.3	2.2 1.1
Total	1,600.5	1,556.4	44.1 2.8
Expenditure			
Materials and consumables used	430.4	422.4	8.0 1.9
Employee benefits expense	921.4	906.7	14.7 1.6
Other expenditure	147.3	146.6	0.7 0.5
Result of impairment on financial assets	0.2	–0.2	0.4 –200.0
Total	1,499.3	1,475.5	23.8 1.6
Expense from deconsolidation of subsidiaries	–	0.7	–0.7 –100.0
EBITDA	101.2	80.2	21.0 26.2
Depreciation/amortisation and impairment	70.7	69.6	1.1 1.6
EBIT	30.5	10.6	19.9 187.7
Finance result	–3.1	–6.7	3.6 53.7
EBT	27.4	3.9	23.5 602.6
Income taxes	–2.8	1.4	–4.2 –300.0
Consolidated result	30.2	2.5	27.7 1,108.0

Compared with financial year 2020, revenues witnessed a rise of €41.9 million or 3.1%. The revenues of financial year 2021 include an amount of €61.7 million (previous year: €90.6 million) in relief payments of the legislature, netted with the counter-effect of revenue-offsetting obligations, in connection with the COVID-19 pandemic. The reimbursements are essentially attributable to relief amounts for beds kept available. As in the same period of the previous year, income from the invoicing of an additional remuneration

component for the medicamentous treatment of spinal muscle atrophy as well as income from the invoicing of an additional remuneration component for the treatment of multiple sclerosis are likewise recorded under this item. The above supplementary fees are remunerated along with the pure DRGs (diagnosis related groups) and negatively impact the materials and consumables used item by nearly the same amount.

The rise in other income by €2.2 million or 1.1% is essentially attributable to the higher income from ancillary and incidental activities resulting among other things from higher sales of drugs and cytostatics. Moreover, reimbursements from the legislator in connection with the COVID-19 pandemic are included at the amount of €1.7 million (previous year: €3.3 million). Reimbursements recorded under this item in the previous year for maternity leave, income from integration grants as well as reimbursements of personnel costs for quarantined employees were netted with the employee benefits expense to make them more comprehensible for users of financial statements. The previous year's statement of other income was adjusted in the income statement from €207.0 million by €10.7 million to €196.3 million. The previous year's statement of the employee benefits expense item was adjusted in the income statement from €917.4 million by €10.7 million to €906.7 million.

in %

	2021	2020
Materials ratio	30.7	31.0
Personnel ratio	65.7	66.7
Other cost ratio	10.5	10.8
Depreciation and amortisation ratio	5.0	5.1
Finance result ratio	-0.2	-0.5
Effective tax ratio	-0.2	0.1

Compared with the same period of the previous year, materials and consumables used witnessed a rise in financial year 2021, disproportionately moderate to the rise in revenues, by €8.0 million or 1.9%. The materials ratio declined from 31.0% to 30.7%.

As the number of employees declined, the employee benefits expense rose compared with the same period of the previous year attributable to general wage increases. The personnel expense ratio declined from 66.7% to 65.7%.

Other expenses saw a minor increase from €146.6 million by €0.7 million to €147.3 million. The other expense ratio declined from 10.8% to 10.5%.

The depreciation and impairment item rose compared with the same period of the previous year by €1.1 million or 1.6% to €70.7 million. The depreciation/amortisation ratio fell slightly from 5.1% to 5.0%.

The negative finance result improved in financial year 2021 by €3.6 million to €3.1 million. The improvement is essentially attributable to interest expenditures recognised in the previous year in connection with trade tax obligations.

In financial year 2021, consolidated profit was helped by income tax recognised at €2.9 million (income tax expenditure of previous year: €1.5 million). The improvement is attributable among other things to the reversal of provisions in financial year 2021 (€5.1 million) formed in the context of risk provisioning for income tax risks relating to the sale of subsidiaries. Moreover, the effect of a higher tax assessment basis in financial year 2021 was recognised with effect on the income statement.

Consolidated profit increased by €27.7 million to €30.2 million (previous year: €2.5 million). Non-controlling interests in profit rose compared with the same period last year by €0.9 million to €1.9 million (previous year: €1.0 million).

With actual revenues of €1.4 billion, we met our forecast for revenues for 2021 made in the 2020 Group Management Report and in the ad hoc notice dated 8 October 2021 for €1.4 billion within a range of plus or minus 5%.

In the ad hoc notification of 8 October 2021, EBITDA forecast in the 2020 Group Management Report was adjusted. We also met the forecast for EBITDA made in the aforementioned ad hoc notification for financial year 2021 of between €92 million and €102 million with an actual figure of €101.2 million.

The interest of RHÖN-KLINIKUM AG shareholders in profit for financial year 2021 rose by €26.8 million to €28.3 million (previous year: €1.5 million) compared with the previous year. This translates into earnings per share of €0.42 (previous year: €0.02) in accordance with IAS 33.

The total result (sum of consolidated profit and other earnings) for financial year 2021 stands at €34.9 million (previous year: €4.8 million). In this connection, gains from changes in fair value through other comprehensive income (FVOCI) in the amount of €4.7 million (previous year: €2.1 million) as well as gains from the revaluation of defined benefit pension plans amounting to €0.0 million (previous year: €0.3 million) had to be recognised directly at equity.

2.3.4 Net assets and financial position

in € million				
	31 Dec. 2021		31 Dec. 2020	
		in %		in %
Assets				
Non-current assets	1,054.5	63.3	1,063.2	65.2
Current assets	611.1	36.7	566.5	34.8
	1,665.6	100.0	1,629.7	100.0
Liabilities				
Shareholders' equity	1,224.8	73.5	1,190.2	73.0
Long-term loan capital	167.5	10.1	166.1	10.2
Short-term loan capital	273.3	16.4	273.4	16.8
	1,665.6	100.0	1,629.7	100.0

Compared with the balance sheet date of 31 December 2020, the balance sheet total rose by €35.9 million or 2.2% to €1,665.6 million (previous year: €1,629.7 million).

The equity capital ratio saw a slight rise compared with the last reporting date, from 73.0% to 73.5%, and remains at a high level. As at 31 December 2021, equity stands at €1,224.8 million (previous year: €1,190.2 million). The increase in equity capital compared with the reporting date of 31 December 2020 by €34.6 million results from consolidated profit of financial year 2021 (€30.2 million), gains from the change in the fair value through other comprehensive income (FVOCI) (€4.7 million), and gains from the revaluation of defined benefit pension plans (€0.0 million), on the one hand, and the equity-decreasing effects from dividend payments to non-controlling interests (€0.3 million), on the other.

132.0% (previous year: 127.6%) of non-current assets is nominally covered by equity and non-current liabilities at fully matching maturities. As at 31 December 2021, we report net liquidity of €132.4 million (31 December 2020: €96.8 million). Net liquidity is calculated as follows:

in € million		
	31 Dec. 2021	31 Dec. 2020
Current cash	126.3	91.0
Current fixed term deposits	165.8	166.4
Non-current fixed term deposits	0.0	0.0
Cash, fixed term deposits	292.1	257.4
Current financial liabilities	1.0	0.9
Non-current financial liabilities	148.6	148.5
Liabilities under leases	10.1	11.2
Financial liabilities	159.7	160.6
Net liquidity	132.4	96.8

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

in € million		
January to December	2021	2020
Cash generated from (+)/cash used in (-) operating activities	97.5	113.3
Cash generated from (+)/cash used in (-) investing activities	-58.3	-135.2
Cash generated from (+)/cash used in (-) financing activities	-3.9	-15.1
Change in cash and cash equivalents	35.3	-37.0
Cash and cash equivalents as at 1 January	91.0	128.0
Cash and cash equivalents as at 31 December	126.3	91.0

Cash and cash equivalents increased in financial year 2021 by €35.3 million (previous year: decrease by €37.0 million).

In this context, a positive operating cash flow was achieved in the amount of €97.5 million (previous year: €113.3 million). The decline in operating cash flow by €15.8 million over the previous year compares with a €76.9 million decrease in cash used in investment activity as well as a €11.2 million decline in cash used in financing activity, in each case compared with the previous year.

The finance management department of RHÖN-KLINIKUM Group is essentially centrally organised and encompasses the functions of raising capital, capital investment, Group-internal liquidity management as well as settlement. The processes implemented give due regard to the fundamental principles of checks performed by a second person, segregation of functions as well as transparency. We have established the finance management department as a service provider within our business model.

Our finance management has to deal with the competing goals of securing liquidity, minimising risk, and ensuring profitability and flexibility.

In this regard, top priority is given to securing liquidity with the objective of fixing terms at matching maturities and in line with the Company's planning and project horizon. To secure the Company's liquidity, internal cash flows are available. Cash is invested on conservative terms.

As at the balance sheet date, we have cash investments available in the short term as well as available credit lines together amounting to roughly €390.1 million.

2.3.5 Investments

Aggregate investments of €75.8 million (previous year: €105.4 million) in financial year 2021 are shown in the following table:

in € million			
	Use of grants	Use of own funds	Total
Current investments	16.7	58.7	75.4
Takeovers	0.0	0.4	0.4
Total	16.7	59.1	75.8

During financial year 2021, we invested a total of €75.8 million (previous year: €105.4 million) in intangible assets, in property, plant and equipment as well as in investment property. Of this total, €16.7 million (previous year: €23.2 million) relates to capital expenditure funded under the Hospital Financing Act (KHG), with the grants being reflected as a deduction from acquisition cost.

In the consolidated financial statements we report net investments of €59.1 million (previous year: €82.2 million). Current capital expenditure accounted for €58.7 million (previous year: €81.2 million), and assets and specialist practices acquired on takeovers for €0.4 million (previous year: €1.0 million), of total net investments during the year under review.

An analysis of investments financed from company funds by site in financial year 2021 is given below:

in € million	
Giessen, Marburg	26.6
Bad Neustadt a. d. Saale	21.6
Frankfurt (Oder)	5.7
Bad Berka	5.2
Total	59.1

The agreement with the Federal State of Hesse in connection with the financing of the services to be rendered for research and teaching at the Group's university hospitals from 2017 provides for investment commitments in the amount of €100.0 million until 2021. As at the balance sheet date of 31 December 2021, these investment obligations were fully met. There are also further obligations relating to building modernisation and extension measures at the Giessen and Marburg sites due to be completed by 31 December 2024. As at the balance sheet date, we do not have any investment obligations under company acquisition agreements entered into.

2.3.6 Employees

On 31 December 2021, the Group employed 18,227 persons (31 December 2020: 18,449):

Number	
As at 31 December 2020	18,449
Change in employees at hospital companies	-233
Change in employees at medical care centre companies	17
Change in employees at service companies	-6
As at 31 December 2021	18,227

Doctors accounted for 15.3% (previous year: 15.0%) of the total headcount on the reporting date, while nursing and medical-technical staff accounted for 54.8% (previous year: 54.2%). On average over the year, we recorded a slight decline of 0.49% in full-time staff. As in the previous year, the share of women remains at around 72%.

3 | FORECAST REPORT

3.1 Strategic objectives

Together with Asklepios, our objective is to develop and promote path breaking concepts of healthcare delivery to ensure we can continue providing excellent medical care. Particularly in the context of an increasingly tighter regulatory and demographic environment in the hospital sector, we will strategically complement each other at all levels and act within the network.

To this end – in addition to the targeted economies of scale including in the areas of purchasing, hospital information systems and discharge management – we are also focusing our joint efforts on further optimising clinical procedures and processes in the best interests of our patients.

With a view to continuing to improve patient care along the lines of our campus approach to ensure cross-sector and future-viable healthcare provision in Germany, we are also looking at further developing innovative remuneration and care models.

RHÖN-KLINIKUM AG is pursuing the objective of achieving the best medical care for our patients, diagnosing and treating them with the latest, scientifically sound therapy procedures with state-of-the-art medical technology. Thanks to the interdisciplinary collaboration and strong networking with all our facilities, this equally benefits our patients and employees.

For further information, please also refer to section 1.3 “Objectives and strategies” in this Group Management Report.

3.2 Economic and legal environment

The German economy continued to struggle with the effects of the fourth wave of the COVID-19 pandemic. In its annual economic report, the German government expects gross domestic product to grow by 3.6%. Economic growth is being hampered longer than expected in particular by persistent international supply chain problems and the fourth wave of the COVID-19 pandemic. Research institutes and leading economists had lowered their forecasts unanimously already in December. Inflation, which saw a spike in 2021 due to supply problems as well as high energy prices, will remain at a high level. The forecast jobless rate, according to the German government, will decline to 5.1% in 2022 as the employment rate is expected to increase.

The tightened regulatory environment for hospitals will continue to drive market consolidation. According to the Hospital Rating Report, the service volume will no longer reach the pre-crisis level of 2019 but stagnate at the level of 2021 and rise only marginally up to 2030. According to RWI health experts, the share of hospitals threatened by insolvency will likely rise further in the coming two years. Providing care across sectors and digitalisation are important examples of how to improve the situation of hospitals and patients.

As for the entire industry as well, rising demand for specialists and the related shortage of qualified staff are issues of key importance for us. Particularly during the COVID-19 pandemic, weaknesses in staffing within the German healthcare system have become and are becoming particularly visible.

Technical innovations – innovations from the areas of digitalisation, telemedicine, artificial intelligence, robot assistance – will become increasingly important when it comes to reducing the workload of doctors and nurses. For hospitals to remain economically viable and efficient, they have to gear their strategic targets to the current and future challenges, such as social and demographic change, advances in medical care and technology as well as digitalisation. The latter is providing medicine the opportunity to diagnose and treat patients in future more individually and with greater precision.

3.3 Forecast

Also in the coming year, 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 roughly 18,230 employees. That ranks us amongst the large hospital operators in Germany.

For the coming financial year, we expect revenues of €1.4 billion within a range of plus or minus 5%. For earnings before interest, tax and depreciation/amortisation (EBITDA), we expect a level of between €92 million and €102 million.

This forecast reflects the further heightened regulatory interference by the German legislator, such as the Regulation on Nursing Staff Floors (Pflegepersonaluntergrenzen-Verordnung, PpUGV) and the Nursing Staff Strengthening Act (Pflegepersonal-Stärkungsgesetz, PpSG).

We point out that our outlook is further subject to considerable uncertainties in connection with the further course of the COVID-19 pandemic and any regulatory measures impacting our remuneration structure in 2022.

4 | OPPORTUNITIES AND RISK REPORT

A decisive element of a value-oriented and sustainable corporate governance is a company's wholehearted embracement of risk and opportunity management. The capacity to adequately weigh up opportunities and risks is a crucial factor of entrepreneurial success, and that decisively depends on the quality of the decisions made by a company's management. Within the Group of RHÖN-KLINIKUM AG, we therefore see managing risks and opportunities and controlling them effectively and on a sustainable basis as a core entrepreneurial task firmly enshrined in our management culture. The objectives of our value-oriented corporate strategy are to protect the Company's resources from risks of substantial losses and to identify new opportunities whilst safeguarding the interests of our shareholders and other capital market participants.

Our corporate activity is inseparably bound up with risks and opportunities. As a service provider in the healthcare sector, we operate in an extremely complex risk environment. The challenge for us is to ensure reasonable management of these risks – since it is only companies that recognise their material risks in time and take steps to systematically counter the same that are also able at the same time to identify the opportunities arising and to exploit them in an entrepreneurially responsible manner. This involves continuously weighing up opportunities against the risks. As a provider of healthcare services, we always regard the risk posed to the life and health of our patients and our employees as the greatest risk. We give utmost priority to measures that avoid even the smallest errors in the medical and nursing area. Further factors such as the regulatory and legislative environment, continually mounting cost, competitive and consolidation pressures within the sector, the rising expectations for the quality of inpatient healthcare delivery and the expectations of patients present opportunities but also involve risks.

4.1 Risk report

4.1.1 Risk management system

The Board of Management of RHÖN-KLINIKUM AG has implemented a Group-wide risk management system to detect imminent risks early on and to specifically counter them in a systematic process. In this regard, the risk management system covers the totality of all provisions ensuring a structured handling of risks and rewards throughout the Group. Our risk management system forms an integral part of the internal controlling system, fully meets the statutory requirements for early detection of risks posing a threat to the Company's existence, and satisfies the requirements of section 91 (2) and (3) of the AktG. The centrally managed risk management function has the task of continually further developing and optimising the system.

The basis for our risk management system is the Group risk guideline containing both the definition of the term "risk" and principles of risk management, as well as describing the requirements for the risk management process uniformly binding on the Group as a whole including the related duties and responsibilities. The actual risk management process is documented in a risk management software program. Thanks to an open risk culture, regular training sessions and feedback rounds, we ensure acceptance of risk management within the Company. The Internal Auditing department is entrusted by the Board of Management with the process-related review of matters as required in specific cases. In this connection, it also monitors the operability and correct application of the corresponding requirements in sub-divisions or companies of RHÖN-KLINIKUM AG.

Definition

By risks we understand events and potential developments within and outside RHÖN-KLINIKUM AG that might adversely impact the achievement of the Company's stated objectives, future performance of tasks as well as the quality and reputation of RHÖN-KLINIKUM AG and its subsidiaries. By analogy to the definition of risk, we understand opportunities as events and potential developments that may have a positive impact.

Risk management process

We understand risk management as an ongoing process that is divided into the phases of:

- risk identification,
- risk analysis and evaluation,
- risk control and management,
- risk communication,
- risk monitoring.

These processes are to ensure that potential risks are made manageable and opportunities are identified. All risks meeting the definitions of the Group risk guideline are to be reported. At the same time, our risk management function relates not only to financial risks but also all manner of risks within the Company. We regard the risk posed to the life and health of our patients potentially resulting in a medical intervention as the greatest risk.

With us, identifying risks and recognising opportunities are integrated into our standard business procedures, since it is only when we are aware of risks and opportunities that we can manage and control them. Risk identification encompasses the systematic and structured documentation of all relevant risks in the Company, with risk classes always being assessed in terms of their strategic and operative impacts as well as in view of the risks of reporting and potential compliance risks. Given constantly changing circumstances and requirements, risk identification is an ongoing task, and is performed on a decentralised basis in accordance with responsibilities defined in the individual Company divisions. Any relevant risks identified are categorised and recorded within the risk management system in a centrally predefined risk catalogue.

Risks identified are systematically analysed and evaluated in the context of the individual risk bearing capacity by those entrusted with such tasks. In the risk analysis, risks identified are aggregated and analysed for the purpose of early detection to determine whether individual risks of secondary importance when viewed in isolation may lead to a higher or existential risk by reason of their combined or cumulative effects over time. We classify developments with an expected risk value of 10% or more of EBITDA as existential risks when set against with the individual risk bearing capacity. The risk bearing capacity of RHÖN-KLINIKUM AG and its subsidiaries is determined from the comparison between risk cover amount and risk exposure. The expected risk value (product of damage amount and probability of occurrence) is the expected damage extent giving due regard to the probability of occurrence and refers to the target values (EBITDA) for the respective financial year.

Not all risks are to be weighted equally. To ensure efficient risk management, we perform a systematic assessment of the risks identified. Within the context of risk evaluation, the probability of occurrence and potential monetary damage amount of the risk are determined, also giving due regard to already existing and planned measures. Using a risk matrix, probability of occurrence and damage amount are classified to the four levels: low, medium, high and very high.

Probability of occurrence is assigned to the following categories depending on the amount:

- Low > 0% to < 30%
- Moderate 30% to < 60%
- High 60% to < 80%
- Very high 80% to < 100%

The potential damage amount refers to the target values for the respective financial year and is always calculated as a negative impact on EBITDA. Classification to the impact categories takes place independent of EBITDA:

- Low up to 5% of EBITDA
- Moderate up to 10% of EBITDA
- High up to 25% of EBITDA
- Very high from 25% of EBITDA

In this regard, the evaluation of a risk differs from its evaluation according to the status quo (gross evaluation) and target (net evaluation/accepted risk). Status quo is the current evaluation of the risk after deducting all effective measures as at the relevant inventory date. The target describes the risk evaluation to be achieved after implementation of all measures, stating by when this is to be achieved. The evaluation is made with reference to the future for the relevant duration observing criteria specified for ensuring a uniform evaluation.

In risk control and management, it is analysed by what measures risks can be controlled. For this, suitable measures for each identified risk are to be recorded with the expected effect of the measures. The primary objective of risk management is to minimise, and where possible, prevent risks, whilst always keeping in mind the opportunities associated with the risks. From the effects expected from the measures it is possible to determine how effective the measures are and the need for further measures. In this regard, the measures contemplated are to be weighed up in terms of cost-benefit aspects and selected in such a way that the expected probability of occurrence and/or amount of damage are brought to within the Company's own limits of risk tolerance.

Risk communication is performed at every phase of the risk management process. All risk managers are required to review their potential risk issues regularly during the year under way as well as in the risk inventories, to update risks and to follow up on measures. Acute occurrence of risks that might jeopardise a company's existence (ad hoc risks) must be reported to the chairman of the Board of Management as quickly as possible.

Within the scope of risk monitoring, implementation of measures introduced and their impact are reviewed. The results of the risk management process are made available at the defined dates. By timely and open risk communication both internally and externally, we create trust and the basis for self-criticism and an ongoing learning process.

4.1.2 Risk assessment

Throughout the Group, nine relevant risks were reported. They form part of the risk fields as described below and were each categorised by the probability of occurrence and damage amount as "low". No risks posing a threat to the Company's existence were identified. We continue to rate the overall risk position as low.

In addition to risk classification, risks having an influence on general business performance as well as the development of our net assets, financial position and results of operations are also categorised in the risk fields below:

General environment and industry risks

We are affected only indirectly by developments in the German economy since healthcare spending is influenced by contribution volumes of the insured and thus by the job market situation. We are for the most part unaffected by foreign economic factors given our exclusive focus on the German healthcare market. At the time of adoption of the Consolidated Financial Statements, economic risks cannot be excluded given the tense situation in the Ukraine conflict. In addition to having a serious impact on the global economy, the effects from this might in particular disrupt supply chains (including in the energy sector) and significantly restrict access to qualified medical staff. It is not possible to quantify such risks at this time.

Risks associated with the COVID-19 pandemic continue to create uncertainties. In this regard our focus, in addition to providing the best possible medical care for our patients, is on coping with the corresponding economic impacts.

In view of the short-term responses of the legislator with many different provisions, we are not able to make any conclusive, cumulative assessment of the impact the pandemic will have on our core business over the entire financial year.

Furthermore, the industry environment is marked by heightened influences from healthcare policy regulation. Not least, the healthcare system is currently confronted with daunting challenges due to the corona pandemic. Political reforms are indispensable. Together with our strong partners in the Asklepios Group as well as our networks,

we can bring in our experience here. For this reason we maintain a regular dialogue with local, state and federal politicians. Particularly the continued development of nursing regulations (PpUGV) and the changes brought in by the Nursing Staff Strengthening Act (PpSG) create new layers of bureaucracy, and instead of making the medical and nursing professions more attractive will continue to put a drag on earnings. To implement successfully the dynamic potential and complexity of digitalisation, policy framework conditions have to be created where patients must be the focus of interest. For us, digitalisation is one of the prerequisites for innovations and better healthcare delivery.

In addition to the epidemiological challenges, further developments continue to influence our sector. Whereas before the COVID-19 pandemic, a further increase in demand for medical and in particular also cutting-edge medical services was assumed in the context of demographic trends, the current debate is focused on the realisation that after overcoming the COVID-19 pandemic it will take a long time for demand to again reach pre-pandemic levels. At the same time it is possible that remuneration (which under the DRGs system is exclusively performance-oriented) cannot be supplemented or adequately adjusted in the short term. Parallel to that, there will continue to be an increasing shift of what were once inpatient services to the outpatient care sector. For that reason, we are gearing our efforts towards ensuring that we can achieve the continuous economic growth in service volumes needed in our core business, also in future.

A further industry-specific risk is the underfinancing of the German healthcare system with government grants and, in relation to that, a violation of the principle of dual financing inherent in the relevant legislation. The Hospital Future Act (Krankenhauszukunftsgesetz, KHZG) is a first step in the right direction. Basically, it provides for investment funding for hospital modernisation and greater funding of emergency capacities and digital structures. But the investments contemplated in this piece of legislation fall well short of what is needed to remove the investment backlog in the German healthcare system.

As far as possible, the above developments have already been taken into account in our targets. Looking to the future, we will counter them through suitable activities and measures. Further regulatory and industry risks relating to us are classified as low. The new legislation and/or lack of relief measures of the legislator may lead to further risks for the Group of RHÖN-KLINIKUM AG.

Compliance risks of our Group are particularly important when it comes to assessing sector-specific risks. These include the mandatory observance of statutory provisions (e.g. data protection regulations).

The regulatory and industry risks relate both to the strategic and the operative risks as well as the compliance risks of our Group.

Risks to service volumes

In Germany, hospitals approved under state hospital planning enjoy de facto state regulated protection in their respective catchment area. Traditional market and revenue risks exist only where site closures are ordered or a hospital's quality is assessed by referring physicians or by patients as significantly worse than that of neighbouring hospitals. In the latter case, that results in large numbers of patients switching to other hospitals. The increasing inspection activities of the Medical Review Board (of the Statutory Health Insurance Funds) (MDK), in particular for services and/or cases exhibiting a high degree of severity, are also making themselves felt.

Fluctuations in service volumes at our facilities, shifts in service volumes from the inpatient to outpatient sector, but also to nearby facilities of other companies (also as a result of refurbishment works during ongoing operations), pricing regulation as well as possible quality-related discounts may result in losses in revenues and cost increases, and consequently to a decrease in earnings. Through regular period-based and inter-operation comparisons with regard to service volumes, revenues and earnings as well as selected business ratios and other indicators, it is possible for us to identify adverse developments early. Where it is appropriate and necessary, we can take corrective action and manage a reasonably low risk potential in terms of the operative risks as well as risks of reporting.

To ensure our efficiency also in future and to further improve profitability, RHÖN-KLINIKUM AG is working together with the subsidiaries of the Group of Asklepios Kliniken GmbH & Co. KGaA on various optimisation measures. The risks to service volumes relate in particular to the operative risks of the Group subsidiaries of RHÖN-KLINIKUM AG.

Operating risks

We see some of our most pressing tasks for our Company in the following three areas of action: strengthening nursing and medical care, ensuring that hospitals concentrate on their core activities and pooling special know-how. We are tackling these areas with the involvement of all our employees, helped by our collaboration with the companies of the Asklepios facilities.

Advances in medicine and the call for a holistic approach to diagnosing and treating patients (instead of diagnosis and treatment being limited to certain aspects) are requiring increasingly strong interdisciplinary processes characterised by a division of labour. In this regard, cooperation is needed not only at the hospital but also between outpatient and inpatient care and also for digital care. Whenever these processes are disrupted, this carries risks for patients, our partners from the area of community-based practitioners and the hospital. We attach the utmost importance to minimising such risks by ensuring the quality of treatment with qualified and trained staff through guideline-oriented procedures in safe and hygienic hospital buildings. Permanent monitoring of all procedures and processes involved in the treatment of patients as well as the consistent orientation of all efforts to the needs of our patients create a high level of treatment quality and limit existing operating risks.

Particularly in the Group division of Patient Safety, Quality Management and Hygiene, further development of quality management is given top priority. This is the goal being pursued by our Quality Management and Clinical Risk Management expert panel. Thanks to the interdisciplinary collaboration in the areas of quality management and medical controlling, scientific quality indicators can be compared with routine data from the invoicing of medical services to gain important insights. To ensure the highest standard of patient safety, we furthermore train clinical risk managers who exchange know-how in an interfacility expert group. They perform, among other things, structured risk audits by which we can identify relevant risks as well as establish and implement risk reduction measures.

In addition to the typical clinical risk fields in the area of patient safety (hygiene, nursing and medical care), potential risks are also seen, as in previous years, in infrastructure (such as fire risks) and in technical equipment. According to the new General Data Protection Regulation (GDPR), companies dealing with personal health data are subject to a particularly high degree of accountability and must be able to furnish proof of the "integrity and confidentiality" of data processing. We are well prepared for this level of IT security and should be able to reasonably withstand any targeted attacks.

Overall, we rate the risk position in this area as low, particularly given the existing measures in place. For risks in the clinical area that cannot be fully averted, the Group has adequate insurance coverage which is regularly reviewed and updated.

The operating risks relate in particular to the operative risks of the Group subsidiaries of RHÖN-KLINIKUM AG.

Risks of human resources (HR)

As for the entire industry, rising demand for specialists and the related shortage of qualified staff are of course issues of key importance for us, and particularly also during the COVID-19 pandemic staffing weaknesses have become and are becoming especially visible within the German healthcare system. To achieve sustained success as a diversified healthcare group with leading expertise, we need the required number of committed and highly qualified employees and executive staff. Hospitals on average have personnel cost ratios of between 50% and 70%, making them particularly exposed to developments in wages. A shortage of specialist employees is a key issue also in the healthcare sector, it being necessary to recognise regional differences in the individual facilities. For RHÖN-KLINIKUM AG, too, finding highly qualified and motivated staff to meet the wide-ranging and complex requirements of the healthcare industry is a challenge. We meet these requirements with numerous measures at our sites tailored to local challenges. As a modern employer we offer not only modern remuneration structures, an attractive work environment, in-house kindergartens at the hospitals, provision of affordable apartments and assistance in searching for apartments, but also a wide range of career options and benefits.

Recruiting and retaining qualified staff at our Company is of key importance to us. For example, we run State-recognised schools for nursing and non-medical professions, and through our academic teaching hospitals are committed to training medical students to the highest standards. Furthermore, thanks to our cooperation with other universities, we make contact at an early stage with qualified graduates so that we can recruit the necessary young talent for our staff.

Given the further establishment and expansion of structured recruiting and qualification concepts for doctors, nursing and healthcare professionals as well as for our executive talent, however, we currently see opportunities to efficiently counteract the current shortage of personnel and currently still classify HR risks throughout the Group as relatively low.

Personnel risks relate in particular to operative risks of the Group subsidiaries of RHÖN-KLINIKUM AG.

Procurement risks

For materials procurement in the areas of medical facilities, equipment as well as supplies, we rely on external providers. These business ties can give rise to risks that are triggered, for example, by delivery and quality problems. This became visible at the beginning of the pandemic in the area of personal protective equipment (PPE).

In the area of materials management, RHÖN-KLINIKUM AG is working together closely with Asklepios Service Einkauf & Versorgung GmbH under a cooperation agreement aimed at strengthening care security

at the sites with adequate conditions. Thanks to the cooperation agreement and the measures already taken, we continue to assess the risk in this area as low overall.

Procurement risks relate in particular to operative risks of the Group subsidiaries of RHÖN-KLINIKUM AG.

Financial risks

RHÖN-KLINIKUM AG is characterised by a high and sound capital base, a sustainable internal financing strength and a strong liquidity position in the triple-digit million euro range. Our three-pronged financing strategy consists of a syndicated, undrawn line of credit, a promissory note and a long-term registered bond.

We currently rate financing and liquidity risks as low, but draw attention to the uncertainty in connection with the continued development of the COVID-19 pandemic and the associated reimbursements by the legislator.

Since we operate exclusively in Germany, we are not subject to any transaction and currency risks. No securities (except for 24,000 treasury shares) are held within the Group of RHÖN-KLINIKUM AG. For security reasons, cash investments must be spread over the three large deposit security systems (savings banks sector (Sparkassensektor), cooperative banking sector (genossenschaftlicher Sektor) and banking association (Bankenverband)). Counterparty banks may only be credit institutions subject to German deposit protection. The maximum cash investment exposure to counterparty banks is limited by the amount of the deposition protection limit. Any remaining credit rating and rate risks are closely monitored.

The finance risks relate in particular to operative but also strategic risks of the Group subsidiaries of RHÖN-KLINIKUM AG.

Overall assessment

RHÖN-KLINIKUM AG has implemented risk reduction measures. In the context of the risk evaluation for financial year 2021 on a status quo view of risks, no risks were identified that are or will be very likely to have a serious adverse impact on the Group. Neither were any risks posing a threat to the Company's existence reported. The principles of the statutorily prescribed system of early identification of risks jeopardising the Company's existence were continued in the reporting year as in the previous years.

As an overall assessment based on our analysis of the risk position within the Group and at its subsidiaries for financial year 2021, we have concluded that there are no risks that could endanger the existence of the subsidiaries or the Group of RHÖN-KLINIKUM AG, and do not see any matters having an adverse effect on corporate development. The risks at the individual companies as well as at the Group as a whole continue to be rated as low.

4.2 Report on opportunities

To take advantage of opportunities, it is sometimes necessary to deliberately accept potential risks. Taking just one example: any medical intervention will expose patients to a risk, but at the same time also holds out the prospect or opportunity of recovery and/or cure. Our management of opportunities thus covers the totality of all measures promoting the systematic and transparent handling of opportunities. The process and communication paths involved are similar to risk management.

Similar to the concept of risks, we understand opportunities as events and potential developments within and outside RHÖN-KLINIKUM AG that might favourably impact the achievement of the Company's stated objectives, future performance of tasks as well as the quality and reputation of RHÖN-KLINIKUM AG.

The strategic partnership with, and under the umbrella of, Asklepios opens up new prospects for pursuing joint objectives, with each of the two companies complementing each other strategically on several levels. As one of the leading providers of healthcare in Germany, we as RHÖN-KLINIKUM AG play a trailblazing role in the healthcare industry with our campus and digitalisation strategy. Our campus approach taking a comprehensive view of patients is a viable care model of the future. We are thus setting standards for excellent medical care – not just in rural areas.

On 14 January 2022, the Board of Management of RHÖN-KLINIKUM AG and the management body of Universitätsklinikum Gießen und Marburg GmbH (UKGM) decided to sign a Letter of Intent of the Federal State of Hesse with regard to the grant of investment funding for UKGM. In this Declaration of Intent, the Federal State of Hesse offered the prospect of investment funding for UKGM of up to €45 million per year for a period of ten years, to be increased over the term in the first five years by 1.5% p.a. and in the five years after that by 2.5% p.a. The prospective investment funding offered can cover part of the investment that will be needed to maintain the university hospital structures. Continuation of the existing separate accounting scheme is also planned. At the same time, the Declaration of Intent provides for numerous provisions on further matters, including an obligation to reinvest profits of UKGM during this period, provisions in the event of a change in control, as well as a prohibition on outsourcing and the exclusion of redundancies. All provisions stipulated in the Letter of Intent are subject to the condition of a legally

binding agreement being entered into between RHÖN-KLINIKUM AG, Asklepios Kliniken GmbH & Co. KGaA, Universitätsklinikum Gießen und Marburg GmbH, the Federal State of Hesse and the Universities of Giessen and Marburg with their faculties of medicine. The conclusion of this agreement is moreover subject to the condition precedent of the required funds being approved by the budgetary legislator of the Federal State of Hesse.

We see a tremendous need for healthcare policy reform. That is why we wholly welcome the wish of the governing parties to make preparedness and prevention a guiding principle of German healthcare policy. The basic idea of more cross-sector cooperation is also a sensible one, but should be accompanied by a radical reduction in sectoral boundaries – particularly between outpatient and inpatient care – as it is worked out in detail. We will seize the opportunities this affords and realise them in the best interests of our patients.

Steadily increasing regulation from new legislation, especially in the field of nursing financing, is putting the hospital sector before tremendous challenges which will foreseeably lead to a fundamental change in the hospital sector. However, the Group subsidiaries of RHÖN-KLINIKUM AG are well prepared for these changes thanks to their medical expertise, extensive service offerings of the individual sites and the optimisation processes initiated by the individual sites. In the best interests of our patients we are exploiting the opportunities of digitalisation.

In addition to the advance in digitalisation, the conceptual and constructional modernisation of our sites continues to be a major issue. Our extensive investments at almost all sites of the Group will result in positive impacts on medical care for patients.

Overall, we see ourselves very well positioned thanks to the partnership with Asklepios. Also in future, we will continue to be amongst the major hospital operators in Germany operating as an efficient, homogenous Group with a consistent orientation and focus on cutting-edge medicine geared towards maximum care as well as the further strengthening of treatment excellence and patient care through our focus on digitalisation and network medical care. To this end we avail ourselves of all opportunities presented to us and thus counteract the potential risks with a practised and functioning risk management.

5 | REPORTING PURSUANT TO SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH, HGB) ON INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE ACCOUNTING PROCESS

Within the Group of RHÖN-KLINIKUM AG, the accounting-related internal control system is made up of the internal control and the internal monitoring system that ensures preparation of the annual financial statements for the Group of RHÖN-KLINIKUM AG and RHÖN-KLINIKUM AG itself and its subsidiaries. As a component of the internal control system, the risk management system, with reference to accounting, is also concerned with the risk of misstatements in accounting as well as in external reporting.

The accounting-related internal control system within our Group embraces all principles, processes and measures to ensure the effectiveness, efficiency and adequacy of accounting as well as compliance with the relevant legal regulations.

The Group's accounting process is organised in such a way that for each of the subsidiaries on each reporting date – i.e. monthly, quarterly and annually – a financial statement according to the HGB is prepared in the Group's own data centres based on a uniform Group-wide accounting guideline and a uniform Group-wide accounting programme. From these financial statements, a consolidated financial statement is derived for each quarter in accordance with the International Financial Reporting Standards (IFRSs). The data for the financial statements of the subsidiaries are aggregated to form one consolidated financial statement using certified consolidation software after capital consolidation and a consolidation of expenses and earnings,

receivables and liabilities as well as the elimination of any intercompany profits. IFRS-relevant revaluations and/or reclassifications are performed at the Group level according to uniform accounting and valuation methods.

After the end of the respective reporting date, the financial statements are reported promptly to the Group accounting department and then prepared and published. The financial statements are analysed, subjected to a plausibility test and evaluated together with the controlling department and in certain cases also with the Internal auditing department.

Both for the preparation of the separate financial statements according to HGB and for the preparation of the consolidated financial statements according to the valid IFRS, comprehensive accounting requirements and guidelines whose compliance is strictly monitored are observed to ensure uniform accounting. Responsibilities for the preparation of the annual financial statements are clearly defined both for the individual companies and within the Group. The controls applied in this context, which depending on the specific case may be preventive or downstream, manual or automated, give due regard to the principles of segregation of functions.

The quarterly financial statements and notifications, the half-year financial statements and the annual financial statements are submitted for review to the Audit Committee of the Supervisory Board. The findings of the Audit Committee are documented. Moreover, the Audit Committee also regularly engages the statutory auditor to conduct an accounting-related in-depth audit. If the examinations by the Audit Committee and of the statutory auditor call for improvements in the Group accounting process, these are implemented without delay.

Bad Neustadt a. d. Saale, 4 March 2022

RHÖN-KLINIKUM Aktiengesellschaft
THE BOARD OF MANAGEMENT

Prof. Dr Bernd Griewing

Dr Christian Höftberger

Dr Stefan Stranz

Dr Gunther K. Weiß

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Consolidated balance sheet

31 DECEMBER 2021

ASSETS

in € '000	Notes	31 Dec. 2021	31 Dec. 2020
Non-current assets			
Goodwill and other intangible assets	6.1	181,574	181,627
Property, plant and equipment	6.2	852,606	865,554
Investment property	9.3.2	1,262	2,208
Investments accounted for using the equity method	6.4	436	394
Deferred tax assets	6.3	1,111	1,472
Other financial assets	6.5	17,531	11,981
		1,054,520	1,063,236
Current assets			
Inventories	6.6	33,125	35,239
Trade receivables	6.7	212,856	193,900
Other financial assets	6.8	223,934	231,232
Other assets	6.9	10,369	11,968
Current income tax assets	6.10	4,477	3,140
Cash and cash equivalents	6.11	126,316	90,955
		611,077	566,434
		1,665,597	1,629,670

EQUITY AND LIABILITIES

in € '000	Notes	31 Dec. 2021	31 Dec. 2020
Shareholders' equity			
Issued share capital	6.12	167,406	167,406
Capital reserve		574,168	574,168
Other reserves		456,821	423,831
Treasury shares		-76	-76
Equity attributable to shareholders of RHÖN-KLINIKUM AG		1,198,319	1,165,329
Non-controlling interests in equity		26,460	24,892
		1,224,779	1,190,221
Non-current liabilities			
Financial liabilities	6.13	148,564	148,460
Provisions for post-employment benefits	6.14	1,365	1,114
Other financial liabilities	6.17	17,576	16,498
		167,505	166,072
Current liabilities			
Financial liabilities	6.13	997	943
Trade payables	6.16	72,492	80,707
Current income tax liabilities	6.19	14,577	11,388
Other provisions	6.15	32,200	32,393
Other financial liabilities	6.17	12,068	14,922
Other liabilities	6.18	140,979	133,024
		273,313	273,377
		1,665,597	1,629,670

Consolidated income statement

1 JANUARY TO 31 DECEMBER 2021

in € '000	Notes	2021	2020 ¹
Revenues	5.1	1,402,010	1,360,159
Other income	5.2	198,450	196,315
		1,600,460	1,556,474
Materials and consumables used	5.3	430,395	422,435
Employee benefits expense	5.4	921,385	906,700
Depreciation/amortisation and impairment	5.5	70,641	69,628
Other expenses	5.6	147,310	146,565
Result of impairment on financial assets	5.7	210	-183
		1,569,941	1,545,145
Expense from deconsolidation of subsidiaries	4.0	-	732
Operating result		30,519	10,597
Result of investments accounted for using the equity method	5.9	87	87
Finance income	5.9	493	829
Finance expenses	5.9	-3,192	-7,391
Result of impairment on financial investments	5.9	-546	-190
Finance result (net)	5.9	-3,158	-6,665
Earnings before taxes		27,361	3,932
Income taxes	5.10	-2,866	1,469
Consolidated profit		30,227	2,463
of which			
non-controlling interests	5.11	1,932	1,012
shareholders of RHÖN-KLINIKUM AG		28,295	1,451
Earnings per share in €			
undiluted	5.12	0.42	0.02
diluted	5.12	0.42	0.02

¹ adjusted

Consolidated statement of comprehensive income

1 JANUARY TO 31 DECEMBER 2021

in € '000	Notes	2021	2020
Consolidated profit		30,227	2,463
of which			
non-controlling interests		1,932	1,012
shareholders of RHÖN-KLINIKUM AG		28,295	1,451
Changes in fair value through other comprehensive income (FVOCI)	6.5	5,551	2,489
Income taxes	6.3	-878	-394
Other comprehensive income (changes in fair value through other comprehensive income) not subsequently reclassified to income statement		4,673	2,095
Revaluation of defined benefit pension plans	6.14	27	331
Income taxes	6.3	-5	-52
Other comprehensive income (revaluation of pension plans) not subsequently reclassified to income statement		22	279
Other comprehensive income¹		4,695	2,374
of which			
non-controlling interests		-	-
shareholders of RHÖN-KLINIKUM AG		4,695	2,374
Total comprehensive income		34,922	4,837
of which			
non-controlling interests		1,932	1,012
shareholders of RHÖN-KLINIKUM AG		32,990	3,825

¹ Sum of value changes recognised directly at equity.

Statement of changes in equity

in € '000	Issued share capital	Capital reserve	Retained earnings	Treasury shares	Equity attributable to shareholders of RHÖN-KLINIKUM AG	Non-controlling interests in equity ¹	Equity
As at 31 Dec. 2019/1 Jan. 2020	167,406	574,168	420,006	-76	1,161,504	24,305	1,185,809
Equity transactions with owners							
Dividend payments	-	-	-	-	-	-751	-751
Consolidated profit	-	-	1,451	-	1,451	1,012	2,463
Other comprehensive income	-	-	2,374	-	2,374	-	2,374
Other changes							
Changes in consolidated companies	-	-	-	-	-	326	326
As at 31 Dec. 2020	167,406	574,168	423,831	-76	1,165,329	24,892	1,190,221
As at 31 Dec. 2020/1 Jan. 2021	167,406	574,168	423,831	-76	1,165,329	24,892	1,190,221
Equity transactions with owners							
Dividend payments	-	-	-	-	-	-364	-364
Consolidated profit	-	-	28,295	-	28,295	1,932	30,227
Other comprehensive income	-	-	4,695	-	4,695	-	4,695
Other changes							
Changes in consolidated companies	-	-	-	-	-	-	-
As at 31 Dec. 2021	167,406	574,168	456,821	-76	1,198,319	26,460	1,224,779

¹ Including other comprehensive income (OCI).

Statement of cash flows

in € million	Notes	2021	2020
Earnings before taxes		27.4	3.9
Finance result (net)	5.9	3.1	6.7
Depreciation/amortisation and impairment and gains/losses on disposal of assets	5.5	70.2	69.8
		100.7	80.4
Change in net current assets			
Change in inventories	6.6	2.1	-6.8
Change in trade receivables	6.7	-18.9	32.7
Change in other financial assets and other assets	6.8 et seq.	8.3	11.5
Change in trade payables	6.16	-2.4	10.6
Change in other net liabilities/other non-cash transactions	6.15/6.17 et seq.	7.0	-0.5
Change in provisions	6.14 et seq.	0.1	-1.6
Income taxes paid	5.10	4.4	-9.5
Interest paid		-3.8	-3.5
Cash generated from operating activities		97.5	113.3
Investments in property, plant and equipment and in intangible assets	6.1 et seq.	-77.8	-97.0
Government grants received to finance investments in property, plant and equipment and in intangible assets		16.7	23.2
Change in investments in fixed term deposits	6.5/6.8	-	-57.0
Investments in financial assets	6.5	0.1	0.1
Acquisition of subsidiaries, net of cash acquired	4	-0.4	-5.0
Sale of subsidiaries, net of cash sold	4	-	-1.0
Sale proceeds from disposal of assets		2.7	0.7
Interest received		0.4	0.8
Cash used in investing activities		-58.3	-135.2
Transaction costs of borrowing/of repayment of financial liabilities	6.13	-	-1.0
Repayment of financial liabilities	6.13	-	-10.0
Principal payments for leases	9.3	-3.5	-3.4
Payments to non-controlling interests in equity	6.12	-0.4	-0.7
Cash used in financing activities		-3.9	-15.1
Change in cash and cash equivalents	6.11	35.3	-37.0
Cash and cash equivalents as at 1 January		91.0	128.0
Cash and cash equivalents as at 31 December		126.3	91.0

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1 | GENERAL INFORMATION

Within the Group of RHÖN-KLINIKUM AG, essentially cross-sector (i. e. inpatient, semi-inpatient and outpatient) healthcare services are provided. With a few exceptions, the Group has a single-tier structure. With the exception of Campus Bad Neustadt, the individual hospital companies are organised in the form of legally independent corporations having their registered office at the respective facility sites and are managed as direct subsidiaries of RHÖN-KLINIKUM AG (ultimate Group parent company).

The Company is a stock corporation established under German law and has been listed on the stock market 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 RHÖN-KLINIKUM Group (smallest consolidation group) is indirectly included by way of full consolidation through AMR Holding GmbH, Königstein im Taunus, in the group financial statements of Broermann Holding GmbH, Königstein im Taunus (largest consolidation group), whose sole shareholder is Dr Bernard große Broermann. Furthermore, the RHÖN-KLINIKUM Group is included in the subgroup financial statements of Asklepios Kliniken GmbH & Co. KGaA, Hamburg.

2 | ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the basis of uniform accounting policies which have been consistently applied. The functional currency of the Group is the euro, which is also the currency used for preparing the financial statements. The figures shown in the Notes to the consolidated financial statements are generally shown in millions of euros (€ million). The nature of expense method has been used for presenting the income statement. For computational reasons, rounding differences of +/- one unit (€, %, etc.) may occur in the tables.

2.1 Principles applied to the preparation of the financial statements

The consolidated financial statements of RHÖN-KLINIKUM AG for the year ended 31 December 2021 have been prepared 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), London, as well as the related Interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), which are the subject of mandatory adoption in accordance with the European Parliament and Council Directive number 1606/2002 concerning the application of international accounting standards in the European Union in financial year 2021. No early adoption of new Standards is planned at this time.

a) New accounting rules from financial year 2021

The following revised standards and interpretations are adopted by the European Union and are to be applied as of financial year 2021. As far as can be seen at present, they have no material impact or no practical relevance for the consolidated financial statements of RHÖN-KLINIKUM AG as of financial year 2021 as well as subsequent years:

Standard/Interpretation			Mandatory adoption date	Endorsement ¹	Impact
Amendments	IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	IBOR Reform – Phase 2	1 Jan. 2021	Yes	No material impact
Amendments	IFRS 4 – postponement of IFRS 9	Insurance Contracts	1 Jan. 2021	Yes	No practical relevance
Change	IFRS 16	Leases – COVID-19-Related Rent Concessions beyond 30 June 2021	1 Apr. 2021	Yes	No practical relevance

¹ Adoption of IFRS Standards and/or Interpretations by the European Union.

The Standards and Interpretations adopted by the European Union are explained below:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16: "IBOR Reform – Phase 2"

The amendments to Phase 2 of the IASB project on the Interest Rate Benchmark Reform provide for reliefs from accounting for changes in contractual cash flows and hedging relationships having become necessary in connection with the IBOR Reform, i.e. which are necessary as a direct consequence of the IBOR Reform and for which the new and old basis for determining contractual cash flows is economically balanced.

In the case of changes in contractual cash flows it may in some cases not be required based on the adjustments to adjust or derecognise the carrying value of financial instruments. Instead, there is the option of adjusting the effective interest rate to reflect the change in the alternative interest rate if certain conditions are met. With regard to hedge accounting it is not required on the basis of the changes, where certain conditions are met, to terminate a hedging relationship designated for hedge accounting purposes based on adjustments triggered by the reform of reference interest rates.

New risks arising from the reform and, beyond that, from how the transition to alternative interest rates will be handled, are to be disclosed.

Apart from adjustments to Standards IFRS 9, IAS 39 and IFRS 7, the IASB adopted minor amendments to IFRS 4 and IFRS 16.

The amendments are to be applied to financial years commencing on or after 1 January 2021, and have no material impact on the net assets, financial position and results of operations of RHÖN-KLINIKUM AG.

Amendments to IFRS 4: "Insurance Contracts"

IFRS 17 "Insurance Contracts" in future will replace IFRS 4 "Insurance Contracts". All companies to be accounted for in accordance with the IFRSs which issue insurance contracts, including those companies outside the insurance industry issuing such insurance contracts, are affected by the Amendments to IFRS 17. The mandatory initial adoption date of IFRS 17, including the amendments, was postponed by two years to financial years beginning on or after 1 January 2023. The defined expiry of the temporary exemption from adoption of IFRS 9 in IFRS 4 was accordingly postponed to financial years beginning on or after 1 January 2023. Up to that date, insurers are exempted from the adoption of IFRS 9. IFRS 4 and IFRS 17 are of no practical relevance for RHÖN-KLINIKUM AG.

Amendment to IFRS 16: "Leases – COVID-19-Related Rent Concessions beyond 30 June 2021"

The amendment to IFRS 16 "Leases" extends the optional expedient existing for lessees for assessing whether a rent concession in connection with COVID-19 is a modification. IFRS 16 contains provisions relating to the presentation of changes in lease payments (including rent) by the lessee. As a general rule, the lessee must assess for each lease whether the rent concessions granted constitute a modification of the lease and must remeasure the lease modification resulting from any such modifications.

The amendment to Standard IFRS 16 grants a practical expedient in the event rent concessions are utilised. These are subject to certain requirements and limited in term. The expedient permits lessees to account for rent concessions granted in connection with the COVID-19 pandemic not in accordance with the rules on lease modifications but rather as though there had been no modification to the lease.

The amendment takes effect for reporting periods beginning on or after 1 April 2021. It is of no practical relevance for RHÖN-KLINIKUM AG.

b) New accounting rules from financial year 2022 and subsequent financial years

The following Standards and Interpretations amended by the IASB – to the extent adopted by the European Union – are applicable as of financial year 2022/subsequent years and are of no practical relevance for, have no material impact on, have no impact on the consolidated financial statements of RHÖN-KLINIKUM AG or are subject to a review by the Management:

Standard/Interpretation			Mandatory adoption date	Endorsement ¹	Impact
Amendments	IFRS 17	Insurance Contracts	1 Jan. 2023	Yes	No practical relevance
Amendments	IFRS 3	Business Combinations	1 Jan. 2022	Yes	No practical relevance
Amendments	IAS 16	Property, Plant and Equipment	1 Jan. 2022	Yes	No practical relevance
Amendments	IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 Jan. 2022	Yes	No practical relevance
Amendments	Annual Improvements to IFRS, 2018–2020 Cycle	Collective Standard for amendments to various IFRS	1 Jan. 2022	Yes	No practical relevance and/or no material impact
Amendments	IAS 1	Classification of Liabilities as Current or Non-current	1 Jan. 2023	No	No impact
Amendments	IAS 1	Scope of accounting policies in an IFRS appendix	1 Jan. 2023	No	Subject to a review by the Management
Amendments	IAS 8	Definition of concept of accounting-related estimate	1 Jan. 2023	No	Subject to a review by the Management
Amendments	IAS 12	Recognition prohibition for deferred tax on initial recognition of an asset or liability	1 Jan. 2023	No	Subject to a review by the Management
Amendments	IFRS 17	Insurance Contracts – initial adoption of IFRS 17 and IFRS 9 – comparison information	1 Jan. 2023	No	Subject to a review by the Management

¹ Adoption of IFRS Standards and/or Interpretations by the European Union.

The Standards and Interpretations already adopted by the European Union are explained below:

Amendments to IFRS 17: “Insurance Contracts”

The amendments to IFRS 17 “Insurance Contracts” were adopted into European law on 19 November 2021. They provide that for contracts with participation features, as are common in Germany and a number of other EU countries, entities are given the option of being exempted from applying IFRS 17.22. IFRS 17.22 provides that in the subsequent

measurement only those contracts concluded no more than one year apart may be measured together. When utilising the exemption, entities may now measure contracts in the subsequent measurement together, regardless of the time interval between conclusion of the contracts, and prior to applying the imparity principle may net profitable and loss-making contracts concluded at very different times. The amendments are to be applied to financial years beginning on or after 1 January 2023 and are of no practical relevance for RHÖN-KLINIKUM AG.

Amendments to IFRS 3: “Business Combinations”

The amendments to IFRS 3 “Business Combinations” relate to a reference within the Standard to the conceptual framework of IFRS (2018). Furthermore, the Standard was supplemented by the requirement for purchasers to apply the provisions of IAS 37 or IFRIC 21 instead of the conceptual framework when identifying obligations assumed that fall under the scope of application of IAS 37 or IFRIC 21. By way of exception, this does not apply to contingent liabilities, to which the exemption of IFRS 3.23 will continue to apply. Moreover, the Standard was supplemented by an explicit recognition prohibition for acquired contingent assets. The amendments adopted into European law on 28 June 2021 are to be applied to financial years beginning on or after 1 January 2022 and are of no practical relevance for RHÖN-KLINIKUM AG.

Amendments to IFRS 16: “Property, Plant and Equipment”

The amendments to IAS 16 “Property, Plant and Equipment” clarify that proceeds an entity has received from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended and the costs associated therewith are to be recognised in profit or loss. It is not permissible to recognise such amounts in determining acquisition cost. The amendments adopted into European law on 28 June 2021 are to be applied to financial years beginning on or after 1 January 2022 and are of no practical relevance for RHÖN-KLINIKUM AG.

Amendments to IAS 37: “Provisions, Contingent Liabilities and Contingent Assets”

By the amendments to IAS 37: “Provisions, Contingent Liabilities and Contingent Assets” it is clarified that all costs of fulfilling a contract directly attributable to the contract are to be included in the determination of whether the contract is onerous as defined in IAS 37. Costs directly attributable to the contract, in addition to the costs additionally incurring to an entity as a result of the contract (incremental cost) such as direct wage and material costs, also include other costs directly attributable to the fulfilling of the contract such as a proportionate depreciation charges of an item of property, plant and equipment used in fulfilling the contract. The amendments adopted into European law on 28 June 2021 are to be applied to financial years beginning on or after 1 January 2022 and are of no practical relevance for RHÖN-KLINIKUM AG.

Amendments: “Annual Improvements to IFRS, 2018–2020 Cycle”

On 14 May 2020, the IASB, as part of its annual improvements, published minor amendments to Standards IFRS 1, IFRS 9, IFRS 16 and IAS 41. The amendments to IFRS 1 relate to the treatment of cumulative currency differences in the initial adoption of IFRS by a subsidiary. In IFRS 9 it was clarified which fees are to be included if a “10% test” is applied in assessing whether to derecognise a financial liability. Moreover, in IFRS 16 an example was removed from the Appendix to the Standard to provide for greater clarity. In IAS 41 an adjustment was made to ensure consistency with the provisions in IFRS 13 when determining fair values. The amendments adopted into European law on 28 June 2021 are to be applied to financial years beginning on or after 1 January 2022 and are of no practical relevance for, or have no material impact on, the net assets and results of operations of RHÖN-KLINIKUM AG.

By the end of the date of preparation of the consolidated financial statements, the other Standards and Interpretations were not yet adopted by the European Union. For that reason, no detailed explanation of these Standards and Interpretations is given.

c) Estimates

Preparing consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made. Moreover, the application of Group-wide accounting policies means that management has to exercise reasonable judgment. Areas that call for a greater degree of judgment to be exercised or that are characterised by a higher degree of complexity, or areas for which assumptions and estimates are of decisive importance for the consolidated financial statements, are set out and explained. The preparation of the consolidated financial statements was based on historical cost, qualified by the financial assets and financial liabilities recognised at fair value through profit or loss as well as the equity investments measured directly in equity. Reference is moreover made to Note 3 “Critical estimates and assessments in accounting and valuation” in these Notes.

d) Publication

The consolidated financial statements adopted by the Board of Management at the date of signing the financial statement will be adopted, approved and released for publication by the Supervisory Board on 23 March 2022.

2.2 Consolidation

The annual financial statements of the companies included in the consolidated annual report have been prepared in accordance with uniform accounting and valuation principles in relation to the same date as the consolidated financial statements.

2.3 Subsidiaries

As a general rule, subsidiaries are all entities (including structured entities) which a group has the possibility of controlling pursuant to IFRS 10. When assessing whether control exists, it is examined whether the parent has power over the subsidiary, obtains positive or negative variable returns and from it can influence the amount of such returns through exercising its power.

Subsidiaries are included in the consolidated financial statements (full consolidation) from the date that the Group obtains control and are deconsolidated when the control ends. Acquired subsidiaries are accounted for using the purchase method.

The cost of the acquisition is measured as the fair value, at the transaction date, of assets rendered, equity instruments issued, and liabilities incurred or acquired. They also contain the fair values of all recognised assets and liabilities resulting from a contingent consideration agreement. Upon their first-time consolidation, assets, liabilities and contingent liabilities identifiable within the scope of a business combination are recognised separately at their fair values at the acquisition date. For each company acquisition the Group decides on a case-by-case basis whether the non-controlling interests in the acquired company are recognised at fair value or based on the proportionate share in the net assets of the acquired company. Costs relating to the acquisition are expensed as incurred.

In the event of a successive business combination, the previously acquired equity capital share of the company is redefined at its fair value applicable at the acquisition date. The resulting profit or loss is recognised in the income statement.

The value resulting from any excess in the cost of the acquisition, the amount of the non-controlling interests in the acquired company as well as the fair value of any previously held equity interests at the acquisition date over the Group's interest in the fair value of the net assets is recognised as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the consolidated income statement. Group-internal transactions and balances as well as unrealised gains and losses from transactions between Group companies are eliminated. To the extent necessary, the accounting policies of subsidiaries are adjusted to ensure application of uniform accounting principles within the Group.

2.3.1 Transactions with non-controlling interests

Transactions with non-controlling interests are treated like transactions with equity investors. Any difference arising on acquisition of a non-controlling interest between the consideration paid and the relevant share in the carrying amount of the subsidiary's net assets is recognised in equity. Positive or negative effects arising on disposal of non-controlling interests are likewise recognised in equity. This applies only to the extent the disposal does not give rise to any loss of control.

2.3.2 Associated companies and joint ventures

Associated companies are those companies over which the Group has a substantial influence. A substantial influence is refutably presumed if the share of voting rights is between 20.0% and 50.0%. Investments in associated companies and jointly controlled entities (joint ventures) are accounted for using the equity method and initially recognised at cost. The Group's interest in associated companies and jointly controlled entities includes the goodwill arising on acquisition (less accumulated impairment losses).

The Group's interest in the profits and losses of associated companies or joint ventures is recognised in the income statement as of the date of acquisition and the cumulative changes are offset against the carrying amount of the investment. Changes in equity without effect in profit or loss are not to be considered. If the Group's share in the loss of an associate or joint venture is equal to or greater than the Group's share in this company including other unsecured receivables, no further losses are recognised unless the Group has entered into an obligation for the associate or jointly controlled entity or has made payments for it.

Unrealised intercompany profits or losses from transactions between Group companies and associated companies or joint ventures are eliminated on a pro rata basis if the underlying circumstances are material.

In an impairment test, the carrying amount of a company accounted for using the equity method is compared with its recoverable amount. If the carrying amount exceeds the recoverable amount, an impairment equal to the difference must be recognised. If the reasons for a previously recognised impairment have ceased to exist, the impairment is reversed through the income statement.

The financial statements of investments accounted for using the equity method are prepared using uniform accounting principles within the Group. Associated companies whose individual or overall impact on the net assets and results of operations is not material are not accounted for using the equity method. They are included in the consolidated financial statements at fair value. Immaterial equity interests are measured at fair value through profit or loss.

2.3.3 Sale of subsidiaries and associated companies

If the Group loses either control or material influence over a company, the remaining interest is remeasured at fair value and the resulting difference recognised as profit or loss. Fair value is the fair value calculated upon the initial recognition of an associate, joint venture or financial asset. Moreover, all amounts stated in other income are recognised with reference to such company in the same way as would be required if the related assets and liabilities had been sold by the parent company directly. That means that a profit or loss previously recognised under other income is transferred to the income statement. If it cannot be transferred to the income statement, it remains in equity (e.g. actuarial profits or losses from pensions).

2.3.4 Segment reporting

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).

An operating segment is a company component

- which carries out business activities from which revenue is earned and for which expenses may be incurred. For us these include all revenues relating to services provided directly and indirectly for patients, as well as all expenses necessary for providing services,
- whose operating result is regularly reviewed by the company's chief decision maker to make decisions about resources to be allocated to this segment and assess its earnings strength, and
- for which separate financial information is available.

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.

Monthly reporting to the Board of Management includes the hospitals. Group management costs are fully distributed to the operative segments. The monthly target-to-actual and actual-to-actual comparison in the report to the Board of Management, by aggregating the operative segments into one reporting segment, serves to control the targets published in the Company forecast, in particular the EBITDA margin.

Given our understanding of an integrated healthcare services offering, we do not make any distinction in control by whether the services as defined in German social insurance legislation are attributed to the inpatient or the outpatient sector, or to the rehab or nursing sector. All expenses and income which are directly or indirectly related to patients are included under the operating segments.

The operating segments are aggregated to one reporting segment since they exhibit similar economic characteristics. As a result of the same structural framework conditions, the operating segments in the Group with the healthcare services provided are characterised by a similar risk and rewards profile whose economic environment is largely regulated by legislation. The politically desired state interference is felt both on the income side and with expenses. It is thus possible for the operating segments to achieve similar EBITDA margins. We thus continue to have only one operating segment subject to reporting.

We generate all revenues for all our areas of activity in Germany. We generate most of our revenues in the inpatient, outpatient, rehab and nursing area with the statutory health insurance funds, the state pension insurance agency, the statutory occupational insurance agencies and the other public healthcare institutions. Only a small share of revenues is generated with private health insurance funds or self-payers. Regarding the breakdown of revenues by business areas and federal states, we refer to section 5 of the Notes.

2.4 Goodwill and other intangible assets

2.4.1 Goodwill

Goodwill is the excess of the cost of the company acquisition over the Group's interest in the fair value of the net assets of the acquired company at the acquisition date. Goodwill arising on acquisitions is allocated to intangible assets. Goodwill is subjected to at least an annual impairment test and measured at its historical cost less any impairment losses. A review is also performed when there are events or circumstances indicating that the value might be impaired. Impairment losses are not reversed. Profits and losses arising on the sale of a company include the carrying amount of the goodwill allocated to the company sold.

For the purpose of the impairment test, goodwill is allocated to cash generating units. At RHÖN-KLINIKUM AG these correspond as a rule to the individual hospitals (each hospital site with its inpatient, semi-inpatient and outpatient care structures including any existing rehabilitation facilities) unless the related goodwill of cooperating units is monitored at a higher level.

If the recoverable amount is below the carrying amount, an impairment is recognised. Here, the recoverable amount is the higher of the two fair value amounts less costs to sell the asset and its value in use.

2.4.2 Computer software

Purchased computer software licences are recognised at cost plus the cost of bringing them to their working condition. These costs are amortised over the estimated useful life (three to seven years, straight-line method), and are shown under "depreciation/amortisation and impairment" in the income statement. Costs relating to the development of websites or maintenance of computer software are expensed as incurred if the conditions for capitalisation are not satisfied pursuant to IAS 38.

2.4.3 Other intangible assets

Other intangible assets are stated at historic cost and – to the extent depletable – amortised over their respective useful lives (three to five years) using the straight-line method, and are shown under "depreciation/amortisation and impairment" in the income statement.

2.4.4 Research and development expenses

Research costs are recognised as current expenditure in accordance with IAS 38. Development costs are capitalised if all the criteria of IAS 38 are satisfied. There are no development costs that meet the criteria for capitalisation.

2.5 Property, plant and equipment

Land and buildings are reported under "Property, plant and equipment" and mainly comprise hospital buildings. In the same way as the other items of property, plant and equipment, they are measured at cost less any depreciation. Cost includes the expenditure directly attributable to the acquisition or construction of an asset as well as any overheads attributable to construction. Subsequent costs are recognised as part of the cost of the asset or – where applicable – as a separate asset only if it is probable that future economic benefits associated with the asset will accrue to the Group and if the cost of the asset can be measured reliably. All other repair and maintenance work is recognised as expenditure in the income statement in the financial year in which it is incurred.

Property, plant and equipment are tested for impairment if events or changed circumstances suggest that an impairment may have occurred. In such a case, the impairment test is performed pursuant to IAS 36 according to the principles explained for intangible assets. Where an impairment is to be made, the remaining useful life of the asset may be adjusted accordingly. If the reasons for a previously recognised impairment have ceased to exist, such impairment losses

are reversed, in which case such reversal may not exceed the carrying amount that would have resulted if no impairment had been recognised in the previous periods.

Land is not depreciated. All other assets are depreciated using the straight-line method, with costs being depreciated over the expected useful lives of the assets so as to write down the value of the assets to their residual carrying amount as follows:

Buildings	33 ¹ / ₃ years
Machinery and equipment	5 to 15 years
Other plant and equipment	3 to 12 years

The net book values and useful economic lives are reviewed at each balance sheet date and adjusted where applicable. Gains and losses on the disposal of assets are measured as the difference between the disposal proceeds and the carrying amount and recognised through profit or loss.

2.6 Government grants

Government grants are recognised at fair value if it can be assumed with reasonable assurance that the grant will be received and that the Group has satisfied the necessary conditions for this. Government grants for investments are deducted from cost to arrive at the carrying amount for the assets to which they relate. They are distributed as a reduction in expenses over the expected useful life of the related assets using the straight-line method. Such grants are granted to hospitals within the framework of investment finance legislation. Grants not yet used for their intended purpose are stated under "Other liabilities" at the balance sheet date.

Government grants are recognised on a systematic basis either in profit or loss, and during periods in which the Company applies corresponding expenditures which the government grants are intended to cover as expenses.

2.7 Impairment of property, plant and equipment and intangible assets (excl. goodwill)

The Group assesses on every balance sheet date whether there are any indications that an asset might be impaired. If such indications exist or if an annual impairment test has to be performed in relation to an asset, the Group estimates the recoverable amount. If it is not possible for independent inflows to be allocated to the individual asset, the Group estimates the recoverable amount for the cash generating unit to which the asset belongs. The recoverable amount is the higher of the fair value of the asset less costs to sell it and its value in use. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In order to calculate the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate before taxes which reflects the current market expectation with regard to the interest effect and the specific risks of the asset. Impairments are shown in the income statement under the item Depreciation/amortisation.

On every balance sheet date, a test is performed to establish whether there are any indications that an impairment recognised in previous reporting periods no longer exists or might have diminished. If such an indication exists, the recoverable amount is estimated. An impairment previously recognised has to be reversed if there has been a change in the estimates used for determining the recoverable amount since the last impairment was recognised. If this is the case, the carrying amount of the asset has to be increased to the recoverable amount of the asset. However, this must not exceed the carrying amount which would have resulted after the recognition of depreciation/amortisation if no impairment had been recognised in previous years. Any such reversal of a prior impairment has to be recognised immediately in the profit or loss for the period. After a prior impairment has been reversed, the amount of depreciation/amortisation in future reporting periods has to be adjusted in order to systematically distribute the revised carrying amount of the asset, less any residual value, over the remaining useful life of the asset.

2.8 Financial assets

Financial assets in principle comprise receivables, other financial assets, equity instruments, derivative financial instruments with positive fair values and cash.

These financial assets are principally divided into the following categories as defined in IFRS 9:

- Measured at fair value through profit or loss
- Measured at fair value directly in equity (fair value through other comprehensive income, without recycling)
- Measured at amortised cost
- Measured at fair value directly in equity (fair value through other comprehensive income, with recycling)

All purchases and sales of financial assets are recognised at the settlement date, i.e. the date when the purchase or the sale is transacted. Derivative financial instruments are recognised on the trading date. Initial recognition of financial assets not measured as at fair value through profit or loss takes place at fair value plus transaction costs.

Assets measured at fair value directly in equity (fair value through other comprehensive income, without recycling) are measured after initial recognition at their fair values. Financial assets in the category of 'amortised cost' are carried at amortised cost using the effective interest method. Financial assets are derecognised if the rights to payments from the investment expire or have been transferred and the Group has substantially transferred all the risks and rewards of ownership of the financial asset.

Investments in equity instruments (equity interests) are carried in accordance with IFRS 9 at RHÖN-KLINIKUM AG as fair value through other comprehensive income (without recycling). These are strategic investments and the Group considers this classification to be more meaningful. Related gains and losses from the sale are not reclassified in the income statement.

If no active market exists for financial assets or if these assets are not listed, the fair values are calculated using suitable measurement methods. These may include references to recent transactions between independent business partners, the use of current market prices of other assets that are substantially similar to the asset under consideration, discounted cash flow methods, as well as option price models which make use as far as possible of market data and as little as possible of individual company data.

On each balance sheet date it is reviewed whether any losses incurred or already expected losses are to be recognised. Unless the simplified impairment approach is applied to trade receivables, an additional differentiation is made as to whether or not the default risk of financial assets has materially deteriorated since their acquisition. If the default risk has deteriorated significantly (e.g. if the financial asset can no longer be allocated to the investment grade rating category), all expected losses as of that point in time are recognised over the entire term. Otherwise, only those losses expected over the term of the instrument are taken into account which result from future potential loss events within the next twelve months.

Within the Group of RHÖN-KLINIKUM AG, the general impairment model is essentially applied to fixed deposit investments. In this regard, the expected credit loss is calculated taking into account external ratings, rates of insolvency as well as future-oriented information on credit default swaps (CDS).

2.8.1 Assets measured at fair value through profit or loss

According to IFRS 9, financial assets are subject to mandatory measurement at fair value through profit or loss if they are held neither as part of a business model whose purpose consists in holding assets to collect contractual cash flows, nor as part of a business model whose purpose is fulfilled if contractual cash flows are collected and financial assets are sold. Moreover, financial assets are to be measured at fair value through profit or loss if they do not fulfil the cash flow conditions as defined in IFRS 9. At RHÖN-KLINIKUM AG, no assets in the form of debt capital instruments that could be allocated to this category exist.

2.8.2 Assets measured at fair value directly in equity (fair value through other comprehensive income, without recycling)

Investments in equity instruments do not fulfil the cash flow conditions as defined in IFRS 9; they are principally to be measured at fair value. For equity instruments not held for trading, an entity has the irrevocable right on initial recognition to avail itself of the fair-value OCI option. Within the Group of RHÖN-KLINIKUM AG, equity investments in the amount of €17.5 million (previous year: €12.0 million) are measured at fair value (fair value through other comprehensive income, without recycling).

2.8.3 Assets measured at amortised cost

Financial assets held as part of a business model whose purpose consists in holding assets to collect the contractual cash flows are measured at amortised cost provided that the assets also fulfil the cash flow conditions as defined in IFRS 9.

When assessing whether cash flows are realised through collection of the contractually agreed payments from the financial asset, the frequency and scope of the sales in earlier periods are to be considered, furthermore whether the assets sold were about to mature, as well as the reasons for such sales and the expectations with respect to the future sales activities.

Within the Group of RHÖN-KLINIKUM AG, trade receivables, other financial assets as well as cash and cash equivalents are allocated to this category.

2.8.4 Assets measured at fair value directly in equity (fair value through other comprehensive income, with recycling)

This category covers financial assets which fulfil the cash flow conditions as defined in IFRS 9 and whose purpose consists in collecting contractual cash flows and selling financial assets. Currently, no such financial assets exist at RHÖN-KLINIKUM AG.

2.9 Investment property

Investment properties comprise land and buildings which are held for the purpose of generating rental income or for achieving capital gains, and which are not used for the company's own provision of services, for administrative purposes or for revenues within the scope of ordinary operations. Investment properties are measured at cost less cumulative depreciation.

Since RHÖN-KLINIKUM AG or its subsidiaries retain beneficial ownership in leased properties as lessor (operating lease), these properties are identified as such and reported separately in the balance sheet. Leased assets are recognised at cost and depreciated in accordance with the accounting principles for property, plant and equipment. Lease income is recognised on a straight-line basis over the term of the lease.

2.10 Inventories

Inventories within the Group of RHÖN-KLINIKUM AG are materials and supplies. These are measured at the lower of cost (including transaction costs) and net realisable value. Cost of inventories is determined by the weighted-average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to sell.

2.11 Trade receivables

Trade receivables are initially recognised at the transaction price plus any transaction costs and subsequently measured at amortised cost less impairments. The Group generates over 90% of its revenue from the statutory health insurance funds. The material part of accounts receivable likewise is likewise due from statutory health insurance funds. For calculating expected credit losses, we have used the country default risk for the Federal Republic of Germany as a basis for this category of receivables. In the case of the other receivables, the Group uses aged debtor lists and past experience as the basis for collectively estimating the percentage of expected credit losses as at the balance sheet date in relation to the period of time overdue. Macroeconomic risks are included with a time lag in the assessment through the country default risk of the Federal Republic of Germany or through the individual receivables defaults. Receivables are derecognised within the Group of RHÖN-KLINIKUM AG after expiry of the legally prescribed limitation periods or after conclusion of unsuccessful insolvency proceedings. In addition, the Group recognises specific valuation allowances if, as a result of particular circumstances, it is not likely that trade receivables will be recovered.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term, highly liquid financial assets with original maturities of up to three months. Utilised bank overdrafts are shown on the balance sheet as liabilities to banks under the item "Current financial liabilities".

2.13 Equity

Ordinary shares are classified as equity. Costs that are directly attributable to the issuance of new shares are recognised in equity (net of tax) as a deduction from the issuance proceeds.

If a company belonging to the Group acquires treasury shares of RHÖN-KLINIKUM AG, the value of the consideration paid including directly attributable additional costs (net of tax) is deducted from the equity capital attributable to shareholders of the company until the shares are either redeemed, reissued or resold. If such shares are subsequently reissued or resold, the consideration received, net of directly attributable additional transaction costs and related income tax, is recognised in the equity attributable to the shareholders of RHÖN-KLINIKUM AG.

2.14 Financial liabilities

Financial liabilities in principle comprise financial debt (including the negative fair values of derivative financial instruments), trade payables as well as other financial liabilities. Loan liabilities are classified as current liabilities unless the Group has the unconditional right to postpone settlement of the liability to at least twelve months from the balance sheet date.

Financial liabilities as well as financial debt are initially recognised at fair value (less transaction costs). In subsequent periods they are measured at amortised cost; any difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is recognised over the term of the loan in the income statement in the finance result using the effective interest method.

Derivative financial instruments are measured at fair value. For current financial liabilities this means that they are recognised at their repayment or settlement amount.

2.15 Current and deferred taxes

The tax expense of the period is made up of current and deferred taxes. Taxes are recognised in the income statement unless they relate to items which were directly recognised in equity or in other income. In this case, taxes are likewise recognised in equity or other income.

Deferred tax is recognised using the liability method for all temporary differences between the tax basis of assets and liabilities and the respective IFRS consolidated carrying amounts. If, however, in a transaction which is not a business combination, deferred tax arises from the initial recognition of an asset or liability which at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax is recognised. Deferred taxes are measured subject to the tax rates (and tax laws) that apply or have been substantively enacted on the balance sheet date and that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred taxes have been calculated using a corporate income tax rate of 15.0% (plus the 5.5% solidarity surcharge on corporate income tax).

Deferred tax assets are recognised to the extent it is probable that they will result in a tax benefit when offset against taxable profits.

Deferred tax liabilities in connection with temporary differences arising from equity interests in subsidiaries are always recognised unless the point in time of the reversal of the temporary differences can be controlled by the Group and a reversal of the temporary differences is not probable in the foreseeable future.

2.16 Employee benefits

2.16.1 Pension obligations and other long-term benefits due to employees

Various pension plans exist within the Group. These plans are financed by payments to insurance companies or pension funds or by recognising provisions (direct commitments) whose amount is based on actuarial calculations. The Group has both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (insurance company or pension fund). The possibility of claims being asserted against the Group for payment of additional contributions exists only within the scope of subsidiary liability. Since RHÖN-KLINIKUM AG regards the risk of default of an insurance company or pension fund as extremely low, such commitments are accounted for as defined contribution plans.

For defined contribution plans the Group pays contributions to state or private pension insurance plans based on statutory or contractual obligations. The Group has no further payment obligations other than the payment of the contributions. The contributions are recognised in personnel expenses when due.

A defined benefit plan is a pension plan that does not fall under the definition of a defined contribution plan. It typically stipulates the amount of pension benefits that an employee will receive on retirement which is usually dependent on one or several factors such as age, length of service and salary.

The provision stated in the balance sheet for defined benefit plans is equal to the present value of the defined benefit obligation (DBO) at the balance sheet date. The DBO is calculated annually by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting the expected future cash outflows with the interest rate of high-quality corporate bonds issued in the currency in which the benefits are paid and whose terms are consistent with those of the pension obligation.

Actuarial gains and losses resulting from changes in actuarial assumptions and/or from discrepancies between earlier actuarial assumptions and the actual development are recognised directly at equity in the period in which they occur giving due regard to deferred tax. In this way the balance sheet – after deduction of any existing plan assets – shows the full scope of the obligations avoiding fluctuations in expenses that may arise in particular in the case of changes in the calculation parameters. The actuarial gains and losses recognised in the respective reporting period are shown separately as “revaluations of defined benefit pension plans” in the statement of comprehensive income.

Pursuant to IAS 19, past service cost, i.e. all changes in benefits diminishing the defined benefit obligation, are fully recognised in the income statement at the time of the plan modification.

Multi-employer plans

On the basis of collective agreements, the Group pays contributions to the Federal and State Pension Scheme (VBL) and other public service pension schemes (Bayerische Versorgungskammer-Zusatzversorgung, BVK) for a certain number of employees. The supplementary pension schemes are public-law corporations or institutions. The contributions are paid on a pay-as-you-go (PAYGO) basis. This financing structure carries the risk of rising contributions through the levy of reform imposts that may be charged unilaterally or disproportionately to employers.

The present plans are multi-employer plans (IAS 19.8) since the participating companies share both the risk of the capital investment and the actuarial risk. In principle, the VBL/BVK benefit plan is to be classified as a defined benefit plan (IAS 19.38), but the information needed for an objectively correct representation of the Group's share of the future payment is not available due to the existing PAYGO financing regime. Because of such PAYGO financing approach in which the levy rate is calculated for a certain coverage layer on the basis of the aggregate insurance portfolio and not on the basis of the individual risk of insureds, the benefit plan pursuant to IAS 19.34 is to be recognised as a defined contribution plan. Since no agreements within the meaning of IAS 19.37 exist, there is no recognition of a corresponding asset or liability. Any superordinated guarantee obligations of public-law entities take precedence over the recognition of any liability item in the balance sheet.

The current contributions to the VBL/BVK are reflected in the employee benefits item as pension expenses or post-employment benefits for the respective years.

In addition to the levy, the VBL also levies reform imposts from the participating employers with compulsory insureds in the separately organised and managed settlement class Abrechnungsverband West. In financial year 2021, the reform impost amounted to 0.15% (previous year: 0.17%) of the insured remunerations.

In the settlement class Abrechnungsverband West, the VBL finances its benefits through a PAYGO approach taking the form of a modified defined period-based funded approach (Abschnittsdeckungsverfahren). The current defined period covers 2016 to 2022. The levy rate is assessed in such a way that the contribution to be paid for the duration of the defined period together with the other income expected and the available assets suffices to settle the expenditures during the defined period and the period of six months thereafter. Since 1 January 2002, the levy rate has been 7.86% of the remuneration subject to supplementary pension payments, of which employers pay a share of 6.45% and employees a share of 1.41%. Since 1 July 2017, an additional employee contribution of 0.40% has applied. The contribution rate in the BVK, depending on the year of the employee's entry, is between 4.80% and 7.75%.

Given insufficient information, it is not possible to make any statement on the level of participation in the pension schemes based on the contributions paid by the Group of RHÖN-KLINIKUM AG compared with the aggregate payments to the VBL and other public service pension schemes (BVK).

In the event of a VBL participation being terminated, the legal consequences arising therefrom are defined in section 23 of the VBL Rules. Termination of a VBL participation also triggers the end of the mandatory insurance schemes. Since the VBL also continues to settle the pension claims and entitlements arising up to the end of the participation, the withdrawing party, as compensation, is required to pay an equivalent value which does not include those components financed under the funded scheme. This equivalent value comprises the full funding of existing entitlements and coverage of administrative expenses as well as future benefit claims. The supplementary pension insurance scheme ZKV also stipulates a similar provision. Since in the case of withdrawal from PAYGO financing the risks of the other participants of the system also have to be compensated pro rata, a plausible actuarial calculation can be made only by the pension fund itself.

Membership in VBL/BVK exists only due to the acquisition of hospitals from public ownership. Universitätsklinikum Gießen und Marburg GmbH is a member of the VBL, and RHÖN-Kreisklinik Bad Neustadt GmbH is a member of the BVK.

2.16.2 Termination benefits

Termination benefits are provided if an employee is made redundant before the normal retirement date or accepts voluntary redundancy in return for severance compensation. The Group recognises severance compensation payments if it is committed to terminating the employment of current employees subject to a detailed formal plan which cannot be rescinded or is committed to paying severance compensation if employees accept voluntary redundancy. Termination benefits which fall due more than twelve months after the balance sheet date are discounted to their present value.

2.16.3 Management profit sharing and employee profit sharing

Management profit sharing and employee profit sharing are recognised as liabilities using a measurement method based on the consolidated result or the results of consolidated subsidiaries. The Group recognises a liability in the cases in which a contractual obligation exists or an obligation arises from a past practice.

2.16.4 Share-based payments

Share-based payments are as a general rule recognised in accordance with IFRS 2. Incumbent and former members of the Board of Management of RHÖN-KLINIKUM AG held an equity interest of 0.0% (previous year: 3.0%), and other employees an interest of 0.0% (previous year: 3.0%), in the registered share capital of the company RHÖN-Innovations GmbH founded in March 2016. In financial year 2020, the total payments made on founding of the company for the interests in the amount of €0.3 million – of which €0.1 million is attributable to the members of the Board of Management – are reported under the other liabilities item as share-based remunerations as defined in IFRS 2 (cash-settled share-based payment transactions). In this context, the members of the Board of Management are granted a put option to tender the interests to RHÖN-KLINIKUM AG in each case after five years, for the first time as at 31 December 2020. Moreover, the option of returning the interests on termination of the service relationship existed. The interests were measured at fair value, but at least at their nominal value. The interests were not freely disposable. Current and former members of the Board of Management tendered their interests with effect from 31 December 2020. Payment of the purchase prices of €0.4 million was made in 2021. The result for the period of the reporting year includes €0.0 million (previous year: €0.1 million) in this connection.

2.17 Provisions

Provisions for restructuring and legal obligations are recognised when the company has an obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in the future and the value of the outflow of resources can be reliably determined. Restructuring provisions essentially include the costs of early termination of employment contracts with employees.

Where there are a number of similar obligations, the probability of an outflow of resources being required for settlement is assessed based on an aggregate view of such similar obligations. A provision is also recognised if the probability of outflow for any one of such obligations is deemed to be small.

Provisions are measured as the present value of the payments expected to be required to settle the obligation. For this purpose, discounting is effected at a risk-free interest rate. Risk premiums are taken into account in the measurements of the future cash outflows. Increases in the value of provisions based on interest effects reflecting the passage of time are recognised as interest expense in the income statement.

2.18 Revenue recognition

Revenue is recognised at the fair value of the consideration received for the provision of services and for the sale of products. Revenue from intra-group goods and services is eliminated by way of consolidation. Revenue is recognised as follows.

2.18.1 Inpatient and outpatient hospital services

Hospital services are recognised in the financial year in which the services are performed by reference to the stage of completion as a proportion of the total services to be performed. Charges agreed with the payers are essentially invoiced at fixed rates irrespective of the duration of stay. In certain segments daily hospital and nursing rates are invoiced. In the outpatient area, the individual services and medical aids are invoiced based on the schedules of benefits applicable to the respective area.

Hospital services are limited in terms of their volume as part of an agreed budget. As a result, service volumes exceeding the budget and service volumes falling short of the budget are to be mutually offset under statutory provisions. Budget-restricting provisions are also being applied in the outpatient area. Further notes are provided under point 3.2 Revenue recognition.

2.18.2 Interest income

Interest income is recognised on a pro rata basis using the effective interest method.

2.18.3 Income from distribution and dividends

Dividend income is recognised when the right to receive payment is established.

2.19 Leases

Standard IFRS 16 defines a lease as a contract which conveys the right to use an asset for a period of time in exchange for consideration.

As a rule, every lease is to be recognised with the lessee on the balance sheet in the form of a right of use and a lease liability. The lease liability is measured in accordance with the lease payments outstanding discounted with the incremental borrowing rate if it is not possible to calculate the interest rate implicit in the lease. The present value calculation is therefore as a rule based on the incremental borrowing rates. The right of use as a general rule is measured at the amount of the lease liability plus any initial direct cost. During the lease term, the right of use is to be depreciated and the lease liability updated using the effective interest method and taking into account the lease payments.

For leases with a term of twelve months maximum as of 1 January 2019 as well as leases relating to low-value assets, no right of use and no lease liability will be applied in the balance sheet and the lease payments will continue to be recognised as an expense as thus with a negative effect on EBITDA in the income statement.

2.20 Costs of borrowing

If borrowing takes place, the costs of borrowing are deducted from the corresponding items and are distributed using the effective-interest method. Moreover, the interest is then recognised as current expense. Costs of borrowing incurred in connection with the acquisition/construction of qualifying assets are capitalised during the entire production process until commissioning. Other costs of borrowing are recognised as an expense.

2.21 Dividend payments

Shareholders' claims to dividend payments are recognised as a liability in the period in which the corresponding resolution is adopted.

2.22 Financial risk management

2.22.1 Financial risk factors

The assets, liabilities and planned transactions of RHÖN-KLINIKUM AG are exposed in particular to the following risks:

- Credit risk
- Liquidity risk
- Interest rate risk

The aim of financial risk management is to limit the above risks through ongoing operating activities as well as the use of derivative and non-derivative (e.g. fixed-interest loans) financial instruments. As a general rule, derivative financial instruments may be entered into for hedging purposes, i.e. they are not used for trading or speculative purposes.

As a rule, financial instruments for limiting the counterparty risk are entered into only with leading financial institutions with at least an investment grade rating.

Financial risk management is conducted by the division Accounting, Tax, Controlling, Finance and Investor Relations under the supervision of the CFO in line with the guidelines adopted by the Board of Management and the Supervisory Board. Risks are identified and measured by the Board of Management working together with the operative units of the Group. The CFO defines both the principles for interdivisional risk management and the guidelines for certain areas such as the management of interest rate and credit risks, the use of derivative and non-derivative financial instruments as well as the investment of liquidity surpluses.

2.22.2 Credit risk

The Group provides over 90% of its services for members of the statutory social insurance scheme, and the remainder to persons who pay medical invoices themselves and who have taken out private health insurance. There are no significant concentrations with respect to individual payers. The cost of hospital services is normally settled by payers within the legally prescribed period. With regard to the default risks in financial year 2021, please refer to our comments in the sections "Trade receivables" and "Other financial assets". The maximum risk of default is equal to the aggregate amount of the financial assets (less impairments) recognised on the balance sheet. Counterparty risks from entering into financial transactions are minimised by adherence to rules and limits.

2.22.3 Liquidity risk

Careful liquidity management includes holding a sufficient reserve of cash, having the possibility of obtaining finance for an adequate amount under agreed credit lines, and being able to raise liquidity from market issuances. Given the dynamic nature of the market environment in which the Group operates, the objective of RHÖN-KLINIKUM AG is to maintain the necessary flexibility in finance matters by having sufficient credit lines available and access to the capital markets at all times. A minimum strategic liquidity of cash and free, immediately available credit lines is held in order to ensure the Group's ability to act at all times. To monitor liquidity risk, a liquidity report is prepared daily and a treasury report monthly. Short- to medium-term liquidity planning calculations are also carried out.

2.22.4 Interest rate risk

Interest rate risk results from uncertainty about future developments in the level of interest rates and affects all interest-bearing items as well as interest derivatives. RHÖN-KLINIKUM AG is therefore always exposed to interest rate risks.

As at the balance sheet date, 43.1% (previous year: 35.3%) of cash at banks was invested at a variable interest rate subject to 30 days' termination notice or callable daily, and 56.9% (previous year: 64.7%) at a fixed or variable interest rate with a maximum residual term of up to 11 months (previous year: 11 months).

In July 2019, RHÖN-KLINIKUM AG placed a registered bond in the amount of €60.0 million with a term of 20 years. In October 2018, a promissory note in the amount of €100.0 million was issued, which was redeemed in financial year 2020 in the amount of €10.0 million. The tranches exclusively bearing fixed interest with bullet maturities have terms of five, seven and ten years. The registered bond and the promissory note are subject to a change-of-control clause. The funds collected from both transactions are being used for general

corporate finance. In 2017, a syndicated line of credit in the amount of €100.0 million was entered into which was lowered to €88.0 million in financial year 2020. As at the balance sheet date, this line had not been utilised.

As already in the previous year, no monitoring of interest rate risks was performed in financial year 2021 by means of sensitivity analyses given the reduced risk.

2.22.5 Management of equity and debt

The aim of the Management with regard to the handling of equity and debt is to adopt a strict policy of matching maturities (horizontal balance sheet structure) of the source and use of funds. Non-current assets should be funded on a long-term basis. The items of equity and non-current liabilities shown in the balance sheet are included under the source of long-term funds. This ratio should be at least 100%, and amounted to 132.0% in the year under review (previous year: 127.6%). Long-term appropriation of funds relates to financial assets and property, plant and equipment. Although given the personnel cost ratio of more than 50% the Group of RHÖN-KLINIKUM AG is frequently attributed to the services sector, our business model has a long-term focus and is for the most part investment-driven. As at 31 December 2021, 73.5% (previous year: 73.0%) of investments at the Group level was backed by equity.

Group growth is also managed by way of appropriate equity measures through resolutions on the appropriation of profits for the consolidated companies.

If debt capital is used, the Management focuses on the following management ratios for minimising risks. The aim is to limit the ratio between net financial debt (= financial liabilities less cash and cash equivalents) and EBITDA to a maximum 3.5-fold multiple.

3 | CRITICAL ESTIMATES AND ASSESSMENTS IN ACCOUNTING AND VALUATION

All estimates and assessments are subject to ongoing review and are based on past experience and other factors, including expectations with respect to future events which appear reasonable under the given circumstances.

The Group makes assessments and assumptions about the future. The estimates derived from these of course only rarely reflect actual future circumstances. These uncertainties in particular concern the following:

- the planning parameters taken as a basis of the impairment test for goodwill,
- assumptions made in determining pension obligations,
- assumptions and probabilities for determining provision requirements, and
- assumptions relating to the credit risk of trade receivables.

The estimates and assumptions that entail a significant risk of a substantial adjustment in carrying amounts of assets and liabilities during the next financial year are discussed in the following.

3.1 Estimated impairment of goodwill

To determine goodwill at fair value less costs to sell, the operating cash flows of the individual hospitals, with their inpatient, semi-inpatient and outpatient care structures, were discounted at the weighted average cost of capital (WACC) after tax of 5.20% (previous year: 4.21%). The carrying amounts do not exceed fair value less cost of sale. Based on this calculation, no impairment requirement was ascertained. Key assumptions having a substantial influence on fair value less costs to sell are WACC and the average EBIT margin. See our Note under 6.1 for average growth in revenues. For the cash generating units, the recoverable amount is equal to the carrying amount as of an assumed cost of capital rate of 6.5% (previous year: 5.3%).

3.2 Revenue recognition

The Group generates revenues essentially from the provision of medical services. The hospitals of RHÖN-KLINIKUM AG, like all other hospitals in Germany, are subject to the statutory regulations on fees.

Revenue recognition is essentially based on a comparison of performance and consideration under a contract: a service performed gives rise to an asset, the consideration received to an obligation.

Treatment contracts between hospitals and patients or their health insurance funds correspond to contracts for services pursuant to section 630a ff. BGB. Irrespective of who performs the payment in future, it is normally the case that the patient will likely be regarded as the customer. The scope of the performance obligations in the context of hospital treatment is essentially governed by statutory provisions.

The prices charged to the payers are stipulated by numerous laws and regulations. The patient receives and consumes the benefit simultaneous with performance of the service. Control is thus transferred and also revenue recognised for a specified period. Revenues are recognised in accordance with progress of service performance over the service performance period.

In order to create planning and revenue certainty, the remuneration regulations normally provide for prospective fee agreements. In practice, however, these negotiations take place only in the course of the financial year or even thereafter, creating uncertainties as to the service volume for which consideration is received at the balance sheet date. These are reflected in the balance sheet through objective, reliable estimates of receivables or liabilities based on empirical values. Past experience has shown that the inaccuracies relating to the estimates are negligible for the Group's financial position and results of operations.

The Group generates over 90% of its revenue from the statutory health insurance funds. As a general rule, the various budgets for the individual hospitals are defined together with the statutory health insurance funds at the beginning of each year. Diagnosis related groups (aG-DRGs, after outsourcing of nursing staff costs) are measured nationally on a uniform basis through the aG-DRG catalogue (output method as defined in IFRS 15). The measurement ratios are reviewed and adjusted each year by Institut für das Entgeltsystem im Krankenhaus GmbH (InEK).

If the service volume invoiced by a hospital (number, severity or type of service) at the end of the financial year does not correspond to the budget negotiated for that year, this results in either revenue surpluses or shortfalls that are compensated by way of income compensation between the health insurance funds and the respective hospital. If the actual volumes exceed or fall short of the agreed total budget, only the additional variable costs are paid or saved variable costs deducted, using fixed rates. The receivables or liabilities arising as a result are reported in the consolidated balance sheet and revenues are corrected accordingly.

At the time the consolidated balance sheet was prepared, approved fee agreements existed at none of the hospitals with the exception of RHÖN-KLINIKUM AG due to the pandemic; this meant that any compensation payments for excess revenues or shortfalls were estimated. In hospitals in which no fee agreements had yet been concluded for 2021 or for previous years, we adhered strictly to the legal framework in our accounting. We assume that the agreements for 2021 and for previous years will not have any negative impact on the result in 2022.

Moreover, pursuant to section 275 German Social Insurance Code V (Sozialgesetzbuch V, SGB V) as well as section 17 of the German Hospital Financing Act (Krankenhausfinanzierungsgesetz, KHG), payers as a rule have a right of review with regard to the coded income by the Medizinischer Dienst Körperschaft des öffentlichen Rechts (Medical Review Board under Public Law, MD) (formerly Medizinischer Dienst der Krankenversicherung (Medical Review Board

of the Statutory Health Insurance Funds, MDK)). In the assessment of trade receivables or trade payables and of revenues from hospital services rendered, estimates are made with reference to the complaint rate of the MD and, based on empirical values, corresponding corrections in revenues taken into account for this. The final results from the reviews of the MD in turn have an influence on the income compensation for the respective financial year.

The German legislature responded to the COVID-19 pandemic with many different pieces of legislation and regulations. As a result of overall decline in COVID-19 cases and a rising rate of vaccination – and thus also fewer COVID-19 patients in hospitals – in the first half of 2021, the claim for relief payments for beds kept available introduced by the Third Civil Protection Act (Drittes Bevölkerungsschutzgesetz, BSchG) was initially ended with effect from 15 June 2021. When the fourth wave of the COVID-19 pandemic came in the autumn of 2021, the German legislator in November initially introduced a new care surcharge for COVID-19 patients admitted from 1 November 2021 to 19 March 2022. Its amount is calculated based on the average inpatient duration of stay of COVID patients and is staggered by the respective daily lump sum amounts on which the relief payments are based. Just before the end of the year, the German Federal Parliament (Bundestag), with the Act Strengthening Vaccine Protection against COVID-19 and Amending Further Regulations in connection with the COVID-19 Pandemic (Gesetz zur Stärkung der Impfprävention gegen COVID-19 und zur Änderung weiterer Vorschriften im Zusammenhang mit der COVID-19-Pandemie), moreover decided to once again grant hospitals, with retroactive effect to 15 November 2021, relief payments for beds kept available if they postpone elective operations or procedures to make capacities available for COVID-19 patients. This provision, which was initially limited in term to 31 December 2021, has since been extended to 19 March 2022 by the Second Regulation Amending the Regulation on Further Measures to Safeguard the Economic Viability of Hospitals (zweite Verordnung zur Änderung der Verordnung zur Regelung weiterer Maßnahmen zur wirtschaftlichen Sicherung der Krankenhäuser).

The Regulation on Further Measures to Safeguard the Economic Viability of Hospitals (Verordnung zur Regelung weiterer Maßnahmen zur wirtschaftlichen Sicherung der Krankenhäuser), which entered into force on 9 April 2021, provides in 2021 for separate relief mechanisms for hospitals in connection with the relief payments made. Under this legislation, declines in a hospital's revenues compared with a 2019 revenue basis lowered to 98% are offset in hospitals' favour at a compensation rate of 85%. However, revenue increases compared with the 2019 revenue level attributable to relief payments received for beds kept available pursuant to section 21 (1a) or 1b or to care surcharges pursuant to section 21a (1) of the German Hospital Financing Act (Krankenhausfinanzierungsgesetz, KHG) are subject to a full repayment obligation. At the same time, relief payments for beds kept available are applied at 85% in each case, the care surcharge created since 1 November 2021 at 50%, to 2021 the revenues.

With the Healthcare Further Development Act (Gesundheitsversorgungswesenentwicklungsgesetz, GVWG), which entered into force on 20 July 2021, the provisions on the nursing budget were clarified. For agreement year 2020, it provides for mandatory application of the clarification provision for agreement year 2021 if an agreement was still not concluded for the nursing budget for 2020.

In this context, €61.7 million (previous year: €90.6 million) was reported within revenues in financial year 2021 as payment relating to COVID-19 legislation. These revenues are primarily attributable to income from keeping hospital beds available. Furthermore, €1.7 million (previous year: €3.3 million) were reported under other income as well as €0.9 million (previous year: €0.2 million) under the employee expense item.

3.3 Income taxes

Estimates are required for the recognition of tax provisions as well as deferred tax items.

For determining the actual value of deferred tax assets, it is essential to assess the probability of the reversal of the valuation differences and the extent to which it is possible to use the tax loss carry-forwards that led to the recognition of deferred tax assets. This depends on the generation of future taxable profits during the periods in which tax valuation differences are reversed and tax loss carry-forwards can be utilised. Uncertainties exist with regard to the interpretation of complex tax regulations as well as the amount and timing of future taxable income that result in changes in the tax income or expense in future periods. The Group recognises adequate provisions for the possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience from past tax audits and differing interpretations of substantive tax law by the taxable entity and the competent tax authorities on specific issues.

4 | COMPANY ACQUISITIONS

Consolidated companies

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

	31 Dec. 2020	Additions	Disposals	31 Dec. 2021
Fully consolidated subsidiaries	26	3	–	29
Companies consolidated using the equity method	1	–	–	1
Other subsidiaries	9	–	–	9
Consolidated companies	36	3	0	39

In 2021, three new service companies were established: RHÖN-KLINIKUM IT Service GmbH, RHÖN-KLINIKUM Service Einkauf + Versorgung GmbH and RHÖN-KLINIKUM Business Services GmbH.

Acquisition of doctor's practices

In financial year 2021, a total of 3.75 physicians' practices were acquired for consideration whose conditions of validity as per agreement were satisfied during the reporting period of 2021. Consolidation in the Group also took place in financial year 2021. No costs were incurred from the acquisition of these doctor's practices. The revenues and annual results generated since their inclusion in the consolidated statements are of minor importance for the Group of RHÖN-KLINIKUM AG. The final purchase price allocation has the following impact on the Group's net assets in 2021:

in € million	
Purchase of physicians' practices, January to December 2021	Fair value post acquisition
Acquired assets and liabilities	0.0
Intangible assets	0.0
Property, plant and equipment	0.0
Other liabilities	0.0
Net assets acquired	0.0
+ Goodwill	0.4
Cost	0.4
./. Purchase price payments outstanding	0.0
./. Acquired cash and cash equivalents	0.0
Cash outflow on transaction	0.4

Goodwill amounting to €0.4 million essentially includes synergy effects expected from the expansion of medical care centres. The goodwill recognised is likely to be tax-deductible.

Furthermore, 2.5 physicians' practices were transferred during the reporting period from the physicians associations to the MVZ subsidiary at the Frankfurt (Oder) site without consideration. 0.75 physicians' practices at the Bad Berka site as well as 1.5 physicians' practices at the Giessen and Marburg site were returned to the physicians association.

In financial year 2021, no physicians' practices were acquired whose conditions of validity as per agreement will be satisfied only in 2022.

Deconsolidation of subsidiaries

In the current financial year 2021, there were no sales of subsidiaries. In the previous year, this was the case of GPG and Medgate. GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH Leipzig operating in Leipzig was sold with effect from 1 January 2020.

With effect from 1 September 2020, RHÖN-KLINIKUM AG transferred 51% of its interests in Medgate Deutschland GmbH to its co-shareholder, Medgate Holding AG. The effects of the deconsolidation of the companies or interests sold in 2020 are set out below:

in € million	
Effects from deconsolidation of subsidiaries	Carrying amount disposals
Acquired assets and liabilities	
Non-current assets	0.8
Current assets	0.0
Cash and cash equivalents	0.3
Minorities	0.3
Non-current liabilities	-1.2
Current liabilities	-0.3
Net assets/liabilities of Group sold	-0.1
Sale proceeds from deconsolidated subsidiaries	0.4
Waiver of repayment of loan liabilities	-1.2
Expense from disposal of deconsolidated subsidiaries	-0.7
./. Sold cash and cash equivalents	-0.3
Cash outflow	-1.1
./. Purchase price payment outstanding	0.0
Cash outflow on deconsolidated subsidiaries	-1.1

5 | NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1 Revenues

The development of revenues by business areas and geographical regions was as follows:

in € million		
	2021	2020
Business areas		
Acute hospitals	1,349.6	1,319.4
Rehabilitation hospitals	27.6	23.2
Medical care centres	24.8	17.6
	1,402.0	1,360.2
Regions		
Bavaria	287.6	274.3
Thuringia	189.4	185.4
Brandenburg	163.0	154.9
Hesse	762.0	745.6
	1,402.0	1,360.2

According to IFRS 15, revenue proceeds are revenues generated from the provision of services and in financial year 2021 rose by €41.8 million or 3.1% to reach €1,402.0 million. Of that, our acute and rehabilitation hospitals accounted for €1,377.2 million (previous year: €1,342.6 million) and the medical care centres for €24.8 million (previous year: €17.6 million).

As in the previous year, revenue figures include income from the invoicing of an additional remuneration component for the medicamentous treatment of spinal muscle atrophy as well as income from the invoicing of an additional remuneration component for the treatment of multiple sclerosis. These supplementary fees are remunerated along with the pure aG-DRGs (diagnosis related groups after outsourcing of nursing staff costs) and negatively impact the materials-and-consumables-used item by nearly the same amount.

In addition, the revenues of financial year 2021 include relief payments of the legislator in connection with the COVID-19 pandemic, netted with the counter-effect of revenue-offsetting obligations, amounting to €61.7 million (previous year: €90.6 million). The reimbursements essentially relate to income from relief payments for keeping available bed capacities.

5.2 Other income

Other operating income comprises:

in € million		
	2021	2020
Income from services rendered	180.3	176.0
Income from grants and other allowances	8.9	9.9
Income from indemnification payments/ other reimbursements	1.2	1.7
Other	8.1	8.7
	198.5	196.3

Income from services rendered includes income from ancillary and incidental activities amounting to €171.8 million (previous year: €168.8 million) as well as income from rental and lease agreements amounting to €8.5 million (previous year: €7.2 million).

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).

The rise in other income by €2.2 million or 1.1% to €198.5 million is essentially attributable to the higher income from ancillary and incidental activities resulting among other things from higher sales of drugs and cytostatics. Moreover, reimbursements from the legislator in connection with the COVID-19 pandemic are included at the amount of €1.7 million (previous year: €3.3 million). Reimbursements for maternity leave recorded in the previous year under income from government grants and other allowances, income from integration grants as well as reimbursements of personnel costs of quarantined employees were netted with the employee benefits expense to make them more comprehensible for users of financial statements. The previous year's statement of other income was adjusted in the income statement from €207.0 million by €10.7 million to €196.3 million. The previous year's statement of the employee benefits expense item was adjusted in the income statement from €917.4 million by €10.7 million to €906.7 million.

5.3 Materials and consumables used

in € million		
	2021	2020
Cost of raw materials, consumables and supplies	388.7	381.0
Cost of purchased services	41.7	41.4
	430.4	422.4

Compared with the same period of the previous year, materials and consumables used witnessed a rise in financial year 2021, disproportionately moderate to the rise in revenues, by €8.0 million or 1.9%. The materials ratio declined from 31.0% to 30.7%. Materials and consumables used moreover includes expenditures for the medicamentous treatment of spinal muscle atrophy and multiple sclerosis which are remunerated in nearly the same amount and reported under revenues or other income.

5.4 Employee benefits expense

in € million		
	2021	2020
Wages and salaries	768.7	758.5
Social insurance contributions	66.3	64.0
Expenditure for post-employment benefits		
Defined contribution plans	86.1	83.6
Defined benefit plans	0.3	0.6
	921.4	906.7

Expenses for defined contribution plans concern the statutory pension insurance agency, payments to the federal and state pension scheme (VBL) and to Bayerische Versorgungskammer-Zusatzversorgung (BVK). The defined benefit plans relate to the benefit commitments of Group companies, and comprise commitments for retirement pensions, invalidity pensions and pensions for surviving dependants as well as severance payments for members of the Board of Management after termination of the employment relationship.

In financial year 2021, contribution payments to the pension scheme VBL were made in the amount of €21.6 million (previous year: €24.1 million). Payments to the BVK amounted to €0.8 million (previous year: €0.9 million) in 2021. As at the reporting date of 31 December 2021, 9,038 employees (previous year: 9,060 employees) with a claim to supplementary pension benefits were registered with VBL and 360 employees (previous year: 407 employees) with the BVK.

Reimbursements for maternity leave, income from integration grants as well as reimbursements of personnel expenses for quarantined employees were recognised in the amount of €13.4 million (previous year: €10.7 million) in expenses for wages and salaries.

Employee benefits expenses include a figure of €1.7 million (previous year: €2.5 million) for severance payments.

5.5 Depreciation and impairment

This item includes amortisation of intangible assets and depreciation of property, plant and equipment and investment property. Compared with the same period last year, the depreciation/amortisation item increased by €1.1 million (or 1.6%) to €70.7 million as a result of our investment activities.

5.6 Other expenses

Other operating expenses break down as shown in the following table:

in € million		
	2021	2020
Maintenance	56.8	57.9
Charges, subscriptions and consulting fees	42.9	43.0
Insurance	10.5	13.3
Administrative and IT costs	9.7	10.9
Other personnel and continuing training costs	5.3	5.6
Rents and leaseholds	3.8	4.0
Travelling, entertaining and representation expenses	1.2	1.5
Losses on disposal of non-current assets	0.1	0.3
Secondary taxes	0.2	0.2
Other	16.8	9.9
	147.3	146.6

Other expenses saw a moderate increase from €146.6 million by €0.7 million to €147.3 million. The other expense ratio declined slightly from 10.8% to 10.5%.

5.7 Result from impairment on financial assets

The negative result from the impairment on financial assets in the amount of €0.2 million results from the adoption of IFRS 9, which among other things governs the future expected losses of financial assets. The deterioration in the positive result from the same period of the previous year is essentially attributable to the increase in receivables owed from payers as well as higher expected credit losses in other receivables calculated on the basis of aged debtor lists and past experience in relation to the period of time overdue. Regarding the default risk of financial assets, we refer to the comments on the finance result.

5.8 Research costs

Research activities relate primarily to process optimisations in the area of inpatient hospital care and not to making marketable products. The research results are therefore generally produced as a result of or in objective connection with the activities of healthcare provision. For this reason, differentiating and measuring these in isolation is possible only to a very limited extent. Depending on the volume of costs to be attributed to research activities, annual research expenditure is roughly estimated to be within a range of 0.2% to 1.0% of revenues. They are primarily accounted for by personnel expenses and other expenses. As part of the takeover of the two university and scientific sites Giessen and Marburg, we committed ourselves to providing funding to the two medical faculties in an amount of at least €2.0 million p.a.

5.9 Finance result – net

The finance result is shown as follows:

in € million		
	2021	2020
Result of investments accounted for using the equity method		
Income of investments accounted for using the equity method	0.1	0.1
Expense of investments accounted for using the equity method	–	–
	0.1	0.1
Finance income		
Bank balances	0.1	0.0
Interest income from tax assets	0.2	0.6
Other interest income	0.2	0.2
	0.5	0.8
Finance expenses		
Liabilities to banks	–2.1	–2.8
Interest expenses from tax liabilities	–0.2	–3.0
Other interest expenses	–0.9	–1.6
	–3.2	–7.4
Result of impairment on financial investments as defined in IFRS 9		
Income from impairment on financial investments	–	–
Expense from impairment on financial investments	–0.6	–0.2
	–0.6	–0.2
	–3.2	–6.7

The negative finance result improved in financial year 2021 from €6.7 million by €3.5 million to €3.2 million. This is essentially attributable to interest expenditures recognised in the financial statements of the previous year in connection with back taxes.

The net interest income under IFRS 9 for financial assets and liabilities which are not included in the category "financial assets and liabilities shown at fair value in profit and loss" amounted to €4.1 million in financial year 2021 (previous year: €4.6 million). The amount comprises income of €0.2 million (previous year: €0.2 million) and expenses of €4.3 million (previous year: €4.8 million).

5.10 Income taxes

Income taxes consist of the corporate income tax including the solidarity surcharge, and to a lesser extent of trade tax. This item also includes deferred taxes resulting from differences between the IFRS and tax balance sheets as well as from consolidation adjustments and expected realisable tax loss carry-forwards which, as a rule, have no expiry date.

Income tax comprises the following:

	in € million	
	2021	2020
Current income tax	-2.4	2.8
Deferred taxes	-0.5	-1.3
	-2.9	1.5

At an unchanged tax assessment basis, consolidated profit in financial year 2021 was helped by income tax recognised at €2.9 million (income tax expenditure of previous year: €1.5 million). The improvement is attributable among other things to the reversal of provisions in financial year 2021 (€5.1 million) formed in the context of risk provisioning for income tax risks relating to the sale of subsidiaries. Moreover, the effect of a higher tax assessment basis in financial year 2021 was recognised with effect on the income statement. The income tax relief stands at 10.5% (previous year: income tax burden of 38.9%).

The nominal tax expense for earnings before taxes is reconciled with the income tax expense as follows:

	2021		2020	
	in %		in %	
Earnings before taxes	27.4	100.0	3.9	100.0
Nominal tax expense (tax rate 15.0%)	4.1	15.0	0.6	15.0
Solidarity surcharge (tax rate 5.5%)	0.2	0.8	0.0	0.8
Recognition of previous loss carry-forwards not recognised/ Derecognition of loss carry-forwards recognised and loss carry-forwards not applied	0.1	0.4	2.3	59.0
Trade tax	0.9	3.3	0.5	12.8
Increase in tax liability due to non-deductible charges	0.4	1.5	0.1	2.6
Taxes, previous years	-3.5	-12.8	-0.1	-2.6
Additional expense from dividend payment	0.0	0.0	0.1	2.6
Elimination of items not relevant for taxation	-5.1	-18.6	-2.0	-51.3
Effective income tax expense	-2.9	-10.5	1.5	38.9

Tax of previous years includes income from trade tax resulting from the audit for previous years in the amount of €4.0 million.

Items of no relevance for taxation include amounts not classified as taxable in the calculation of taxable income. This results in income from the reversal of tax provisions in the amount of €5.1 million (previous year: €2.0 million).

Further details of how deferred tax has been allocated to assets and liabilities are given in the Notes to the consolidated balance sheet.

5.11 Profit to non-controlling interests

This is the share of profit attributable to minority shareholders.

5.12 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.

The following table sets out the development in ordinary shares outstanding:

	No. of shares on 1 Jan. 2021	No. of shares on 31 Dec. 2021
Non-par shares	66,962,470	66,962,470
Treasury shares	-24,000	-24,000
	66,938,470	66,938,470

The number of shares is unchanged. For disclosures on equity, please refer to the Note 6.12.

Earnings per share are calculated as follows:

	Ordinary shares
Share in consolidated profit (€ '000)	28,295
(previous year)	(1,451)
Weighted average number of shares outstanding, in thousands	66,938
(previous year)	(66,938)
Earnings per share in €	0.42
(previous year)	(0.02)

Diluted earnings per share are identical to undiluted earnings per share, as there were no stock options or convertible debentures outstanding at the respective balance sheet dates.

6 | NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 Goodwill and other intangible assets

in € million			
	Goodwill	Other intangible assets	Total
Cost			
1 Jan. 2021	164.8	55.2	220.0
Changes in consolidated companies	0.4	0.0	0.4
Additions	0.0	4.6	4.6
Disposals	0.0	0.6	0.6
Transfers	0.0	0.1	0.1
31 Dec. 2021	165.2	59.3	224.5
Cumulative depreciation and impairment			
1 Jan. 2021	0.0	38.4	38.4
Depreciation	0.0	5.1	5.1
Disposals	0.0	0.6	0.6
Transfers	0.0	0.0	0.0
31 Dec. 2021	0.0	42.9	42.9
Balance sheet value as at 31 Dec. 2021	165.2	16.4	181.6

in € million			
	Goodwill	Other intangible assets	Total
Cost			
1 Jan. 2020	164.2	48.5	212.7
Changes in consolidated companies	0.6	-0.8	-0.2
Additions	0.0	7.9	7.9
Disposals	0.0	0.4	0.4
Transfers	0.0	0.0	0.0
31 Dec. 2020	164.8	55.2	220.0
Cumulative depreciation and impairment			
1 Jan. 2020	0.0	34.6	34.6
Depreciation	0.0	4.2	4.2
Disposals	0.0	0.4	0.4
Transfers	0.0	0.0	0.0
31 Dec. 2020	0.0	38.4	38.4
Balance sheet value as at 31 Dec. 2020	164.8	16.8	181.6

The item "Other intangible assets" primarily includes software. There are no restrictions on title and/or other rights related to the assets.

Goodwill is subjected to an annual impairment test for its respective cash generating unit (each hospital with its inpatient, semi-inpatient and outpatient care structures, unless the related goodwill of co-operating units is monitored at a higher level). This impairment test is performed on 1 October of each year. The carrying amount of the cash generating unit is compared with the recoverable amount for the unit which was determined at the fair value less costs to sell of the unit. The fair value is calculated on the basis of a discounted cash flow method (DCF method). In this regard, a corresponding present value is projected for a further five years with assumptions on long-term growth rates on the basis of an operative detailed five-year plan – which also includes expectations on future market development in the healthcare system – and calculated with subsequent recognition of a perpetual annuity. The company targets also reflect the heightened regulatory interference by the German legislator, such as the Regulation on Nursing Staff Floors (Pflegepersonaluntergrenzen-Verordnung, PpUGV), the Nursing Staff Strengthening Act (Pflegepersonal-Stärkungsgesetz, PpSG) and the minimum volume requirements. The calculated cash flows are discounted at the WACC to calculate the present value of the perpetual annuity. In view of unforeseeable measures by the legislature, a discount of 0.5% (previous year: 0.5%) was included in the discounting factor of the perpetual annuity (growth in the perpetual annuity). This forms an integral part of the Company's planning and is accordingly based on the management's actual expectations for the respective unit as well as on the statutory framework in the healthcare system. We believe that it is only with this longer detailed view that the measures already planned at the time of the company acquisition (e.g. demolition and rebuilding, modernisation measures) can be correctly recognised. At the end of each year, a review was carried out to establish whether the economic situation continues to support the results of the impairment test in the same way as before. This was the case on 31 December 2021.

Goodwill of the acquired entities was tested for impairment as at 31 December 2021 based on data from the companies' current planning. This did not reveal any indications that the goodwill had changed negatively between the contract date and the balance sheet date.

The weighted cost of capital of a potential investor from the healthcare sector is used as the discount rate at the time of measurement, taking into account the tax shield arising from theoretical debt financing. This discount rate was defined at 5.20% for 2021 (previous year: 4.21%). Significant goodwill relates to the following cash generating units:

in € million		
	31 Dec. 2021	31 Dec. 2020
Units		
Universitätsklinikum Gießen und Marburg	137.5	137.5
Zentralklinik Bad Berka	16.5	16.3
RHÖN-KLINIKUM Campus Bad Neustadt	6.5	6.5
Other goodwill of less than €5.0 million	4.7	4.5
Balance sheet value	165.2	164.8

For the calculation of fair value of the business generating units less cost of sale, cash flows were forecast on the basis of past experience, current operating results and best-possible estimates of future management performance as well as market assumptions. The values in use could not be taken as a basis because the carrying amounts are already exceeded by fair values less cost of sale. The calculated fair value for the business generating units was attributed to level 3 of the hierarchy levels of fair values. Fair value less cost of sale is primarily defined by the terminal value (present value or perpetual annuity)

which is particularly sensitive to changes in assumptions on the long-term growth rate of revenues and on the discount rate. Whereas the discount rate was defined uniformly for all business generating units, the growth rate is defined individually per entity. The discount rate reflects the current market assessment of the entities' specific risks. The growth rates take account of external macro-economic data and sector-specific trends. For planning purposes, the units accounting for the main portion of goodwill are assumed to have a homogenous structure.

The table below shows the assumptions of long-term growth rates for revenues by which the company planning is projected by a further five years which were used in the impairment test of the business generating units to which material goodwill was attributed to determine fair value less cost of sale:

in %

	2021		2020	
	Long-term growth rate – revenues	WACC	Long-term growth rate – revenues	WACC
Universitäts-klinikum Gießen und Marburg	3.00	5.20	3.00	4.21
Zentralklinik Bad Berka	3.00	5.20	3.00	4.21
RHÖN-KLINIKUM Campus Bad Neustadt	3.00	5.20	3.00	4.21

The assumptions for the other business generating units are comparable.

The values of revenues in the ten-year planning period of the groups of cash generating units to which material goodwill was attributed are based on average organic growth rates of between 2.3% and 3.1% (previous year: 2.9% and 3.2%).

In connection with the impairment test, a sensitivity analysis was also performed. Within the test the following assumptions were used:

- EBIT declines by 10%
- WACC increase by 0.5%

As a result of the sensitivity analysis it was determined that a decline in EBIT by 10% does not result in any impairment requirement (previous year: no impairment requirement). An increase in WACC by 0.5% likewise does not give rise to an impairment requirement (previous year: no impairment requirement).

6.2 Property, plant and equipment

in € million

	Land and buildings	Technical plant and equipment	Operating and office equipment	Plant under construction	Total
Cost					
1 Jan. 2021	1,175.7	58.8	381.1	75.2	1,690.8
Changes in consolidated companies	0.0	0.0	0.0	0.0	0.0
Additions	17.3	0.8	15.0	21.0	54.1
Disposals	3.1	0.1	9.1	0.1	12.4
Transfers	25.9	0.9	2.6	-29.5	-0.1
31 Dec. 2021	1,215.8	60.4	389.6	66.6	1,732.4
Cumulative depreciation and impairment					
1 Jan. 2021	506.6	42.8	275.8	0.0	825.2
Changes in consolidated companies	0.0	0.0	0.0	0.0	0.0
Depreciation	31.5	3.0	30.0	0.0	64.5
Disposals	1.0	0.1	8.8	0.0	9.9
Transfers	0.0	0.0	0.0	0.0	0.0
31 Dec. 2021	537.1	45.7	297.0	0.0	879.8
Balance sheet value as at 31 Dec. 2021	678.7	14.7	92.6	66.6	852.6

in € million

	Land and buildings	Technical plant and equipment	Operating and office equipment	Plant under construction	Total
1 Jan. 2020	1,167.9	57.9	368.8	34.2	1,628.8
Changes in consolidated companies	0.0	0.0	0.2	0.0	0.2
Additions	6.0	0.8	21.1	45.4	73.3
Disposals	0.5	0.3	10.7	0.0	11.5
Transfers	2.3	0.4	1.7	-4.4	0.0
31 Dec. 2020	1,175.7	58.8	381.1	75.2	1,690.8
Cumulative depreciation and impairment					
1 Jan. 2020	476.0	39.1	255.5	0.0	770.6
Changes in consolidated companies	0.0	0.0	-0.1	0.0	-0.1
Depreciation	30.8	3.8	30.7	0.0	65.3
Disposals	0.2	0.1	10.3	0.0	10.6
Transfers	0.0	0.0	0.0	0.0	0.0
31 Dec. 2020	506.6	42.8	275.8	0.0	825.2
Balance sheet value as at 31 Dec. 2020	669.1	16.0	105.3	75.2	865.6

During the financial year, borrowing costs of €1.0 million (previous year: €0.5 million) were related to financing the acquisition or production of qualifying assets and were recognised in addition to property, plant and equipment. An average interest rate of 2.4% (previous year: 2.2%) was used, which reflects the Group's general costs of borrowing from banks.

Similar to the previous year, the Group has no registered charges on real property as collateral for bank loans.

Public grants related to assets are deducted from the cost of the asset for which they are given, reducing the depreciation over the period. The deducted amortised amount of assistance granted under the Hospital Financing Act (Krankenhausfinanzierungsgesetz, KHG) and which was invested in line with the applicable conditions totals €151.7 million (previous year: €161.2 million). To secure conditionally repayable single grants under the KHG (e.g. for the construction of new hospitals or major extensions) totalling €1.7 million (previous year: 1.9 million), the Group holds registered charges on real property in the amount of €4.1 million (previous year: €4.1 million). There are no reasons to assume that these grants will have to be repaid.

Buildings, technical equipment and medical equipment include as at 31 December 2021 rights of use pursuant to IFRS 16 in which the Group is the lessee. The rights of use are as follows:

in € million			
	Land and buildings	Operating and office equipment	Total
Cost			
1 Jan. 2021	4.2	13.9	18.1
Addition to consolidated companies	0.0	0.0	0.0
Additions	1.7	0.7	2.4
Disposals	0.3	1.2	1.5
31 Dec. 2021	5.6	13.4	19.0
Cumulative depreciation and impairment			
1 Jan. 2021	1.2	5.8	7.0
Depreciation	0.9	2.5	3.4
Disposals	0.3	1.1	1.4
31 Dec. 2021	1.8	7.2	9.0
Balance sheet value as at 31 Dec. 2021	3.8	6.2	10.0

in € million			
	Land and buildings	Operating and office equipment	Total
Cost			
1 Jan. 2020	3.7	13.4	17.1
Addition to consolidated companies	0.2	0.0	0.2
Additions	0.5	0.9	1.4
Disposals	0.2	0.4	0.6
31 Dec. 2020	4.2	13.9	18.1
Cumulative depreciation and impairment			
1 Jan. 2020	0.6	3.6	4.2
Depreciation	0.7	2.6	3.3
Disposals	0.1	0.4	0.5
31 Dec. 2020	1.2	5.8	7.0
Balance sheet value as at 31 Dec. 2020	3.0	8.1	11.1

6.3 Deferred tax assets

Deferred tax assets and liabilities are netted if there is an enforceable right to offset current tax assets against current tax liabilities and if the deferred taxes exist against the same tax authority. The following amounts were netted:

	31 Dec. 2021		31 Dec. 2020	
	Assets	Liabilities	Assets	Liabilities
Tax loss carry-forwards	0.1	0.0	0.1	0.0
Property, plant and equipment/ Intangible assets	0.0	6.7	0.0	6.9
Interest bearing liabilities	0.0	0.2	0.0	0.2
Recognition differences for subsidiaries	0.0	1.0	0.0	1.0
Other assets and liabilities	9.7	0.8	10.2	0.7
Total	9.8	8.7	10.3	8.8
Balance sheet value	1.1		1.5	

Deferred tax assets for tax loss carry-forwards are recognised in the amount of the associated tax benefits that can probably be realised as a result of future taxable profits. Tax loss carry-forwards in connection with previous hospital acquisitions are included in the tax base for recognising deferred tax assets if they are sufficiently determinable for tax purposes. In a tax-detrimental sale of shares in companies, any existing deferred tax is transferred to loss carry-forwards. Deferred tax assets from tax loss carry-forwards are recognised on the basis of tax planning calculations for a period of five years. The tax base used for deferred taxes is €0.2 million (previous year: €0.2 million). On the balance sheet date, tax losses carried forward which have so far not been utilised amounted to €5.6 million (previous year: €7.4 million); no deferred tax assets were recognised in relation to €5.4 million (previous year: €7.2 million) of this figure. In Germany, tax loss carry-forwards can reduce the taxable result for an unlimited term. The annual taxable result can reduce tax loss carry-forwards fully up to an amount of €1.0 million and beyond that only at the rate of 60.0% of the remaining current taxable result.

Deferred taxes from property, plant and equipment result from the difference between their useful lives defined in tax law and the economic depreciation periods in accordance with IFRSs. In addition, accelerated tax depreciation and write-downs were corrected in IFRS.

Deferred tax liabilities using the current tax rate in the group for non-distributed profits of subsidiaries totalling €131.8 million (previous year: €131.8 million), which lead to non-tax-deductible expenses of 5.0% of the total dividend for the parent company, were included in the consolidated financial statements.

Changes in deferred taxes are shown as follows:

in € million		
	31 Dec. 2021	31 Dec. 2020
Deferred tax assets at beginning of year	1.5	0.6
Recognition of deferred taxes directly in equity in connection with changes in the fair value of investments recognised directly in equity	-0.9	-0.4
Recognition of deferred taxes directly in equity in connection with revaluation of defined benefit pension plans recognised in equity	0.0	0.0
Recognition of deferred taxes directly in equity in connection with company acquisitions	-	-
Expense/income from current netting in the income statement	0.5	1.3
Deferred tax assets at end of year	1.1	1.5

6.4 Financial investments accounted for using the equity method

6.4.1 Investments accounted for using the equity method

As in the previous year, one joint venture was measured in the consolidated financial statements using the equity method:

Name of company	Registered office	Capital share in %
Joint ventures		
Energiezentrale Universitätsklinikum Gießen GmbH	Giessen	50.0

6.4.2 Joint ventures

The object of enterprise of the joint venture is to carry on, together with Stadtwerke Gießen, the supply of energy to the university hospital in Giessen. In addition to RHÖN-KLINIKUM AG with an interest of 50%, Stadtwerke Gießen AG holds an interest of 50% in the joint venture. The table below provides a summary of the aggregated results data and aggregated carrying amounts of the joint venture accounted for using the equity method:

in € million		
	2021	2020
Results data and carrying amounts of joint venture accounted for using the equity method		
Revenues	0.4	0.4
Earnings after tax	0.2	0.2
Pro rata earnings after tax	0.1	0.1
Pro rata total comprehensive income after tax	0.1	0.1
Carrying amount of joint venture accounted for using the equity method	0.4	0.4

As at the balance sheet date, the joint venture reports assets of €0.9 million (previous year €0.9 million) as well as equity of €0.9 million (previous year: €0.8 million).

6.5 Other financial assets (non-current)

Other non-current financial assets break down as follows:

in € million		
	31 Dec. 2021	31 Dec. 2020
Participating interests	17.5	12.0
Time deposits	–	–
	17.5	12.0

The equity interests relate to interests held by the company RHÖN-Innovations GmbH in the companies Inovytec Medical Solutions Ltd., Telesofia Medical Ltd. and CLEW Medical Inc. Also included are interests in Tiplu GmbH and Siebensachen GmbH.

The interests are measured at fair value in accordance with IFRS 9. The investments are measured at fair value directly in equity (fair value through other comprehensive income, without recycling). The carrying amount of €17.5 million (previous year: €12.0 million) corresponds to the maximum default risk.

Moreover, €0.0 million (previous year: €0.0 million) relates to immaterial equity interests which are measured at fair value.

Like at the previous year's balance sheet date, no long-term fixed deposit investments were to be recognised at the balance sheet date of 31 December 2021.

The development of the impairments recognised under the item of other financial assets (non-current) pursuant to IFRS 9 is shown in the table below:

in € million		
	2021	2020
Impairment		
As at 1 Jan. pursuant to IFRS 9	–	0.2
Changes in consolidated companies	–	–
Allocation	–	–
Utilisation	–	–
Write-back	–	0.2
Currency translation difference	–	–
As at 31 Dec. pursuant to IFRS 9	–	–

The decline in impairments as at the balance sheet of the previous year to €0.0 million results from the expiry of long-term fixed deposit investments.

6.6 Inventories

Inventories in the amount of €33.1 million (previous year: €35.2 million) are attributable to raw materials, consumables and supplies and mainly consist of medical supplies. Impairments of €3.7 million (previous year: €3.9 million) were effected. All inventories are owned by RHÖN-KLINIKUM AG and the companies affiliated with RHÖN-KLINIKUM AG. There are no assignments or pledges of inventories.

6.7 Trade receivables

As at the balance sheet date of 31 December 2021, we report trade receivables in the amount of €212.9 million (previous year: €193.9 million). The fair values of trade receivables essentially correspond to their carrying amounts since they are primarily short-term in character.

Trade receivables as well as impairments within the meaning of IFRS 9 show the following maturity structure as at the balance sheet date of 31 December 2021:

in € million		
	Gross carrying amount	Expected credit loss
Impairment matrix 31 Dec. 2021		
Not overdue	176.8	0.3
Between 0 and 30 days overdue	11.5	0.1
Between 31 and 90 days overdue	11.4	0.4
Between 91 and 180 days overdue	6.8	0.1
More than 180 days overdue	7.4	0.1
Total	213.9	1.0

Trade receivables as well as impairments within the meaning of IFRS 9 had the following maturity structure as at the balance sheet date of 31 December 2020:

in € million		
	Gross carrying amount	Expected credit loss
Impairment matrix 31 Dec. 2020		
Not overdue	160.4	0.3
Between 0 and 30 days overdue	11.5	0.1
Between 31 and 90 days overdue	9.7	0.2
Between 91 and 180 days overdue	5.3	0.2
More than 180 days overdue	7.8	0.0
Total	194.7	0.8

The development of impairments pursuant to IFRS 9 recognised under the item of trade receivables is shown in the table below:

in € million		
	2021	2020
Impairment		
As at 1 Jan. pursuant to IFRS 9	0.8	0.9
Changes in consolidated companies	–	–
Allocation	1.0	0.8
Utilisation	–	–
Write-back	0.8	0.9
Currency translation difference	–	–
As at 31 Dec. pursuant to IFRS 9	1.0	0.8

With regard to the impairments on trade receivables, reference is made to the further Notes in the section Accounting policies.

Trade receivables were derecognised in the income statement in the amount of €4.6 million in financial year 2021 (previous year: €7.5 million). Settlement mechanisms in accordance with the Hospital Remuneration Act (KHEntgG) partially compensated for these defaults. Inflows of €0.1 million (previous year: €0.1 million) were recognised in the income statement in relation to previously derecognised trade receivables.

The item trade receivables includes services for patients not yet discharged in the amount of €15.8 million (previous year: €14.6 million).

6.8 Other financial assets (current)

in € million

	31 Dec. 2021	31 Dec. 2020
	< 1 year	< 1 year
Time deposit < 1 year	165.8	166.4
Receivables under the KHEntgG	50.5	56.0
Remaining other financial assets	7.6	8.8
	223.9	231.2

Receivables under the German Hospital Remuneration Act (Krankenhausentgeltgesetz, KHEntgG) relate to compensation claims under federal hospital compensation legislation (Hospital Remuneration Act (Krankenhausentgeltgesetz, KHEntgG)) and the Federal Hospital Nursing Rate Ordinance (Bundespfllegesatzverordnung, BpflV) as well as compensation claims against the training fund. Stated receivables under the KHEntgG do not include any impairments.

Remaining other financial assets relate among others to receivables from services rendered which are not primarily related to patient treatments at hospitals (€6.5 million, previous year: €7.4 million), receivables due from employees in particular from invoices as part of the liquidation right of head physicians (€2.0 million, previous year: €1.9 million), as well as trade receivables (€0.7 million, previous year: €0.7 million). The remaining other financial assets include impairments amounting to €1.8 million (previous year: €1.6 million). No reversals of impairment losses were made.

Other financial assets (current) attributable to fixed deposits, as well as corresponding impairments within the meaning of IFRS 9 are divided into the following rating classes as at 31 December 2021:

in € million

	Gross carrying amount	Expected credit loss
Impairment matrix according to S&P rating classes 31 Dec. 2021		
A	80.0	0.2
BBB	87.0	1.0
Total	167.0	1.2

Other financial assets (current) attributable to fixed deposits, as well as corresponding impairments within the meaning of IFRS 9 were divided into the following rating classes as at 31 December 2020:

in € million

	Gross carrying amount	Expected credit loss
Impairment matrix according to S&P rating classes 31 Dec. 2020		
A	110.0	0.1
BBB	57.0	0.5
Total	167.0	0.6

The remaining other financial assets (current, not including fixed deposits) as well as the corresponding impairments within the meaning of IFRS 9 show the following maturity structure as at the balance sheet date of 31 December 2021:

in € million

	Gross carrying amount	Expected credit loss
Impairment matrix 31 Dec. 2021		
Not overdue	57.6	0.1
Between 0 and 30 days overdue	0.5	0.1
Between 31 and 90 days overdue	0.1	0.0
Between 91 and 180 days overdue	0.1	0.0
More than 180 days overdue	0.1	0.1
Total	58.4	0.3

The remaining other financial assets (current, not including fixed deposits) as well as the corresponding impairments as defined within the meaning of IFRS 9 had the following maturity structure as at the balance sheet date of 31 December 2020:

in € million		
	Gross carrying amount	Expected credit loss
Impairment matrix 31 Dec. 2020		
Not overdue	64.7	0.1
Between 0 and 30 days overdue	0.1	0.0
Between 31 and 90 days overdue	0.0	0.0
Between 91 and 180 days overdue	0.1	0.1
More than 180 days overdue	0.2	0.1
Total	65.1	0.3

The development of the impairments recognised under the item of other financial assets (current) pursuant to IFRS 9 is shown in the table below:

in € million		
	2021	2020
Impairment		
As at 1 Jan. pursuant to IFRS 9	0.9	0.6
Changes in consolidated companies	–	–
Allocation	1.5	0.9
Utilisation	–	–
Write-back	0.9	0.6
Currency translation difference	–	–
As at 31 Dec. pursuant to IFRS 9	1.5	0.9

Of the impairments as at the balance sheet date in the amount of €1.5 million (previous year: €0.9 million), €1.2 million (previous year: €0.6 million) is attributable to fixed deposits. The €0.6 million rise is essentially attributable to a restructuring in the fixed deposits portfolio.

Within the Group, settlement receivables due from and settlement liabilities to the payers under fee/budget agreements of the current year and the previous years are stated on a netted basis. On a gross basis, the statement is as follows:

in € million		
	31 Dec. 2021	31 Dec. 2020
Receivables according the KHEntgG (gross)	94.3	70.2
Liabilities according the KHEntgG (gross)	–43.8	–14.2
Balance sheet value	50.5	56.0

Regarding the statement on a gross basis of the corresponding liabilities in accordance with the KHEntgG, please refer to the section "Other financial liabilities".

6.9 Other assets (current)

Of other current assets in the amount of €10.4 million (previous year: €12.0 million), essentially €6.3 million (previous year: €6.6 million) is attributable to prepaid expenses, in particular maintenance contracts relating to hardware and software, and €3.6 million (previous year: €1.7 million) is attributable to reimbursement claims against insurers under liability claims as well as €0.0 million (previous year: €3.3 million) to VAT receivables. The increase in the amount of VAT receivables in 2020 is essentially attributable to VAT adjustments for previous years.

6.10 Current income tax assets

Current income tax assets essentially include claims against tax authorities for reimbursement of corporate income tax.

6.11 Cash and cash equivalents

in € million		
	31 Dec. 2021	31 Dec. 2020
Cash with banks and cash on hand	126.0	83.5
Short-term bank deposits	0.3	7.5
	126.3	91.0

The rise in cash with banks and cash on hand is attributable to the interest rate environment for time deposits relative to overnight money investments with rising custodian fees. The high level of cash with banks and cash on hand ensures flexibility in controlling cash outflows in connection with extensive construction measures. As far as possible, freely disposable funds were reallocated at matching maturities into fixed deposit investments with a remaining term of < 1 year (> 3 months) and > 1 year and reported under the item "Other financial assets (current)". As at the balance sheet date, the effective interest rate for bank balances with an initial term < 3 months was 0.00% (previous year: 0.00%). The average remaining term of these deposits was 30 days (previous year: 30 days).

The item includes demand deposits with restricted use in the amount of €0.9 million (previous year: €1.1 million).

Cash and bank overdrafts are aggregated as follows for the purpose of the statement of cash flows:

in € million		
	31 Dec. 2021	31 Dec. 2020
Cash and cash equivalents	126.3	91.0
Bank overdrafts	0.0	0.0
Cash position	126.3	91.0

6.12 Equity

The registered share capital of RHÖN-KLINIKUM AG was €167,406,175 (previous year: €167,406,175). It is divided into 66,962,470 (previous year: 66,962,470) fully paid-up non-par value bearer shares each with a notional value in the registered share capital of €2.50 per share.

	Number	Arithmetic share in registered share capital in €
Ordinary shares as at 1 Jan. 2021	66,962,470	167,406,175
Changes in 2021	–	–
Ordinary shares as at 31 Dec. 2021	66,962,470	167,406,175

The premium from the capital increase in the amount of €396.0 million (previous year: €396.0 million) as well as the amounts of €178.2 million (previous year: €178.2 million) attributable to the shares redeemed in the previous years are reported in the capital reserve.

Other reserves at the balance sheet date amounting to €456.8 million (previous year: €423.8 million) comprise earnings generated in prior years of companies included in the consolidated annual report amounting (to the extent not paid out to shareholders) in the amount of €456.8 million (previous year: €423.8 million) as well as effects of consolidation adjustments.

The total result (sum of consolidated profit and other earnings) for financial year 2021 stands at €34.9 million (previous year: €4.8 million). This includes gains from the revaluation of defined benefit pension plans amounting to €0.0 million after tax (previous year: €0.3 million) as well as income from changes in the fair value of equity investments in the amount of €4.7 million (previous year: €2.1 million).

Treasury shares are valued at €0.1 million (previous year: €0.1 million) and deducted from equity. The level of treasury shares developed as follows during the financial year:

	Number
Treasury shares as at 1 Jan. 2021	24,000
Changes in 2021	–
Treasury shares as at 31 Dec. 2021	24,000

In accordance with the provisions of the German Stock Corporation Act (Aktengesetz, AktG), the amount of dividends distributable to shareholders is based on the net distributable profit shown in the annual financial statements of RHÖN-KLINIKUM AG which are prepared in accordance with the German Commercial Code (HGB). During the last Annual General Meeting, the shareholders approved the proposal of the Board of Management and of the Supervisory Board to waive a dividend payment in financial year 2021.

Non-controlling interests in equity of €26.5 million (previous year: €24.9 million) relate to interests held by non-Group third parties in the following consolidated subsidiaries:

in %	Non-controlling interests	
	31 Dec. 2021	31 Dec. 2020
Hospital companies		
Universitätsklinikum Gießen und Marburg GmbH, Giessen	5.0	5.0
Zentralklinik Bad Berka GmbH, Bad Berka	12.5	12.5
Medical care centre companies		
MVZ UKGM GmbH, Marburg	5.0	5.0
MVZ Zentralklinik GmbH, Bad Berka	12.5	12.5

In July 2019, RHÖN-KLINIKUM AG placed a registered bond in the amount of €60.0 million with a term of 20 years. In October 2018, a promissory note in the amount of €100.0 million was issued, which was redeemed in financial year 2020 in the amount of €10.0 million. The tranches exclusively bearing fixed interest with bullet maturities have terms of five, seven and ten years. The registered bond and the promissory note are subject to a change-of-control clause. The funds collected from both transactions are being used for general corporate finance. In 2017, a syndicated line of credit in the amount of €100.0 million was entered into which was lowered to €88.0 million in financial year 2020. As at the balance sheet date, this line had not been utilised. The syndicated loan is subject to a financial covenant. This financial ratio limits net financial debt to a maximum of 3.5 times EBITDA. The financial ratio was complied with by RHÖN-KLINIKUM AG in financial year 2021 (previous year: complied with).

The funds collected are used for general corporate finance to ensure sufficient funds for investments planned in the medium- to short-term. The reported financial liabilities amounting to €150.0 million (previous year: €150.0 million) decrease by the costs incurred in connection with the borrowing in the amount of €1.4 million (previous year: €1.5 million).

6.13 Financial liabilities

in € million	31 Dec. 2021				31 Dec. 2020	
	Re- maining term > 1 year	Re- maining term < 1 year	Re- maining term > 1 year	Re- maining term < 1 year		
Non-current financial liabilities						
Liabilities to loan creditors	148.6	–	148.5	–		
Total non-current financial liabilities	148.6	–	148.5	–		
Current financial liabilities						
Liabilities to loan creditors	–	1.0	–	0.9		
Total current financial liabilities	–	1.0	–	0.9		
Total financial liabilities	148.6	1.0	148.5	0.9		

The contractual interest adjustment dates relating to the interest-bearing liabilities are as follows:

in € million	31 Dec. 2021			31 Dec. 2020		
	Interest rate in % ¹	Original value	Carrying amount of loans	Interest rate in % ¹	Original value	Carrying amount of loans
Fixed interest period ends						
Liabilities to banks						
2022–2025	1.25	38.0	37.9	1.25	38.0	37.9
2026	–	–	–	–	–	–
2027	–	–	–	–	–	–
> 2027	2.10	112.0	110.7	2.10	112.0	110.6
Interest on loans			1.0			0.9
		150.0	149.6		150.0	149.4

¹Weighted interest rate.

The effective interest rates at balance sheet date are:

in %	31 Dec. 2021	31 Dec. 2020
Liabilities to banks	1.90	1.91

The remaining terms of the financial liabilities are:

in € million	31 Dec. 2021	31 Dec. 2020
Up to 1 year	1.0	0.9
Between 1 and 5 years	37.9	37.9
More than 5 years	110.7	110.6
Total	149.6	149.4

As in the previous year, the financial liabilities stated are not secured by registered charges on real property.

6.14 Provisions for post-employment benefits

The Group provides post-retirement benefits for eligible employees under its company pension scheme, which comprises both defined benefit and defined contribution pension plans. Obligations under this scheme include current pension payments and future entitlements.

Defined benefit obligations are financed by recognising provisions. Amounts relating to defined contribution plans are recognised immediately in profit or loss.

Some members of the Board of Management are covered by a plan providing for post-retirement benefits. In addition to their regular remuneration, such members of the Board of Management, on termination of their employment as Board members, receive a post-retirement benefit depending on the length of service and level of remuneration and not exceeding 1.5 times the last annual remuneration. The scope of the obligation was calculated based on the individual contract terms and not on a uniform retirement age as with the other pension plans. In this connection there are risks associated with changes in the assessment basis. These essentially relate to the dependence on the last salary and last variable remuneration components. If the development of this assessment basis turns out to be different from what is assumed in the provision calculations, this might give rise to a subsequent financing requirement.

The provision volume on the balance sheet relates only to one-off payments:

in € million		
	31 Dec. 2021	31 Dec. 2020
Commitment for one-off payments	1.4	1.1
Provision for pensions (defined benefit liability)	1.4	1.1

The calculation of pension provisions is based on the following assumptions:

in %		
	31 Dec. 2021	31 Dec. 2020
Rate of interest	1.01	0.43
Projected increase in wages and salaries	2.50	2.50

We used Prof. Dr Klaus Heubeck's 2018G Tables (previous year: Prof. Dr Klaus Heubeck's 2018G Tables) as actuarial tables. All pension costs are reported under the employee expense item.

The development of the defined benefit obligation in financial year 2021 compared with the previous year is shown in the following:

in € million		
	2021	2020
As at 1 January	1.1	1.6
Service time cost	0.3	0.6
Interest expense	0.0	0.0
Losses from plan changes	0.0	0.0
Pension payments	0.0	0.0
Actuarial gains/losses from changes in financial assumptions	0.0	0.0
Experience-based adjustments	0.0	-0.3
Payments rendered	0.0	-0.8
As at 31 December	1.4	1.1

The commitments have a term of >1 year. There are no reimbursement claims resulting from pension liability insurance policies entered into by reason of pension commitments to employees.

The weighted average duration of the pension liabilities is three years (previous year: three years). The sensitivity of the pension obligations in terms of fluctuation range due to changes in the various actuarial valuation assumptions is shown in the table below:

	Change in assumption in percentage points	Increase in assumption	Reduction in assumption
Impact on the commitment in % as at 31 Dec. 2021			
Interest rate	0.2	-0.6	0.6
Remuneration trend	0.2	0.6	-0.6
Mortality	+/- 1 year	0.1	-0.1

	Change in assumption in percentage points	Increase in assumption	Reduction in assumption
Impact on the commitment in % as at 31 Dec. 2020			
Interest rate	0.2	-0.6	0.6
Remuneration trend	0.2	0.6	-0.6
Mortality	+/- 1 year	0.1	-0.1

The effects of the sensitivity were calculated using the same method as the obligations at the end of the year. In this regard, effects of a simultaneous change in several assumptions were not examined. Since the commitments remaining at the end of the financial year are capital commitments, no or no material changes result from the change in the pension trend; consequently, no disclosure of sensitivity in this regard was made.

6.15 Other provisions

Other provisions developed as follows in the financial year:

in € million

	1 Jan. 2021	Con- sumption	Write-back	Allocation	31 Dec. 2021	of which < 1 year	of which > 1 year
Liability risks	7.1	0.3	0.0	3.9	10.7	10.7	0.0
Other provisions	25.3	16.5	0.0	12.7	21.5	21.5	0.0
	32.4	16.8	0.0	16.6	32.2	32.2	0.0

The provisions for liability risks relate to claims for damages by third parties. These compare with repayment claims from insurers in the amount of €3.6 million (previous year: €1.7 million) against insurers; these are shown under other assets (current). In the assessment of the Board of Management, the settlement of these liability events using

the provisions will not entail any significant additional expenses. The timing of cash outflows from liability risks, which generally may occur in the short term, essentially depends on the course and outcome of specific liability cases.

The other provisions include provisions for recovery risks in the amount of €15.8 million (previous year: €15.6 million) as well as for risk provisioning for legal and non-income-tax risks in the amount of €5.7 million (previous year: €9.7 million).

Compared with the previous year, their maturities are as follows:

in € million

	31 Dec. 2021	of which < 1 year	of which > 1 year	31 Dec. 2020	of which < 1 year	of which > 1 year
Liability risks	10.7	10.7	0.0	7.1	7.1	0.0
Other provisions	21.5	21.5	0.0	25.3	25.3	0.0
	32.2	32.2	0.0	32.4	32.4	0.0

The Group of RHÖN-KLINIKUM AG has contingent liabilities of up to €0.0 million (previous year: €0.0 million). These constitute liabilities as part of the performance process. At the present time RHÖN-KLINIKUM AG does not expect any significant usage in future.

6.16 Trade payables

in € million

	31 Dec. 2021		31 Dec. 2020	
	< 1 year	> 1 year	< 1 year	> 1 year
Trade payables	72.5	0.0	80.7	0.0

Trade payables exist with regard to third parties. The total amount of €72.5 million (previous year: €80.7 million) is due within one year.

6.17 Other financial liabilities

in € million

	31 Dec. 2021		31 Dec. 2020	
	< 1 year	> 1 year	< 1 year	> 1 year
Liabilities under KHEntgG	–	–	3.2	–
Purchase prices	0.7	–	0.7	0.0
Leases	3.1	7.1	3.1	8.1
Other financial liabilities	8.3	10.5	7.9	8.4
Other financial liabilities (financial instruments)	12.1	17.6	14.9	16.5

Liabilities under the Hospital Remuneration Act (KHEntgG) relate to compensation obligations under federal hospital compensation legislation (the Hospital Remuneration Act (Krankenhausentgeltgesetz, KHEntgG)) and the Federal Hospital Nursing Rate Ordinance (Bundespflugesatzverordnung, BPflV). The purchase prices from company purchases relate to contractually stipulated obligations.

The carrying amounts of the current financial liabilities recognised under this item correspond to their fair values. The carrying amounts of other non-current liabilities have been discounted using the effective interest method on the basis of historical market rates.

Similar to the previous year, the remaining non-current financial liabilities have a remaining term of less than five years. Of the figure stated for remaining non-current financial liabilities with remaining terms of less than five years, €5.6 million (previous year: €7.3 million) is attributable to obligations arising from research grants owed to the universities in Giessen and Marburg as well as €4.0 million (previous year: €0.0 million) to other obligations.

Within the Group, settlement receivables due from and settlement liabilities to payers under fee/budget agreements of the current year and the previous years are stated on a netted basis.

in € million

	31 Dec. 2021	31 Dec. 2020
Liabilities according to the KHEntgG (gross)	43.8	17.4
Receivables according to the KHEntgG (gross)	–43.8	–14.2
Balance sheet value	0.0	3.2

Regarding the statement on a gross basis of receivables in accordance with the KHEntgG on the assets side, please refer to the section "Other financial assets (current)".

6.18 Other liabilities

in € million

	31 Dec. 2021		31 Dec. 2020	
	< 1 year	> 1 year	< 1 year	> 1 year
Personnel liabilities	79.7	0.0	76.8	0.0
Liabilities according to the KHG	27.1	0.0	21.5	0.0
Operating taxes and social security contributions	14.0	0.0	13.2	0.0
Deferred income	9.8	0.0	10.7	0.0
Pre-payments	0.4	0.0	0.6	0.0
Other liabilities	10.0	0.0	10.2	0.0
Other liabilities (non-financial instruments)	141.0	0.0	133.0	0.0

Personnel liabilities relate to performance-linked remuneration, obligations arising from still outstanding holiday leave entitlement as well as overtime obligations and on-call services. Moreover, severance payment obligations are recognised under this item.

The liabilities under the KHG relate to government grants not yet used in accordance with the conditions for their use granted under state legislation for hospital financing.

The remaining liabilities essentially include third-party funds from, among other things, ongoing studies not yet appropriated.

6.19 Current income tax liabilities

Current income tax liabilities in the amount of €14.6 million (previous year: €11.4 million) comprise corporate income tax, solidarity surcharge and trade tax not yet assessed for the past financial year and previous years. The rise is the result of a higher tax assessment basis for 2021. Moreover, an amount of €5.1 million in provisions for tax risks relating to the sale of subsidiaries was recognised in the previous year which materialised in the current year and were reversed.

6.20 Derivative financial instruments

As at the previous year's balance sheet date, no derivative financial instruments exist.

6.21 Additional disclosures regarding financial instruments

6.21.1 Carrying amounts, recognised figures and fair values according to measurement categories

The table below presents the carrying amounts and fair values of the individual financial assets and liabilities for each individual category of financial instruments pursuant to IFRS 9 as at 31 December 2021:

in € million

	Measurement category according to IFRS 9
ASSETS	
Non-current assets	
Other financial assets	
of which investments	Measured at fair value directly in equity (fair value through other comprehensive income, without recycling)
of which investments	Measured at fair value through profit or loss
of which other	Measured at amortised cost
Current assets	
Trade receivables and other financial assets	Measured at amortised cost
Cash and cash equivalents	Measured at amortised cost
LIABILITIES	
Non-current liabilities	
Financial liabilities	Financial liabilities measured at amortised cost
Other financial liabilities	
of which other financial liabilities	Financial liabilities measured at amortised cost
of which leases	n. a.
Current liabilities	
Trade payables	Financial liabilities measured at amortised cost
Financial liabilities	Financial liabilities measured at amortised cost
Other financial liabilities	
of which other financial liabilities	Financial liabilities measured at amortised cost
of which leases	n. a.
Aggregated according to measurement categories, the above figures are as follows:	
	Financial assets measured at amortised cost
	Financial assets measured at fair value directly in equity (fair value through other comprehensive income, without recycling)
	Financial assets measured at fair value through profit or loss
	Financial liabilities measured at amortised cost

	31 Dec. 2021		31 Dec. 2020	
	Carrying amount	of which Financial instruments Fair value	Carrying amount	of which Financial instruments Fair value
	17.5	17.5	12.0	12.0
	17.5	17.5	12.0	12.0
	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0
	436.8	436.8	425.1	425.1
	126.3	126.3	91.0	91.0
	148.6	148.6	148.5	172.3
	17.6	17.6	16.5	9.1
	10.5	10.5	8.4	9.1
	7.1	7.1	8.1	-
	72.5	72.5	80.7	80.7
	1.0	1.0	0.9	0.9
	12.1	12.1	14.9	11.8
	9.0	9.0	11.8	11.8
	3.1	3.1	3.1	-
		563.1		516.1
		17.5		12.0
		0.0		0.0
		241.6		274.8

The fair values of financial assets and liabilities accounted for as defined in IFRS 9 as at 31 December 2021 are classified as follows to the three levels of the fair value hierarchy:

in € million					
	Level 1	Level 2	Level 3	Total 31 Dec. 2021	Total 31 Dec. 2020
Other non-current financial assets (investments)	–	3.7	13.8	17.5	12.0
Other non-current financial assets (remaining)	–	0.0	–	0.0	0.0
Trade receivables, other current financial assets	–	436.8	–	436.8	425.1
Non-current financial liabilities	–	158.4	–	158.4	172.3
Other non-current financial liabilities	–	18.0	–	18.0	17.2
Current trade liabilities	–	72.5	–	72.5	80.7
Current financial liabilities	–	1.0	–	1.0	0.9
Current other financial liabilities	–	12.1	–	12.1	14.9

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

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. The fair values of other non-current financial assets were calculated on the basis of the current level of interest rates.

Investments in the amount of €17.5 million (previous year: €12.0 million) are measured as of acquisition pursuant to IFRS 9 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. The investments are divided into foreign investments in the amount of €13.0 million (previous year: €9.7 million) and domestic investments in the amount of €4.5 million (previous year: €2.3 million), with foreign investments attributable to Level 2 and both foreign and domestic investments attributable to Level 3. Moreover, additional immaterial investments amounting to €0.0 million are measured at fair value (fair value through profit or loss). Changes in the market valuation of investments, which are measured at fair value directly in equity (fair value through other comprehensive income, without recycling), resulted in total in gains in the amount of €4.7 million (previous year: €2.1 million) (after tax), which are recognised directly in equity under other comprehensive income (OCI).

The fair value of non-current other financial obligations and non-current 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 leases was calculated using a market interest curve as at the balance sheet date and corresponds to their carrying amount.

6.21.2 Net gains or losses by measurement category

The net result by measurement category according to IFRS 9 for financial year 2021 is as follows:

in € million

	From share price gains	From subsequent measurement		From disposal	Net result
		At fair value	Impairment		2021
Financial assets measured at amortised cost	0.0	0.0	0.8	4.5	5.3
Total	0.0	0.0	0.8	4.5	5.3

+ = cost, - = income

The net result by measurement category according to IFRS 9 for financial year 2020 is as follows:

in € million

	From share price gains	From subsequent measurement		From disposal	Net result
		At fair value	Impairment		2020
Financial assets measured at amortised cost	0.0	0.0	0.0	7.6	7.6
Total	0.0	0.0	0.0	7.6	7.6

+ = cost, - = income

6.21.3 Financial liabilities (maturity analysis)

The following table sets out the contractually agreed (undiscounted) interest payments and redemption payments of the original financial liabilities:

	Cash outflows		
	2022	2023–2028	> 2028
Financial liabilities – promissory note	-1.4	-96.9	0.0
Financial liabilities – registered bond	-1.4	-8.5	-75.5
Trade payables	-72.5	0.0	0.0
Other financial liabilities	-9.0	-10.9	0.0
Liabilities under leases	-3.2	-7.3	0.0
	-87.5	-123.6	-75.5

The following table shows the maturity analysis of the previous year:

	Cash outflows		
	2021	2022–2027	> 2027
Financial liabilities – promissory note	-1.6	-46.9	-62.6
Financial liabilities – registered bond	-1.4	-8.5	-76.9
Trade payables	-80.7	0.0	0.0
Other financial liabilities	-11.8	-8.3	0.0
Liabilities under leases	-3.3	-8.4	0.0
	-98.8	-72.1	-139.5

The above table includes all financial liabilities held as at the balance sheet date and for which payments had been contractually agreed. Planned payments for new liabilities in the future have not been included in the calculations. Interest payments were included in the future cash flows under agreements in effect as at the balance sheet date. Current liabilities and liabilities which can be terminated at any time are shown under the shortest time horizon.

7 | STATEMENT OF CASH FLOWS

The statement of cash flows shows how the item “Cash and cash equivalents” of RHÖN-KLINIKUM Group has changed in the year under review as a result of cash inflows and outflows. The impact of acquisitions, divestments and other changes in consolidated companies has been eliminated. In accordance with IAS 7 (Statement of Cash Flows), a distinction is made between cash flows from operating activities, investing activities as well as financing activities. The liquidity shown in the statement of changes in financial position includes cash on hand, cheques as well as cash with banks. For the purposes of the statement of cash flows, bank overdrafts are deducted from cash and cash equivalents. As at 31 December 2021, as in the previous year, there were no bank overdrafts.

Cash and cash equivalents increased in financial year 2021 by €35.3 million (previous year: decreased by €37.0 million). In this context, a positive cash generated from operating activities was achieved in the amount of €97.5 million (previous year: €113.3 million). The decline in cash generated from operating activities by €15.8 million compares with a €76.9 million decrease in cash used in investment activity as well as a €11.2 million decrease in cash used in financing activity.

The decline in cash generated from operating activities results among other things from the normalisation of receivables at the end of the financial year. Last year, receivables were significantly affected by payments in connection with COVID-19 legislation as well as the more rapid payments by the health insurance funds in connection with pandemic legislation. Since no further fixed deposit investments were made in 2021, this resulted in a reduction in cash used in investment activity. The reduction in cash used in investment activity results from the partial repayment of our promissory note in financial year 2020.

The cash flow statement included a total of €9.2 million (previous year: €15.0 million) in non-cash obligations from outstanding construction invoices as a correction to investments in property, plant and equipment as well as intangible assets.

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.

In financial year 2021, financial liabilities changed as follows:

in € million					
	31 Dec. 2020	Cash changes	Non-cash changes	Change in consolidated companies	31 Dec. 2021
Lease obligations	11.2	-3.5	2.5	-	10.2
Current financial liabilities	0.9	-0.9	1.0	-	1.0
Non-current financial liabilities	148.5	-	0.0	-	148.5
Total liabilities from finance activities	160.6	-4.4	3.5	0.0	159.7

Financial liabilities changed in financial year 2020 as follows:

in € million					
	31 Dec. 2019	Cash changes	Non-cash changes	Change in consolidated companies	31 Dec. 2020
Lease obligations	13.0	-3.4	1.4	0.2	11.2
Current financial liabilities	0.9	-0.9	0.9	-	0.9
Non-current financial liabilities	158.3	-10.0	0.2	-	148.5
Total liabilities from finance activities	172.2	-14.3	2.5	0.2	160.6

8 | SHAREHOLDINGS

8.1 Companies included in the consolidated annual report

in € '000			
	Interest held in %	Equity	Result for the year
Hospital companies			
Haus Saaletal GmbH, Bad Neustadt a. d. Saale ¹	100.0	1,516	0
Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder) ¹	100.0	73,677	0
RHÖN-Kreislinik Bad Neustadt GmbH, Bad Neustadt a. d. Saale ¹	100.0	350	0
Universitätsklinikum Gießen und Marburg GmbH, Giessen	95.0	160,785	11,879
Zentralklinik Bad Berka GmbH, Bad Berka	87.5	138,133	11,432

¹ The company claims the exemptions pursuant to section 264 (3) HGB from preparing notes and, to the extent required by law, from preparing a management report as well as disclosure.

in € '000			
	Interest held in %	Equity	Result for the year
Medical care centre companies			
MVZ Bad Neustadt/Saale GmbH, Bad Neustadt a. d. Saale ¹	100.0	370	0
MVZ des Klinikums Frankfurt (Oder) GmbH, Frankfurt (Oder)	100.0	208	-75
MVZ MED GmbH, Bad Neustadt a. d. Saale	100.0	25	-187
MVZ UKGM GmbH, Marburg	95.0	2,664	1,775
MVZ Zentralklinik GmbH, Bad Berka	87.5	1,994	0

¹ The company claims the exemptions pursuant to section 264 (3) HGB from preparing notes and, to the extent required by law, from preparing a management report as well as disclosure.

in € '000			
	Interest held in %	Equity	Result for the year
Research and education companies			
ESB – Gemeinnützige Gesellschaft für berufliche Bildung mbH, Bad Neustadt a. d. Saale	100.0	2,223	295
gemeinnützige Gesellschaft zur Förderung der klinischen Forschung auf dem Gebiet der Humanmedizin und zur Betreuung von Patienten an den Universitäten Gießen und Marburg mbH, Marburg	100.0	35	0

in € '000			
	Interest held in %	Equity	Result for the year
Property companies			
BGL Grundbesitzverwaltungs-GmbH, Bad Neustadt a. d. Saale	100.0	35,560	1,426

in € '000			
	Interest held in %	Equity	Result for the year
Service companies			
RHÖN-Cateringgesellschaft mbH, Bad Neustadt a. d. Saale ¹	100.0	58	0
RHÖN-KLINIKUM Business Services GmbH, Bad Neustadt a. d. Saale	100.0	15	-10
RHÖN-KLINIKUM IT Service GmbH, Bad Neustadt a. d. Saale	100.0	15	-10
RHÖN-KLINIKUM Service Einkauf + Versorgung GmbH, Bad Neustadt a. d. Saale	100.0	15	-10
RHÖN-KLINIKUM Services GmbH, Bad Neustadt a. d. Saale	100.0	3,222	182
RK Reinigungsgesellschaft Nordost mbH i. L., Bad Neustadt a. d. Saale	100.0	197	-7
UKGM Service GmbH, Bad Neustadt a. d. Saale	100.0	68	-1

¹ The company claims the exemptions pursuant to section 264 (3) HGB from preparing notes and, to the extent required by law, from preparing a management report as well as disclosure.

in € '000

	Interest held in %	Equity	Result for the year
Other companies/shelf companies			
Energiezentrale Universitätsklinikum Gießen GmbH, Giessen	50.0	872	174
Kinderhort Salzburger Leite gemeinnützige Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	191	17
KLINIK "HAUS FRANKEN" GMBH Bad Neustadt/Saale i. L., Bad Neustadt a. d. Saale	100.0	688	-6
Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	-37,414	1,750
Psychosomatische Klinik GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	11	-8
PTZ GmbH, Marburg	100.0	320	-15
RHÖN-KLINIKUM Energie für Gesundheit GmbH, Bad Neustadt a. d. Saale ¹	100.0	1,500	0
RHÖN-Innovations GmbH, Bad Neustadt a. d. Saale	100.0	5,222	-241
RK Klinik Betriebs GmbH Nr. 35 i. L., Bad Neustadt a. d. Saale	100.0	107	-7
Wolfgang Schaffer GmbH i. L., Bad Neustadt a. d. Saale	100.0	555	-7

¹ The company claims the exemptions pursuant to section 264 (3) HGB from preparing notes and, to the extent required by law, from preparing a management report as well as disclosure.

8.2 Other companies according to section 313 (2) No. 2 et seq. HGB

in € '000

	Interest held in %	Equity	Result for the year
4QD – Qualitätskliniken.de GmbH, Berlin ¹	20.0	283	-195
Bäderland Bayerische Rhön GmbH & Co. KG, Bad Kissingen ¹	0.1	9	1
CLEW Medical Inc., Delaware (USA) ²	8.8	2,073	-4,552
HOSPIZ MITTELHESSEN gemeinnützige GmbH, Wetzlar ¹	13.6	531	6
Inovytec Medical Solutions Ltd., Hod Hasharon (Israel) ²	10.2	8,994	7,754
TipluBIKE GmbH, Hamburg (vormals: proDRG GmbH, Hamburg) ^{1,3}	5.0	28	12
Projektanker GmbH, Hamburg ^{1,3}	1.2	68	-1
Robast Robic Assistant GmbH, Hamburg ^{1,3}	2.3	o, A,	o, A,
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale ¹	25.0	1,511	-16
Siebensachen GmbH, Hamburg ¹	0.004	49	1,157
Telesofia Medical Ltd., Tel Aviv (Israel) ²	12.2	-114	-163
Tiplu GmbH, Hamburg	5.0	4,756	2,010
Tiplu Schweiz AG, Zurich ^{1,3}	5.0	o, A,	o, A,

¹ Figures according to annual financial statements of 31 December 2020.

² Figures according to annual financial statements of 31 December 2020, converted at closing/average exchange rate on 31 December 2021.

³ Equity interest of Tiplu GmbH, Hamburg.

9 | OTHER DISCLOSURES

9.1 Average annual number of employees

	2021		2020		Change	
	Number ¹	Number ¹	Number ¹	Number ¹	in %	
Medical doctors	1,075	1,083	-8	-0.7		
Nursing services	5,249	5,026	223	4.4		
Medical-technical services	2,571	2,607	-36	-1.4		
Functional	1,589	1,629	-40	-2.5		
Supply and misc. services	1,919	2,000	-81	-4.1		
Technical	265	270	-5	-1.9		
Administrative	1,048	1,123	-75	-6.7		
Other personnel	307	312	-5	-1.6		
	14,023	14,050	-27	-0.2		

¹ Headcount, excluding Board members, managing directors, apprentices, trainees and those in alternative national service.

9.2 Other financial obligations

in € million

	31 Dec. 2021	31 Dec. 2020
Order commitments	24.7	33.3
Other		
Due in subsequent year	36.8	37.1
Due in 2 to 5 years	18.1	18.1
Due in 5 years	1.9	2.5
Total other	56.8	57.7

Of the figure for order commitments, €2.6 million (previous year: €1.2 million) is attributable to intangible assets, and €12.8 million (previous year: €26.8 million) is attributable to property, plant and equipment.

The remaining other financial obligations are mainly attributable to service agreements (maintenance agreements, agreements concerning the sourcing of products, agreements relating to laundry services, etc.).

As at the balance sheet date, there are no obligations under loan commitments to associates (previous year: no obligations). The agreement from 2017 with the Federal State of Hesse in connection with the financing of the services to be rendered for research and teaching at the Group's university hospitals provides for investment commitments in the amount of at least €100.0 million until the end of 2021. As at the balance sheet date, already €173.1 million (previous year: €139.0 million) of that has been fulfilled. Moreover, the following investments are to be implemented: at the Marburg site, the modernisation and new build of the paediatric and juvenile psychiatry clinic, the modernisation and new build of the clinic for psychiatry, the modernisation of the central OR in the 1st construction phase and the modernisation of the intensive care units in the 1st construction phase. At the Giessen site: the extension of the paediatric heart clinic and the construction of an extension to the new hospital. For these measures €26.3 million (previous year: €19.4 million) has already been invested up to the end of 2021. Our hospitals at the Giessen and Marburg sites moreover continue to be committed to foregoing redundancies and outsourcing i. a. currently up to the end of financial year 2022 and to take over nursing trainees into permanent employment for at least two years if they possess the right qualifications for the respective positions.

In addition, absolute bank guarantee undertakings not limited by contract exist for claims of the associations of accredited physicians (kassenärztliche Vereinigungen) and health insurance funds against medical care centre subsidiaries from their accredited physician activities, and with a medical care centre subsidiary a contract performance guarantee amounting to €0.3 million (previous year: €0.3 million) as security for advance payments of the association of accredited physicians.

As part of the construction of the new hospital in Bad Neustadt a. d. Saale, a bank guarantee in the amount of €0.1 million (previous year: €0.1 million) was granted to secure the reforestation agreement with the Free State of Bavaria.

Moreover, one aval guarantee (Aval-Bürgschaftserklärung) in the amount of €3.5 million (previous year: €3.5 million) exists for claims to government grants of the Free State of Bavaria. Furthermore, an absolute guarantee (selbstschuldnerische Bürgschaft) exists for claims to government grants of the Free State of Bavaria in the amount of €0.2 million (previous year: €0.2 million). In the previous year, there was also a litigation guarantee in connection with a lawsuit amounting to €1.9 million that was returned in the current financial year. A rental guarantee of €0.0 million (previous year: €0.0 million) also exists. It is no longer expected that any claims will be made under the guarantees.

9.3 Leases within the Group

Standard IFRS 16 defines a lease as a contract which conveys the right to use an asset for a period of time in exchange for consideration. Within the Group, the modified retroactive approach was applied. Numerous property leases contain renewal options.

For leases with a term of twelve months maximum amounting to €0.1 million (previous year: €0.4 million) as well as for leases relating to low-value assets in the amount of €0.4 million (previous year: €0.2 million), no rights of use and no lease liabilities are recognised within the Group of RHÖN-KLINIKUM AG. The lease rates are recognised as before within the income statement. Interest expenses from leases amounting to €0.2 million (previous year: €0.2 million) in financial year 2021.

Further details on leases are provided in sections 6.2, 6.17 and 6.21.3.

9.3.1 Obligations of lessees

Under leases, the Group mainly rents copier and printer systems as well as laboratory equipment. In the Group, there is a principle of always acquiring ownership of operating assets.

in € million

	2021	2020
Liabilities from leases – minimum lease payments		
Due in subsequent year	3.1	3.2
Due in 2 to 5 years	6.5	7.3
Due in 5 years	0.9	1.2
	10.5	11.7
Future financing costs under leases	-0.3	-0.5
Present value of liabilities under leases	10.2	11.2

in € million

	2021	2020
Present value of liabilities under leases		
Due in subsequent year	3.1	3.1
Due in 2 to 5 years	7.1	8.1
Due in 5 years	-	-
	10.2	11.2

9.3.2 Investment property

The Group lets residential space to employees, office and commercial space to third parties (e.g. cafeteria), as well as premises to doctors cooperating with the hospital and to joint laboratories as part of cancellable operating leases.

The most significant operating lease contracts by amount stem from the letting of property to third parties.

The largest item in absolute terms is the letting of a property to a nursing home operator. Based on the provisions of IFRS 13.97, fair value is calculated for the assets to be stated according to IAS 40. The fair value determined in this regard cannot be observed on an active market nor can it be derived from a quoted market price and is thus classified to Level 3 of the fair value hierarchy of IFRS 13. The fair value is determined using a capitalised value approach in which the corresponding components of the income cost approach such as gross profit, expected return on land value and standard land value are used as input factors. On the basis of the capitalised value of potential earnings, no material differences between the fair value of the properties and their carrying amounts shown below are seen. For this reason, no external fair-value expertise was obtained.

Depreciation is recognised on a straight-line basis over a useful life of 33 $\frac{1}{3}$ years. Since the lease agreement with the operator of a retirement and nursing home was terminated in the current financial year, the useful life was adjusted to the termination notice period. Rental income of €0.4 million (previous year: €0.4 million) was received for this in financial year 2021. Based on the higher depreciation, the operating costs for the investment properties amounted to €1.0 million in the financial year (previous year: €0.2 million). These are accounted for entirely by properties with which rental income was generated.

in € million

	2021	2020
	Total	Total
Cost		
1 Jan.	5.0	5.0
Additions	0.0	0.0
Disposals	0.0	0.0
31 Dec.	5.0	5.0
Cumulative depreciation		
1 Jan.	2.8	2.6
Depreciation	0.9	0.2
Disposals	0.0	0.0
31 Dec.	3.7	2.8
Balance sheet value as at 31 Dec.	1.3	2.2

There is also income from non-terminable leases. The minimum lease payments to be received in future (up to one year) are €0.7 million (previous year: €0.7 million). The minimum lease payments for the period of up to five years are stated at €1.8 million (previous year: €1.2 million). The corresponding figure for the period in excess of five years is €1.0 million (previous year: €0.3 million).

9.4 Related parties

According to the definition of IAS 24.9, related parties are those related to the reporting entity. Such parties are in particular natural persons who control the reporting entity or are involved in its joint management, exercise a material influence or hold a key position in the corporate management of the reporting entity. The same is true of close relatives of such persons. A person's close relatives are family members who may be assumed to be capable of influencing such person or being influenced by such person in their transactions with the Company. That includes children and spouses of life partners of such person, children of the spouse of life partner of such person, and

dependants of such person or of the spouse of life partner of such person. Also included are companies of the same corporate group and companies subject to or exercising a material influence.

Companies in the RHÖN-KLINIKUM Group enter into transactions with related parties in certain cases. These in particular include lettings of buildings as well as services related to nursing as well as supply of staff. Such service or lease relations are arranged at arm's length terms.

Related companies are accordingly defined as all companies in which we own an interest of between 20.0% and 50.0% or which were not included in the consolidated financial statements on the grounds of materiality (for the companies of the Group, please refer to the list of shareholdings in these Notes). Jointly managed joint ventures are also deemed to be related companies. From the point of view of the Group, the volume of transactions with related companies in financial year 2021 was as follows:

in € '000

	Expenses 2021	Income 2021	Receivables 31 Dec. 2021	Liabilities 31 Dec. 2021
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale	–	370	0	–
4QD – Qualitätskliniken.de GmbH, Berlin	3	–	–	–
HOSPIZ MITTELHESSEN gemeinnützige GmbH, Wetzlar	17	–	–	–
Tiplu GmbH, Hamburg	353	–	–	–
	373	370	0	–

From the point of view of the Group, the volume of transactions with companies consolidated using the equity method in financial year 2021 was as follows:

in € '000

	Expenses 2021	Income 2021	Receivables 31 Dec. 2021	Liabilities 31 Dec. 2021
Energiezentrale Universitätsklinikum Gießen GmbH, Giessen	843	–	–	125
	843	0	0	125

The receivables and liabilities result from supply and service relationships.

The members of management in key positions as well as close family relatives are treated as related parties. The Board of Management of RHÖN-KLINIKUM AG, the members of the Supervisory Board, as well as the members of management in key positions of a parent company were included among the members of management in key positions. Direct and indirect

parent companies are the companies specified under Note 1 "General information" as well as Dr Bernard große Broermann.

In the year under review, members of the Supervisory Board of RHÖN-KLINIKUM AG, or companies and entities related with these as well as companies within the meaning of IAS 24, rendered the following services at arm's length terms:

in € '000

Related party	Companies as defined by IAS 24	Nature of services	Expenses	
			2021	2020
Dr Bernard große Broermann	Asklepios-Kliniken Group	Services, pharmacy services and medical products	4,027	1,996
	of which Asklepios Kliniken GmbH & Co. KGaA	Services and medical products	2,127	1,740
Prof. Dr Gerhard Ehninger (until 15 January 2021)	AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	1	20
		Supervisory board activity at an affiliated company	–	3
	B. Braun Konzern (primarily B. Braun Melsungen AG and Aesculap AG) (until 3 July 2020)	Purchase of medical products	–	5,304
Peter Berghöfer		Supervisory board activity at an affiliated company	5	2
Klaus Hanschur (until 19 August 2020)		Supervisory board activity at an affiliated company	–	2
Hafid Rifi (from 19 August 2020)		Supervisory board activity at an affiliated company	2	2
Marco Walker (from 9 March 2021)		Supervisory board activity at an affiliated company	3	–
Regina Dickey (from 19 August 2020)		Supervisory board activity at an affiliated company	1	–
Eugen Münch		Fee for services	656	193

As in the previous year, the expenses were recognised in the income statement under the materials and consumables item as well as the

other expenses item. As in the previous year, no impairments were to be recognised in financial year 2021.

The following services were recognised in the income statement under other income:

in € '000

Related party	Companies as defined by IAS 24	Nature of services	Income	
			2021	2020
Dr Bernard große Broermann	Asklepios-Kliniken Group	Services, pharmacy services and medical products	1,820	942
	of which Asklepios Kliniken GmbH & Co. KGaA	Services, pharmacy services and medical products	166	0
Eugen Münch		Telephone expenses, insurance fees, other services	1	3
Dr Stefan Stranz		Services	2	–

As at the balance sheet date of 31 December 2021, the following trade payables existed:

in € '000

Related party	Companies as defined by IAS 24	Nature of services	Liabilities	
			2021	2020
Dr Bernard große Broermann	Asklepios-Kliniken Group	Services, pharmacy services and medical products	1,241	1,907
	of which Asklepios Kliniken GmbH & Co. KGaA	Services and medical products	1,165	1,024
Eugen Münch		Fee for services	62	48
Prof. Dr Gerhard Ehninger (until 15 January 2021)	AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	–	2

As at the balance sheet date of 31 December 2021, the following trade receivables existed:

in Tsd. €

Related party	Companies as defined by IAS 24	Nature of services	Receivables	
			2021	2020
Dr Bernard große Broermann	Asklepios-Kliniken Group	Services, pharmacy services and medical products	283	81
	of which Asklepios Kliniken GmbH & Co. KGaA	Services and medical products	0	0
Dr Stefan Stranz		Services	1	-

The employee representatives on the Supervisory Board employed at RHÖN-KLINIKUM AG or its subsidiaries received the following remuneration within the scope of their employment contracts in the past financial year:

in € '000

	Fixed	Profit-linked	Total 2021	Total 2020
Peter Berghöfer	201	10	211	210
Regina Dickey (from 19 August 2020)	47	1	48	19
Peter Ducke (from 19 August 2020)	37	1	38	14
Prof. (apl.) Dr med. Leopold Eberhart (from 19. August 2020)	192	0	192	67
Stefan Härtel (until 19 August 2020)	-	-	-	36
Klaus Hanschur (until 19 August 2020)	-	-	-	27
Dr med. Martin Mandewirth (from 19 August 2020)	154	2	156	51
PD Dr med Thomas Pillukat (from 19 August 2020)	155	14	169	51
Oliver Salomon	55	1	56	53
Evelin Schiebel (until 19 August 2020)	-	-	-	30
Natascha Weihs (until 19 August 2020)	-	-	-	33
	841	29	870	591

The above costs are shown under employee benefit expenses in the income statement.

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

The total expenditures (excluding VAT) for members of the Supervisory Board are broken down below:

in € '000		
	2021	2020
Total payments		
Dr Jan Liersch (from 3 June 2020)	96	67
Georg Schulze	57	122
Hafid Rifi (from 19 August 2020)	67	27
Peter Berghöfer	41	91
Nicole Mooljee Damani (from 19 August 2020)	29	18
Dr Julia Dannath-Schuh (from 3 June 2020)	30	40
Regina Dickey (from 19 August 2020)	42	18
Peter Ducke (from 19 August 2020)	34	15
Prof. (apl.) Dr med. Leopold Eberhart (from 19 August 2020)	41	20
Prof. Dr Gerhard Ehninger (until 15 January 2021)	2	68
Irmtraut Gürkan (from 19 August 2020)	41	18
Kai Hankeln (from 19 August 2020)	34	16
Dr med. Martin Mandewirth (from 19 August 2020)	32	18
PD Dr med. Thomas Pillukat (from 19 August 2020)	34	15
Christine Reißner	32	81
Oliver Salomon	31	70
Marco Walker (from 9 March 2021)	25	0
Dr Annette Beller (until 3 June 2020)	0	83
Jan Hacker (until 19 August 2020)	0	57
Stefan Härtel (until 19 August 2020)	0	55
Klaus Hanschur (until 19 August 2020)	0	50
Meike Jäger (until 19 August 2020)	0	70
Dr Brigitte Mohn (until 19 August 2020)	0	43
Eugen Münch (until 19 August 2020)	0	219
Wolfgang Mündel (until 19 August 2020)	0	196
Evelin Schiebel (until 19 August 2020)	0	57
Dr Katrin Vernau (until 3 June 2020)	0	56
Natascha Weihs (until 19 August 2020)	0	57
	666	1,647

As at the balance sheet date, liabilities to members of the Supervisory Board in the amount of €1.3 million (previous year: €1.6 million) exist.

The total payments of the Board of Management break down as follows:

in € '000

Incumbent member of Board of Management

Dr Christian Höftberger

(chairman of Board of Management from 5 November 2020; member of Board of Management from 15 August 2020)

	Remuneration earned in financial year				Inflow ¹					
	2021		2020		2021		2021		2020	
	in €	in %	in €	in %	(min.)	(max.)	in €	in %	in €	in %
Base salary (fixed remuneration)	500	75	188	62	500	500	500	83	188	90
Fringe benefits	9	1	21	7	9	9	9	1	21	10
Total	509	76	209	69	509	509	509	84	209	100
One-year variable remuneration										
Management profit sharing	158	24	94	31	0	250	94	16	0	0
Total payments/total remuneration	666	100	303	100	509	759	603	100	209	100

¹ Remuneration granted and owed in financial year.

in € '000

Incumbent member of Board of Management

Prof. Dr Bernd Griewing
(member of Board of Management)

	Remuneration earned in financial year				Inflow ²					
	2021		2020		2021		2021		2020	
	in €	in %	in €	in %	(min.)	(max.)	in €	in %	in €	in %
Base salary (fixed remuneration)	192	14	192	14	192	192	192	16	192	16
Fringe benefits	12	1	12	1	12	12	12	1	12	1
Total	204	15	204	15	204	204	204	17	204	17
One-year variable remuneration										
Management profit sharing	1,008	74	1,008	73	1,008	1,308	1,008	83	1,008	83
Total payments	1,212	88	1,212	88	1,212	1,512	1,212	100	1,212	100
Pension expense ¹	159	12	165	12	159	159	0	0	0	0
Total remuneration	1,371	100	1,377	100	1,371	1,671	1,212	100	1,212	100

¹ Pension expenditure includes past service cost according to IAS 19.

² Remuneration granted and owed in financial year.

in € '000

**Incumbent member of
Board of Management**

 Dr Stefan Stranz
(member of Board of Management from 1 September 2020)

	Remuneration earned in financial year						Inflow ¹			
	2021		2020		2021	2021	2021		2020	
	in €	in %	in €	in %	(min.)	(max.)	in €	in %	in €	in %
Base salary (fixed remuneration)	500	71	167	63	500	500	500	80	167	92
Fringe benefits	43	6	14	5	43	43	43	7	14	8
Total	543	78	181	69	543	543	543	87	181	100
One-year variable remuneration										
Management profit sharing	158	22	83	31	0	250	83	13	0	0
Total remuneration	700	100	264	100	543	793	626	100	181	100

¹ Remuneration granted and owed in financial year.

in € '000

**Incumbent member of
Board of Management**

 Dr Gunther K. Weiß
(member of the Board of Management)

	Remuneration earned in financial year						Inflow ²			
	2021		2020		2021	2021	2021		2020	
	in €	in %	in €	in %	(min.)	(max.)	in €	in %	in €	in %
Base salary (fixed remuneration)	192	19	192	18	192	192	192	21	192	21
Fringe benefits	17	2	17	2	17	17	17	2	17	2
Total	209	20	209	20	209	209	209	23	209	23
One-year variable remuneration										
Management profit sharing	708	69	708	68	708	1,308	708	77	708	77
Total payments	917	89	917	88	917	1,517	917	100	917	100
Pension expense ¹	114	11	130	12	114	114	0	0	0	0
Total remuneration	1,031	100	1,047	100	1,031	1,631	917	100	917	100

¹ Pension expenditure includes past service cost according to IAS 19.

² Remuneration granted and owed in financial year.

in € '000

	Stephan Holzinger (chairman of Board of Management until 16 June 2020; member of Board of Management until 22 June 2020; service relationship until 30 September 2020)									
	Remuneration earned in financial year						Inflow ²			
	2021	in %	2020	in %	2021 (min.)	2021 (max.)	2021	in %	2020	in %
Base salary (fixed remuneration)	0	0	1,350	41	0	0	0	0	1,350	33
Fringe benefits	0	0	8	0	0	0	0	0	8	0
Total	0	0	1,358	41	0	0	0	0	1,358	33
One-year variable remuneration										
Management profit sharing	0	0	0	0	0	0	0	0	0	0
Total payments	0	0	1,358	41	0	0	0	0	1,358	33
Pension expense ¹	0	0	63	2	0	0	0	0	825	20
Severance payments	0	0	1,872	57	0	0	0	0	1,872	46
Total remuneration	0	0	3,293	100	0	0	0	0	4,055	100

¹ Pension expenditure includes past service cost according to IAS 19.

² Remuneration granted and owed in financial year.

For the post-termination entitlements of Prof. Dr Griewing and Dr Weiß, the following provisions have been formed for post-employment benefits:

in € '000

	Provision as at 31 Dec. 2020	Change in retirement benefits	Provision as at 31 Dec. 2021	Nominal amount on contract expiry ¹
Retirement benefits				
Incumbent members of the Board of Management				
Prof. Dr Bernd Griewing	808	128	936	1,350
Dr Gunther K. Weiß	306	123	429	694
Total	1,114	251	1,365	2,044

¹ Claim according to expiry of service contract of the incumbent members of the Board of Management based on remuneration.

As at the balance sheet date, liabilities to members of the Board of Management in the amount of €0.4 million (previous year: €0.2 million) exist.

No loans were granted to members of the Supervisory Board and the Board of Management. The members of the Supervisory Board and their related parties together have a shareholding interest in RHÖN-KLINIKUM Aktiengesellschaft of 0.0% (previous year: 0.0%) of total equity capital. As at 31 December 2021, the members of the Board of Management hold no (previous year: no) shares of RHÖN-KLINIKUM Aktiengesellschaft. The payments of the Supervisory Board relate to benefits due in the short term.

During the 2021 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.

For the statements on share-based compensation within the meaning of IFRS 2 (cash-settled share-based payment transactions), we refer to Note 2.16.4 "Share-based payments".

9.6 Declaration of Compliance with the German Corporate Governance Code

By joint resolution of the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG of 10 November 2021, the Company made the declaration pursuant to section 161 of the German Stock Corporation Act (AktG) regarding the application of the German Corporate Governance Code in financial year 2021. These have been published on the website of RHÖN-KLINIKUM AG and thus made available to the general public.

9.7 Disclosure of the fees recognised as expenses (including reimbursement of outlays and excluding VAT) for the statutory auditors

In financial year 2021, expenses resulting from fees for statutory auditors amounting to €0.8 million (previous year: €1.3 million) were incurred Group-wide. A breakdown of these fees (including outlays and excluding VAT) by service rendered is provided below:

in € '000

	2021	2020
Fees for auditing financial statements	617	749
Fees for other statutory auditing services	200	250
Fees for tax advice	5	13
Fees for other services	3	270
	825	1,282

The fees for the other statutory auditing services essentially cover certificates for hospital legislation purposes as well as for review of the separate non-financial report. The tax advisory services include fees for support services in the preparation of tax declarations and in the assessment of tax matters. Other services relate to fees for project-related advisory services.

Of the total fee (excluding VAT), no fees are attributable to other statutory auditors who are not auditors of the consolidated financial statements. The previous year's statement relates to the fees for the activity of the statutory auditor PricewaterhouseCoopers GmbH up to and including 2020.

9.8 Events after the reporting date

On 14 January 2022, the Board of Management of RHÖN-KLINIKUM AG and the management body of Universitätsklinikum Gießen und Marburg GmbH (UKGM) decided to sign a Letter of Intent of the Federal State of Hesse with regard to the grant of investment funding for UKGM. In this Declaration of Intent, the Federal State of Hesse offered the prospect of investment funding for UKGM of up to €45 million per year for a period of ten years, to be increased over the term in the first five years by 1.5% p.a. and in the five years after that by 2.5% p.a. The prospective investment funding offered can cover part of the investment that will be needed to maintain the university hospital structures. Continuation of the existing separate accounting scheme is also planned.

At the same time, the Declaration of Intent provides for numerous provisions on further matters, including an obligation to reinvest profits of UKGM during this period, provisions in the event of a change in control, as well as a prohibition on outsourcing and the exclusion of redundancies.

All provisions stipulated in the Letter of Intent are subject to the condition of a legally binding agreement being entered into between RHÖN-KLINIKUM AG, Asklepios Kliniken GmbH & Co. KGaA, Universitätsklinikum Gießen und Marburg GmbH, the Federal State of Hesse and the Universities of Giessen and Marburg with their faculties of medicine. The conclusion of this agreement is moreover subject to the condition precedent of the required funds being approved by the budgetary legislator of the Federal State of Hesse.

In addition, we draw attention to one change in the Supervisory Board after the end of financial year 2021: Ms. Nicole Mooljee Damani notified the Company in December 2021 that she was resigning her mandate as member of the Supervisory Board of the Company. She thus left the Supervisory Board on 8 January 2022. The Supervisory Board therefore resolved already in January 2022 on the recommendation of the Nomination Committee to propose Dr Cornelia Sufke, head of the Medical Law, Insurance and Compliance division of Asklepios Kliniken GmbH und Co. KGaA, Hamburg, for the election to be held at the 2022 Annual General Meeting, to succeed Nicole Mooljee Damani as member of the Supervisory Board of RHÖN-KLINIKUM AG for the remaining term of office. The application of the Board of Management of the Company to the Local Court of Schweinfurt was made on 3 February 2022.

10 | CORPORATE BODIES OF RHÖN-KLINIKUM AG

The Supervisory Board of RHÖN-KLINIKUM AG comprises the following persons:

Dr Jan Liersch

Business address at Königstein-Falkenstein, managing director of Broermann Holding GmbH, Chairman of the Supervisory Board

Also a member of the Supervisory Board of:

- MEDICLIN Aktiengesellschaft, Offenburg
(Chairman of the Supervisory Board)

Other mandates:

- Hotel Montreux Palace S.A., Montreux, Switzerland
(Chairman of the Board of Directors)
- Hôtel Suisse Majestic S.A., Montreux, Switzerland
(Chairman of the Board of Directors)

Georg Schulze

Frankfurt am Main, 1st Deputy Chairman, Regional Director of ver.di, region of Hesse

Also a member of the Supervisory Board of:

- Lahn-Dill-Kliniken GmbH, Wetzlar

Hafid Rifi

Business address at Königstein-Falkenstein, 2nd Deputy Chairman, Chief Financial Officer of Asklepios Kliniken GmbH & Co. KGaA

Also a member of the Supervisory Board of:

- Universitätsklinikum Gießen und Marburg GmbH, Giessen

Peter Berghöfer

Münchhausen, Head of Finance, Universtätsklinikum Giessen und Marburg GmbH, Giessen

Also a member of the Supervisory Board of:

- Universitätsklinikum Gießen und Marburg GmbH, Giessen

Nicole Mooljee Damani

Rottach-Egern, corporate consultant (until 8 January 2022)

Dr Julia Dannath-Schuh

Zurich, Switzerland, Vice President Human Resources Development & Leadership ETH Zurich

Also a member of the Supervisory Board of:

- Asklepios Kliniken GmbH & Co. KGaA, Hamburg
- MEDICLIN Aktiengesellschaft, Offenburg

Other mandates:

- Alsia und Partners AG, Hünenberg, Switzerland
(member of the Board of Directors)

Regina Dickey

Giessen, administrative employee

Also a member of the Supervisory Board of:

- Universitätsklinikum Gießen und Marburg GmbH, Giessen

Peter Ducke

Marburg, employee in nursing service

Prof. (apl.) Dr med. Leopold Eberhart

Marburg, MD

Irmtraut Gürkan

Alsbach, Dipl.-Volkswirtin (economist)

Also a member of the Supervisory Board of:

- Charité Universitätsmedizin Berlin, Berlin

Other mandates:

- Eurotransplant International Foundation, Leiden, Netherlands (Member of the Supervisory Board)
- Stiftung Alice-Hospital vom Roten Kreuz zu Darmstadt, Darmstadt (Member of the Board of Trustees)
- Universitätsspital Basel, Basel, Switzerland (Member of the Board of Directors)
- Georg-August-Universität Göttingen, Göttingen (member of the Foundation Council)
- Universitätsmedizin Göttingen, Göttingen (deputy chairman of the Foundation Committee)
- Biolife Germany AG, Heidelberg

Kai Hankeln

Business address at Hamburg, Chief Executive Officer of Asklepios Kliniken GmbH & Co. KGaA

Also a member of the Supervisory Board of:

- Asklepios Fachklinikum Stadtroda GmbH, Stadtroda (Chairman of the Supervisory Board)
- MEDICLIN Aktiengesellschaft, Offenburg

Dr med. Martin Mandewirth

Oberelsbach, Facharzt für Herzchirurgie (MD, specialist in heart surgery)

PD Dr med. Thomas Pillukat

Bad Neustadt a. d. Saale, MD

Christine Reißner

Sülzfeld, merchant

Oliver Salomon

Bad Berka, nurse

Marco Walker

Business address at Hamburg, Chief Operating Officer of Asklepios Kliniken GmbH & Co. KGaA

Also a member of the Supervisory Board of:

- MEDICLIN Aktiengesellschaft, Offenburg
- Meierhofer Aktiengesellschaft, Munich
- Universitätsklinikum Gießen und Marburg GmbH, Giessen

The Board of Management of RHÖN-KLINIKUM AG comprises the following persons:

Dr Christian Höftberger

Business address at Bad Neustadt a. d. Saale,
Chairman of the Board of Management

Also a member of the supervisory board of:

- IWG HOLDING AG, Giessen
- IWG MEDICAL REAL ESTATE AG, Giessen (until 30 June 2021)
- Universitätsklinikum Gießen und Marburg GmbH, Giessen
(Chairman of the Supervisory Board)

Prof. Dr med. Bernd Griewing

Business address at Bad Neustadt a. d. Saale,
Chief Medical Officer

Member of the Supervisory Board of:

- Universitätsklinikum Giessen und Marburg GmbH, Giessen

Other mandates:

- Stiftung Münch, Munich (Board of Management)
- Stiftung Deutsche Sporthilfe, Frankfurt am Main
(member of the Board of Trustees)
- Distel Digital GmbH, Bad Neustadt a. d. Saale
(member of the Advisory Board)
- Versicherungskammer Bayern, Munich
(member of the Economic Advisory Council)

Dr Stefan Stranz

Business address at Bad Neustadt a. d. Saale, Chief Financial Officer

Dr med. Gunther Karl Weiß, M. Sc.

Business address at Bad Neustadt a. d. Saale, Chief Operating Officer

Member of the Supervisory Board of:

- P.E.G. Einkaufs- und Betriebsgenossenschaft eG, Munich
(until 26 October 2021)

Other mandates:

- Universitätsklinikum Gießen und Marburg GmbH, Giessen
(Chairman of the Management Body)
- Mittelhessische Medizin-Stiftung am Universitätsklinikum
Gießen und Marburg, Giessen
(member of the Board of Directors)
- Hessische Krankenhausgesellschaft e.V., Eschborn
(member of the Management Board)

Bad Neustadt a. d. Saale, 4 March 2022

RHÖN-KLINIKUM Aktiengesellschaft
THE BOARD OF MANAGEMENT

Prof. Dr Bernd Griewing

Dr Christian Höftberger

Dr Stefan Stranz

Dr Gunther K. Weiß

Responsibility statement

We assure to the best of our knowledge that based on the accounting principles to be applied the Consolidated Financial Statements of RHÖN-KLINIKUM AG give a true and fair view of the net assets, financial position and results of operations of the Group and that the Group Management Report 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 probable development of the Group of RHÖN-KLINIKUM AG.

Bad Neustadt a. d. Saale, 4 March 2022

RHÖN-KLINIKUM Aktiengesellschaft
THE BOARD OF MANAGEMENT

Prof. Dr Bernd Griewing

Dr Christian Höftberger

Dr Stefan Stranz

Dr Gunther K. Weiß

Independent auditor's report

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

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of RHÖN-KLINIKUM Aktiengesellschaft for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of those components of the group management report specified in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German generally accepted standards for the financial statements audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were the most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate opinion on these matters.

- **Recognition of revenue generated from hospital services provided and revenue settlement (Erlösausgleich)**

Please refer to Section 3.2 in the notes to the consolidated financial statements for information on the accounting policies applied.

RISK FOR THE FINANCIAL STATEMENTS

EUR 1,402.0 million of the revenue recognised in the Company's consolidated financial statements mainly relate to hospital services.

As at the reporting date, for settlement reasons revenue is based on a series of management assumptions which involve estimate uncertainties. As the budget negotiations relevant for performance often take place towards the end of the financial year, the remunerated service volumes are estimates as at the reporting date. Also at the reporting date, management estimates a revenue adjustment on the change rate (case deductions) implemented by the Medizinischer Dienst [German Medical Service]. The estimated impact of the measures decreed by the legislator due to the coronavirus SARS CoV-2 pandemic results in estimate uncertainties for revenue.

Due to the complexity of the judgements described, there is the risk for the consolidated financial statements that revenue cannot be appropriately assigned to the relevant reporting period.

There is also the risk that the support payments received during the year as a result of the coronavirus SARS CoV-2 pandemic are recognised in revenue at an inappropriately high level.

OUR AUDIT APPROACH

In order to evaluate the appropriateness of the revenue recognised as at the reporting date, we gave consideration to the established Company processes to recognise revenue from hospital services performed and the revenue adjustments required and verified the methodological approach of the management in making the revenue adjustments. To audit the appropriate accrual of revenue, we examined the design, establishment and effectiveness of the internal controls in respect to case processing (dual control principle).

Based on our audit, on the basis of a risk-based selective sample which included the contractual documentation presented to us and other correspondence, we obtained an overview relating to the status of the various budget agreements of the hospitals in the

RHÖN-KLINIKUM Group on the reporting date and the respective remunerated service volumes. For the budget negotiations which had not been concluded as at the reporting date, we gave consideration to the appropriateness of the estimates on the budget recognition, on the costs relevant to the care budget and on the revenue settlement. We also validated the management assumptions on the service volumes to be remunerated as at the reporting date on the basis of the detailed information we were provided. In order to assess the estimation accuracy, we compared the revenue corrections with the results of the negotiations with the health insurance companies from previous years (taking into account the transition to outsourced diagnosis related groups). In respect to the revenue settlement, in addition to the reconciliations in the context of the revenue validation on the basis of the performance statistics provided by the patient management system and the underlying agreements, we also examined the process for calculating the revenue settlement including the costs relevant to the care budget. In doing so, we also validated the implementation of the legal regulations.

In reference to possible adjustments by the Medizinischer Dienst [German Medical Service], we gave consideration to the process for determining the service quantities (coding system) and for determining the relevant adjustments and assessed the appropriateness of the estimates on revenue adjustments as a result of audits by the Medizinischer Dienst [German Medical Service].

We also assessed the management assumptions and the accounting-related documentation for the level and timing of the amounts from compensation payments recognised as a result of the coronavirus SARS CoV-2 and assessed the estimate uncertainties in reference to the compensation methodology.

OUR CONCLUSIONS

The assumptions underlying revenue recognition are appropriate.

– Recoverability of goodwill

Please refer to Section 2.4. 1 in the notes to the consolidated financial statements for information on the accounting policies applied and the assumptions used. Disclosures on the amount of goodwill can be found in Section 6.1 of the notes to the consolidated financial statements.

RISK FOR THE FINANCIAL STATEMENTS

In the Company's consolidated financial statements under "Goodwill and other intangible assets" an amount of EUR 165.2 million (9.9% of total assets) is recognised for goodwill. The Company allocates the goodwill to the respective cash-generating units which correspond to the relevant hospital. Goodwill is tested once a year at the level of the cash-generating units for impairment without this requiring a specific reason. If there is an impairment trigger in the course of the year, an ad hoc impairment test is additionally carried out during the year. For the goodwill impairment test the carrying amount of the respective cash-generating unit including the goodwill is compared against the corresponding recoverable amount of the respective cash-generating unit. If the carrying amount exceeds the recoverable amount, an impairment loss has to be recognised. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the cash-generating unit. The impairment test was implemented as at 1 October 2021.

The goodwill impairment test is complex and based on a number of discretionary assumptions. These include the expected business and earnings performance of the cash-generating units for the next ten years, the long-term growth rates that are assumed and the discount rate that is applied.

As a result of the impairment tests that were carried out, the Company did not identify any need for impairment. The result of this measurement is highly dependent on management estimates relating to the future cash flows of the respective cash-generating units, the discount rate used, the growth rates and further assumption and is thus subject to considerable uncertainty. The Company's sensitivity calculations have shown that a potential change of the discount rate of 0.5 percentage points or the budgeted result by 10% would not result in a reduction of the recoverable amount.

There is a risk for the consolidated financial statements that impairment existing as at the reporting date was not identified. There is also a risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

With the support of our valuation specialists, we assessed, among other things, the appropriateness of the key assumptions as well as of the Company's valuation model. To this end, we discussed the expected business and earnings development as well as the assumed long-term growth rates with those responsible for the planning. We also carried out reconciliations with other internally available forecasts e.g. for tax purposes, and the budget prepared by management and approved by the Supervisory Board. We additionally assessed the consistency of the assumptions with external market forecasts.

Furthermore we investigated the Company's planning accuracy by comparing plans from earlier financial years with the results actually realised and analysing any deviations. We compared the assumptions and data underlying the discount rate, especially the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

To assess whether the implementation of the valuation model is methodically and mathematically appropriate, we verified the measurement carried out by the Company using our own calculations and analysed any deviations.

In order to take account of forecast uncertainty and the early reporting date for the impairment testing, we investigated the impact of potential changes in the discount rate, earnings performance and the long-term growth rate on the recoverable amount by calculating alternative scenarios and comparing them with the sensitivity analyses of the Company. The risk-based focus of our audit procedures was on the Gießen and Marburg University Hospital cash-generating unit. This was because in the case of changes to the measurement assumptions considered possible, this would have resulted in a change to the impairment requirement.

Finally, we assessed whether the disclosures in the notes regarding recoverability of goodwill are appropriate.

OUR CONCLUSIONS

The valuation model underlying the impairment test of the goodwill is appropriate and consistent with the applicable measurement principles.

The Company's assumptions and data underlying the measurement are appropriate.

The related disclosures in the notes are appropriate.

Other information

Management respectively Supervisory Board are responsible for the other information. The other information comprises the following components of the group management report, whose content was not audited:

- The combined non-financial declaration of the Company and the Group, referred to in the management report, in line with Section 289b (3) and Section 315d HGB and,
- The group governance statement referred to in the management report,

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of management and the Supervisory Board for the consolidated financial statements and the group management report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and the safeguards put in place to protect against this.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with Section 317 (3a) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file „RhoenKlinikumAG-2021-12-31-de.zip“ (SHA256 hash value: be1e2d5706ca228d25533297de0c2e28bcb4ca0b3e51f447385d01f2c8787a06) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the audit of the consolidated financial statements and the group management report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and of the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (10.2021)). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's management is responsible for the internal control they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the preparation the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Commission Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Other disclosures in accordance with Article 10 EU Audit Regulation

We were elected as auditor of the consolidated financial statements by the Annual General Meeting on 9 June 2021. We were engaged by the Chairman of the Audit Committee of the Supervisory Board on 10 December 2021. We have been the Group auditor of RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a.d. Saale since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 EU Audit Regulation (long-form audit report).

Other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the examined ESEF documents. The consolidated financial statements and group management report converted to the ESEF format – including the versions to be published in the German Federal Gazette [Bundesanzeiger] – are merely electronic reproduction of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German public auditor responsible for the engagement is Thorsten Schrum.

Frankfurt am Main, 4 March 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Huber-Straßer	Schrum
Wirtschaftsprüferin	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

Balance sheet and income statement

BALANCE SHEET

in € million		
	31 Dec. 2021	31 Dec. 2020
Assets		
Intangible assets	8.8	8.0
Property, plant and equipment	283.0	285.6
Financial assets	602.9	617.1
Fixed assets	894.7	910.7
Inventories	7.0	6.8
Receivables and other assets	119.7	106.6
Securities, cash and cash equivalents	258.6	228.3
Current assets	385.3	341.7
Prepaid expenses	2.0	2.1
Deferred tax assets	7.6	7.6
	1,289.6	1,262.1

in € million		
	31 Dec. 2021	31 Dec. 2020
Shareholders' equity and liabilities		
Subscribed capital/issued capital	167.4	167.4
Capital reserve	589.0	589.0
Retained earnings	0.1	0.1
Net distributable profit	200.8	193.2
Shareholders' equity	957.3	949.7
Contribution to finance fixed assets	11.0	12.4
Provisions	48.8	58.8
Liabilities	272.5	241.2
	1,289.6	1,262.1

INCOME STATEMENT

in € million		
	2021	2020
Revenues	282.3	273.3
Changes in services in progress	0.2	-1.2
Other operating income	8.8	8.5
Materials and consumables used	93.0	92.1
Employee benefits expense	152.0	149.1
Depreciation	22.9	22.5
Other operating expenses	35.8	39.1
Operating result	-12.4	-22.2
Investment result	5.3	6.2
Finance result	6.0	3.0
Taxes	-8.7	-2.7
Net profit for the year/net loss	7.6	-10.3
Profit carried forward from previous year	193.2	203.5
Net distributable profit	200.8	193.2

The annual financial statements as at 31 December 2021 and the Management Report for financial year 2021 of RHÖN-KLINIKUM Aktiengesellschaft were issued by KPMG AG Wirtschaftsprüfungsgesellschaft with an unqualified auditor's report. They are published in the Federal Gazette.

The annual financial report can be obtained from the Company on request.

Proposed appropriation of profit

The Company's Annual Financial Statements for the year ended 31 December 2021, which have been prepared by the Board of Management, approved by the Supervisory Board and thus adopted as final, show a net distributable profit of €200,800,206.26. The Board of Management and the Supervisory Board propose allocating net distributable profit in the amount of €200,800,206.26 fully to other profit reserves.

This proposal for the appropriation of profit is made in the context of the ongoing uncertainties surrounding the further impacts of the COVID-19 pandemic on the Company's results of operations and liquidity position and is intended to make a decisive contribution towards strengthening the capital and liquidity base and safeguarding the investment capacity of RHÖN-KLINIKUM Aktiengesellschaft.

Bad Neustadt a. d. Saale, 23 March 2022

RHÖN-KLINIKUM Aktiengesellschaft

The Supervisory Board

The Board of Management

Limited Assurance Report

OF THE INDEPENDENT AUDITOR REGARDING THE COMBINED SEPARATE NON-FINANCIAL REPORT¹

To the Supervisory Board of RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a.d. Saale

We have performed an independent limited assurance engagement on the combined separate non-financial report as well as the by reference qualified part "Basic Characteristics of the RHÖN-KLINIKUM Group" of RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a.d. Saale, (further "Company" or "RHÖN-KLINIKUM"), which consists of the sections of the Corporate-Social-Responsibility-Report (further "combined separate non-financial report") marked with a tick (✓) for the period from January 1 to December 31, 2021.

Management's Responsibility

The legal representatives of the Company are responsible for the preparation of the combined separate non-financial report in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further "EU Taxonomy Regulation") and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section "Reporting according to EU taxonomy" of the combined separate non-financial report.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the combined separate non-financial report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the combined separate non-financial report that is free of – intended or unintended – material misstatements.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section "Reporting according to EU taxonomy" of the combined separate non-financial report. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

Practitioner's Responsibility

It is our responsibility to express a conclusion on the combined separate non-financial report based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB. Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the combined separate non-financial report of the Company for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section "Reporting according to EU taxonomy" of the combined separate non-financial report. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

¹ Our engagement applied to the German version of the combined separate non-financial report. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for RHÖN-KLINIKUM;
- A risk analysis, including a media research, to identify relevant information on RHÖN-KLINIKUM's sustainability performance in the reporting period;
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and combatting corruption and bribery matters;
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures;
- Inspection of selected internal and external documents;
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites;
- Assessment of local data collection and reporting processes and reliability of reported data;
- Assessment of the overall presentation of the disclosures;
- Evaluation of the process for the identification of taxonomy-eligible economic activities and the corresponding disclosures in the combined separate non-financial report;

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the immanent risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainties.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined separate non-financial report of RHÖN-KLINIKUM Aktiengesellschaft for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section "Reporting according to EU taxonomy" of the combined separate non-financial report.

Restriction of Use/Clause on General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Frankfurt am Main, March 4, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Glöckner
Wirtschaftsprüfer
(German Public Auditor)

Brandt
Wirtschaftsprüfer
(German Public Auditor)

Remuneration Report of RHÖN-KLINIKUM Aktiengesellschaft pursuant to section 162 AktG

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A. INTRODUCTION

The Remuneration Report explains the principles of the remuneration of the members of the Board of Management of RHÖN-KLINIKUM Aktiengesellschaft as well as the remuneration of the members of the Supervisory Board pursuant to the Articles of Association. In particular, the Remuneration Report contains the disclosures pursuant to section 162 of the German Stock Corporation Act (Aktiengesetz, AktG).

The Remuneration Report moreover provides individualised and specific information on the remuneration granted and owed to the members of the Board of Management and of the Supervisory Board of RHÖN-KLINIKUM Aktiengesellschaft in financial year 2021. The disclosures on the remuneration of directors and officers meet the requirements of the German Stock Corporation Act as well as those of applicable German and international accounting standards.

B. REMUNERATION OF THE BOARD OF MANAGEMENT

With effect from 1 April 2021, the Supervisory Board of RHÖN-KLINIKUM Aktiengesellschaft in March 2021 adopted a revised remuneration scheme for the members of the Board of Management. In this regard the Supervisory Board, in view of the Company's special ownership structure, was guided by the objective of implementing a remuneration scheme which is as simple as possible and which also takes account of the remuneration structures in those companies in which the indirect main shareholder of RHÖN-KLINIKUM Aktiengesellschaft holds a sole or majority interest. For the same reason, the Supervisory Board, by the Declaration of Compliance of 10 November 2021, stated deviations from several recommendations of the German Corporate Governance Code ("**GCGC**") as well as the reasons for such deviations.

The remuneration scheme was approved in its revised form by the shareholders of RHÖN-KLINIKUM Aktiengesellschaft at the Annual General Meeting held on 9 June 2021.

The Supervisory Board may temporarily deviate from the remuneration scheme if this is necessary in the interest of the long-term well-being of the Company. This includes, for example, approximating the remuneration scheme to a significantly changed corporate strategy to ensure adequate incentives, or in the case of a serious economic crisis. The extraordinary circumstances underlying and justifying such deviation are to be established by way of Supervisory Board resolution. The components of the remuneration scheme that may be deviated from are the procedure, the provisions on the remuneration structure and its amount, as well as the individual remuneration components. Furthermore, the Supervisory Board may, according to reasonably exercised discretion if required in the event of a significant

change in requirements being determined, reimburse the expenditures for extraordinary additional payments (e.g. security measures). Moreover, the Supervisory Board has the right to grant newly joining members of the Board of Management special payments as compensation for losses in salary under a previous service relationship or to cover the costs arising from a relocation.

This new remuneration scheme does not yet apply to the service contracts already entered into with the then (and currently) incumbent members of the Board of Management (hereinafter referred to collectively as the "**Old Contracts**") (cf. section 26j (1) of the Introductory Act to the German Stock Corporation Act (Einführungsgesetz zum Aktiengesetz, EGAktG)). Nonetheless, the current remuneration practice, and also to a large extent the Old Contracts, already are in line with the remuneration scheme adopted by the Supervisory Board in March 2021. This holds true in particular for the Board of Management contracts entered into in 2020 with Dr Höftberger and Dr Stranz as well as for the follow-on service contract entered into with Dr Weiß for the period beginning from 1 January 2022. Against this background, the statement presented under I below is oriented on the new remuneration scheme. Where the Old Contracts deviate therefrom, this is also stated.

I. Structure of remuneration of the Board of Management in financial year 2021

The aggregate remuneration of all members of the Board of Management is comprised of several remuneration components. Specifically, the remuneration is comprised of the base salary, the management profit-sharing bonus, additional benefits (non-cash benefits) and in the case of individual members of the Board of Management a contingent post-retirement benefit.

Although the Supervisory Board has taken account of the wage and salary structure within the Company when setting the remuneration of the Board of Management, the Supervisory Board does not expressly determine how the senior management and the relevant overall staff are to be differentiated. The relationship of the remuneration of the Board of Management to the remuneration of the senior management and the relevant overall staff is consequently not reflected by application of such definitions either. In view of the management structure and the specific staffing of a hospital company, the Supervisory Board does not find such definitions to be objectively justified.

There are no plans to grant shares or stock options to the members of the Board of Management, nor has any commitment been made to do so. Since the agreement of the performance criteria for the variable remuneration ensures that the financial and non-financial targets will promote the business strategy and make a contribution towards a long-term development of the Company, the Supervisory Board has not seen any need to provide for a share-based variable remuneration.

1. Fixed remuneration

The annual basic salary is a fixed cash remuneration with reference to the full year and paid in twelve equal monthly instalments.

The fixed remuneration is to guarantee a basic market remuneration for exercising the office and in this way ensure that the Company is able to attract the best-qualified candidates to implement its corporate strategy and manage the Company.

2. Performance-linked annual management profit-sharing bonus (tantieme)

The members of the Board of Management receive a performance-linked annual management profit-sharing bonus (tantieme) based on an annual target agreement to be entered into each year. The Supervisory Board and the members of the Board of Management renegotiate the criteria for the amount of the tantieme to be paid for each financial year before or at the commencement of such financial year. In the event the negotiations fail, the Supervisory Board is entitled to define the criteria according to its reasonably exercised discretion (section 315 of the German Civil Code (Bürgerliches Gesetzbuch – BGB)).

The amount of the annual management profit-sharing bonus (tantieme) is defined after expiry of the reference period. The Supervisory Board and the members of the Board of Management try to reach agreement on the extent to which the non-financial targets are to be achieved. If no agreement can be reached, it is defined by the Supervisory Board according to its reasonably exercised discretion. The payment is made as a one-off payment at the earliest after the corresponding values have been calculated for the reference period.

When agreeing the performance criteria for the variable remuneration, the Supervisory Board ensures that the financial and non-financial targets will promote the business strategy and make a contribution towards a long-term development of the Company. If consolidated profit or EBITDA (earnings before interest, taxes, depreciation and amortisation) pursuant to IFRS consolidated financial statements is defined as the performance criterion, this provides incentives to strengthen the Company's operative earnings strength. The non-financial criteria are oriented on strategic targets in the interest of a sustainable corporate development. In this regard the Supervisory Board takes into account the strategic focus issues for the respective remuneration year.

For these reasons the Supervisory Board did not see any need to provide for further abstract requirements for defining long-term-oriented targets and their relationship to short-term-oriented targets, nor to provide for a share-based variable remuneration, in order to implement the remuneration scheme of the Board of Management. Lastly, based on the specific terms of the variable remuneration there is also no reason in the view of the Supervisory Board to provide for rights of retention or recovery. To enable the Supervisory Board to take a comprehensive decision in connection with defining the

achievement of targets for the past financial year, the Supervisory Board reserves the right to decide on performance criteria for the new financial year at the beginning of such financial year.

The Old Contracts with Prof. Dr Griewing and Dr Weiß applying to financial year 2021 contain deviating provisions on (partial) variable remuneration components. The Board of Management contracts entered into in 2020 with Dr Höftberger and Dr Stranz as well as the follow-on service contract entered into with Dr Weiß for the period beginning from 1 January 2022 in terms of their variable remuneration components are in line with the remuneration scheme adopted by the Supervisory Board in March 2021.

a) Determination and application of performance criteria

The Board of Management contracts of Dr Höftberger and Dr Stranz, on the one hand, and of Dr Weiß and Prof. Dr Griewing, on the other, differ in terms of the form of variable remuneration.

The Board of Management contracts of Dr Höftberger and Dr Stranz provide that both are entitled to receive a performance-linked annual management profit-sharing bonus (tantieme) based on a target agreement to be entered into each year. This totals a maximum amount of €250,000 in each case. In this regard, 50% of the performance criteria is made up of financial targets (Tranche 1) and 50% of non-financial targets (Tranche 2). For the financial targets of Tranche 1, the achievement of targets is measured in each case using a range with reference to EBITDA of the consolidated financial statements of RHÖN-KLINIKUM Aktiengesellschaft according to IFRS. For the non-financial targets of Tranche 2, five equally weighted sub-targets were agreed by the Supervisory Board for 2021 which for both Management Board members relate to sustainably improving processes and the quality of the hospitals, streamlining processes and group structures, reducing the workload of employees, and thus overall increasing the satisfaction of patients and employees.

For Dr Höftberger, the Supervisory Board resolved in March 2022 with respect to the target achievement for financial year 2021 that Tranche 1 in the amount of €32,500 and Tranche 2 in the amount of €125,000 are earned. For financial year 2021 this results in a management profit-sharing bonus (tantieme) in the total amount of €157,500.

For Dr Stranz, the Supervisory Board resolved in March 2022 with respect to the target achievement for financial year 2021 that Tranche 1 in the amount of €32,500 and Tranche 2 in the amount of €125,000 are earned. For financial year 2021 this results in a management profit-sharing bonus (tantieme) in the total amount of €157,500.

The Old Contracts of Prof. Dr Griewing and Dr Weiß provide that the annual management profit-sharing bonuses are calculated on the basis of a weighted view of consolidated profit according to IFRS over a period of three years, with the Supervisory Board being entitled to adjust the assessment basis to take account of extraordinary developments and results as well as one-off or accounting effects.

The assessment basis of the management profit-sharing bonuses follows from the average of consolidated results of the last three financial years weighted by the factors of 3, 2 and 1. The consolidated result which is furthest in the past is weighted with the lowest factor. The rate of management profit-sharing is defined by the Supervisory Board individually for each member of the Board of Management on recommendation by the Personnel Affairs Committee, giving due regard to the performance, duties and number of terms of office. The Old Contracts of the two members of the Board of Management moreover provide for a guaranteed total remuneration which in the case of Prof. Dr Griewing (including the fixed remuneration of €192,000) amounts to €1,200,000 and in the case of Dr Weiß (including the fixed remuneration of €192,000) amounts to €900,000. Payments under this guarantee made during the financial year under way are applied towards the annual management profit-sharing bonus.

For Prof. Dr Griewing, the Supervisory Board resolved in March 2022 with respect to the target achievement for financial year 2021 that no further management profit-sharing bonus (tantieme) will be paid above and beyond the guaranteed total remuneration. The annual management profit-sharing bonus (tantieme) thus amounts to €1,008,000.

For Dr Weiß, the Supervisory Board resolved in March 2022 with respect to the target achievement for financial year 2021 that no further management profit-sharing bonus (tantieme) will be paid above and beyond the guaranteed total remuneration. The annual management profit-sharing bonus (tantieme) thus amounts to €708,000.

b) No recovery of variable remuneration components

The existing Board of Management contracts with Dr Höftberger and Dr Stranz as well as the Old Contract with Dr Weiß applying to financial year 2021 do not provide for any possibility of recovering variable remuneration components. As a result, no such amounts were recovered in the past financial year. The situation is different only for the Old Contract with Prof. Dr Griewing according to which the Supervisory Board, where certain conditions are met, is entitled to recover part of the management profit-sharing bonus if it exceeds the guaranteed total remuneration. However, the conditions for a recovery of the management profit-sharing bonus paid in the past were not met.

3. Fringe benefits

In accordance with the Company's guidelines, members of the Board of Management are provided with a company vehicle, which they may also use for personal purposes, as a fringe benefit. Furthermore, a personal accident insurance policy is taken out in favour of the members of the Board of Management. Since use of a company car and the accident insurance premiums are remuneration components, each individual member of the Board of Management has to pay tax on these benefits. As a general rule, all members of the Board of Management are entitled to these in the same way, the amount of which varies depending on the member's personal situation.

Moreover, D&O insurance cover, subject to a deductible in accordance with the requirements of the German Stock Corporation Act equal to 10% of the claim up to one-and-a-half times the annual basic salary of the member of the Board of Management, exists. In addition to the members of the Board of Management, this insurance cover also extends to the members of the Supervisory Board as well as other senior executives of the Group. It covers the personal liability risk in the event of pecuniary damage claims being made against the aforementioned group of persons by reason of the performance of their activity for the Company. In this regard, the premiums to be paid by the Company are not broken down amongst all persons included under the insurance cover and for that reason are not recorded under fringe benefits in the tables under II.1.

The purpose of granting reasonable fringe benefits, like the fixed remuneration, is to ensure a basic market remuneration for exercising the office.

4. Post-retirement benefits

The currently existing Board of Management contracts with Dr Weiß and Prof. Dr Griewing contain provisions on post-retirement benefits. If the service contract ends or the member of the Board of Management deceases during his term of office, the member of the Board of Management or, as the case may be, his heirs thereafter receive for each full year of work as member of the Board of Management a payment equal to 0.125 times the annual payments owed (annual basic salary plus management profit-sharing bonus (tantieme)) for the calendar year of the departure or decease. The amount of the payment is limited to 1.5 times the annual payments last owed. If the annual payments in the year of termination or, as the case may be, decease are lower than the average remuneration during the entire period of work for the Board of Management, the latter remuneration shall apply.

By contrast, the Board of Management contracts with Dr Höftberger and Dr Stranz – in line with the remuneration scheme adopted by the Supervisory Board in March 2021 – do not contain any provisions on post-retirement benefits for the Board of Management members.

5. Total target remuneration or remuneration caps

To implement the simplest remuneration scheme possible in view of the Company's special ownership structure, the Supervisory Board did not consider it necessary to differentiate between defining a total target remuneration and the statutorily required maximum remuneration. At the same time, the maximum remuneration defined in the context of the remuneration scheme for the Board of Management represents the total target remuneration of the individual members of the Board of Management.

The total remuneration of the members of the Board of Management to be granted for a financial year (sum of all remuneration amounts to be expended for the financial year concerned, including annual basic salary, variable remuneration components and fringe bene-

fits) – irrespective of whether it is paid out in this financial year or at a later time – is limited for the individual members of the Board of Management to a maximum amount (“maximum remuneration”).

The contractual maximum remuneration for the annual basic salary and the variable remuneration amounts to €750,000.00 (plus fringe benefits such as company car and personal accident insurance) for Dr Höftberger and Dr Stranz, respectively.

For Prof. Dr Griewing, the maximum amount made up of annual basic salary plus variable remuneration on the basis of the Old Contract entered into before the Board of Management remuneration scheme was adopted in March 2021 is €1,500,000.00 (likewise plus fringe benefits such as company car and personal accident insurance as well as the post-retirement benefits described below).

For Dr Weiß, the maximum amount made up of annual basic salary plus variable remuneration on the basis of the Old Contract valid until 31 December 2021 is €1,500,000.00; as of 1 January 2022, the maximum remuneration also in the case of Dr Weiß based on the concluded follow-on service contract amounts to €750,000.00 (likewise plus fringe benefits such as company car and personal accident insurance as well as the post-retirement benefits described below).

In addition, Prof. Dr Griewing and Dr Weiß receive what are referred to as post-retirement benefits. The expense of such post-retirement benefits (service costs) in the case of Prof. Dr Griewing amounts to 12.5% of the relevant annual payments, in the case of Dr Weiß up to 31 December 2021 likewise 12.5% of the annual payments relevant up to that time and then from 1 January 2022 12.5% of the aforementioned annual basic salary plus variable remuneration.

The contractual remuneration caps for financial year 2021 were observed.

Since all contracts with the currently incumbent members of the Board of Management were entered into before the Board of Management remuneration scheme was adopted by the Supervisory Board in March 2021, these contracts currently do not provide for any explicit maximum amount for the fringe benefits described above.

6. Benefits in the event of early termination of Board of Management activity

If a member of the Board of Management is removed before expiry of the appointment period, the service contract remains in force. In the event of early removal, the member of the Board of Management is entitled to terminate the service contract on two weeks' notice for the end of the month following the removal. In such case he is entitled to 80% of the total remuneration (basic salary and management profit-sharing bonus (tantieme)) which he still would have received in the event of his contract having been continued to its end in accordance with the contractual provisions, unless the removal was validly effected for good cause attributable to the member of the Board

of Management. At the most, however, the member of the Board of Management shall receive payments equal to double an annual remuneration (basic salary and tantieme). In this regard, the amount of the annual remuneration of the financial year ending before the termination, or of the financial year under way upon termination, is to be applied, whichever annual remuneration is lower. The maturity of the payments is governed by the maturity that would apply if the service contract had been continued.

If the member of the Board of Management resigns his Board of Management mandate, the remuneration claim under the service contract ends at the same time. If the resignation is submitted for good cause, however, the member of the Board of Management receives the aforementioned payments as in the case of a self-termination after removal without good cause, unless at the same time a good cause for a removal or for a termination of the service contract by the Company exists.

II. Individual remuneration of members of the Board of Management

1. Level of remuneration of members of the Board of Management for financial year 2021

This section presents an individualised statement of the remuneration “granted and owed” to the incumbent members of the Board of Management within the meaning of section 162 (2) sentence 1 of the German Stock Corporation Act (AktG). These terms were included in the German Stock Corporation Act on entry into force of the Act Implementing the Second Shareholder Rights Directive (ARUG II) and thus replace the remuneration definitions of the GCGC (old version) used hitherto.

In which Remuneration Report a remuneration component pursuant to section 162 (1) sentence 2 no. 1 AktG is to be stated depends on whether it is granted or owed in the financial year for which the Remuneration Report is prepared. Since section 162 AktG does not tie remuneration reporting to the existence of an expense, reporting is not to be based on an expense recognition approach.

The legislative wording does not state whether or under what conditions a remuneration component is “granted”. According to the legislative materials, a remuneration is granted and thus, pursuant to section 162 (1) sentence 2 no. 1 AktG, to be disclosed, if it effectively, i.e. actually, accrues to the director or officer and thus accrues to the latter’s assets, irrespective of whether the accrual takes place to fulfil an obligation or without a legal reason. Accordingly, a remuneration pursuant to section 162 (1) sentence 2 no. 1 AktG is to be disclosed in the Remuneration Report (only) for the financial year in which it actually accrues. This is largely consistent with the accrual principle of the GCGC (old version).

By contrast, a remuneration is “owed” if the company has a legally existing obligation towards the director or officer which is due

but not yet fulfilled. If such obligation is not yet due, it constitutes a (mere) commitment to pay a remuneration. Pursuant to section 162 (1) sentence 2 no. 1 AktG, such remuneration therefore is to be disclosed in the Remuneration Report (only) for the financial year in which the corresponding obligation is due. For RHÖN-KLINIKUM Aktiengesellschaft this relates, in the case of individual members of the Board of Management, to the performance-linked management profit-sharing bonus (tantieme) which is determined after the end of the financial year and after determination of the target achievement by the Supervisory Board early in the following year and which is then paid out.

In the table below, the granted and owed remuneration within the meaning of section 162 AktG is given in the columns entitled "Accrual"

and compared with the previous year. Moreover, the respective relative share of all fixed and variable remuneration components is presented.

In addition, the table below contains by way of comparison disclosures on the remuneration "earned" in the financial year concerned (and the previous year) (which corresponds to the benefits granted within the meaning of the GCGC (old version)), once again including the respective relative share of all fixed and variable remuneration components. In this place the presentation also contains other additional disclosures relating to the minimum and maximum remuneration as well as on the post-retirement expense incurred to the Company.

in € '000

Incumbent member of Board of Management

Dr Christian Höftberger

(Chairman of Board of Management from 5 November 2020; member of Board of Management from 15 August 2020)

	Remuneration earned in financial year				Accrual ¹					
	2021	in %	2020	in %	2021 (min.)	2021 (max.)	2021	in %	2020	in %
Basic salary (fixed remuneration)	500	75	188	62	500	500	500	83	188	90
Fringe benefits	9	1	21	7	9	9	9	1	21	10
Total	509	76	209	69	509	509	509	84	209	100
One-year variable remuneration										
Tantieme	158	24	94	31	0	250	94	16	0	0
Total payments/total remuneration	666	100	303	100	509	759	603	100	209	100

¹ Remuneration granted and owed in financial year.

in € '000

Incumbent member of Board of Management

Prof. Dr Bernd Griewing
(member of Board of Management)

	Remuneration earned in financial year				Accrual ²					
	2021	in %	2020	in %	2021 (min.)	2021 (max.)	2021	in %	2020	in %
Basic salary (fixed remuneration)	192	14	192	14	192	192	192	16	192	16
Fringe benefits	12	1	12	1	12	12	12	1	12	1
Total	204	15	204	15	204	204	204	17	204	17
One-year variable remuneration										
Tantieme	1,008	74	1,008	73	1,008	1,308	1,008	83	1,008	83
Total payments/total remuneration	1,212	89	1,212	88	1,212	1,512	1,212	100	1,212	100
Post-retirement expense ¹	159	12	165	12	159	159	0	0	0	0
Total remuneration	1,371	100	1,377	100	1,371	1,671	1,212	100	1,212	100

¹ Post-retirement expense includes past service cost according to IAS 19.

² Remuneration granted and owed in financial year.

in € '000

**Incumbent member of
Board of Management**Dr Stefan Stranz
(member of Board of Management from 1 September 2020)

	Remuneration earned in financial year						Accrual ¹			
	2021		2020		2021	2021	2021		2020	
	in €	in %	in €	in %	(min.)	(max.)	in €	in %	in €	in %
Basic salary (fixed remuneration)	500	71	167	63	500	500	500	80	167	92
Fringe benefits	43	6	14	5	43	43	43	7	14	8
Total	543	78	181	69	543	543	543	87	181	100
One-year variable remuneration										
Tantieme	158	22	83	31	0	250	83	13	0	0
Total payments/total remuneration	700	100	264	100	543	793	626	100	181	100

¹ Remuneration granted and owed in financial year.

in € '000

**Incumbent member of
Board of Management**Dr Gunther K. Weiß
(member of Board of Management)

	Remuneration earned in financial year						Accrual ²			
	2021		2020		2021	2021	2021		2020	
	in €	in %	in €	in %	(min.)	(max.)	in €	in %	in €	in %
Basic salary (fixed remuneration)	192	19	192	18	192	192	192	21	192	21
Fringe benefits	17	2	17	2	17	17	17	2	17	2
Total	209	20	209	20	209	209	209	23	209	23
One-year variable remuneration										
Tantieme	708	69	708	68	708	1,308	708	77	708	77
Total payments/total remuneration	917	89	917	88	917	1,517	917	100	917	100
Post-retirement expense ¹	114	11	130	12	114	114	0	0	0	0
Total remuneration	1,031	100	1,047	100	1,031	1,631	917	100	917	100

¹ Post-retirement expense includes past service cost according to IAS 19.² Remuneration granted and owed in financial year.

in € '000

	Stephan Holzinger (Chairman of Board of Management until 16 June 2020; member of Board of Management until 22 June 2020; service relationship until 30 September 2020)									
	Remuneration earned in financial year					Accrual ²				
	2021	in %	2020	in %	2021 (min.)	2021 (max.)	2021	in %	2020	in %
Basic salary (fixed remuneration)	0	0	1,350	41	0	0	0	0	1,350	33
Fringe benefits	0	0	8	0	0	0	0	0	8	0
Total	0	0	1,358	41	0	0	0	0	1,358	33
One-year variable remuneration										
Tantieme	0	0	0	0	0	0	0	0	0	0
Total payments/total remuneration	0	0	1,358	41	0	0	0	0	1,358	33
Post-retirement expense ¹	0	0	63	2	0	0	0	0	825	20
Severance compensation payments	0	0	1,872	57	0	0	0	0	1,872	46
Total remuneration	0	0	3,293	100	0	0	0	0	4,055	100

¹ Post-retirement expense includes past service cost according to IAS 19.² Remuneration granted and owed in financial year.

By contrast, earned remuneration of the incumbent members of the Board of Management in financial year 2021 totalled €3.8 million (previous year: €6.3 million). Of this total, €1.7 million (previous year: €4.4 million) was accounted for by components that are not results-based and €2.1 million (previous year: €1.9 million) by variable components. The provision for claims to post-retirement benefits by the incumbent Board of Management in accordance with IFRS amounted to €1.4 million (previous year: €1.1 million) as at 31 December 2021.

In financial year 2021, the granted and owed remuneration (with- in the meaning of section 162 AktG) of the incumbent members of the Board of Management totalled €3.4 million (previous year: €6.6 million). Of this total, €1.5 million (previous year: €4.9 million) was accounted for by components that are not results-based and €1.9 million (previous year: €1.7 million) by variable components.

2. Overview of post-retirement benefits

The table below provides an overview of the commitments to the payment of benefits made to Prof. Dr Griewing and Dr Weiß in the event of termination of their activity, notably at their present value and the amount spent or provisions made for this by the Company during the last financial year:

in € '000

	Provision as at 31 Dec. 2020	Change in post-retire- ment benefits	Provision as at 31 Dec. 2021	Nominal amount on expiry of contract ¹
Post-retirement benefits				
Incumbent members of Board of Management				
Prof. Dr Bernd Griewing	808	128	936	1,350
Dr Gunther K. Weiß	306	123	429	694
Total	1,114	251	1,365	2,044

¹ Claim according to scheduled expiry of Board of Management contract of incumbent members of Board of Management on the basis of payments received.

3. Additional disclosures

If individual members of the Board of Management exercise mandates in affiliates of the Company and receive separate remuneration for this, they are required to pay such remuneration amounts to the Company.

C. REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is governed by section 14 of the Company's Articles of Association and was confirmed by the Annual General Meeting on 9 June 2021.

The task of the Supervisory Board is to advise and supervise the Board of Management as it directs the Company under its own responsibility and manages its business activities. The members of the Supervisory Board are entitled to a reasonable remuneration taking into consideration, in terms of both its structure and amount, the requirements of the Supervisory Board office, the time commitment involved as well as the responsibility assumed by the Supervisory Board members for the Company. The remuneration of the Supervisory Board in this context – in addition to the attendance fee and reimbursement for outlays – consists of a purely fixed remuneration. The independence of the remuneration of the Supervisory Board from results-based key ratios is to ensure that the members of the Supervisory Board perform their duties in a neutral and objective manner. The grant of a purely fixed remuneration is consistent with Recommendation G.18 Sentence 1 GCGC.

I. Remuneration of the Supervisory Board according to the Articles of Association

Section 14 of the Articles of Association contains the following provisions on the remuneration of the members of the Supervisory Board:

Each member of the Supervisory Board shall receive a fixed annual remuneration in the amount of €25,000.00.

For the work in the committees of the Supervisory Board, the members of the Supervisory Board shall additionally receive remuneration as follows:

- the chairman of the Audit Committee €25,000.00, each other member of the Audit Committee €5,000.00;
- the chairman of another committee €10,000.00, each other member of another committee €2,500.00 if such other committee in each case has acted at least once during the financial year.

Membership on the Nomination Committee and on committees formed on an ad hoc basis shall not be taken into consideration. If a member of the Supervisory Board exercises more than one office simultaneously, that member shall receive only the remuneration for the highest remunerated office.

In derogation from the remuneration previously specified, the chairman of the Supervisory Board shall receive a fixed annual remuneration of €75,000.00, his deputy chairmen a fixed annual remuneration of €50,000.00 in each case. This shall also compensate their memberships on committees.

Members of the Supervisory Board who have not been on the Supervisory Board or a committee during a full year, or in each case have not held the chair or deputy chair of the Supervisory Board or the chair of a committee during a full year, shall receive the remuneration for each commenced calendar month of their activity pro rata temporis. The remuneration for committee activities on a pro rata temporis basis shall be conditional on the committee in question having met for the fulfilment of its duties during the period in question.

For their participation in person in a meeting of the Supervisory Board, of a committee and of an Annual General Meeting, each member of the Supervisory Board shall receive a fixed attendance fee of €2,000.00. For joining a meeting by conference call or video conference, the participants concerned shall receive a fixed attendance fee in the amount of €1,000.00. If several meetings of the Supervisory Board and/or committee meetings and/or an Annual General Meeting are held on the same day, fixed attendance fees shall be paid only for one meeting or, as the case may be, Annual General Meeting.

The chairman of the Supervisory Board and the deputy chairmen of the Supervisory Board shall receive double the amount of the fixed attendance fee for the Supervisory Board and committee meetings chaired by them in each case. Chairmen of Supervisory Board committees with power to adopt resolutions on behalf of the Supervisory Board, unless they hold office as chairman of the Supervisory Board

or deputy chairman of the Supervisory Board at the same time, shall also receive double the aforementioned amount for the committee meetings chaired by them in each case. If a Supervisory Board member chairs several committees with power to adopt resolutions, he shall receive double the amount only once.

All members of the Supervisory Board shall be reimbursed the expenses incurring to them in the performance of their work, notably communication and travel expenses as well as any VAT to be paid on remuneration and on reimbursement of expenses.

Since the remuneration of the members of the Supervisory Board is made up not of variable but exclusively fixed components, there is no need to define a maximum total remuneration for the members of the Supervisory Board.

In addition it is pointed out that the members of the Supervisory Board are also included in a D&O insurance policy covering the personal liability risk in the event of pecuniary damage claims being made against them by reason of the performance of their activity for the Company. In this regard, the premiums to be paid by the Company are not broken down amongst all persons included under the insurance cover and for that reason are not recorded in the table under II.

II. Individual remuneration of members of the Supervisory Board for financial year 2021 and in comparison with the 2020 financial year

The members of the Supervisory Board received the following remuneration for the financial year:

Total payments for 2021	2021						
	Attendance fee		Fixed annual remuneration		Activity on the committees		Total
	€ '000	in %	€ '000	in %	€ '000	in %	€ '000
Dr Jan Liersch (from 3 June 2020) [Chairman]	21	22	75	78	0	0	96
Georg Schulze [First Deputy Chairman]	7	12	50	88	0	0	57
Hafid Rifi (from 19 August 2020) [Second Deputy Chairman]	17	25	50	75	0	0	67
Peter Berghöfer	11	27	25	61	5	12	41
Nicole Mooljee Damani	4	14	25	86	0	0	29
Dr Julia Dannath-Schuh	5	17	25	83	0	0	30
Regina Dickey	12	29	25	60	5	12	42
Peter Dücke	6	18	25	74	2	9	33
Prof. (apl.) Dr med. Leopold Eberhart	11	27	25	61	5	12	41
Prof. Dr Gerhard Ehninger (until 15 January 2021)	0	0	2	100	0	0	2
Irmtraut Gürkan	11	27	25	61	5	12	41
Kai Hankeln	6	18	25	74	3	9	34
Dr Martin Mandewirth	7	22	25	78	0	0	32
Dr Thomas Pillukat	6	18	25	74	2	9	33
Christine Reißner	7	22	25	78	0	0	32
Oliver Salomon	6	19	25	81	0	0	31
Marco Walker (from 9 March 2021)	4	16	21	84	0	0	25
Total	141	21	498	75	27	4	666

As a result of the amendment of the Articles of Association of RHÖN-KLINIKUM AG with regard to the remuneration structure of the Supervisory Board in financial year 2020, the total payments received by the Supervisory Board are presented separately in the tables below according to the new version and the previous version.

Total payments	in 2020 according to "new version of Articles of Association"						
	Attendance fee		Fixed annual remuneration		Activity on the committees		Total
	€ '000	in %	€ '000	in %	€ '000	in %	€ '000
Dr Jan Liersch (from 3 June 2020) [Chairman]	6	16	31	84	0	0	37
Georg Schulze [First Deputy Chairman]	3	13	21	88	0	0	24
Hafid Rifi (from 19 August 2020) [Second Deputy Chairman]	4	16	21	84	0	0	25
Peter Berghöfer	3	20	10	67	2	13	15
Nicole Mooljee Damani (from 19 August 2020)	5	31	10	63	1	6	16
Dr Julia Dannath-Schuh (from 3 June 2020)	2	17	10	83	0	0	12
Regina Dickey (from 19 August 2020)	3	20	10	67	2	13	15
Peter Ducke (from 19 August 2020)	2	15	10	77	1	8	13
Prof. (apl.) Dr med. Leopold Eberhart (from 19 August 2020)	5	29	10	59	2	12	17
Prof. Dr Gerhard Ehninger (until 15 January 2021)	4	22	10	56	4	22	18
Irmtraut Gürkan (from 19 August 2020)	3	20	10	67	2	13	15
Kai Hankeln (from 19 August 2020)	3	21	10	71	1	7	14
Dr med. Martin Mandewirth (from 19 August 2020)	5	31	10	63	1	6	16
PD Dr med. Thomas Pillukat (from 19 August 2020)	2	15	10	77	1	8	13
Christine Reißner	2	17	10	83	0	0	12
Oliver Salomon	3	21	10	71	1	7	14
Marco Walker (from 9 March 2021)	0	0	0	0	0	0	0
Dr Annette Beller (until 3 June 2020)	0	0	0	0	0	0	0
Jan Hacker (until 19 August 2020)	0	0	0	0	0	0	0
Stefan Härtel (from 19 August 2020)	0	0	0	0	0	0	0
Klaus Hanschur (until 19 August 2020)	0	0	0	0	0	0	0
Meike Jäger (until 19 August 2020)	0	0	0	0	0	0	0
Dr Brigitte Mohn (until 19 August 2020)	0	0	0	0	0	0	0
Eugen Münch (until 19 August 2020)	0	0	0	0	0	0	0
Wolfgang Mündel (until 19 August 2020)	0	0	0	0	0	0	0
Evelin Schiebel (until 19 August 2020)	0	0	0	0	0	0	0
Dr Katrin Vernau (until 3 June 2020)	0	0	0	0	0	0	0
Natascha Weihs (until 19 August 2020)	0	0	0	0	0	0	0
Total	55	20	203	73	18	7	276

Total payments**in 2020 according to
"old version of Articles of Association"**

	Attendance fee		Fixed total remuneration		Fixed basic remuneration		Total
	€ '000	in %	€ '000	in %	€ '000	in %	
Dr Jan Liersch (from 3 June 2020) [Chairman]	11	37	10	33	9	30	30
Georg Schulze [First Deputy Chairman]	31	32	16	16	51	52	98
Hafid Rifi (from 19 August 2020) [Second Deputy Chairman]	2	100	0	0	0	0	2
Peter Berghöfer	21	27	30	40	25	33	76
Nicole Mooljee Damani (from 19 August 2020)	2	100	0	0	0	0	2
Dr Julia Dannath-Schuh (from 3 June 2020)	8	29	11	39	9	32	28
Regina Dickey (from 19 August 2020)	3	100	0	0	0	0	3
Peter Dücke (from 19 August 2020)	2	100	0	0	0	0	2
Prof. (apl.) Dr med. Leopold Eberhart (from 19 August 2020)	3	100	0	0	0	0	3
Prof. Dr Gerhard Ehninger (until 15 January 2021)	13	24	12	24	25	51	50
Irmtraut Gürkan (from 19 August 2020)	3	100	0	0	0	0	3
Kai Hankeln (from 19 August 2020)	2	100	0	0	0	0	2
Dr med. Martin Mandewirth (from 19 August 2020)	2	100	0	0	0	0	2
PD Dr med. Thomas Pillukat (from 19 August 2020)	2	100	0	0	0	0	2
Christine Reißner	19	26	27	40	23	34	69
Oliver Salomon	15	25	16	29	25	45	56
Marco Walker (from 9 March 2021)	0	0	0	0	0	0	0
Dr Annette Beller (until 3 June 2020)	32	39	34	41	17	20	83
Jan Hacker (until 19 August 2020)	16	28	16	28	25	44	57
Stefan Härtel (from 19 August 2020)	14	25	16	29	25	45	55
Klaus Hanschur (until 19 August 2020)	12	24	15	30	23	46	50
Meike Jäger (until 19 August 2020)	20	29	27	39	23	33	70
Dr Brigitte Mohn (until 19 August 2020)	10	23	10	23	23	53	43
Eugen Münch (until 19 August 2020)	32	15	111	51	76	35	219
Wolfgang Mündel (until 19 August 2020)	44	22	101	52	51	26	196
Evelin Schiebel (until 19 August 2020)	16	28	16	28	25	44	57
Dr Katrin Vernau (until 3 June 2020)	16	29	23	41	17	30	56
Natascha Weihs (until 19 August 2020)	16	28	16	28	25	44	57
Total	367	27	507	37	497	36	1,371

D. COMPARATIVE PRESENTATION

The tables below show a comparison of the percentage change in remuneration of the members of the Board of Management and the Supervisory Board with the trend in earnings of RHÖN-KLINIKUM Aktiengesellschaft and the average remuneration of the employees on an equivalent full-time basis over the previous year (section 162 (1) sentence 2 no. 2 AktG in conjunction with section 26j (2) sentence 2 EGAktG).

For the comparison with the trend in average remuneration of the employees, the average headcount of RHÖN-KLINIKUM Aktiengesellschaft and its subsidiaries in Germany according to the employee benefits expense (not including the employee benefits

expense accounted attributable to the members of the Board of Management) recognised in the consolidated financial statements of RHÖN-KLINIKUM Aktiengesellschaft according to IFRS is used. To ensure comparability, the remuneration of part-time employees was converted to full-time equivalents. For reasons of consistency, the remuneration earned in the last two financial years was used as a basis for the change in remuneration of members of the Board of Management.

The trend in earnings is presented on the basis of the result for the year of RHÖN-KLINIKUM Aktiengesellschaft. Since the remuneration of the members of the Board of Management – as stated above – exclusively depends on the trend in key ratios of the Group, the trend in EBITDA according to the consolidated financial statements of RHÖN-KLINIKUM Aktiengesellschaft is stated according to IFRS.

€ '000

Total payments of Board of Management	Total 2021	Total 2020	Deviation	Deviation in %
Dr Christian Höftberger (Chairman of Board of Management)	666	303	363	120
Prof. Dr Bernd Griewing	1,371	1,377	-6	0
Dr Stefan Stranz	700	264	436	165
Dr Gunther K. Weiß	1,031	1,047	-16	-1
Stephan Holzinger	0	3,293	-3,293	-100
Total	3,768	6,284	-2,516	-40

€ '000

Total payments of Supervisory Board	Total 2021	Total 2020	Deviation	Deviation in %
Dr Jan Liersch (from 3 June 2020) [Chairman]	96	67	29	43
Georg Schulze [First Deputy Chairman]	57	122	-65	-53
Hafid Rifi (from 19 August 2020) [Second Deputy Chairman]	67	27	40	148
Peter Berghöfer	41	91	-50	-55
Nicole Mooljee Damani (from 19 August 2020)	29	18	11	61
Dr Julia Dannath-Schuh (from 3 June 2020)	30	40	-10	-25
Regina Dickey (from 19 August 2020)	42	18	24	133
Peter Ducke (from 19 August 2020)	34	15	19	123
Prof. (apl.) Dr med. Leopold Eberhart (from 19 August 2020)	41	20	21	105
Prof. Dr Gerhard Ehninger (until 15 January 2021)	2	68	-66	-97
Irmtraut Gürkan (from 19 August 2020)	41	18	23	128
Kai Hankeln (from 19 August 2020)	34	16	18	109
Dr med. Martin Mandewirth (from 19 August 2020)	32	18	14	78
PD Dr med. Thomas Pillukat (from 19 August 2020)	34	15	19	123
Christine Reißner	32	81	-49	-60
Oliver Salomon	31	70	-39	-56
Marco Walker (from 9 March 2021)	25	0	25	> 100
Dr Annette Beller (until 3 June 2020)	0	83	-83	-100
Jan Hacker (until 19 August 2020)	0	57	-57	-100
Stefan Härtel (from 19 August 2020)	0	55	-55	-100
Klaus Hanschur (until 19 August 2020)	0	50	-50	-100
Meike Jäger (until 19 August 2020)	0	70	-70	-100
Dr Brigitte Mohn (until 19 August 2020)	0	43	-43	-100
Eugen Münch (until 19 August 2020)	0	219	-219	-100
Wolfgang Mündel (until 19 August 2020)	0	196	-196	-100
Evelin Schiebel (until 19 August 2020)	0	57	-57	-100
Dr Katrin Vernau (until 3 June 2020)	0	56	-56	-100
Natascha Weihs (until 19 August 2020)	0	57	-57	-100
Total	666	1,647	-981	-60

€ '000

Comparative presentation	As at 31 Dec. 2021	As at 31 Dec. 2020	Deviation	Deviation in %
Average employee remuneration	64.0	62.4	1.5	2
Board of Management remuneration earned in financial year	3,768	6,284	-2,516	-40
Supervisory Board remuneration earned in financial year	666	1,647	-981	-60
EBITDA acc. to consolidated financial statements of RHÖN-KLINIKUM AG	101,160	80,225	20,935	26
Result for the year of RHÖN-KLINIKUM AG	7,579	-10,309	17,888	174

Bad Neustadt a. d. Saale, 23 March 2022

The Board of Management

The Supervisory Board

Independent Auditor's Assurance Report on Examination of the Remuneration Report pursuant to Section 162 (3) AktG

To RHÖN-KLINIKUM AG, Bad Neustadt a.d. Saale

Opinion

We have formally examined the remuneration report of RHÖN-KLINIKUM AG, Bad Neustadt a.d. Saale, for the financial year from 1 January to 31 December 2021 to determine whether the disclosures pursuant to Section 162 (1) and (2) AktG have been made in the remuneration report. In accordance with Section 162 (3) AktG, we have not examined the content of the remuneration report.

In our opinion, the accompanying remuneration report complies, in all material respects, with the disclosure requirements pursuant to Section 162 (1) and (2) AktG. Our opinion does not cover the content of the remuneration report.

Basis for Opinion

We conducted our examination of the remuneration report in compliance with Section 162 (3) AktG taking into account the IDW assurance standard: Examination of the remuneration report pursuant to Section 162 (3) AktG (IDW AsS 870 (08.2021)). Our responsibilities under this regulation and this standard are further described in the "Our Responsibilities" section of our assurance report. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1). We have complied with our professional duties pursuant to the German Public Accountants Act (WPO) and the Professional Charter for Auditors/Chartered Accountants (BS WP/vBP), including the independence requirements.

Responsibilities of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, in accordance with the requirements of Section 162 AktG. The management and the Supervisory Board are also responsible for such internal control as they have determined necessary to enable the preparation of the remuneration report that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

Our objectives are to obtain reasonable assurance about whether the remuneration report complies, in all material respects, with the disclosure requirements pursuant to Section 162 (1) and (2) AktG, and to issue an assurance report that includes our opinion.

We planned and performed our examination to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we have not examined whether the disclosures are correct or individual disclosures are complete or whether the remuneration report is fairly presented.

Frankfurt am Main, 23 March 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Huber-Straßer
Wirtschaftsprüferin
(German public auditor)

Schrum
Wirtschaftsprüfer
(German public auditor)

FINANCIAL CALENDAR

DATES FOR SHAREHOLDERS AND ANALYSTS 2022

24 March	Results press conference: publication of 2021 Annual Financial Report
12 May	Publication of interim report for the quarter ending 31 March 2022
8 June	Annual General Meeting
4 August	Publication of half-year financial report as at 30 June 2022
10 November	Publication of interim report for the quarter ending 30 September 2022 – analyst conference

RHÖN-KLINIKUM AG

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Annual Report on the internet

en.rhoen-klinikum-ag.com/annual-report

DISCLAIMER

The information provided in this Report does not constitute an offer or solicitation to buy shares of RHÖN-KLINIKUM AG. All reasonable care has been taken to ensure that the content of this Report was accurate on the date of publication. However, RHÖN-KLINIKUM AG accepts no warranty that all information is complete, accurate and up to date.

Any investment in shares of RHÖN-KLINIKUM AG must be made on the basis of the information contained in the Company's prospectus in its authorised form. Although as a general rule we employ the masculine form for better readability when referring to persons, this form covers all persons of the respective group, irrespective of their (social) gender and gender identity.

RHÖN-KLINIKUM AG

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