

# INTERIM REPORT

## Q1 – Q3 2019



**RHÖN-KLINIKUM**  
AKTIENGESELLSCHAFT

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

## LETTER TO SHAREHOLDERS

Dear Ladies and Gentlemen,  
Dear Shareholders,

In the third quarter of 2019 as well, RHÖN-KLINIKUM AG – like the entire sector – was confronted with a difficult market environment. To be mentioned first and foremost in this context is the excessive regulation and bureaucratisation imposed by the legislature on the industry, but also the multilayered shortage of skilled labour in the nursing area, with doctors and for example IT. Compared with the first half of 2019 our Company has also faced greater operative challenges at most of its sites.

That is why we cannot be completely satisfied with our result for the first nine months. That said, we do continue to enjoy a rock-solid financial basis with an equity ratio of 71.6% and a coordinated financing strategy which now also includes a registered bond in the amount of € 60.0 million that we successfully issued a few months ago. We confirm our forecast for the year 2019 and continue to expect revenues of € 1.3 billion within a range of plus/minus 5% and EBITDA (earnings before interest, tax and depreciation/amortisation) of between € 117.5 million and € 127.5 million.

### **Revenues up, operating result (EBITDA) and consolidated profit lag behind previous year's level as expected**

In the first nine months of financial year 2019, we succeeded in raising revenues by 4.6% to € 970.8 million. Operating earnings (EBITDA) decreased by roughly 4.9% to € 97.5 million after € 102.5 million during the same period of the previous year. The EBITDA margin reached 10.0% after 11.0% in the previous year. Taking account of depreciation/amortisation and higher financing costs, EBITDA resulted in a consolidated profit of € 37.8 million.

The development in the operating result was influenced by several factors:

Firstly, in the third quarter of the previous year we were able to realise on the balance sheet for the first time the positive results from the agreement on what is referred to as separate accounting at Universitätsklinikum Gießen und Marburg. That means that the first nine months of financial year 2018 were influenced by a one-off positive EBITDA contribution to the tune of € 20.0 million. As a counter-effect to the challenges faced in the industry and the operative burdens, we record positive effects during the current financial year thanks to higher revenues from the university outpatient units in Giessen and Marburg as well as delayed effects from the earlier Fresenius/Helios transaction.

In addition, our extensive improvement programme that was initiated in 2017 and since then has been implemented throughout the Group has also made an important contribution to the trend in earnings and to safeguarding earnings. We thus succeeded in making further improvements to the coding of services rendered, to purchasing and to the drafting of our maintenance and servicing contracts.

But we also face challenges, such as the implications of floors for nursing staff and staffing shortages resulting not only in rising personnel costs but also increasing bed closures. At most of our sites, the operative trend also lagged behind our expectations in the third quarter. Already over one year ago, we took a close look at the regional competitive environment and the respective portfolio of medical services. From this

analysis we established numerous packages of specific organisational, technical and personnel measures which are being consistently implemented but which of course also require a certain lead time. The first successes in this regard are already visible at individual sites.

Throughout the Group we are also striving to further improve patient management to increase comfort for patients as well as prevent misreferrals and misallocations. Here, software-based innovations are helping us to optimise operative processes in all areas of the hospitals. At the Bad Berka site we have succeeded, after an intensive search over several months, to hire renowned head physicians to fill the positions in the specialist disciplines of pneumology as at 1 August 2019 and cardiology as at 1 November 2019. At the Frankfurt (Oder) site, the process of re-filling vacant positions has largely been completed, and the first positive trends are emerging from that.

The first nine months were also marked by the start-up effects of the new Campus Bad Neustadt for viable healthcare provision ensuring better care of patients. New clinical processes had to be communicated, tried and implemented, and new staff had to come together to form a strong, unified team. This is taking more time than had been originally planned. The move of a total of four clinics in Bad Neustadt a. d. Saale to the new and ultra-modern building complex of the Campus as well as the related initial reduction in patient numbers had a noticeably negative effect on our operative earnings trend.

#### **Care model of future – RHÖN-KLINIKUM Campus Bad Neustadt**

Thanks to our new building that we financed from own funds, we have put under one roof facilities which for decades had previously been working independent of and parallel to one another, all with a view to improving patient care by taking a comprehensive approach. Instead taking a not very patient-friendly approach of a strict separation between the outpatient and inpatient

treatment sectors as in the past, our campus approach offers patients medical services across sectors at the highest quality level from a full-coverage provider. The basis for such innovative care approach is close networking with regional cooperation partners as well as interdisciplinary cooperation overcoming the boundaries between medical disciplines and sectors, from prevention, over outpatient and inpatient care right through to rehab offerings.

To continue improving care for patients in our campus approach to ensure cross-sector and viable healthcare for the future in Germany, we are looking at the development of a regional care model for preventing and treating heart failure modelled on the region of Bad Neustadt and Marburg. This also includes the development of an alternative remuneration model. In this project we are working together closely with payers such as AOK and DAK. We are particularly proud that the project has been given approval for a grant by the Innovation Fund of the Joint Federal Committee (JFC) in the amount of € 3.8 million. We see this as confirming our efforts being made to re-think and also implement modern patient care.

#### **Strategic projects – second construction phase at Campus Bad Neustadt**

As we moved ahead with the development of our Campus Bad Neustadt, we also set about implementing the second construction phase during the reporting period which, in addition to the construction of outpatient operating theatres, also provides for expansion of our psychosomatic clinic to include an inpatient rehabilitation department. This will enable us to meet the rising demand of patients for precisely such services. What is especially promising is the expansion of our range of services at the Campus Bad Neustadt to include the discipline of neurosurgery as of 1 January 2020 and the establishment of a centre for orthopaedics and trauma surgery as of 1 October 2019.

At Universitätsklinikum Gießen und Marburg we are currently in the process of

implementing construction projects relating to separate accounting and the integration of existing structures with the Marburg Ion Beam Therapy Center whose legal takeover was concluded with effect from 1 August 2019.

### **Specific market environment**

The situation of many hospitals in Germany continues to be very difficult. According to the 15<sup>th</sup> Hospital Rating Report<sup>1</sup>, 28% of all hospitals made a loss, while 12% had a significant risk of having to file for insolvency. Besides the tighter regulatory environment and the increasing bureaucratisation imposed by legislation on provision of services, the now acute shortage of skilled staff is one of the biggest challenges facing the industry.

The auditing firm PwC<sup>2</sup> as well as the current Bertelsmann Foundation<sup>3</sup> study see a challenging future for the German healthcare system. PwC concludes that if key framework conditions “such as the full- and part-time ratio, the retirement age and the annual working hours of nursing staff remain unchanged, there will likely be a shortage of some 404,000 skilled staff in healthcare and nursing in 2030.”

The market consolidation, which in the end is likely to see fewer hospitals in Germany, will moreover be accelerated to a decisive extent by current plans for legislation, including the Regulation on Nursing Staff Floors (Pflegepersonaluntergrenzen-Verordnung, PpUGV), the Nursing Staff Strengthening Act (Pflegepersonalstärkungsgesetz, PpSG) and minimum volume requirements.

RHÖN-KLINIKUM AG is proactively meeting the challenges of the healthcare sector generally but also as regards the peculiarities of each and every specific site. Here, we can better respond to the changes and increasing requirements as compared with the market as

a whole thanks to our large sites with highly specialised centres.

### **Personnel measures implemented in response to operative challenges**

In the face of the growing shortage in skilled staff in nursing as well as with doctors and for example IT, we have been continuing our successful recruiting initiatives and the wide-ranging measures to hire new employees. In our recruiting drives we continue to emphasise authenticity and our own employees who gladly act as brand ambassadors for our company. Throughout the Group, people from over 70 different nations work with us hand in hand. When it comes to diversity, we have set a clear standard for variety and social tolerance.

The numerous personnel measures also include our International Scholarship Programme that has been successfully based at RHÖN-KLINIKUM Campus Bad Neustadt for many years. Given the positive experience in this area – both in the integration of foreign doctors and in nursing – we are planning to soon roll out this programme to the other sites of the Group. Our objective is to counter staffing shortages with the structured and systematic recruiting of qualified physician and nursing employees from abroad and to supplement local staffing measures by the programme.

Particularly important to us is promoting our own young talent. We have expanded the volume of training capacities at our nursing schools in response to the keen interest and demand. This autumn alone, 550 young persons began their professional training with us. That was the first time we launched a second training session at the individual hospital sites in the autumn, in addition to the one starting in the spring. In financial year 2018 we trained almost 1,000 young persons,

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<sup>1</sup> Source: RWI - Leibniz-Institut für Wirtschaftsforschung e.V., May 2019 | <http://www.rwi-essen.de/presse/mitteilung/357/>

<sup>2</sup> Source: Das deutsche Gesundheitswesen auf dem Prüfstand, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, November 2018 | <https://www.pwc.de/de/gesundheitswesen-und-pharma/pwc-das-deutsche-gesundheitswesen-auf-dem-pruefstand.pdf>

<sup>3</sup> Source: Bertelsmann-Stiftung, July 2019 | <https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/zukunftsaehige-krankenhausversorgung/>

of whom roughly 850 in nursing professions. During the reporting period, we succeeded in further increasing our headcount. At the end of September 2019, we employed more than 17,000 persons at our sites in Bad Berka, Bad Neustadt a. d. Saale, Frankfurt (Oder), Giessen and Marburg.

### **Digitalisation in dialogue with employees and patients**

When it comes to digitalisation, we focus our attention on specific tools and processes to significantly relieve the workload for doctors, nurses, medical-technical staff as well as our administrative service. Besides improving the quality of patient care, we are also seeking specific ways to reap efficiency gains.

In the area of telemedicine, we are working together with the Swiss telemedicine pioneer Medgate on establishing a telemedical service offering. This is aimed at supplementing and relieving stresses in existing care structures through upstream telemedical offerings, i.e. providing patients with prompt care by phone and video whenever it is medically appropriate and expedient to do so.

### **Continuation of financing strategy**

We once again took advantage of the favourable trend in interest rates and at the beginning of the third quarter of 2019 expanded our strategic financing by the long-term component “registered bond” with a total nominal value of € 60.0 million and a term of 20 years. This financing tool makes a sensible fit with our “promissory note loan” and “syndicated credit line” tools concluded in the past years.

Dear Shareholders, in the fourth quarter as well we will continue to vigorously and

courageously pursue the necessary task of restructuring the healthcare system and realising our corporate goals. As nursing legislation is further tightened, the year 2020 will mark a new level of excessive state regulation which, as expected, will additionally impact our Company in the low double-digit million euro range. Those holding the reins of political power are well aware that in Germany we still have too many hospitals, too few qualified staff and too many patients who are being treated in the wrong places within the healthcare system – at the same time as they accept and condone a policy of a chronic shortage in hospital funding running into the billions that has been perpetuated by the respective federal states now for many years. Politicians, with their biggest and most basic concern being to get re-elected, have settled for an indirect, cold, market shake-out being played out along Darwinian lines on the backs of a great number of patients, employees and shareholders. But they are also voters, and perhaps they should remind themselves of that fact to a greater extent and more often.

We are convinced that further process improvements and our innovative Campus approach, which is designed especially for rural areas, will enable us to emerge stronger from this difficult phase in the coming years. I would therefore be delighted if you would continue to accompany us and further place your trust in us.

With kind regards,

RHÖN-KLINIKUM Aktiengesellschaft

Yours sincerely,  
Stephan Holzinger  
Chairman of the Board of Management

## THE RHÖN-KLINIKUM SHARE

The share of RHÖN-KLINIKUM AG ended the third quarter at a price of € 20.55 and declined over the first nine months of financial year 2019 by 6.8%.

RHÖN-KLINIKUM share		
ISIN	DE0007042301	
Ticker symbol	RHK	
Registered share capital (€)	167,406,175	
Number of shares	66,962,470	
Share prices (€)	1 Jan.-30 September 2019	1 Jan.-31 Dec. 2018
Closing price	20.55	22.06
High	27.20	31.70
Low	20.55	21.18
	30 September 2019	31 Dec. 2018
Market capitalisation (€ m)	1,376.08	1,477.19
Deutsche Börse index ranking	154	156

During the same period, the German leading index DAX® recorded an increase of 17.7% and ended the third quarter of 2019 at 12,428 points. The second-tier index SDAX® rose by 16.0%. The DJ EURO STOXX 50® and DJ EURO STOXX Healthcare® saw gains of 19.5% and 15.5%, respectively.

RHÖN-KLINIKUM share in comparison with the SDAX®



Source: XETRA®, stock performance indexed (2 January 2019 = 100)

In the first nine months the share of RHÖN-KLINIKUM AG thus underperformed the German and European benchmark indices. The low free float, limited liquidity as well as lower average trading volumes compared with previous years made the price of the RHÖN share more vulnerable to external market factors. After a sharp pick-up in the markets in the first half of 2019 with much greater buoyant demand for European shares, global equity markets increasingly came under pressure from July 2019. These geopolitical and market factors also had an adverse effect on growth of the RHÖN share during the third quarter of 2019.

## GROUP INTERIM REPORT

### REPORT ON THE THIRD QUARTER OF 2019 AND THE FIRST NINE MONTHS OF FINANCIAL YEAR 2019

- In the first nine months of financial year 2019 we treated 647,345 patients in our hospitals and medical care centres, generating revenues of € 970.8 million, EBITDA of € 97.5 million and consolidated profit of € 37.8 million. The operating result is marked by regulatory intervention, a highly competitive environment and difficult recruiting conditions.
- The first nine months of financial year 2019 were also marked by the start-up effects of the new Campus Bad Neustadt. The move of four clinics into the new building complex as well as the related decline in patient numbers adversely affected the trend in operating earnings.
- We continue to make improvements to patient care with the start of the second construction phase at the Campus Bad Neustadt. In addition to the construction of outpatient operating theatres, this construction phase also provides for expansion of the psychosomatic clinic to include an inpatient rehabilitation department, expansion of the service offering at Campus Frankfurt (Oder) and the further integration of existing structures at the Giessen and Marburg university hospital with the Marburg Ion Beam Therapy Center.
- In July 2019, a registered bond with a total nominal value of € 60.0 million and a term of 20 years was issued as part of our long-term financing strategy taking advantage of the favourable trend in interest rates.

### BASIC PRINCIPLES OF THE RHÖN-KLINIKUM GROUP

The condensed interim consolidated financial statements of RHÖN-KLINIKUM AG for the year ended 30 September 2019 have been prepared in accordance with the provisions of IAS 34 in condensed form, and applying section 315e of the German Commercial Code (Handelsgesetzbuch, HGB) in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as well as the related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which are the subject of mandatory adoption in accordance with the Regulation No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the European Union in financial year 2019.

The accounting policies applied, to the extent already applied in financial year 2018 and consistently applied in financial year 2019, are set out in detail in the Consolidated Financial Statement of RHÖN-KLINIKUM AG as at 31 December 2018. The accounting policies applicable for the first time in financial year 2019 are explained in the Condensed Notes to this Interim Report. These will have the effects as stated in the Condensed Notes on the net assets, financial position and results of operations of the Group of RHÖN-KLINIKUM AG.

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

If data are provided below on individual companies, these are values before consolidation. For computational reasons,



rounding differences of  $\pm$  one unit (€, %, etc.) may occur in the tables.

## CORPORATE GOVERNANCE

The composition of our Board of Management has remained unchanged since 31 December 2018.

Prof. Dr. h.c. Ludwig Georg Braun left the Supervisory Board on conclusion of the Annual General Meeting on 5 June 2019. Mr. Jan Hacker has been a new member on the Supervisory Board since conclusion of the Annual General Meeting on 5 June 2019. For all other details, please refer to the statements in the 2018 Annual Report.

The notifications pursuant to section 33 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) received in the first nine months of financial year 2019 are presented in the Notes to this Financial Report. We refer to our website for a detailed list of the notifications.

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

The Declaration on Corporate Governance, the Declaration of Compliance pursuant to section 161 of the AktG and the Corporate Governance Report jointly issued by the Board of Management and the Supervisory Board were updated and published on our website. All other elements of our corporate constitution have remained unchanged during the financial year to date. In this regard we refer to our explanations provided in the Management Report of the Consolidated Financial Statements of financial year 2018.

## ECONOMIC REPORT

### MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

The German economy lost considerable momentum in the third quarter of 2019. The weak economic trend in Germany is being hampered by flagging global economic activity as well as global economic and political uncertainties such as Brexit and trade disputes. German companies continue to be pessimistic about the future, with the outlook for the coming months having worsened once again. Whereas the German government, in its forecast for the trend in gross domestic product (GDP) for 2019 published in January 2019, still put growth at +1.0%, it lowered its growth forecast published in October 2019 to +0.5%.

The tightened regulatory regime for the industry coupled with current plans for legislation such as the Regulation on Nursing Staff Floors (Pflegepersonaluntergrenzen-Verordnung, PpUGV), the Nursing Staff Strengthening Act (Pflegepersonalstärkungsgesetz, PpSG) and minimum volume requirements mark a new level of excessive state regulation. This will result in a market consolidation which in the end will likely see fewer hospitals in Germany. This is the conclusion reached by, among others, studies conducted by the RWI – Leibnitz-Institut für Wirtschaftsforschung e. V., PricewaterhouseCoopers GmbH as well as the Bertelsmann Foundation. The shortage in skilled staff, particularly in the nursing area and with doctors, will become further exacerbated, making it increasingly difficult to cover the related staffing requirements. We assume that the additional burden to be placed on our Group by the tightening of nursing legislation will be in the low double-digit million euro range in financial year 2020. In all other

respects, the general conditions in the healthcare industry have not changed significantly for financial year 2019 compared with the statements made in the 2018 Annual Report. Consequently, no other or additional effects result that might have a positive or negative impact on the business performance of RHÖN-KLINIKUM AG.

## BUSINESS PERFORMANCE OF THE FIRST NINE MONTHS

### Overall statement on economic position

January to September	2019	2018	Change	
	€ m	€ m	€ m	%
Revenues	970.8	928.5	42.3	4.6
EBITDA	97.5	102.5	-5.0	-4.9
EBIT	45.8	57.2	-11.4	-19.9
EBT	44.0	56.6	-12.6	-22.3
Consolidated profit	37.8	47.6	-9.8	-20.6

With revenues up by € 42.3 million (4.6%), we record a decline in EBITDA by € 5.0 million or 4.9% to € 97.5 million, a decline in EBIT by € 11.4 million or 19.9% to € 45.8 million, as well as a decline in consolidated profit by € 9.8 million or 20.6% to € 37.8 million in the first nine months of 2019 compared with the same period last year.

In this regard it has to be borne in mind that the third quarter of the previous year had been influenced by a one-off positive EBITDA contribution from the agreement reached on separate accounting at Universitätsklinikum Gießen und Marburg to the tune of € 20.0 million.

As a counter-effect to the challenges faced in the industry and the operative burdens, such as the implications of nursing staff floors and staffing shortages which in addition to rising personnel costs are giving rise to increasing bed closures we record in the first nine months of financial year 2019 higher revenues from our university outpatient units as well as

positive delayed effects from the Fresenius/Helios transaction. Consolidated profit was also adversely affected by a provision for fiscal risk in connection with a ruling by the Federal Fiscal Court (Bundesfinanzhof).

The first nine months of financial year 2019 were also marked by the start-up effects of the new Campus Bad Neustadt. The move of four clinics into the new building complex as well as the related initial decline in patient numbers had a noticeably adverse effect on the trend in operating earnings.

### Development in service volumes

	Hospitals	Beds
<b>As at 31 December 2018</b>	<b>11</b>	<b>5,369</b>
Merger of subsidiaries	-3	-57
Change in capacities	-	-
<b>As at 30 September 2019</b>	<b>8</b>	<b>5,312</b>

With the legal merger of Herz- und Gefäß-Klinik GmbH Bad Neustadt and Neurologische Klinik GmbH Bad Neustadt/Saale as at 1 January 2018 as well as the implementation of the RHÖN Campus approach, the number of hospitals, based on hospital requirement planning as at 1 January 2019, decreased from eleven hospitals to eight hospitals and the number of beds/places from 5,369 beds/places to 5,312 beds/places. In all other respects, there have been no further changes in the number of approved beds as part of our acute-inpatient capacities since 31 December 2018.

As at 30 September 2019, we operate seven medical care centres with a total of 47.75 specialist practices:

	Medical care	Specialist practices
<b>As at 31 December 2018</b>	<b>7</b>	<b>42.00</b>
<b>Opened/acquired</b>		
MVZ Bad Neustadt a. d. Saale	-	4.00
MVZ Frankfurt (Oder)	-	1.50
MVZ Marburg	-	0.25
<b>As at 30 September 2019</b>	<b>7</b>	<b>47.75</b>

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

January to September	2019	2018	Change	
			absolute	%
Inpatient and semi-inpatient treatments at our acute hospitals	157,941	158,742	-801	-0.5
rehabilitation hospitals and other facilities	3,755	3,687	68	1.8
	<b>161,696</b>	<b>162,429</b>	<b>-733</b>	<b>-0.5</b>
Outpatient treatments at our acute hospitals	349,356	348,393	963	0.3
medical care centres	136,293	133,355	2,938	2.2
	<b>485,649</b>	<b>481,748</b>	<b>3,901</b>	<b>0.8</b>
<b>Total</b>	<b>647,345</b>	<b>644,177</b>	<b>3,168</b>	<b>0.5</b>

The general trend towards increasing outpatient medical care is still continuing, also at our facilities. Whereas the number of patients treated on an outpatient basis rose by 3,901 or 0.8%, case numbers of patients treated on an inpatient and semi-inpatient basis declined slightly by - 733 or - 0.5%.

## Results of operations

Consolidated performance figures developed as shown below:

January to September	2019 € m	2018 € m	Change	
			€ m	%
<b>Income</b>				
Revenues	970.8	928.5	42.3	4.6
Other income	168.6	134.4	34.2	25.4
<b>Total</b>	<b>1,139.4</b>	<b>1,062.9</b>	<b>76.5</b>	<b>7.2</b>
<b>Expenses</b>				
Materials and consumables used	300.1	279.1	21.0	7.5
Employee benefits expense	644.1	593.1	51.0	8.6
Other expenses	97.5	88.1	9.4	10.7
Result of impairment on financial assets	0.2	0.1	0.1	100.0
<b>Total</b>	<b>1,041.9</b>	<b>960.4</b>	<b>81.5</b>	<b>8.5</b>
<b>EBITDA</b>	<b>97.5</b>	<b>102.5</b>	<b>-5.0</b>	<b>-4.9</b>
Depreciation/amortisation and impairment	51.7	45.3	6.4	14.1
<b>EBIT</b>	<b>45.8</b>	<b>57.2</b>	<b>-11.4</b>	<b>-19.9</b>
Finance result	-1.8	-0.6	-1.2	N.A.
<b>EBT</b>	<b>44.0</b>	<b>56.6</b>	<b>-12.6</b>	<b>-22.3</b>
Income taxes	6.2	9.0	-2.8	-31.1
<b>Consolidated profit</b>	<b>37.8</b>	<b>47.6</b>	<b>-9.8</b>	<b>-20.6</b>

Compared with the same period last year, revenues witnessed a rise of € 42.3 million or 4.6%. As in the same period of 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 applied for the first time in the second quarter of 2018. The aforementioned supplementary fees are remuneration along with the pure DRGs (diagnosis related groups) and negatively impacts the materials and consumables used item by nearly the same amount. For the first time as of financial year 2019, revenues include applied cost reimbursements for cancer immunotherapies that negatively impact the materials and consumables used item by the same amount. Moreover, in the first nine months of 2019 we were helped by higher revenues from our university outpatient units.

In the first nine months of financial year 2019, provisions for legal and tax risks were reversed in the amount of € 30.3 million based on new information. The income was recognised under the other income item. The rise in other income is also accounted for, among other things, by increased sales of pharmaceuticals (including income from the invoicing of a drug for treating MS (multiple sclerosis) that negatively impacts materials and consumables used by the same amount) and cytostatics as well as personnel costs for students of healthcare professions refinanced for the first time.

January to September	2019 %	2018 %
Materials ratio	30.9	30.1
Personnel ratio	66.4	63.9
Other cost ratio	10.1	9.5
Depreciation and amortisation ratio	5.3	4.8
Finance result ratio	-0.2	-0.1
Effective tax ratio	0.6	1.0

Compared with the same period last year, materials and consumables used witnessed a rise in the first nine months of 2019, disproportionate to the rise in revenues, by € 21.0 million or 7.5%. The cost-of-materials ratio climbed from 30.1% to 30.9%. Materials and consumables used includes expenditures for the medicamentous treatment of spinal

muscle atrophy, multiple sclerosis, and for the first time from financial year 2019 expenses for cancer immunotherapies which are remunerated in nearly the same amount and reported under revenues or other income. Adjusted for this effect, the cost-of-materials ratio increased slightly from 28.3% to 29.1% resulting from the use of material cost-intensive services. As a result of mandatory adoption of the new standard IFRS 16 "Leases" for the first time as of financial year 2019, expenses previously recorded under materials and consumables used amounting to € 0.6 million are no longer reported under materials and consumables used. The rights of use in the lease properties are amortised over the term of the respective lease contract, with the lease liabilities being charged interest using the effective interest method and recognised at € 0.6 million under depreciation/amortisation and impairments or the finance result.

In addition to a rise in the number of employees, general wage increases as well as share-based remuneration of former members of the Board of Management in the form of virtual shares had an expenditure-increasing effect compared with the same period of the previous year. Moreover, personnel expenses for students of the specialist healthcare professions were included in the first nine months of financial year 2019 for the first time, which compared with reimbursement payments in the same amount in the Other income item. The personnel expense ratio rose from 63.9% to 66.4%.

The other expenditure ratio rose slightly from 9.5% to 10.1%. As a result of the initial adoption of IFRS 16 "Leases" as of financial year 2019, expenses of the first nine months of 2019 amounting to € 1.1 million previously recorded under the other expenses item are no longer reported under other expenses. The rights of use in the lease properties are amortised over the term of the respective lease contract, with the lease liabilities being

charged interest using the effective interest method and recognised at € 1.1 million under depreciation/amortisation and impairments or the finance result.

The negative result from the impairment on financial assets in the amount of € 0.2 million (previous year: € 0.1 million) results from the adoption of IFRS 9, which among other things governs the future expected losses of financial assets.

The depreciation and impairment item rose compared with the same period of the previous year by € 6.4 million or 14.1% to € 51.7 million. This is attributable among other things to the Campus Bad Neustadt being put into service at the turn of the year 2018/2019. The depreciation/amortisation ratio rose from 4.8% to 5.3%. The initial adoption of IFRS 16 "Leases" as of financial year 2019 results in a total increase of € 1.6 million.

In the first nine months of financial year 2019, the negative finance result deteriorated by € 1.2 million to € 1.8 million. This was essentially attributable to finance expenses in connection with the registered bond issued in July 2019 as well as the promissory note loan issued in October 2018. In connection with the initial adoption of IFRS 16 "Leases" as of financial year 2019, interest expenses amounting to € 0.1 million are recognised under the finance result.

The income tax expense item declined by € 2.8 million compared with the same period last year. The decline is the result of a lower tax assessment basis. A ruling by the German Federal Fiscal Court and the related risk provisioning had an expenditure-increasing effect.

Compared with the first nine months of financial year 2018, consolidated profit declined by € 9.8 million or 20.6% to € 37.8 million (previous year: € 47.6 million).

Non-controlling interests in profit declined compared with the same period last year by € 1.0 million or 52.6% to € 0.9 million (previous year: € 1.9 million).

The interest of RHÖN-KLINIKUM AG shareholders in profit for the first nine months of 2019 declined by € 8.7 million or 19.1% to € 36.9 million compared with the same period last year (previous year: € 45.6 million). The interest in profit of the shareholders corresponds to earnings per share of € 0.55 (previous year: € 0.68) in accordance with IAS 33 (undiluted/diluted).

The total result (sum of consolidated profit and other earnings) stood at € 39.5 million (previous year: € 47.7 million) in the first nine months of financial year 2019.

### Net assets and financial position

	30 Sept. 2019		31 Dec. 2018	
	€ m	%	€ m	%
<b>ASSETS</b>				
Non-current assets	1,053.4	64.0	1,039.6	65.4
Current assets	592.4	36.0	549.7	34.6
	<b>1,645.8</b>	<b>100.0</b>	<b>1,589.3</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>				
Equity	1,179.3	71.6	1,159.2	72.9
Long-term loan capital	185.6	11.3	116.9	7.4
Short-term loan capital	280.9	17.1	313.2	19.7
	<b>1,645.8</b>	<b>100.0</b>	<b>1,589.3</b>	<b>100.0</b>

Compared with the balance sheet date of 31 December 2018, the balance sheet total rose by € 56.5 million or 3.6% to € 1,645.8 million (31 December 2018: € 1,589.3 million). This is attributable to the issue of a registered bond in July 2019 in a total nominal value of € 60.0 million.

The equity capital ratio saw a slight decline compared with the last reporting date, from 72.9% to 71.6%, and remains at a very high level.

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

Equity	2019			2018
	Shareholders € m	Non-controlling interests € m	Total € m	Total € m
As at 1 January before adjustments	1,135.3	23.9	1,159.2	1,125.3
Adjustments through adoption of IFRS 9 (after tax)	-	-	-	-1.2
As at 1 January after adjustments	1,135.3	23.9	1,159.2	1,124.1
Equity transactions with owners	-19.4	-	-19.4	-15.9
Total comprehensive income of the period	38.6	0.9	39.5	47.7
Other changes	-	-	-	-
As at 30 September	1,154.5	24.8	1,179.3	1,155.9

As at 30 September 2019, equity stands at € 1,179.3 million (31 December 2018: € 1,159.2 million). The increase in equity capital compared with the reporting date of 31 December 2018 by € 20.1 million results from consolidated profit for the first nine months of 2019 (€ 37.8 million) as well as gains from the change in the fair value through other comprehensive income (FVOCI) (€ 1.7 million) and gains from the revaluation of defined benefit pension plans, on the one hand, and the equity-decreasing effects from dividend payments to shareholders (€ 19.4 million), on the other.

129.6% (31 December 2018: 122.7%) of non-current assets is nominally covered by equity and non-current liabilities at matching maturities. As at 30 September 2019, we report net liquidity of € 71.9 million (31 December 2018: € 141.2 million). Our net liquidity is calculated as follows:

	30 Sept. 2019	31 Dec. 2018
	€ m	€ m
Current cash	115.4	132.3
Current fixed term deposits	129.6	114.4
Non-current fixed term deposits	0.0	0.0
Cash, fixed term deposits	245.0	246.7
Current financial liabilities	1.8	0.3
Non-current financial liabilities	158.3	99.5
Liabilities under leases	13.0	5.7
Financial liabilities	173.1	105.5
<b>Net liquidity</b>	<b>71.9</b>	<b>141.2</b>

Liabilities under leases as at 30 September 2019 include obligations resulting from the initial mandatory adoption of the Standard IFRS 16 as of financial year 2019 in the amount of € 8.1 million.

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

January to September	2019 € m	2018 € m
Cash generated from / cash used in operating activities	37.4	-3.8
Cash used in investing activities	-91.1	-29.9
Cash generated from/cash used in financing activities	36.8	-16.1
<b>Change in cash and cash equivalents</b>	<b>-16.9</b>	<b>-49.8</b>
Cash and cash equivalents at 1 January	132.3	122.5
<b>Cash and cash equivalents at 30 September</b>	<b>115.4</b>	<b>72.7</b>

Cash and cash equivalents diminished in the first nine months of 2019 by € 16.9 million (first nine months of 2018 decrease by € 49.8 million). In this context, a positive operating cash flow was achieved in the amount of € 37.4 million (previous year: - € 3.8 million).

## Investments

Aggregate investments of € 77.5 million (previous year: € 103.1 million) in the first nine months of financial year 2019 are shown in the following table:

	Use of		Total € m
	Gov't grants € m	Own funds € m	
Current investments	14.8	55.7	70.5
Takeovers	-	7.0	7.0
<b>Total</b>	<b>14.8</b>	<b>62.7</b>	<b>77.5</b>

Of these investments made in the first nine months of 2019, € 14.8 million (previous year: € 8.8 million) was attributable to investments funded from grants under hospital financing legislation and deducted from total investments pursuant to the relevant provisions of IFRS.

Investment for takeovers was attributable to the acquisition of the majority interest in the Marburg Ion Beam Therapy Center from Heidelberger Universitätsklinikum (€ 6.7 million) and from the acquisition against consideration of 3.0 physician's practices at the Bad Neustadt a. d. Saale site (€ 0.3 million). A further 2.75 physician's practices were acquired without consideration.

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

	€ m
Gießen, Marburg	26.3
Bad Neustadt a. d. Saale	23.1
Bad Berka	8.1
Frankfurt (Oder)	5.2
<b>Total</b>	<b>62.7</b>

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 provides for investment commitments in the amount of € 100.0 million until 2021. As at the balance sheet date of 30 September 2019, there were still investment obligations remaining from this totalling € 17.5 million. There are also further obligations relating to building modernisation and extension measures at the Giessen and Marburg sites.

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

## Employees

Employees	30 Sept. 2019	31 Dec. 2018	Change	
			absolute	%
Hospitals	15,442	15,165	277	1.8
Medical care centres	289	244	45	18.4
Service companies	1,713	1,576	137	8.7
<b>Total</b>	<b>17,444</b>	<b>16,985</b>	<b>459</b>	<b>2.7</b>

On 30 September 2019, the Group employed 17,444 persons (31 December 2018: 16,985).



A training remuneration payment is made for 455 students of the healthcare professions at the University Hospital of Giessen and Marburg based on an agreement reached with the trade union ver.di in 2019.

## BUSINESS PERFORMANCE OF THE THIRD QUARTER

July to September	2019	2018	Change	
	€ m	€ m	€ m	%
Revenues	326.6	308.3	18.3	5.9
EBITDA	36.6	51.3	-14.7	-28.7
EBIT	19.1	36.3	-17.2	-47.4
EBT	18.2	35.7	-17.5	-49.0
Consolidated profit	17.2	30.0	-12.8	-42.7

With revenues up by € 18.3 million (5.9%), we record a decline in EBITDA by € 14.7 million or 28.7% to € 36.6 million, a decline in EBIT by € 17.2 million or 47.4% to € 19.1 million, as well as a decline in consolidated profit by € 12.8 million or 42.7% to € 17.2 million in the third quarter of 2019 compared with the same period last year.

In this regard it has to be borne in mind that the third quarter of the previous year had included a positive effect from the agreement reached what is referred to as separate accounting at Universitätsklinikum Gießen und Marburg in the one-off amount of € 20.0 million. Moreover, EBITDA of the third quarter of 2019 includes the delayed positive effects from the reversal of provisions for legal and tax risks in the amount of € 15.0 million

Bad Neustadt a. d. Saale, 8 November 2019

RHÖN-KLINIKUM Aktiengesellschaft  
THE BOARD OF MANAGEMENT

Prof. Dr. Bernd Griewing

Stephan Holzinger

Dr. Gunther K. Weiß

based on new information. Overall, the operating result fell short of our expectations also in the third quarter of 2019.

## RISKS AND OPPORTUNITIES

The risk management system in place as well as the individual Company risks and opportunities are described in the Annual Report 2018 on pages 111 to 116. The statements there essentially continue to apply unchanged. We do not see any risks posing a threat to the Company's existence, neither for the individual subsidiaries nor for the Group.

## FORECAST

Also in financial year 2019, the economic basis of the RHÖN-KLINIKUM Group will be provided by its five large sites in four federal states counting over 5,300 beds and over 17,000 employees.

For the current financial year 2019, we continue to expect revenues of € 1.30 billion within a range of plus or minus 5%. For earnings before interest, tax and depreciation/amortisation (EBITDA), we continue to expect a level of between € 117.5 million and € 127.5 million.

Our outlook is subject to any regulatory measures impacting our remuneration structure in 2019.

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## Consolidated Income Statement and Consolidated Statement of Comprehensive Income, January to September 2019

January to September	2019		2018	
	€ '000	%	€ '000	%
Revenues	970,812	100.0	928,498	100.0
Other income	168,638	17.4	134,376	14.5
	<b>1,139,450</b>	<b>117.4</b>	<b>1,062,874</b>	<b>114.5</b>
Materials and consumables used	300,143	30.9	279,054	30.1
Employee benefits expense	644,080	66.4	593,057	63.9
Other expenses	97,452	10.1	88,138	9.5
Expense from impairment on financial assets	236	0.0	162	-
	<b>1,041,911</b>	<b>107.4</b>	<b>960,411</b>	<b>103.5</b>
<b>Interim result (EBITDA)</b>	<b>97,539</b>	<b>10.0</b>	<b>102,463</b>	<b>11.0</b>
Depreciation/amortisation and impairment	51,780	5.3	45,293	4.8
<b>Operating result (EBIT)</b>	<b>45,759</b>	<b>4.7</b>	<b>57,170</b>	<b>6.2</b>
Result of investments accounted for using the equity method	68	0.0	81	0.0
Finance income	125	0.0	274	0.0
Finance expenses	-2,079	-0.2	-1,032	-0.1
Expense from impairment on financial investments	158	0.0	59	0.0
<b>Finance result (net)</b>	<b>-1,728</b>	<b>-0.2</b>	<b>-618</b>	<b>-0.1</b>
<b>Earnings before taxes (EBT)</b>	<b>44,031</b>	<b>4.5</b>	<b>56,552</b>	<b>6.1</b>
Income taxes	6,249	0.6	8,992	1.0
<b>Consolidated profit</b>	<b>37,782</b>	<b>3.9</b>	<b>47,560</b>	<b>5.1</b>
of which				
<b>non-controlling interests</b>	<b>901</b>	<b>0.1</b>	<b>1,938</b>	<b>0.2</b>
<b>shareholders of RHÖN-KLINIKUM AG</b>	<b>36,881</b>	<b>3.8</b>	<b>45,622</b>	<b>4.9</b>
<b>Earnings per share in €</b>				
<b>undiluted</b>	<b>0.55</b>		<b>0.68</b>	
<b>diluted</b>	<b>0.55</b>		<b>0.68</b>	

January to September	2019	2018
	€ '000	€ '000
<b>Consolidated profit</b>	<b>37,782</b>	<b>47,560</b>
of which		
non-controlling interests	901	1,938
shareholders of RHÖN-KLINIKUM AG	36,881	45,622
Changes in fair value through other comprehensive income (FVOCI)	1,901	-78
Income taxes	-301	13
<b>Other comprehensive income (changes in fair value through other comprehensive income) not subsequently reclassified to income statement</b>	<b>1,600</b>	<b>-65</b>
Revaluation of defined benefit pension plans	176	302
Income taxes	-28	- 48
<b>Other comprehensive income (revaluation of pension plans) not subsequently reclassified to income statement</b>	<b>148</b>	<b>254</b>
<b>Other comprehensive income<sup>1</sup></b>	<b>1,748</b>	<b>189</b>
of which		
non-controlling interests	-	-
shareholders of RHÖN-KLINIKUM AG	1,748	189
<b>Total comprehensive income</b>	<b>39,530</b>	<b>47,749</b>
of which		
non-controlling interests	901	1,938
shareholders of RHÖN-KLINIKUM AG	38,629	45,811

<sup>1</sup> Sum of value changes recognised at equity.

## Consolidated Income Statement and Consolidated Statement of Comprehensive Income, July to September 2019

July to September	2019		2018	
	€ '000	%	€ '000	%
Revenues	326,634	100.0	308,317	100.0
Other income	63,194	19.3	58,678	19.0
	<b>389,828</b>	<b>119.3</b>	<b>366,995</b>	<b>119.0</b>
Materials and consumables used	104,248	31.9	95,272	30.9
Employee benefits expense	215,822	66.1	191,752	62.2
Other expenses	33,131	10.1	28,887	9.4
Expense/income from impairment on financial assets	3	0.0	-243	-0.1
	<b>353,204</b>	<b>108.1</b>	<b>315,668</b>	<b>102.4</b>
<b>Interim result (EBITDA)</b>	<b>36,624</b>	<b>11.2</b>	<b>51,327</b>	<b>16.6</b>
Depreciation/amortisation and impairment	17,502	5.3	15,017	4.8
<b>Operating result (EBIT)</b>	<b>19,122</b>	<b>5.9</b>	<b>36,310</b>	<b>11.8</b>
Result of investments accounted for using the equity method	22	0.0	52	0.0
Finance income	39	0.0	51	0.0
Finance expenses	-907	-0.3	-714	-0.2
Expense from impairment on financial investments	-104	0.0	-7	-
<b>Finance result (net)</b>	<b>-950</b>	<b>-0.3</b>	<b>-618</b>	<b>-0.2</b>
<b>Earnings before taxes (EBT)</b>	<b>18,172</b>	<b>5.6</b>	<b>35,692</b>	<b>11.6</b>
Income taxes	933	0.3	5,723	1.9
<b>Consolidated profit</b>	<b>17,239</b>	<b>5.3</b>	<b>29,969</b>	<b>9.7</b>
of which				
<b>non-controlling interests</b>	<b>197</b>	<b>0.1</b>	<b>1,342</b>	<b>0.4</b>
<b>shareholders of RHÖN-KLINIKUM AG</b>	<b>17,042</b>	<b>5.2</b>	<b>28,627</b>	<b>9.3</b>
<b>Earnings per share in €</b>				
<b>undiluted</b>	<b>0.25</b>		<b>0.43</b>	
<b>diluted</b>	<b>0.25</b>		<b>0.43</b>	

July to September	2019	2018
	€ '000	€ '000
<b>Consolidated profit</b>	<b>17,239</b>	<b>29,969</b>
of which		
non-controlling interests	197	1,342
shareholders of RHÖN-KLINIKUM AG	17,042	28,627
Changes in fair value through other comprehensive income (FVOCI)	-111	-1,212
Income taxes	17	192
<b>Other comprehensive income (changes in fair value through other comprehensive income) not subsequently reclassified to income statement</b>	<b>-94</b>	<b>-1,020</b>
Revaluation of defined benefit pension plans	221	5
Income taxes	-35	-1
<b>Other comprehensive income (revaluation of pension plans) not subsequently reclassified to income statement</b>	<b>186</b>	<b>4</b>
<b>Other comprehensive income<sup>1</sup></b>	<b>92</b>	<b>-1,016</b>
of which		
non-controlling interests	-	-
shareholders of RHÖN-KLINIKUM AG	92	-1,016
<b>Total comprehensive income</b>	<b>17,331</b>	<b>28,953</b>
of which		
non-controlling interests	197	1,342
shareholders of RHÖN-KLINIKUM AG	17,134	27,611

<sup>1</sup> Sum of value changes recognised at equity.

## Consolidated Balance Sheet as at 30 September 2019

	30 Sept. 2019		31 Dec. 2018	
	€ '000	%	€ '000	%
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill and other intangible assets	177,581	10.8	176,707	11.1
Property, plant and equipment	862,093	52.4	852,100	53.6
Investment property	2,385	0.1	2,490	0.2
Investments accounted for using the equity method	375	0.0	390	0.0
Deferred tax assets	2,095	0.1	3,178	0.2
Other financial assets	8,833	0.6	4,682	0.3
	<b>1,053,362</b>	<b>64.0</b>	<b>1,039,547</b>	<b>65.4</b>
<b>Current assets</b>				
Inventories	24,524	1.5	25,939	1.6
Trade receivables	228,481	13.9	212,376	13.4
Other financial assets	206,639	12.5	169,276	10.7
Other assets	16,387	1.0	7,820	0.5
Current income tax assets	1,023	0.1	2,047	0.1
Cash and cash equivalents	115,387	7.0	132,283	8.3
	<b>592,441</b>	<b>36.0</b>	<b>549,741</b>	<b>34.6</b>
	<b>1,645,803</b>	<b>100.0</b>	<b>1,589,288</b>	<b>100.0</b>

	30 Sept. 2019		31 Dec. 2018	
	€ '000	%	€ '000	%
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Issued share capital	167,406	10.2	167,406	10.5
Capital reserve	574,168	34.9	574,168	36.1
Other reserves	413,038	25.0	393,821	24.8
Treasury shares	-76	0.0	-76	0.0
Equity attributable to shareholders of RHÖN-KLINIKUM AG	1,154,536	70.1	1,135,319	71.4
Non-controlling interests in equity	24,780	1.5	23,903	1.5
	<b>1,179,316</b>	<b>71.6</b>	<b>1,159,222</b>	<b>72.9</b>
<b>Non-current liabilities</b>				
Financial liabilities	158,289	9.6	99,525	6.3
Provisions for post-employment benefits	1,525	0.1	2,199	0.1
Other financial liabilities	25,826	1.6	15,170	1.0
	<b>185,640</b>	<b>11.3</b>	<b>116,894</b>	<b>7.4</b>
<b>Current liabilities</b>				
Financial liabilities	1,796	0.1	303	0.0
Trade payables	86,633	5.3	115,883	7.3
Current income tax liabilities	6,097	0.4	3,847	0.2
Other provisions	30,935	1.9	62,436	3.9
Other financial liabilities	38,431	2.3	23,557	1.5
Other liabilities	116,955	7.1	107,146	6.8
	<b>280,847</b>	<b>17.1</b>	<b>313,172</b>	<b>19.7</b>
	<b>1,645,803</b>	<b>100.0</b>	<b>1,589,288</b>	<b>100.0</b>

## Consolidated Statement of Changes in Equity, January to September 2019

	Issued share capital	Capital reserve	Retained earnings	Treasury shares	Equity attributable to shareholders of RHÖN- KLINIKUM AG	Non-controlling interests in equity <sup>1</sup>	Equity
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
<b>As at 31 Dec. 2017/1 Jan. 2018 before adjustments</b>	<b>167,406</b>	<b>574,168</b>	<b>360,803</b>	<b>-76</b>	<b>1,102,301</b>	<b>22,955</b>	<b>1,125,256</b>
Adjustments through adoption of IFRS 9 (after tax)	-	-	-1,122	-	-1,122	-30	-1,152
<b>As at 31 Dec. 2017/1 Jan. 2018 after adjustments</b>	<b>167,406</b>	<b>574,168</b>	<b>359,681</b>	<b>-76</b>	<b>1,101,179</b>	<b>22,925</b>	<b>1,124,104</b>
Equity transactions with owners							
Dividend payments	-	-	-14,726	-	-14,726	-1,218	-15,944
Consolidated profit	-	-	45,622	-	45,622	1,938	47,560
Other comprehensive income	-	-	189	-	189	-	189
Other changes							
Changes in consolidated companies	-	-	-	-	-	-	-
<b>As at 30 September 2018</b>	<b>167,406</b>	<b>574,168</b>	<b>390,766</b>	<b>-76</b>	<b>1,132,264</b>	<b>23,645</b>	<b>1,155,909</b>
<b>As at 31 Dec. 2018/1 Jan. 2019</b>	<b>167,406</b>	<b>574,168</b>	<b>393,821</b>	<b>-76</b>	<b>1,135,319</b>	<b>23,903</b>	<b>1,159,222</b>
Equity transactions with owners							
Dividend payments	-	-	-19,412	-	-19,412	-	-19,412
Consolidated profit	-	-	36,881	-	36,881	901	37,782
Other comprehensive income	-	-	1,748	-	1,748	-	1,748
Other changes							
Changes in consolidated companies	-	-	-	-	-	-24	-24
<b>As at 30 September 2019</b>	<b>167,406</b>	<b>574,168</b>	<b>413,038</b>	<b>-76</b>	<b>1,154,536</b>	<b>24,780</b>	<b>1,179,316</b>

<sup>1</sup> Including other comprehensive income (OCI).

## Consolidated Statement of Cash Flows, January to September 2019

January to September	2019 € m	2018 € m
Earnings before taxes	44.0	56.6
Finance result (net)	1.7	0.6
Depreciation/amortisation and impairment and gains/losses on disposal of assets	51.5	45.2
	<b>97.2</b>	<b>102.4</b>
<b>Change in net current assets</b>		
Change in inventories	1.7	1.2
Change in trade receivables	-13.0	-39.7
Change in other financial assets and other assets	-28.8	-36.8
Change in trade payables	-6.6	-17.8
Change in other net liabilities/ other non-cash transactions	22.6	13.6
Change in provisions	-32.0	-23.5
Income taxes paid	-3.3	-2.6
Interest paid	-0.4	-0.6
<b>Cash generated from/cash used in operating activities</b>	<b>37.4</b>	<b>-3.8</b>
Investments in property, plant and equipment and in intangible assets	-86.0	-98.1
Government grants received to finance investments in property, plant and equipment and in intangible assets	14.9	8.8
Change in investments in fixed term deposits	-15.0	60.1
Investments in financial assets	-2.2	-0.6
Acquisition of subsidiaries, net of cash acquired	-3.4	-0.6
Sale proceeds from disposal of assets	0.5	0.2
Interest received	0.1	0.3
<b>Cash used in investing activities</b>	<b>-91.1</b>	<b>-29.9</b>
Payments on contracting of financial liabilities	58.7	0.0
Payments from finance leases	-2.5	-0.2
Dividend payments to shareholders of RHÖN-KLINIKUM AG	-19.4	-14.7
Payments to non-controlling interests in equity	-	-1.2
<b>Cash generated from/cash used in financing activities</b>	<b>36.8</b>	<b>-16.1</b>
Change in cash and cash equivalents	-16.9	-49.8
Cash and cash equivalents at 1 January	132.3	122.5
<b>Cash and cash equivalents at 30 September</b>	<b>115.4</b>	<b>72.7</b>

## Condensed Notes

### GENERAL INFORMATION

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

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

The Interim Consolidated Financial Statements will be published on 8 November 2019 on the website of RHÖN-KLINIKUM AG as well as with Deutsche Börse.

### ACCOUNTING POLICIES

The Interim Consolidated Financial Statements of RHÖN-KLINIKUM AG as at 30 September 2019 have been prepared in accordance with the rules of IAS 34 in condensed form applying Section 315e of the German Commercial Code (Handelsgesetzbuch, HGB) and in accordance with the rules, effective at the reporting date and recognised by the European Union, of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Furthermore, the provisions of the German accounting standard DRS 16 were observed in the preparation of this Group Interim Report.

With the exception of the Standards and Interpretation described below, the same accounting, valuation and calculation methods as already adopted by the European Union were applied in the Interim Consolidated Financial Statements as in the Consolidated Financial Statements for the financial year ending on 31 December 2018.

The new Standard IFRS 16 published in January 2016 and the subject of mandatory adoption for financial years commencing on or after 1 January 2019 defines a lease as a contract which conveys the right to use an asset for a period of time in exchange for consideration. The previous classification as finance and operating leases will no longer apply for lessees as of the initial adoption date. For lessees, the new Standard requires a totally new approach towards accounting for lease contracts. Thus, from the initial adoption date every lease as a rule has 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 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 lessors, the accounting rules remain largely unchanged.

Within the Group of RHÖN-KLINIKUM AG, the new Standard will be adopted as of 1 January 2019 with application in modified form retroactively. 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. The Group adopts the exemption with regard to retaining the definition of a lease. IFRS 16 will thus be adopted for all contracts which were entered into before 1 January 2019 and classified as leases in accordance with IAS 17 and IFRIC 4. The adoption of IFRS 16 as lessee has a material impact on the net assets, financial position and results of operations of RHÖN-KLINIKUM AG. On the initial adoption date of 1 January 2019 there is thus an increase in assets and liabilities within the balance sheet (balance sheet extension) by € 8.2 million. The rights of use in the amount of € 8.2 million applied for the first time on the assets side on the initial adoption date will be reported under those items of the balance sheet in which the assets underlying the lease would have been reported if they were owned by the Company. The rights of use will therefore be reported at the reporting date in non-current assets under the intangible assets item. The lease liabilities applied for the first time on the liabilities side as at the initial adoption date in the amount of € 8.2 million, of which € 6.1 million is reported under non-current liabilities and € 2.1 million under current liabilities, were measured at their present value of the lease payments outstanding. The present value calculation is based on the incremental borrowing rates of 1 January 2019. The weighted incremental borrowing rate as at 1 January 2019 is 1.1%. As at the initial adoption date, the increase in non-current and current liabilities resulting from the change in accounting standards has a negative impact on net liquidity in the amount of € 8.2 million. In equity, no effects result from the initial adoption of IFRS 16. As at 1 January 2019, the equity ratio decreases by roughly 0.4% as a result of the first-time recognition of lease liabilities. Unlike the past approach under which expenses for operating leases have a negative impact on the EBITDA, adoption of the new Standard IFRS 16 has a beneficial effect on EBITDA and results in an increase in depreciation/amortisation. The adoption of IFRS 16 will benefit EBITDA of the first nine months of financial year 2019 by € 1.7 million, which in turn will result in an increase in depreciation/amortisation of the first nine months of financial year 2019 by € 1.6 million. As a result of the mark-up on lease liabilities, the finance result of the first nine months of 2019 will be negatively impacted by € 0.1 million higher interest expenses. The difference between the payments for operating leases discounted as at 31 December 2018 in accordance with IFRS 16 in the amount of € 8.2 million and the lease liabilities recognised in the balance sheet as at 1 January 2019 in the amount of € 13.9 million results from the inclusion of already existing finance leases according to IAS 17. A review and re-assessment of the already existing finance leases according to IAS 17 did not reveal any change within the meaning of IFRS 16. In all other respects, the adoption of IFRS 16 as lessor will have no material impact on the net assets, financial position and results of operations of RHÖN-KLINIKUM AG.

The new IFRIC 23 subject to mandatory adoption for financial years commencing on or after 1 January 2019 and containing provisions on the application and measurement of tax risk positions and closes gaps in the provisions of IAS 12 has no material impact on the net assets, financial position and results of operations of RHÖN-KLINIKUM AG.

The amendments to IFRS 9 published on 12 October 2017 to be adopted as of financial years commencing on or after 1 January 2019, which allow a measurement at amortised cost or fair value through other comprehensive income (FVOCI) also for financial assets with prepayment features that permit or require a party either to pay or receive reasonable compensation on termination, are of no practical relevance for RHÖN-KLINIKUM AG.

In the first quarter of 2019, the amendments to the Standard IAS 19 relating to accounting of plan amendment, curtailment or settlement, and to IAS 28 governing accounting and measurement of interests in associates and joint ventures for venture capital organisations, investment funds and similar entities, as well as the Annual Improvements to IFRS (2015-2017 Cycle), which in each case are the subject of mandatory adoption as of 1 January 2019, were incorporated by the European Union into European law. The amendments have no material impact for RHÖN-KLINIKUM AG.

Standards and Interpretations exceeding such scope and to be applied as of 1 January 2019 were not incorporated into European law by the European Union in the first nine months of 2019.

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

## CONSOLIDATED COMPANIES

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

	31 Dec. 2018	Additions	Disposals	Reclassification	30 Sept. 2019
Fully consolidated subsidiaries	26	-	-1	1	26
Companies consolidated using the equity method	2	-	-	-1	1
Other subsidiaries	8	2	-	-	10
<b>Consolidated companies</b>	<b>36</b>	<b>2</b>	<b>-1</b>	<b>0</b>	<b>37</b>

During the reporting period, a minority interest of 5% in the Hamburg-based software provider Tiplu GmbH in the context of a strategic partnership as well as an interest of € 1.00 in Siebensachen GmbH, the parent company of Tiplu GmbH, which confers special rights, were acquired. Established in 2016, Tiplu has specialised in case-related coding and revenue-securing through the use of semantic text analyses in hospital documents, such as physician's letters, laboratory findings or OR documentation. RHÖN-KLINIKUM AG uses the coding software Tiplu Momo for complete and performance-based invoicing, revenue securing and duration-of-stay control.

After completion of liquidation, RK-Reinigungsgesellschaft Süd GmbH i. L. was deleted from the commercial register in the second quarter of 2019.

### Company acquisitions

The management of Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung (MIT), in which RHÖN-KLINIKUM AG held an interest of 24.9%, filed for insolvency in September 2018. In the fourth quarter of 2018, the agreement was reached with Universitätsklinikum Heidelberg, which until then had held 75.1% in MIT, on the takeover of these corporate interests as at 1 January 2019 and the additional appointment of the management by RHÖN-KLINIKUM AG from January 2019. Approval by the German Cartel Office was given in



December 2018. As of 1 January 2019 we thus exercise control and fully consolidate MIT in the consolidated financial statements as of the aforementioned date. The preliminary purchase price allocation as at 1 January 2019 has the following impact on the Group's net assets in 2019:

<b>Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung (MIT)</b>	<b>Fair value after acquisition in € m</b>
<b>Acquired assets and liabilities</b>	
Intangible assets	0.0
Property, plant and equipment	6.7
Inventories	0.3
Trade receivables	3.1
Cash and cash equivalents	0.5
Other assets	2.0
Trade payables	-2.5
Deferred tax	-1.1
Other liabilities	-1.1
<b>Net assets acquired</b>	<b>7.9</b>
Goodwill	0.0
<b>Cost as defined by IFRS 3</b>	<b>7.9</b>
./. Acquired cash and cash equivalents	-0.5
<b>Cash outflow on transaction at date of first-time consolidation</b>	<b>7.4</b>
Purchase price payments already rendered	3.8
<b>Purchase price yet to be paid</b>	<b>4.1</b>

Using protons and heavy ions to achieve pinpoint precision, the Ion Beam Therapy Center offers a highly effective way of treating tumour disease whilst minimising the impact on high-risk organs such as the heart, lungs, liver and kidneys. During the reporting period, MIT's contributions to revenues is € 5.5 million and to consolidated profit - € 2.1 million. Thanks to the greater integration of MIT with the university hospitals in Marburg and Giessen, RHÖN-KLINIKUM AG is looking to secure continued ongoing care to patients with an innovative treatment therapy. In the context of the acquisition, consultancy fees were incurred in financial year 2018 in the amount of roughly € 0.2 million. No further consulting fees were incurred in financial year 2019.

As at 1 January of financial year 2019, three physician's practices were acquired against consideration whose conditions of validity as per agreement in each case were satisfied during the reporting period of 2019:

<b>Purchase of physician's practices, January to September 2019</b>	<b>Fair value post acquisition € m</b>
<b>Acquired assets and liabilities</b>	
Intangible assets	0.0
Property, plant and equipment	0.0
<b>Net assets acquired</b>	<b>0.0</b>
+ Goodwill	0.3
<b>Cost</b>	<b>0.3</b>
./. Purchase price payments outstanding	-0.1
./. Acquired cash and cash equivalents	0.0
<b>Cash outflow on transaction</b>	<b>0.2</b>

Goodwill amounting to € 0.3 million essentially includes synergy effects expected from the expansion of medical care centres. The goodwill recognised is likely to be tax-deductible. Furthermore, 2.75 physician's practices were transferred during the reporting period from the physician

associations (Kassenärztliche Vereinigungen) to the MVZ subsidiaries at the Frankfurt (Oder) and Bad Neustadt a. d. Saale sites without consideration.

In financial year 2019 no further physician's practices were acquired whose conditions of validity as per agreement will be satisfied only as of 1 October 2019.

## SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

### Revenues

January to September	2019 € m	2018 € m
<b>Fields</b>		
Acute hospitals	939.6	898.4
Medical care centres	11.8	10.9
Rehabilitation hospitals	19.4	19.2
	<b>970.8</b>	<b>928.5</b>
<b>Federal states</b>		
Bavaria	200.0	194.9
Saxony	0.2	0.2
Thuringia	126.6	124.0
Brandenburg	111.2	103.6
Hesse	532.8	505.8
	<b>970.8</b>	<b>928.5</b>

According to IFRS 15, revenues constitute revenues generated from the provision of services. Revenues of the first nine months of financial year 2019 include income from the invoicing of an additional remuneration component for the treatment of spinal muscle atrophy as well as income from the invoicing of an additional remuneration component for the treatment of multiple sclerosis. The aforementioned supplementary fees are remuneration along with the pure DRGs and negatively impacts the materials and consumables used item by nearly the same amount. Furthermore, for the first time as of financial year 2019, revenues include applied cost reimbursements for cancer immunotherapies that likewise negatively impact the materials and consumables used item by the same amount. Moreover, revenues include the negotiation outcome relating to the university outpatient units at Universitätsklinikum Gießen und Marburg GmbH.

## Other income

January to September	2019	2018
	€ m	€ m
Income from services rendered	118.5	117.9
Income from grants and other allowances	10.2	9.5
Income from indemnification payments/Other reimbursements	1.1	0.6
Other	38.8	6.4
	<b>168.6</b>	<b>134.4</b>

Income from services rendered includes income from ancillary and incidental activities as well as income from rental and lease agreements. The rise is accounted for, among other things, by increased sales of pharmaceuticals (including income from the invoicing of a drug for treating MS (multiple sclerosis) that negatively impacts materials and consumables used by nearly the same amount) and cytostatics as well as personnel costs for students of healthcare professions refinanced for the first time.

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

The rise in the remaining other income amounts is essentially attributable to the reversal of provisions for legal and tax risks in the first nine months of financial year 2019 amounting to € 30.3 million.

## Materials and consumables used

Materials and consumables used includes expenditures for the medicamentous treatment of spinal muscle atrophy, multiple sclerosis, and for the first time from financial year 2019 expenses for cancer immunotherapies which are remunerated in nearly the same amount for medicamentous therapy and in the same amount for cancer immunotherapy and reported under revenues or other income.

As a result of mandatory adoption of the new standard IFRS 16 “Leases” for the first time as of financial year 2019, expenses previously recorded under materials and consumables used amounting to € 0.6 million are no longer reported under materials and consumables used. The rights of use in the lease properties are amortised over the term of the respective lease contract, with the lease liabilities being charged interest using the effective interest method and recognised at € 0.6 million under depreciation/amortisation and impairments or the finance result.

## Employee benefits expense

In addition to a rise in the number of employees, general wage increases as well as share-based remuneration of former members of the Board of Management in the form of virtual shares had an expenditure-increasing effect compared with the same period of the previous year. Moreover, personnel expenses for students of the specialist healthcare professions were included in the first nine months of 2019 for the first time, which compared with reimbursement payments in the same amount in the Other income item. Employee benefits expenses include a figure of € 1.9 million (previous year: € 0.9 million) for severance payments.

## Other expenses

January to September	2019	2018
	€ m	€ m
Maintenance	41.0	36.1
Charges, subscriptions and consulting fees	20.0	18.3
Insurance	9.4	9.0
Administrative and IT costs	8.3	7.4
Other personnel and continuing training costs	4.1	3.7
Rents and leaseholds	3.2	3.9
Travelling, entertaining and representation expenses	1.8	1.4
Secondary taxes	0.7	0.2
Losses on disposal of non-current assets	0.1	0.0
Other	8.9	8.1
	<b>97.5</b>	<b>88.1</b>

As a result of the initial adoption of IFRS 16 “Leases” as of financial year 2019, expenses of the first nine months of 2019 amounting to € 1.1 million previously recorded under the other expenses item are no longer reported under other expenses. The rights of use in the lease properties are amortised over the term of the respective lease contract, with the lease liabilities being charged interest using the effective interest method and recognised at € 1.1 million under depreciation/amortisation and impairments or the finance result.

### Result from impairment on financial assets

The negative result from the impairment on financial assets in the amount of € 0.2 million (previous year: € 0.2 million) results from the adoption of IFRS 9, which among other things governs the future expected losses of financial assets.

### Depreciation/amortisation and impairment

The rise in depreciation and impairments is attributable among other things to the Campus Bad Neustadt being put into service at the turn of the year 2018/2019. The initial adoption of IFRS 16 “Leases” as of financial year 2019 results in a total increase of € 1.6 million.

### Finance result (net)

The deterioration in the negative finance result in the first nine months of financial year 2019 is attributable to higher finance expenses compared with the same period of the previous year resulting i.a. from interest recognised for the first time for the promissory note loan issued in October 2018 as well as the interest for the registered bond issued in July 2019 and from lower finance income. In connection with the initial adoption of IFRS 16 “Leases” as of financial year 2019, interest expenses amounting to € 0.1 million are recognised under the finance result.

## Income taxes

January to September	2019	2018
	€ m	€ m
Current income tax	6.5	7.2
Deferred taxes	-0.3	1.8
	<b>6.2</b>	<b>9.0</b>

The decline in income taxes is the result of a lower tax assessment basis. A ruling by the German Federal Fiscal Court and the related risk provisioning is having an expenditure-increasing effect.

## SELECTED NOTES TO THE CONSOLIDATED BALANCE SHEET

### Goodwill and other intangible assets

	Goodwill € m	Other intangible assets € m	Total € m
<b>Cost</b>			
<b>1 January 2019</b>	<b>163.9</b>	<b>43.9</b>	<b>207.8</b>
Additions due to changes in consolidated companies	0.3	0.0	0.3
Additions	0.0	3.2	3.2
Disposals	0.0	0.1	0.1
Transfers	0.0	0.1	0.1
<b>30 September 2019</b>	<b>164.2</b>	<b>47.1</b>	<b>211.3</b>
<b>Cumulative depreciation and impairment</b>			
<b>1 January 2019</b>	<b>0.0</b>	<b>31.1</b>	<b>31.1</b>
Depreciation	0.0	2.6	2.6
Disposals	0.0	0.1	0.1
Transfers	0.0	0.1	0.1
<b>30 September 2019</b>	<b>0.0</b>	<b>33.7</b>	<b>33.7</b>
<b>Balance sheet value as at 30 September 2019</b>	<b>164.2</b>	<b>13.4</b>	<b>177.6</b>

	Goodwill € m	Other intangible assets € m	Total € m
<b>Cost</b>			
<b>1 January 2018</b>	<b>163.3</b>	<b>39.8</b>	<b>203.1</b>
Additions due to changes in consolidated companies	0.6	0.0	0.6
Additions	0.0	3.5	3.5
Disposals	0.0	0.5	0.5
Transfers	0.0	0.0	0.0
<b>30 September 2018</b>	<b>163.9</b>	<b>42.8</b>	<b>206.7</b>
<b>Cumulative depreciation and impairment</b>			
<b>1 January 2018</b>	<b>0.0</b>	<b>28.6</b>	<b>28.6</b>
Depreciation	0.0	2.6	2.6
Disposals	0.0	0.5	0.5
<b>30 September 2018</b>	<b>0.0</b>	<b>30.7</b>	<b>30.7</b>
<b>Balance sheet value as at 30 September 2018</b>	<b>163.9</b>	<b>12.1</b>	<b>176.0</b>

## Property, plant and equipment

	Land and buildings € m	Technical plant and equipment € m	Operating and business equipment € m	Plant under construction € m	Total € m
<b>Cost</b>					
<b>1 January 2019</b>	<b>1,150.2</b>	<b>56.4</b>	<b>345.5</b>	<b>19.2</b>	<b>1,571.3</b>
Additions due to changes in consolidated	0.0	0.0	6.7	0.0	6.7
Additions	16.8	0.6	20.4	14.7	52.5
Disposals	0.0	1.1	10.4	0.0	11.5
Transfers	-0.1	0.9	4.0	-4.9	-0.1
<b>30 September 2019</b>	<b>1,166.9</b>	<b>56.8</b>	<b>366.2</b>	<b>29.0</b>	<b>1,618.9</b>
<b>Cumulative depreciation and impairment</b>					
<b>1 January 2019</b>	<b>446.0</b>	<b>36.2</b>	<b>237.0</b>	<b>0.0</b>	<b>719.2</b>
Depreciation	23.2	3.0	22.9	0.0	49.1
Disposals	0.0	1.1	10.3	0.0	11.4
Transfers	0.0	0.0	-0.1	0.0	-0.1
<b>30 September 2019</b>	<b>469.2</b>	<b>38.1</b>	<b>249.5</b>	<b>0.0</b>	<b>756.8</b>
<b>Balance sheet value as at 30 September 2019</b>	<b>697.7</b>	<b>18.7</b>	<b>116.7</b>	<b>29.0</b>	<b>862.1</b>

	Land and buildings € m	Technical plant and equipment € m	Operating and business equipment € m	Plant under construction € m	Total € m
<b>Cost</b>					
<b>1 January 2018</b>	<b>958.0</b>	<b>50.0</b>	<b>301.3</b>	<b>114.3</b>	<b>1,423.6</b>
Additions due to changes in consolidated	0.0	0.0	0.0	0.0	0.0
Additions	3.0	0.4	11.6	75.2	90.2
Disposals	0.0	0.0	6.9	0.0	6.9
Transfers	4.1	0.0	2.5	-6.6	0.0
<b>30 September 2018</b>	<b>965.1</b>	<b>50.4</b>	<b>308.5</b>	<b>182.9</b>	<b>1,506.9</b>
<b>Cumulative depreciation and impairment</b>					
<b>1 January 2018</b>	<b>416.7</b>	<b>32.9</b>	<b>226.9</b>	<b>0.0</b>	<b>676.5</b>
Depreciation	22.9	2.6	17.1	0.0	42.6
Disposals	0.0	0.0	6.9	0.0	6.9
<b>30 September 2018</b>	<b>439.6</b>	<b>35.5</b>	<b>237.1</b>	<b>0.0</b>	<b>712.2</b>
<b>Balance sheet value as at 30 September 2018</b>	<b>525.5</b>	<b>14.9</b>	<b>71.4</b>	<b>182.9</b>	<b>794.7</b>

As a result of the new Standard IFRS 16 published in January 2016 and subject to mandatory adoption for financial years commencing on or after 1 January 2019, capitalised rights of use increased in the first nine months of 2019 by € 9.7 million, depreciation/amortisation by € 1.6 million and the balance sheet value by € 8.1 million.

### **Other financial assets (non-current)**

Equity interests in the amount of € 8.8 million (31 December 2018: € 4.7 million) are reported under this item. These are the equity investments in the start-up companies Inovytec Medical Solutions Ltd., Telesofia Medical Ltd., CLEW Medical Inc. and Tiplu GmbH.

### **Other financial assets (current)**

As a result of current finance requirements of extensive investment measures, freely disposable funds are invested short-term. Fixed deposit investments were made in the amount of € 129.6 million (31 December 2018: € 114.4 million) in the form of overnight deposits and short-term deposits with a remaining term of < 1 year. In addition, receivables according to hospital financing law are reported under this item in the amount of € 52.2 million (31 December 2018: € 39.3 million). The change in the payment mode of the universities in Giessen and Marburg in connection with the reimbursements of costs for research and teaching resulted in an increase in receivables. As at the balance sheet date, the receivables in this regard amount to € 19.1 million (31 December 2018: € 9.7 million).

### **Equity**

The increase in equity capital compared with the reporting date of 31 December 2018 by € 20.1 million results from consolidated profit (€ 37.8 million) as well as from other result (€ 1.7 million). An opposite effect came from the dividend paid out to the shareholders in the amount of € 19.4 million. The other result is essentially attributable to gains from the fair values of investments which according to IFRS 9 are assigned to the category of fair value through other comprehensive income (FVOCI).

### **Financial liabilities**

In the fourth quarter of 2017, a syndicated credit line in the amount of € 100.0 million was taken out. For this line of credit a change-of-control clause is stipulated providing, in the event of a change of control when the line of credit has been utilised, for early repayment and for the right of the lenders to exclude new lendings. As at 30 September 2019, this line of credit had not been utilised.

In October 2018, RHÖN-KLINIKUM AG placed a promissory note loan in the amount of € 100.0 million. The tranches exclusively bearing fixed interest with bullet maturities have terms of 5, 7 and 10 years. For the promissory note loan a change-of-control clause is stipulated providing for early repayment in the event of a change of control. Under the contract, no change of control exists if one or more of the anchor shareholders (B. Braun Melsungen AG, Asklepios Kliniken GmbH & Co. KGaA, Mr. Münch (HCM SE) and Mrs. Münch) acquire(s) more than 50%, but no more than 70.1% maximum, of the voting shares in RHÖN-KLINIKUM AG within the group of anchor shareholders.

In July 2019, RHÖN-KLINIKUM AG placed a registered bond in the amount of € 60.0 million with a term of 20 years. For the registered bond a change-of-control clause is stipulated providing for early repayment in the event of a change of control. Under the contract, no change of control exists if one or more of the anchor shareholders (B. Braun Melsungen AG, Asklepios Kliniken GmbH & Co. KGaA, Mr. Münch (HCM SE) and Mrs. Münch) acquire(s) more than 50%, but no more than 70.3% maximum, of the voting shares in RHÖN-KLINIKUM AG within the group of anchor shareholders.



## Lease liabilities

An amount of € 9.9 million (31 December 2018: € 4.7 million) is reported under non-current other financial liabilities, and an amount for liabilities under leases of € 3.1 million (31 December 2018: € 1.0 million) under current other financial liabilities. On 30 September 2019, an amount of € 6.0 million has been added to long-term lease liabilities and € 2.1 million to short-term lease liabilities as a result of the new lease Standard IFRS 16 subject to mandatory adoption since 1 January 2019.

## Additional disclosures regarding financial instruments

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

	Measurement category according to IFRS 9	30 Sept. 2019	of which		31 Dec. 2018	of which	
			Financial Instruments			Financial Instruments	
			Carrying amount	Fair value		Carrying amount	Fair value
		€ m	€ m	€ m	€ m	€ m	€ m
<b>ASSETS</b>							
<b>Non-current assets</b>							
Other financial assets		8.8	8.8	8.8	4.7	4.7	4.7
	Measured at fair value directly in equity (fair value through other comprehensive income; without recycling)	8.8	8.8	8.8	4.7	4.7	4.7
of which investments		0.0	0.0	0.0	0.0	0.0	0.0
	Measured at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0
of which other		0.0	0.0	0.0	0.0	0.0	0.0
	Measured at amortised cost	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current assets</b>							
Trade receivables and other financial assets	Measured at amortised cost	435.1	435.1	435.1	381.7	381.7	381.7
Cash and cash equivalents	Measured at amortised cost	115.4	115.4	115.4	132.3	132.3	132.3
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
Financial liabilities	Financial liabilities measured at amortised cost	158.3	158.3	177.5	99.5	99.5	101.7
Other financial liabilities		25.8	25.8	27.3	15.2	15.2	16.5
of which other financial liabilities	Financial liabilities measured at amortised cost	15.9	15.9	17.4	10.5	10.5	11.8
of which liabilities under leases	n. a.	9.9	9.9	9.9	4.7	4.7	4.7
<b>Current liabilities</b>							
Trade payables	Financial liabilities measured at amortised cost	86.6	86.6	86.6	115.9	115.9	115.9
Financial liabilities	Financial liabilities measured at amortised cost	1.8	1.8	1.8	0.3	0.3	0.3
Other financial liabilities		38.4	38.4	38.4	23.6	23.6	23.6
of which other financial liabilities	Financial liabilities measured at amortised cost	35.3	35.3	35.3	22.6	22.6	22.6
of which liabilities under leases	n. a.	3.1	3.1	3.1	1.0	1.0	1.0
<b>Aggregated according to measurement categories, the above figures are as follows:</b>							
	Financial assets measured at amortised cost		550.5	550.5		514.0	514.0
	Financial assets measured at fair value directly in equity (fair value through other comprehensive income; without recycling)		8.8	8.8		4.7	4.7
	Financial assets measured at fair value through profit or loss		0.0	0.0		0.0	0.0
	Financial liabilities measured at amortised cost		297.9	318.6		248.8	252.3

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.

Investments in the amount of € 8.8 million (31 December 2018: € 4.7 million) are measured at fair value directly in equity (fair value through other comprehensive income, without recycling). These investments relate to start-up equity interests whose market value was calculated based on current equity transactions between market participants in the context of additional financing rounds or

applying the DCF method. Moreover, additional immaterial investments amounting to € 0.0 million are measured at fair value (fair value through profit or loss). 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 (after tax) in the amount of € 1.6 million (previous year loss of € - 0.1 million), which are recognised directly in equity under other comprehensive income (OCI).

The fair value of non-current other financial liabilities of RHÖN-KLINIKUM AG is calculated on the basis of the discounted cash flow. A risk- and maturity-related rate appropriate for RHÖN-KLINIKUM AG has been used for discounting purposes. For trade payables, other financial obligations and financial liabilities with short remaining maturities, the carrying amounts correspond to their fair values on the reporting date. The fair value of liabilities under finance leases was calculated using a market interest curve as at the balance sheet date and corresponds to their carrying amount.

In the first nine months of financial year 2019, adjustments of the impairments on financial assets and financial investments within the meaning of IFRS 9 resulted in a negative effect on earnings (after tax) in the total amount of € 0.1 million (previous year: € 0.1 million).

The fair values of financial assets and liabilities accounted for as defined in IFRS 13 are classified as follows to the three levels of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total	Total
	€ m	€ m	€ m	30 Sept. 2019	31 Dec. 2018
	€ m	€ m	€ m	€ m	€ m
Other non-current financial assets (investments)	-	8.8	-	8.8	4.7
Other non-current financial assets (remaining)	-	0.0	-	0.0	0.0
Trade receivables, other current financial assets	-	435.1	-	435.1	381.7
Non-current financial liabilities	-	177.5	-	177.5	101.7
Other non-current financial liabilities	-	27.3	-	27.3	16.5
Current trade liabilities	-	86.6	-	86.6	115.9
Current other financial liabilities	-	38.4	-	38.4	23.6

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.

## OTHER DISCLOSURES

### Interests held in the Company

During the period of 1 January 2019 up to and including 30 September 2019, we have received the following notifications from shareholders that their voting interest exceeded or fell below the statutory reporting thresholds pursuant to section 33 et seq. of the WpHG and that they thus at least temporarily held a voting interest of over 3% in the Company either directly or by way of attribution of such voting interest to them.

Voting interest on date that interest exceeds / falls below threshold

Person subject to notification requirement	Published on	Held directly %	Attributed %	Voting rights held %	Date that interest exceeds/falls below the threshold	Interest exceeding / falling below threshold in the case of	Notification pursuant to section 33 et seq. WpHG Attribution pursuant to WpHG/additional information:
B. Braun Melsungen Aktiengesellschaft	11 Mar. 2019		25.23	25.23	12 Dec. 2018	>25%	attributed (section 34 WpHG): B. Braun Melsungen Aktiengesellschaft

Based on the threshold events notified to us, the following picture pursuant to section 33 et seq. of the WpHG in terms of shareholder structure emerges as at the relevant key date of 30 September 2019:

Voting interest pursuant to section 33 et seq. WpHG on date that interest exceeds / falls below threshold

Person subject to notification requirement	Published on	Held directly %	Attributed %	Voting rights held %	Date that interest exceeds/falls below the threshold	Interest exceeding / falling below threshold in the case of	Notification pursuant to section 33 et seq. WpHG Attribution pursuant to WpHG/additional information:
B. Braun Melsungen Aktiengesellschaft	11 Mar. 2019		25.23	25.23	12 Dec. 2018	>25%	attributed (section 34 WpHG): B. Braun Melsungen Aktiengesellschaft
Asklepios Kliniken GmbH & Co. KGaA	5 Jan. 2018	0.0005	25.10	25.10	29 Dec. 2017	>25%	attributed (section 34 WpHG): Asklepios Kliniken GmbH & Co. KGaA
Eugen Münch	28 Nov. 2017	6.94	7.61	14.56	23 Nov. 2017	>10%	attributed (section 34 WpHG): HCM SE
Ingeborg Münch	26 Oct. 2015	5.44		5.44	15 Oct. 2015	>5%	held directly (section 33 WpHG)
Landeskrankenhilfe V.V.a.G	22 Oct. 2018	5.21		5.21	19 Oct. 2018	>5%	held directly (section 33 WpHG)

In the reporting period of 1 January to 30 September 2019, we received no notifications on statutory reporting thresholds according to sections 38 of the WpHG.

The voting interests in the above tables may have changed since 30 September 2019. With regard to notifications on changes that took place as of 1 October 2019, and for additional information on the underlying financial instruments, on attribution and on the holding structures of the respective voting rights, we refer to the publications on our website in the Investor Relations/Publications/IR News section.

As at 30 September 2019, the Company holds 24,000 treasury shares. This corresponds to 0.04% of the voting rights.

### Corporate bodies

Regarding the composition of the Board of Management and the Supervisory Board as well as the corporate constitution, we refer to the consolidated financial statements of financial year 2018. At the Annual General Meeting held on 5 June 2019, Prof. Dr. h.c. Ludwig Georg Braun left the Supervisory Board for reasons of age. Mr. Jan Hacker has been a new member on the Supervisory Board since conclusion of the Annual General Meeting on 5 June 2019. The Declaration on Corporate Governance, the Declaration of Compliance pursuant to section 161 of the AktG and the Corporate

Governance Report jointly issued by the Board of Management and the Supervisory Board were updated and published on our website.

### **Related parties**

RHÖN-KLINIKUM Group companies, in given instances, enter into transactions with related parties, as further described in the Notes to the Consolidated Financial Statements as at 31 December 2018.

The companies belonging to the group of related parties and the business transacted with these companies have not changed significantly in terms of the nature of the performance relationship and the amount of the pro rata temporis business volume as well as financial receivables and liabilities compared with the Consolidated Financial Statements as at 31 December 2018. The business volume of the first nine months of financial year 2019 with the group companies of B. Braun Melsungen Aktiengesellschaft decreased by € 0.1 million to € 8.0 million (previous year: € 8.1 million).

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

The contractual remuneration for the members of the Supervisory Board and of the Board of Management as well as the related remuneration guidelines have remained unchanged compared with the reporting date of 31 December 2018. No loans were granted to members of the Supervisory Board and the Board of Management.

Former members of the Board of Management and one acting member of the Board of Management as well as one other employee hold an interest in the company RHÖN-Innovations GmbH founded in March 2016. The payments made for the interests are reported under the other liabilities item as cash-settled share-based payment transactions as defined by IFRS 2. As part of the fair value measurement, expenses were incurred during the reporting period in the amount of € 0.1 million.

With regard to share-based payment transactions as defined in IFRS 2 in the form of virtual shares, we refer to the Notes to the Consolidated Financial Statements in the 2018 Annual Report, Notes 2.16.4 and 9.5. On expiry of the programme's term, payouts to the former members of the Board of Management in the amount of € 7.1 million were made at the end of June 2019.

During the reporting period, RHÖN-KLINIKUM AG received no notifications on transactions for own account by persons discharging managerial responsibilities pursuant to Article 19 of the Market Abuse Regulation (EU) No 596/2014. Additional information on the respective notifications is published on our website under the header "IR News" in the Investor Relations section.

### **Employees**

At the reporting date of 30 September 2019 the Group employed a total of 17,444 persons (31 December 2018: 16,985 persons). In addition, a training remuneration payment is made for 455 students of the specialist healthcare professions at Universitätsklinikum Gießen und Marburg based on an agreement reached with the trade union ver.di in 2019.

### **Other financial obligations**

The agreement from 2018 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 € 100.0 million until the end of 2021. As at the balance sheet date of 30 September 2019, already € 82.5 million of that has been fulfilled. Moreover, the following investments are to be performed: at the Marburg site, the modernisation of its clinic for psychiatry, the overhaul of the centralised operating theatre and IC units, as well as the new build of the clinic for paediatric and juvenile psychiatry are planned. At the Gießen site, the Paediatric Heart Centre will be expanded and an extension added on to the University Hospital. Our hospitals at the Giessen and Marburg sites continue to be committed to foregoing redundancies until the end of financial year 2021 and to take over trainees into permanent employment if they possess the right qualifications for the respective positions.

The additional other financial obligations have not changed significantly since the last reporting date.

### Contingent liabilities

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

### Earnings per share

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

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

	No. of shares on 30 Sept. 2019	No. of shares on 30 Sept. 2018
Non-par shares	66,962,470	66,962,470
Treasury non-par shares	-24,000	-24,000
<b>Shares in issue</b>	<b>66,938,470</b>	<b>66,938,470</b>

Earnings per share are calculated as follows:

Non-par shares	30 Sept. 2019	30 Sept. 2018
Share in consolidated profit (€ '000)	36,881	45,622
Weighted average number of shares outstanding, in thousands	66,938	66,938
Earnings per share in €	0.55	0.68

### Statement of Cash Flows

The liquidity shown in the statement of changes in financial position continues to include cash on hand, cheques as well as cash with banks. For the purposes of the statement of cash flows, bank overdrafts are deducted from cash and cash equivalents. As at 30 September 2019 there were no bank overdrafts.

The change in cash generated from operating activities is essentially attributable to the lower increase in trade receivables and results from the elimination of invoicing delays in the first nine months of financial year 2018 relating to the introduction of a new hospital information and billing

system at one hospital. Furthermore, the previous year's cash flow was marked by higher redemptions of trade liabilities.

The change in the area of investing activities stems from the significant changes in fixed deposits as well as from lower investments in the current financial year. In 2018, fixed deposits were terminated, whereas in 2019 liquidity was invested as a result of the cash generated from the registered bond.

Cash generated from financing activities results from the issue of a registered bond in July 2019 as well as from the counter-effect of the increase in dividend payments.

The initial adoption of IFRS 16 as of financial year 2019 results in an improvement in operating cash flow in the amount of € 1.6 million as well as in cash used in financing activity amounting to € 1.6 million.

The cash flow statement included a total of € 12.6 million (previous year: € 18.8 million) in outstanding construction invoices as non-cash item.

#### **Events after the balance-sheet date**

The investment, strategy and finance committee as the responsible committee of the supervisory board of RHÖN-KLINIKUM Aktiengesellschaft approved the establishment of Medgate Deutschland GmbH in its meeting on 5 November 2019. The notarial certification of the agreement will take place in the fourth quarter of the financial year 2019.

Bad Neustadt a. d. Saale, 8 November 2019

RHÖN-KLINIKUM Aktiengesellschaft  
THE BOARD OF MANAGEMENT

Prof. Dr. Bernd Griewing

Stephan Holzinger

Dr. Gunther K. Weiß

## KEY FIGURES

### KEY FIGURES JANUARY TO SEPTEMBER 2019/ JANUARY TO SEPTEMBER 2018

Data in € m	Jan. - Sept. 2019	Jan. - Sept. 2018	Change in %
Revenues	970.8	928.5	4.6
EBITDA	97.5	102.5	-4.9
EBITDA - ratio (%)	10.0	11.0	-9.1
EBIT	45.8	57.2	-19.9
EBIT - ratio (%)	4.7	6.2	-24.2
EBT	44.0	56.6	-22.3
Consolidated profit according to IFRS	37.8	47.6	-20.6
Equity according to IFRS	1,179.3	1,155.9	2.0
Equity ratio in %	71.6	78.0	-8.2
Earnings per ordinary share (in €) (undiluted/diluted)	0.55	0.68	-19.1
Number of employees (headcount)	17,444 *)	16,829	3.7
Number of cases (patients treated)	647,345	644,177	0.5
Beds and places	5,312	5,370	-1.1

\*) plus 455 students of specialist health professions.

### KEY FIGURES JULY TO SEPTEMBER 2019/ JULY TO SEPTEMBER 2018

Data in € m	July - Sept. 2019	July - Sept. 2018	Change in %
Revenues	326.6	308.3	5.9
EBITDA	36.6	51.3	-28.7
EBITDA - ratio (%)	11.2	16.6	-32.5
EBIT	19.1	36.3	-47.4
EBIT - ratio (%)	5.9	11.8	-50.0
EBT	18.2	35.7	-49.0
Consolidated profit according to IFRS	17.2	30.0	-42.7
Equity according to IFRS	1,179.3	1,155.9	2.0
Equity ratio in %	71.6	78.0	-8.2
Earnings per ordinary share (in €) (undiluted/diluted)	0.25	0.43	-41.9
Number of employees (headcount)	17,444 *)	16,829	3.7
Number of cases (patients treated)	214,785	211,860	1.4
Beds and places	5,312	5,370	-1.1

\*) plus 455 students of specialist health professions.

# FINANCIAL CALENDAR

## Dates for shareholders and analysts

### 2019

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8 November 2019 Publication of Interim Report for the quarter ending 30 September 2019

### 2020

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21 February 2020 Publication of preliminary results for financial year 2019

24 March 2020 Results Press Conference: Publication of 2019 Annual Financial Report

7 May 2020 Publication of Interim Report for the quarter ending 31 March 2020

3 June 2020 Annual General Meeting (Stadthalle, Bad Neustadt a. d. Saale)

6 August 2020 Publication of Half-Year Financial Report as at 30 June 2020

6 November 2020 Publication of Interim Report for the quarter ending 30 September 2020

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This Interim Report is also available in German.