Annual Report 2020

RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

Content

Our Mission

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

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

The new strategic partnership with Asklepios provides the ideal basis for both Companies to take on the challenges facing the industry together, to reap synergies, and to enhance our offering for patients. Within the hospital network we will further strengthen our position as a trailblazer within the digital healthcare system – in the best interests of our patients and employees.

Chairman of the Board of Management
Dr Christian Höftberger

Dear Ladies and Gentlemen, Dear Shareholders,

The year 2020 will be forever etched in our memories. It was a year when a virus changed the world. And even a year later there is still no end in sight to the COVID-19 pandemic. We as providers of healthcare services have been working under these extraordinary and often difficult conditions to provide the best possible care to all our patients.

The performance of hospitals in coping with this pandemic for the well-being of all patients cannot be overstated, for the simple reason that at the beginning of 2020 no one was able to foresee a global a global coronavirus pandemic and the consequences it would unleash. I would therefore like to take this opportunity to thank the entire team of RHÖN-KLINIKUM AG: the doctors, nursing and supporting staff, therapists as well as all employees working in our service, technical and administrative areas. You have all earned our special tribute and recognition.

This rings all the more true as even now it is clear that the persisting pandemic situation will continue to weigh heavily on hospitals for the foreseeable future in 2021 as well.

The pandemic not only meant a significantly lower capacity utilisation at many hospitals in 2020 but also resulted in elective procedures and non-urgent treatments being postponed to keep beds free for COVID-19 patients and to implement the new, more stringent (hygiene) requirements. At the same time, however, we also saw a huge increase in our personnel and material requirements, including for the extensive hygiene protection measures.

At our five hospital sites of university as well as maximum and intermediate care, we looked after many patients with COVID-19. We took care of them often for many weeks, and even months, with the utmost dedication and empathy, whilst ensuring compliance with the additional stringent safety measures without exception – even if, fortunately, not all patients were so ill that they had to receive intensive care.

But this expenditure has not been taken into account by the remuneration scheme of diagnosis-related groups (DRGs). The higher material and personnel costs have by no means been offset by the coronavirus-related surcharges that we have received, and these payments continue to fall short. Neither has it been taken into account that due to the need to isolate coronavirus patients we can make only partial use of our ward capacities, nor that we have had to postpone treatments for patients suffering from other conditions. All this has resulted in a considerable economic burden being placed on our hospitals, and all this has put at risk the task of ensuring adequate patient care.

Although the relief payments for keeping bed capacities available that expired on 30 September 2020 were reintroduced, additional bureaucratic and unnecessary hurdles are making it difficult to claim such relief. These measures in particular do not take account of the needs of university hospitals as well as maximum and intermediate care providers which, to a special extent, provide care nationally to patients requiring complex procedures. Here, the assessment criterion for purely state-specific incidence values fails to take account of the extent of the respective care mandate for large, national catchment areas and is totally unsuited as a means of assessing relief payments.

The performance of hospitals in coping with this pandemic for the well-being of all patients cannot be overstated.

We therefore continue to appeal to the political players to grant sustainable relief for beds which cannot be occupied or are kept vacant, as well as to offset COVID-19-related additional costs and to remove the obstacles for hospitals in the form of bureaucratic red tape. Without such federal and state measures there is a considerable risk of insolvencies for many badly needed systemically relevant hospitals outside RHÖN-KLINIKUM AG and thus an accompanying weakening of the structures that are indispensable for fighting the COVID-19 pandemic as well as for treating non-COVID-19 patients.

The basic idea of limiting relief payments to the core phase of the pandemic is correct in its initial approach, but fails to recognise the difficulties of the subsequent start-up phase for a transitioned return to normal hospital operations. Despite existing fixed costs, no hospital, let alone the highly specialised university hospitals as well as providers of intermediate and maximum care, will be able within just a few weeks to return patient numbers and consequently also revenues to the levels seen before the crisis. In fact this will take several months. During that time, the liquidity situation of the hospitals must also be ensured. Doing this is the task of the responsible federal and state politicians.

In principle, we therefore welcome the current commitment by the German Chancellor and the Minister Presidents to secure the revenues of the hospitals for full year 2021, but emphasise that when it is actually implemented the value of such declaration of intent will be measured by the criteria of its pragmatism, its binding character and how quickly it is implemented.

Together, we can confront and conquer the challenges ahead.

Reducing full-year relief mechanisms versus financial year 2019 whilst at the same time also applying other reimbursements is not only not sufficient, but also literally pulls the rug out from under hospitals' feet. The urgently needed planning certainty to ensure provision of medical care is being torpedoed, contrary to the commitments made. The suggestion here is that hospitals had enriched themselves during the pandemic.

Dear Ladies and Gentlemen, with a consolidated profit of roughly 2.5 million euros and the income of roughly 94 million euros recognised in that figure in connection with COVID-19 legislation, the absurdity of such claims becomes clear.

This cannot help but create the impression that the pandemic is being used to bring about a cold market shake-out. That is neither medically nor morally acceptable.

It is not least for this reason that we also reaffirm our demand for a sustainable expansion of investment funding. Federal, state and local government authorities must define a new path forward for objective implementation of investment financing of the healthcare system, independent of federal responsibilities. In this context, the existing divisions relevant in government grants along outpatient and inpatient lines must be abolished and thus overcome.

2020 was a challenging year for us, both medically and economically. Despite the decline in patient numbers by 6.0 per cent to 808,655 due to the coronavirus, RHÖN-KLINIKUM AG raised revenues over the past financial year. Compared with the same period of the previous year, revenues grew by 4.3 per cent to roughly 1.36 billion euros. EBITDA fell to 80.2 million euros. The trend in revenues and EBITDA was thus in line with the forecast. The EBITDA margin was 5.9 per cent. Taking account of higher depreciation/amortisation and financing costs, EBITDA resulted in consolidated profit of 2.5 million euros, which as expected was down from 44.5 million euros in the previous year.

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Not least, the pandemic has once again driven home to us the need for a fundamental transformation, not only of hospital structures but also of the structures in the healthcare system as a whole. But in order to bring about such changes, a new legal framework is needed. All service providers must be integrated into a single healthcare network based on their competences and without sectoral boundaries. "Outpatient before inpatient" must continue to serve as the premise, but it must be expanded to "digital before outpatient before inpatient". And healthcare networks are needed that take account of the peculiarities in rural and urban regions – as pursued by us strategically with our RHÖN Campus approach.

At the same time, the takeover by Asklepios in the past year ushered in profound changes for our Group. Under the hashtag #gemeinsamnochstärker (#togetherevenstronger), the new strategic partnership has witnessed a new formation taking position on the German healthcare market. Under this single entity, we create the ideal basis for taking on the challenges of the industry, reaping synergies and taking advantage of the Group's economies of scale for each individual facility and hospital in the best possible way. Both companies are united by the mission of jointly developing and promoting path-breaking concepts of healthcare delivery to ensure we can continue providing excellent medical care. We are putting this strength to use – for the good of patients and employees at all sites of the network.

Our objectives continue to be ambitious and present RHÖN-KLINIKUM AG and our employees with a wide range of challenges. We are in the midst of a process of transformation towards implementing our "RHÖN 2023" vision. Our strategy and identity as an independent Company within the new network with Asklepios will gradually move forward as the sense of our common identity – our "togetherness" – strengthens and our networks grow. Moreover, new prospects are emerging for us as an employer. We are very favourably positioned and are able to offer our existing and future employees an exciting working environment with attractive conditions of employment. People from over 70 nations work for RHÖN. Each day they come together as a team to do an outstanding job. At the same time we will support them – whether through a valuating structure of management and trust at the hospitals or by offerings allowing for a better work-life balance. For example, we are introducing a joint benefit programme for employees and an Employee Assistance Programme (EAP) at RHÖN-KLINIKUM AG to help them cope with challenges in their professional or private lives.

2020 was a year of big changes. But the past months have shown us all that, together, we can confront and conquer the challenges ahead – with complete confidence and undaunted dedication, with curiosity and courage.

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

Yours sincerely,

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

Bad Neustadt a. d. Saale, March 2021

Chairman of the Supervisory Board
Dr Jan Liersch

Dear Shareholders, Dear Ladies and Gentlemen,

In the following we, as the Supervisory Board, report to you on the work of the Supervisory Board and its committees during financial year 2020.

The work of the Supervisory Board in financial year 2020 was very decisively dominated by the takeover of RHÖN-KLINIKUM AG by Asklepios Kliniken GmbH & Co. KGaA (**Asklepios KGaA**). Against this backdrop, we report on this special subject below first of all in summary form. The takeover has also resulted in an extensive change in the shareholders' representatives making up the Supervisory Board. For details on this, please refer to the overview at the end of this report.

Takeover of the Company by Asklepios KGaA

On 28 February 2020, Asklepios KGaA published its decision to make a voluntary, public takeover offer to purchase all shares in RHÖN-KLINIKUM AG. This was then followed by the publication of the offer document on 8 April 2020.

In a total of three meetings in March and April 2020, the Supervisory Board thoroughly examined the offer and its impact on the Company. The takeover offer of Asklepios KGaA was discussed at the regular meeting of the Supervisory Board for the first time on 19 March 2020. After the announcement of the takeover offer, the plenary meeting discussed the stage reached, the further course of the takeover procedure and the duties incumbent on the corporate bodies of the Company, in particular the Supervisory Board. Furthermore, a resolution was adopted for the Supervisory Board to seek legal advice in connection with the expected takeover offer as well as the preparation of a statement to be submitted by the Supervisory Board.

After that the Supervisory Board, on 11 and 21 April 2020, held two extraordinary meetings on the takeover procedure. At the meeting on 11 April 2020, the Supervisory Board discussed the further steps to be taken to draw up a reasoned statement by the Supervisory Board on the takeover offer, and in preparation for the statement established a Special Committee in accordance with the principle of equal representation. The Supervisory Board moreover resolved to retain the investment bank Jefferies International Limited to draw up a Fairness Opinion regarding the takeover offer.

The members appointed to the Special Committee tasked with preparing for the statement of the Supervisory Board were Mr Jan Hacker, Mr Oliver Salomon, Mr Georg Schulze (formerly Schulze-Ziehaus) and Dr Katrin Vernau. The Special Committee met several times before adopting the resolution of the Supervisory Board on the reasoned statement at its meeting on 21 April 2020.

At the meeting of the Supervisory Board on 21 April 2020, the Special Committee first reported on its work relating to the statement including its work with Jefferies and the legal advisor. The Supervisory Board then discussed in detail the wording of the statement and in particular the exhaustive assessment of the takeover offer contained therein as well as the submission of a recommendation to the shareholders. On 22 April 2020, the Supervisory Board then submitted its reasoned statement on the takeover offer by Asklepios KGaA and in the end issued a majority recommendation to the shareholders to accept the takeover offer. As before, the statement by the Supervisory Board continues to be accessible on the Company's website.

In connection with the takeover offer by Asklepios KGaA, the Supervisory Board identified the following matters with regard to possible conflicts of interests:

The Chairman of the Supervisory Board at that time, Mr Eugen Münch, at the time when the Supervisory Board examined the takeover offer, indirectly and directly held shares of RHÖN-KLINIKUM AG totalling roughly 14.56% of the registered share capital. Prior to publication of the decision to make a voluntary public takeover offer, Asklepios KGaA and Mr Eugen Münch had entered into a share purchase agreement, subject to the condition precedent of approval under merger control legislation, on the purchase of all shares personally held by Mr Eugen Münch in RHÖN-KLINIKUM AG. Furthermore, Asklepios KGaA, together with HCM SE controlled by Mr Eugen Münch, likewise subject to the condition precedent of approval under merger control legislation, entered into a joint venture agreement in which Asklepios KGaA and HCM SE in particular undertook to contribute to a joint venture company all shares in RHÖN-KLINIKUM AG held by them and those shares in RHÖN-KLINIKUM AG to be acquired in the context of the takeover offer.

The then Second Deputy Chairman of the Supervisory Board, Mr Wolfgang Mündel, at the time when the Supervisory Board examined the takeover offer, at the same time was a member of the Board of Directors of HCM SE. The latter held shares in RHÖN-KLINIKUM AG equal to roughly 7.61% of the registered share capital and as a party to the aforementioned joint venture agreement had an obligation to contribute its equity interest in RHÖN-KLINIKUM AG to the joint venture company after approval under merger control law.

The then member of the Supervisory Board Dr Annette Beller, at the time when the Supervisory Board examined the takeover offer, at the same time was a member of the Management Board of B. Braun Melsungen AG, which at this time indirectly held shares in RHÖN-KLINIKUM AG equal to roughly 25.23% of the registered share capital.

Moreover, the offer document stated the intention once again to elect to the Supervisory Board of RHÖN-KLINIKUM AG, from amongst the shareholders' representatives serving on the Supervisory Board at that time, Mr Jan Hacker, Prof. Dr Gerhard Ehninger and – subject to certain conditions – Ms Christine Reissner. Mr Eugen Münch, according to the statements in the offer document, was to be appointed Generally Authorised Representative for RHÖN-KLINIKUM AG at the earliest possible time after the effective date of the joint venture agreement.

Given the interests as described above, Mr Eugen Münch and Mr Wolfgang Mündel did not attend the extraordinary meetings of the Supervisory Board on 11 and 21 April 2020 at which the Supervisory Board examined the takeover offer and in particular dealt with the drafting of the reasoned statement. Furthermore Mr Eugen Münch and Mr Wolfgang Mündel, at the meeting of the Supervisory Board on 19 March 2020, did not participate in specific resolutions adopted by the Supervisory Board relating to the takeover procedure.

Dr Beller had notified the other members of the Supervisory Board that on the Management Board of B. Braun Melsungen AG she no longer participated in communication and decisions on the position taken by B. Braun Melsungen AG on the takeover offer and the exercise of the rights under such shares since April 2020 given her Supervisory Board position with RHÖN-KLINIKUM AG, and that she had no influence at all on the opinions formed and decision taken by such shareholder. Prof. Ehninger, Mr Hacker and Ms Reissner had informed that, notwithstanding their appointment as future members of the Supervisory Board, they act in a personally independent capacity as regards the offer document. The Supervisory Board acknowledged these statements; the aforementioned members of the Supervisory Board therefore participated in the deliberations and resolutions of the Supervisory Board.

Prior to the Extraordinary General Meeting of the Company on 3 June 2020 convened by reason of various requests by the shareholders B. Braun Melsungen AG and Asklepios KGaA, the Supervisory Board, at its meeting on 30 April 2020, gave its approval to convening the General Meeting and holding it as a virtual General Meeting without the physical presence of the shareholders and their representatives. Parallel to the Extraordinary General Meeting on 3 June 2020, a further meeting of the Supervisory Board was held to provide for an opportunity to respond to any procedures of the General Meeting if desired. No resolutions were adopted at this meeting of the Supervisory Board.

At the Extraordinary General Meeting on 3 June 2020, Dr Annette Beller and Dr Kathrin Vernau were removed as members of the Supervisory Board and Dr Jan Liersch as well as Dr Julia Dannath-Schuh were elected as members of the Supervisory Board in their place.

When in June 2020 it was becoming clear that the takeover offer by Asklepios KGaA would succeed, and after the then Chairman of the Board of Management, Mr Stephan Holzinger, had indicated that in such circumstances he intended to leave the Company, the Supervisory Board of RHÖN-KLINIKUM AG on 22 June 2020 gave its approval to the termination by mutual consent of the Board of Management service contract with effect from 30 September 2020. Mr Stephan Holzinger then resigned his Board of Management mandate and his other offices within RHÖN-KLINIKUM AG on the same day with immediate effect. The takeover offer was then executed in the middle of July 2020, and since that time Asklepios KGaA together with Mr Eugen Münch indirectly hold over 90% of the shares of RHÖN-KLINIKUM AG.

As a result of Mr Stephan Holzinger resigning his Board of Management mandate, the Supervisory Board, at the meeting on 9 July 2020, deliberated on the expansion and future composition of the Board of Management. Furthermore, the Supervisory Board, after the changes on the Supervisory Board, adopted a resolution on filling vacancies on the committees. With a view to the ordinary Annual General Meeting on 19 August 2020 the Supervisory Board, at its meeting on 9 July 2020, gave its approval to holding the Annual General Meeting as a virtual meeting and adopted the agenda. The Board of Management and the Supervisory Board decided not to maintain the originally communicated profit appropriation proposal to the Annual General Meeting and instead proposed to the Annual General Meeting, given the ongoing uncertainty with respect to the further impact of the COVID-19 pandemic and the additional financial burdens resulting from the public takeover offer on the Company's earnings and liquidity position, to carry forward the amount of the net distributable profit fully. Given the elections to the Supervisory Board that were regularly due to take place at the 2020 Annual General Meeting, the Supervisory Board submitted nominations taking account of the changed ownership structure. Lastly, an amendment to the Articles of Association regarding the remuneration of the Supervisory Board was proposed to the Annual General Meeting. The revision of the provision in the Articles of Association takes account of the changed situation of the Company following the takeover by Asklepios KGaA and results in a lower remuneration of the members of the Supervisory Board.

At the meeting on 10 August 2020, the Supervisory Board once again examined the expansion of the Board of Management and resolved to appoint Dr Höftberger with effect from 15 August 2020 and Dr Stefan Stranz with effect from 1 September 2020 as further members of the Board of Management. At that time, no Chairman or CEO of the Board of Management was appointed since the Supervisory Board first wanted to observe the commencement of the cooperation by the newly constituted Board of Management.

Mr Eugen Münch left the Supervisory Board on conclusion of the Annual General Meeting on 19 August 2020. As Generally Authorised Representative, however, Mr Eugen Münch will continue to be available to the Company with his expertise for the next five years based on an agreement approved by the Board of Management and the Supervisory Board of the Company. Following the Annual General Meeting, the newly constituted Supervisory Board on the same day came together at its constituent meeting to elect the Chairman of the Supervisory Board and its two deputies as well as to fill the vacancies on the Supervisory Board committees. For details on this, please refer to the list under II. at the end of this report. To ensure the ability of the Supervisory Board to act, the formerly applicable Terms of Reference were confirmed. Moreover, the Supervisory Board adopted a resolution of principle on the independence of its members within the meaning of the German Corporate Governance Code in which it stated that (i) no shareholder representative shall have personal or business ties to the Company or its Board of Management establishing a material and not temporary conflict of interests, (ii) the Supervisory Board shall moreover have at least two members who are independent of the controlling shareholder, and (iii) the Supervisory Board, giving due regard to the ownership structure on the shareholder side, shall thus have a number of independent members which it deems to be reasonable. Lastly, the Management Board service contracts with the new members of the Board of Management, Dr Höftberger and Dr Stranz, were examined and approved at this meeting of the Supervisory Board.

Based on these statements on the examination of the Supervisory Board of the takeover procedure, which – besides coping with the impact of the COVID-19 pandemic – was a key development for the Company during the past financial year, we would like to provide you below, dear shareholders, with an overview of the regular work of the Supervisory Board in financial year 2020.

Cooperation between Supervisory Board and Board of Management

During financial year 2020 also, the Supervisory Board examined on an ongoing basis and in detail the situation and development of the Company, fully performing the duties incumbent on it by law, the Articles of Association and the Terms of Reference. These include continuously monitoring management activity and regularly advising the Board of Management in connection with the directing of the Company. At the same time the Supervisory Board, in performing its duties, was at all times guided by the decisive principles of appropriateness, compliance with legal provisions, expediency and efficiency. Observance of these principles by the Board of Management was monitored by regularly reviewing the Company's general organisation and verifying the instruments used for internal risk control.

The Supervisory Board was involved in fundamental and important decisions taken by the Board of Management of RHÖN-KLINIKUM AG. The Board of Management complied with its information duties, keeping us informed on a timely basis both in written form and orally, with documents and records of relevance for decisions being provided to the Supervisory Board in good time prior to the respective deliberations and formal meetings. The Supervisory Board reviewed the reporting and the information submitted by the Board of Management regarding strategic and operative business performance, compliance issues as well as risks and risk management for plausibility and comprehensibility, advised the Board of Management, discussed issues of development comprehensively with the Board of Management and also scrutinised the same whenever appropriate.

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

Work of the Supervisory Board in committees and plenary session

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

The committees prepare resolutions and issues to be decided in the plenary session of the Supervisory Board. They act as bodies with power to pass resolutions within the scope prescribed by law, the Articles of Association – also in lieu of the Supervisory Board – and the Terms of Reference of the latter to the extent consistent with statute and previously defined by the Supervisory Board. The committees generally meet separately from plenary sessions. Meetings were also held as conference calls convened at short notice or – in view of the COVID-19 pandemic – in the form of a video conference as required.

You will also find information on the composition of the Supervisory Board and the committees as well as attendance of the individual members in the meetings in the overview at the end of this report.

The **Investment, Strategy and Finance Committee** held two meetings during the year under review.

At the meetings, the Board of Management reported on current developments in the industry and on the business position of the Group, as well as on the development of investments and financing. At each meeting the members of the Board of Management reported – in some cases consulting specialist employees possessing the requisite qualifications – on the development at the individual sites of the Group in accordance with their areas of responsibility. Specific motions for approval of investment projects and financing measures were openly discussed, thoroughly reviewed and – after the members carefully considered and were fully convinced of the same – adopted in the Committee based on detailed written resolution proposals of the Board of Management as well as, among other things, on market studies and investment calculations. For example, the Committee gave its approval to the expansion of the intensive care unit of Zentralklinik Bad Berka. The Committee furthermore approved the conclusion of a service provision agreement with Medgate Deutschland GmbH and the conclusion of profit-and-loss transfer agreements with the subsidiaries Rhön-Kreisklinik Bad Neustadt GmbH, MVZ Bad Neustadt/ Saale GmbH, RHÖN Cateringgesellschaft GmbH and RHÖN-KLINIKUM Energie für Gesundheit GmbH.

After completion of the takeover procedure the Committee, according to the reporting by the Board of Management in this regard, examined the cooperation between RHÖN-KLINIKUM AG and Asklepios KGaA as well as the investment and finance plan.

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

During the past financial year, the **Mediation Committee** pursuant to section 27 (3) of the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG) met for one meeting in connection with the expansion of the Board of Management proposed by the Supervisory Board in August 2020, which was held in the form of a video conference due to the COVID-19 pandemic.

The **Audit Committee** of the Supervisory Board met five times in the year under review. All meetings were attended by the Board of Management. Two meetings were attended by the statutory auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (**PwC**). For selected agenda items, the Committee – as proposed by the Board of Management – consulted the heads of the Internal Auditing, Compliance as well as Accounting, Tax, Controlling and Finance departments; they were available to the Committee for additional reports and questions.

The Committee notably was responsible for review and preliminary consultation for the RHÖN-KLINIKUM AG consolidated annual financial statements for financial year 2019. Also reviewed and discussed were the stand-alone financial statements, the management reports and the respective audit reports of the Group subsidiaries which were subjected to critical review by the members of the Committee.

The Audit Committee assessed the independence of the auditor designated for auditing the annual financial statements for financial year 2020 and for the review of the Half-Year Financial Report, obtained the statement regarding the auditor's independence pursuant to Item 7.2.1 of the version of the German Corporate Governance Code dated 7 February 2017 in force at that time, recommended to the plenary session of the Supervisory Board a proposal for the election of the auditor to be submitted to the Annual General Meeting and – after the election – issued the auditor with the audit mandate and concluded with him a reasonable fee agreement for the same. The statutory auditor moreover reported to the Committee on orders for services performed in addition to the auditing services rendered. The qualification of the statutory auditor was monitored by the Committee. A list of audit items was once again prepared and defined for the audit in 2020.

At several meetings the Committee moreover conducted a thoroughgoing review of the selection of a new statutory auditor from financial year 2021 and lastly submitted a recommendation and preference to the plenary meeting of the Supervisory Board.

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

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

The body kept itself regularly informed about the activity of the Internal Auditing department by the responsible member of the Board of Management and by reports submitted by the head of Internal Auditing, and examined the auditing plan for 2020 as well as its update. The auditing plan for 2021 was approved. The audit reports of the Internal Auditing department as well as the 2019 activity report were then submitted and discussed with the Board of Management. We kept ourselves informed by the Board of Management on the implementation of the recommendations by the Internal Auditing department through information on the results of follow-up reporting and inspection. We once again satisfied ourselves of the effectiveness of the Internal Auditing department.

For the non-financial declaration at the Company level and Group level to be submitted in the form of a separate condensed non-financial report for 2020, the Committee once again adopted a resolution on the performance of a voluntary external audit. The audit assignment was issued on the basis of an offer and by fee agreement to the statutory auditor, PwC.

The **Committee for Compliance and Communication** serves to advise and supervise the Board of Management and senior executives with respect to compliance with legal and other provisions as well as with regard to communication by the Company with the media and the capital market. If a member of the Board of Management is involved in a compliance matter, the Committee clarifies the facts and reviews the actions to be taken by the Supervisory Board. To ensure close and non-bureaucratic coordination with the Audit Committee, which among other things is responsible for supervising the Internal Auditing department, the Chairman of the Committee for Compliance and Communication is assigned a seat on the Audit Committee.

The Committee met twice in 2020. In the area of compliance the Committee was informed of currently planned legislation (Corporate Sanctioning Act (Verbandssanktionengesetz), whistle-blower guideline) and the new version of the German Corporate Governance Code. As reported by the head of the Central Compliance department, the Committee also examined current compliance matters in the Group.

In the area of corporate communications, the Board of Management informed that corporate communications had focused primarily on the takeover offer by Asklepios KGaA and the COVID-19 pandemic. In addition, the Committee was informed of activities in the area of investor relations.

The **Medical Innovation and Quality Committee** provides the Board of Management with technical advice on developments and trends in medicine and monitors the situation and development of medical quality within the Company. The Committee held one meeting during the year under review.

The **Nomination Committee**, which selects candidates from the shareholders' representatives for Supervisory Board office and proposes them to the Supervisory Board, held two conference calls in financial year 2020 for the election of the shareholders' representatives at the 2020 Annual General Meeting.

During the reporting period, eleven **plenary Supervisory Board** meetings were held. The members of the Board of Management for the most part attended the meetings of the Supervisory Board except in the case of agenda items relating to internal matters of the Supervisory Board and matters pertaining to the Board of Management. The reporting below is limited to those meetings or to the content of meetings which have not already been presented in the foregoing in connection with statements on the takeover procedure.

At the meetings of the Supervisory Board the plenary session, based on detailed reports of the Board of Management on current developments, strategic issues and the financial position of the Group, as well as based on the written reports and presentations by the Board of Management, regularly deliberated together with the Board of Management on the net assets, financial position and results of operations, the trend in revenues and earnings, the performance data, key figures and personnel of the Company and Group as well as of the individual Group subsidiaries. The Supervisory Board moreover, together with the Board of Management, examined the impact of the COVID-19 pandemic on the business development and the hospitals of the RHÖN-KLINIKUM Group. The Board of Management moreover informed on the current developments in healthcare policy, the healthcare environment, healthcare legislation and their impact on the Group as well as the competitive situation. The respective interim reports for the past quarters were explained by the Board of Management in detail at the plenary session prior to publication.

At the first meeting of the financial year on 20 February 2020, the Supervisory Board examined the findings of the efficiency audit performed with external assistance. The Supervisory Board furthermore received the report of the Board of Management on planning for 2020 for the parent company (AG) and the Group and the original proposal for the appropriation of profit for 2019. The shareholders' representatives examined the stage reached in the nomination procedure for the elections to the Supervisory Board at the 2020 Annual General Meeting.

At the balance sheet meeting on 19 March 2020, which was also attended by the statutory auditors, the plenary meeting discussed together with the Board of Management the annual financial statements and management report of RHÖN-KLINIKUM AG as well as the consolidated financial statements and the Group management report for financial year 2019. The auditors reported on the essential findings and results of the audits and were available to the Supervisory Board for questions and additional information. The plenary session approved the annual financial statements. Also discussed at this meeting were the preparations for the Annual General Meeting that had originally been scheduled for 3 June 2020. Further approval resolutions were adopted for, among other things, the report of the Supervisory Board, Corporate Governance Report and the Declaration on Corporate Governance pursuant to section 289f of the German Commercial Code (Handelsgesetzbuch, HGB). After the Supervisory Board completed its own review, the separately summarised non-financial report reviewed by PwC was approved for 2019.

At the meeting on 9 July 2020, the Supervisory Board – in addition to the already mentioned subjects – in particular dealt with the selection of a new statutory auditor from financial year 2021.

At the meeting on 5 November 2020, the focus of the discussions was on various issues of governance. After the Supervisory Board had initially maintained the Terms of Reference at the constituent meeting on 19 August 2020, the Supervisory Board approved a new version of the Terms of Reference of the Supervisory Board at the meeting on 5 November 2020; these are accessible on the Company's website. At the same time, the Supervisory Board resolved not to continue the Investment, Strategy and Finance Committee and the Committee for Compliance and Communication for reasons of efficiency of corporate bodies. The compliance duties of the Committee for Compliance and Communication were assigned to the Audit Committee; the communication duties of the Committee and the duties of the Investment, Strategy and Finance Committee are now dealt with in the plenary session. In the context of the new legal requirements of the second German Act Implementing the Shareholder Rights Directive (zweites Gesetz zur Umsetzung der Aktionärsrechterichtlinie, ARUG II) for treating related-party transactions, the Supervisory Board resolved the establishment of a new committee to decide on such transactions in order to ease the workload of the plenary session. The Committee is made up of four members and was filled for the most part with members not likely to raise any conflict-of-interests concerns because of their relationships to a related party.

Moreover the Supervisory Board, at the meeting on 5 November 2020, resolved on a new version of the Terms of Reference for the Board of Management in which those transactions and measures requiring prior approval of the Supervisory Board are addressed. In the context of the new legal requirements of ARUG II on executive board remuneration, the Personnel Affairs Committee was tasked with drafting a new remuneration guideline for the Board of Management. Given that the Supervisory Board, following the expansion of the Board of Management, initially had not appointed a Chairman of the Board of Management at the meeting on 10 August 2020, the Supervisory Board resolved to appoint Dr Höftberger as Chairman of the Board of Management, at the meeting on 5 November 2020.

Lastly, the Supervisory Board examined the cooperation between RHÖN-KLINIKUM AG and Asklepios KGaA and discussed with the Board of Management the Interim Report for the quarter ending on 30 September 2020 as well as the current situation regarding the COVID-19 pandemic. At this meeting the Supervisory Board also examined the further development and implementation of the recommendations and suggestions as set out in the German Corporate Governance Code. On the recommendation of the Audit Committee, the Declaration of Compliance issued on 6 November 2019 pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) (as amended during the year under way on 19 March and 10 August 2020) was revised as planned and, giving due regard to the Code as amended on 16 December 2019, was replaced by a Declaration of Compliance issued on 5 November 2020 by the Board of Management and the Supervisory Board.

At the meeting on 11 December 2020, the Board of Management and the Supervisory Board informed on the economic trend and submitted an outlook for the upcoming financial year. The Supervisory Board approvingly took note of the (in view of the impact of the COVID-19 pandemic, preliminary) 2021 economic plan and the 2021 investment plan submitted by the Board of Management. Moreover, at this meeting the Supervisory Board resolved to set the target for the proportion of women on the Board of Management to 0% until 30 June 2022. This stipulation was necessary because of the terms of the employment contracts of the members of the Board of Management currently holding office, on the one hand, and the desire to synchronise the decisions of the Board of Management and the Supervisory Board on specifying targets for the proportion of women on the Board of Management and the two management levels below the Board of Management, on the other.

Examination and approval of the 2020 financial statements

The Board of Management adopted the financial statements of the Company and the management report for the year ended 31 December 2020 in accordance with the provisions of the German Commercial Code (HGB), while the consolidated financial statements and Group management report for the year ended 31 December 2020 were adopted pursuant to section 315e of the German Commercial Code (HGB) in accordance with the principles set out in the International Financial Reporting Standards (IFRS). The auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, have examined the financial statements of the Company and the management report as well as the consolidated financial statements and Management's consolidated report for the year ended 31 December 2020. The auditors of the accounts issued an unqualified auditor's report in each case.

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

The Supervisory Board approved the financial statements of the Company and the consolidated financial statements prepared by the Board of Management at the meeting on 24 March 2021 on the recommendation of the Audit Committee; the financial statements of the Company are thus adopted as final.

The Supervisory Board approved the Board of Management's proposals for the appropriation of net distributable profit.

Review of separate condensed Non-Financial Report

The Audit Committee and the Supervisory Board have furthermore examined the separate condensed non-financial report prepared with the Board of Management for 2020. The auditing firm PricewaterhouseCoopers GmbH has conducted a review to obtain limited assurance and has issued an unqualified report. The documents were carefully reviewed by the Audit Committee at its meeting on 23 March 2021 and by the Supervisory Board at its meeting on 24 March 2021. The Board of Management thoroughly explained the report at both meetings. Representatives of the auditor attended the meetings and reported on the key results of their review and answered additional questions from the Supervisory Board members. After its review, the Supervisory Board had no objections.

Audit of the Report on Relations to Affiliates

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

PwC, as statutory auditor, audited the report of the Board of Management on relations to affiliates and issued the following auditor's opinion:

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

1. the factual statements of the report are true,
2. for the legal transactions as specified in the report, the consideration paid by the Company was not unduly high,
3. for the measures specified in the report, there are no circumstances supporting an assessment materially different from the one given by the Board of Management."

The Supervisory Board examined the Report of the Board of Management on Relations to Affiliates. At its meeting on 24 March 2021, which was attended by the statutory auditor, the Supervisory Board discussed the report with the Board of Management thoroughly. Questions put to the Board of Management on individual legal transactions and measures specified in the report were answered by the Board of Management fully and to the satisfaction of the Supervisory Board. Based on its review the Supervisory Board takes the view that the Report of the Board of Management on relations to affiliates satisfies the legal requirements. Following the conclusive findings of the reviews conducted by the Supervisory Board, no objections are to be raised against the declaration by the Board of Management at the end of the report.

Changes and composition of the Board of Management

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

Changes and composition of the Supervisory Board

In accordance with the requirements of the Co-Determination Act (MitBestG) and after the effective date of the amendment of the Articles of Association in § 10 (Size and composition of Supervisory Board) adopted by the 2014 Annual General Meeting, the Supervisory Board of RHÖN-KLINIKUM AG as of 10 June 2015 is comprised of 16 members. Eight Supervisory Board members are elected by the shareholders and eight Supervisory Board members by the employees. In accordance with section 96 (2) AktG, at least 30% of the Supervisory Board is to be made up of women and at least 30% of men, which – relative to the entire Supervisory Board – corresponds to at least five seats in each case. The minimum share must be met by the Supervisory Board as a whole, since neither the shareholder nor employee representatives raised any objections regarding the issue of overall compliance.

The personal details of the members of the Supervisory Board in 2020 are set out in the Notes to the consolidated financial statements. The section also provides information on the professional qualifications of the Supervisory Board members as well as their further mandates. The organisational structure of the Supervisory Board and the composition of the committees during the past financial year are set out in the overview provided following this report.

One change in the Supervisory Board occurred after the end of financial year 2020: Prof. Dr Gerhard Ehninger notified the Company in the middle of December 2020 that he was resigning his mandate as member of the Supervisory Board of the Company, and accordingly left the Supervisory Board with effect from 15 January 2021. The Supervisory Board therefore resolved already in February 2021 on the recommendation of the Nomination Committee to nominate Mr Marco Walker, COO of Asklepios Kliniken GmbH & Co. KGaA, Hamburg, and managing director of Asklepios Kliniken Management GmbH, for the election to be held at the 2021 Annual General Meeting, to succeed Prof. Ehninger as member of the Supervisory Board of RHÖN-KLINIKUM AG (for the remaining term of office). For the period until then, the Local Court of Schweinfurt, by Decision of 3 March 2021 issued on the application by the Board of Management based on a corresponding proposal of the Supervisory Board, appointed Mr. Marco Walker as member of the Supervisory Board of the Company.

The Supervisory Board thanks the members of the Board of Management, all employees of the Group as well as the employee representatives of all Group companies for their tremendous commitment and work performed during the past financial year which, like probably no other, presented everyone with huge challenges.

The Supervisory Board

Dr Jan Liersch
Chairman

Bad Neustadt a. d. Saale, 24 March 2021

OVERVIEW OF THE ORGANISATIONAL STRUCTURE OF THE SUPERVISORY BOARD AND COMPOSITION OF THE STANDING COMMITTEES

Period of 1 January to 19 August 2020 (until conclusion of the Annual General Meeting)

1. Composition of the Supervisory Board

Eugen Münch
Chairman

Georg Schulze (formerly Schulze-Ziehaus)
1st Deputy Chairman

Wolfgang Mündel
2nd Deputy Chairman

Members	Number of meetings: 8	
	Attendance	
Dr Annette Beller (until 3 June 2020)	6 (of 6)	100%
Peter Berghöfer	8	100%
Dr Julia Dannath-Schuh (from 3 June 2020)	2 (of 2)	100%
Prof. Dr Gerhard Ehninger	8	100%
Jan Hacker	8	100%
Klaus Hanschur	8	100%
Stefan Härtel	8	100%
Meike Jäger	7	88%
Dr Jan Liersch (from 3 June 2020)	2 (of 2)	100%
Dr Brigitte Mohn	7	88%
Eugen Münch	6	75%
Wolfgang Mündel	6	75%
Christine Reissner	7	88%
Oliver Salomon	8	100%
Evelin Schiebel	8	100%
Georg Schulze	8	100%
Dr Katrin Vernau (until 3 June 2020)	6 (of 6)	100%
Natascha Weihs	8	100%

2. Composition of the standing committees

Investment, Strategy and Finance Committee

Eugen Münch, Chairman

Members	Number of meetings: 1	
	Attendance	
Dr Annette Beller (until 3 June 2020)	1	100%
Jan Hacker	1	100%
Klaus Hanschur	1	100%
Stefan Härtel	1	100%
Eugen Münch	1	100%
Wolfgang Mündel	1	100%
Oliver Salomon	1	100%
Georg Schulze	1	100%

Audit Committee

Wolfgang Mündel, Chairman

Members	Number of meetings: 4	
	Attendance	
Dr Annette Beller (until 3 June 2020)	3 (of 3)	100%
Peter Berghöfer	4	100%
Dr Julia Dannath-Schuh (from 3 June 2020)	1 (of 1)	100%
Meike Jäger	4	100%
Dr Jan Liersch (from 3 June 2020)	1 (of 1)	100%
Wolfgang Mündel	4	100%
Christine Reissner	4	100%
Dr Katrin Vernau (until 3 June 2020)	3 (of 3)	100%

Committee for Compliance and Communication

Dr Annette Beller, Chairman

Members	Number of meetings: 2	
	Attendance	
Dr Annette Beller	2	100%
Evelin Schiebel	2	100%
Dr Katrin Vernau	2	100%
Natascha Weihs	2	100%

Personnel Affairs Committee

Eugen Münch, Chairman

Members	Number of meetings: 1	
	Attendance	
Stefan Härtel	1	100%
Dr Brigitte Mohn	1	100%
Eugen Münch	1	100%
Georg Schulze	1	100%

Mediation Committee

Eugen Münch, Chairman

Members	Number of meetings: 1	
	Attendance	
Jan Hacker	1	100%
Meike Jäger	1	100%
Eugen Münch	1	100%
Georg Schulze	1	100%

Medical Innovation and Quality Committee

Eugen Münch, Chairman

Members	Number of meetings: 0	
	Attendance	
Prof. Dr Gerhard Ehninger		
Jan Hacker		
Klaus Hanschur		
Eugen Münch		
Evelin Schiebel		

Nomination Committee

Eugen Münch, Chairman

Members	Number of meetings: 2	
	Attendance	
Dr Brigitte Mohn	2	100%
Eugen Münch	2	100%
Wolfgang Mündel	2	100%

OVERVIEW OF THE ORGANISATIONAL STRUCTURE OF THE SUPERVISORY BOARD AND COMPOSITION OF THE STANDING COMMITTEES

Period of 19 August (from conclusion of the Annual General Meeting) to 31 December 2020

1. Composition of the Supervisory Board

Dr Jan Liersch
Chairman

Georg Schulze (formerly Schulze-Ziehaus)
1st Deputy Chairman

Hafid Rifi
2nd Deputy Chairman

Members	Number of meetings: 3	
	Attendance	
Peter Berghöfer	3	100%
Dr Julia Dannath-Schuh	3	100%
Regina Dickey	3	100%
Peter Ducke	3	100%
Prof. Dr Leopold Eberhart	3	100%
Prof. Dr Gerhard Ehninger	3	100%
Irmtraut Gürkan	3	100%
Kai Hankeln	3	100%
Dr Jan Liersch	3	100%
Dr Martin Mandewirth	3	100%
Nicole Mooljee Damani	3	100%
Dr Thomas Pillukat	3	100%
Christine Reissner	3	100%
Hafid Rifi	3	100%
Oliver Salomon	3	100%
Georg Schulze	3	100%

2. Composition of the standing committees

Investment, Strategy and Finance Committee

(abolished with effect from 5 November 2020)
Dr Jan Liersch, Chairman

Members	Number of meetings: 1	
	Attendance	
Prof. Dr Leopold Eberhart	1	100%
Kai Hankeln	1	100%
Dr Jan Liersch	1	100%
Dr Martin Mandewirth	1	100%
Nicole Mooljee Damani	1	100%
Hafid Rifi	1	100%
Oliver Salomon	1	100%
Georg Schulze	1	100%

Audit Committee

Hafid Rifi, Chairman

Members	Number of meetings: 1	
	Attendance	
Peter Berghöfer	1	100%
Regina Dickey	1	100%
Prof. Dr Leopold Eberhart	1	100%
Irmtraut Gürkan	1	100%
Dr Jan Liersch	1	100%
Hafid Rifi	1	100%

Committee for Decisions (on Related-Party Transactions)

(established with effect from 5 November 2020)
Dr Jan Liersch, Chairman

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

Personnel Affairs Committee

Dr Jan Liersch, Chairman

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

Mediation Committee

Dr Jan Liersch, Chairman

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

Medical Innovation and Quality Committee

Prof. Dr Gerhard Ehninger, Chairman

Members	Number of meetings: 1	
	Attendance	
Prof. Dr Leopold Eberhart	1	100%
Prof. Dr Gerhard Ehninger	1	100%
Dr Martin Mandewirth	1	100%
Nicole Mooljee Damani	1	100%

Nomination Committee

Dr Jan Liersch, Chairman

Members	Number of meetings: 0	
	Attendance	
Kai Hankeln		
Dr Jan Liersch		
Hafid Rifi		

Committee for Compliance and Communication

(abolished with effect from 5 November 2020)
Dr Jan Liersch, Chairman

Members	Number of meetings: 0	
	Attendance	
Dr Julia Dannath-Schuh		
Peter Ducke		
Dr Jan Liersch		
Oliver Salomon		

The RHÖN-KLINIKUM share

In 2020 the share of RHÖN-KLINIKUM AG was particularly marked by the takeover offer by Asklepios Kliniken GmbH & Co. KGaA and ended the stock market year at a Xetra® closing price of 16.50 euros.

Performance of RHÖN-KLINIKUM share

After the equity markets rose in 2019, the global stock markets came under pressure from the end of February 2020 as a result of the COVID-19-pandemic and in some cases sustained heavy losses. The geo- and macropolitical distortions brought about by pandemic had much less impact on the price of the RHÖN-KLINIKUM share as a result of the takeover offer. Thus, the price of the RHÖN-KLINIKUM share in the first half of 2020 was marked decisively by the takeover offer of Asklepios Kliniken GmbH & Co. KGaA of 18.00 euros per share.

The RHÖN-KLINIKUM share reached its high for the year of 18.56 euros on 21 April 2020. The share of RHÖN-KLINIKUM AG closed the first half of 2020 at a Xetra® price of 18.16 euros, having risen by 3.9 per cent.

Over the second half of the year, the price of the RHÖN-KLINIKUM share declined slightly before stabilising in the course of the fourth quarter at a level of roughly 16.50 euros, and RHÖN-KLINIKUM AG also ended the stock market year 2020 at a Xetra® closing price of 16.50 euros.

RHÖN-KLINIKUM SHARE IN COMPARISON

Source: Xetra®-indexed (2 January 2020 = 100)

Performance of stock markets

Despite the impact of the coronavirus pandemic, the German leading index DAX® recorded a slight gain of 3.5 per cent in stock market year 2020, closing the year at roughly 13,719 points. The second-tier German index SDAX® even recorded a gain of 18.0 per cent and stood at roughly 14,765 points at the end of 2020. By contrast, the leading European index DJ EURO STOXX 50® fell by 4.7 per cent. The benchmark index for European stocks from the healthcare industry, DJ EURO STOXX Healthcare®, saw a 6.2 per cent decline.

Shareholder structure

On 8 April 2020, Asklepios Kliniken GmbH & Co. KGaA submitted to the shareholders of RHÖN-KLINIKUM AG a voluntary public takeover offer for all shares in issue of the Company in return for payment of monetary consideration of 18.00 euros per share. The further acceptance period of the takeover offer ended on 6 July 2020. After expiry of the takeover offer, Asklepios and Dr Bernard große Broermann together with the Company founder Eugen Münch hold roughly 93.38 per cent of the voting interests in RHÖN-KLINIKUM AG.

RHÖN-KLINIKUM SHARE

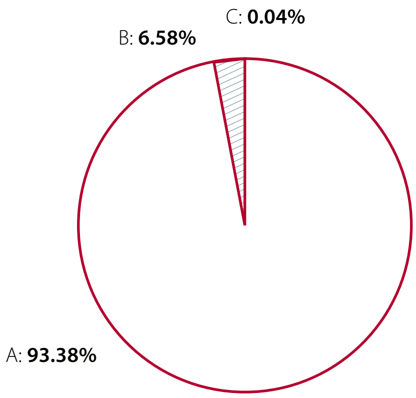
ISIN	DE0007042301
Ticker symbol	RHK
Registered share capital (€)	167,406,175
Number of shares	66,962,470

Share prices (€)	**01.01.–31.12.2020**	01.01.–31.12.2019
Closing price	16.50	17.48
High	18.56	27.20
Low	14.72	17.48

	31.12.2020	31.12.2019
Market capitalisation (€ m)	1,104.88	1,170.50

SHAREHOLDER STRUCTURE

As at 31 December 2020 (on the basis of the most recent notification of voting rights to the company)



A: **AMR Holding GmbH, Dr Bernard große Broermann, HCM SE (Eugen Münch)**
B: **Free float**
C: **Treasury stock**

Prime Standard and indices membership

The RHÖN share continues to be admitted in the Prime Standard of the Frankfurt Stock Exchange, the segment with the highest post-admission obligations for exchange-listed companies, and thus also continues to uphold the highest level of transparency.

Since under the rules of Deutsche Börse a minimum free float of 10.0 per cent is required to remain in the SDAX® and this criterion is no longer met after conclusion of the takeover offer, the share of RHÖN-KLINIKUM AG, as expected, left the SDAX® Index on expiry of 13 July 2020.

However, the RHÖN share remains in the indices CDAX composite index and in the sector index DAXsector Pharma+Healthcare.

Capital market communication

RHÖN-KLINIKUM AG is committed to transparent and fair communication. That is why investor relations (i.e. the dealings it has with the shareholders) take high priority for RHÖN-KLINIKUM AG. As part of its financial market communication, RHÖN-KLINIKUM AG therefore again strived in 2020 to convey a realistic picture of the Group. For that purpose, RHÖN-KLINIKUM AG makes available to investors, analysts and all other interested market participants a platform with comprehensive and timely information. Moreover, RHÖN-KLINIKUM AG seeks a direct, ongoing and personal dialogue with investors and analysts.

As part of its financial reporting, RHÖN-KLINIKUM AG reports on operating business performance each quarter. Investors, analysts and the media are provided with current and share price-relevant information on the Group in real time and directly. Moreover, this information is published promptly as news items on the Company's website. Further sources of information are the regular annual events such as the analyst conference, the results press conference and the Annual General Meeting. The next Annual General Meeting will be held on Wednesday, 9 June 2021.

DATES FOR SHAREHOLDERS AND ANALYSTS IN 2021

25 March	Results press conference: publication of 2020 Annual Report
6 May	Publication of interim report for the quarter ending 31 March 2021
9 June	Annual General Meeting
5 August	Publication of half-year financial report as at 30 June 2021
11 November	Publication of interim report for the quarter ending 30 September 2021

You will also find the financial calendar containing all important financial dates for 2021 on the website at https://en.rhoen-klinikum-ag.com under the "Investor relations" section.

Corporate Social Responsibility Report

Assuming our responsibilities

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

Corporate Social Responsibility Report

SUSTAINABILITY MANAGEMENT AND ORGANISATION

Sustainability has been part of our self-perception – even before legal reporting requirements existed. Interacting with our stakeholders regularly provides us with fresh impetus for further development.

Sustainability as an integral part of our corporate strategy

✓ | For us as a healthcare Group, economic success is inseparably bound up with medical, ecological and social responsibility. That is why sustainability has long formed an integral part of our corporate strategy. This is an issue for which the Board of Management as a whole is responsible.

✓ | Acting with integrity at all times is part of our self-perception at RHÖN-KLINIKUM AG. That is why we have developed a Corporate Code setting out both the fundamental conduct of all employees amongst one another as well as the relationship between employees and patients. Those responsible for corruption prevention and the Group-wide whistle-blowing system additionally ensure that we meet this standard. https://www.rhoen-klinikum-ag.com/konzern/unternehmensfuehrung/compliance.html

✓ | Moreover, the Board of Management has entered into Group-level works council agreements with the employee representatives by which the personal integrity of our employees is safeguarded whenever we cooperate with external entities. These Group-level works council agreements relate, for example, to the cooperation with industry or serve to prevent corruption, and are regularly adapted.

Our sustainability reporting

✓ | With the Corporate Social Responsibility (CSR) report, this is already the sixth time we are reporting on our social commitment. The chapter includes the condensed separate non-financial report (NFR) pursuant to sections 315c in conjunction with sections 289c to 289e of the German Commercial Code (Handelsgesetzbuch, HGB). RHÖN-KLINIKUM AG thus fulfils its reporting requirements at the Company level and the Group level pursuant to the German CSR Directive Implementing Act (Richtlinie-Umsetzungsgesetz, CSR-RUG). Unless otherwise indicated, all information stated refers to the parent (AG) and the Group equally. Above and beyond the statutory requirements, we voluntarily report on the issues of compliance, environmental protection and supplier management.

> Sustainability has long formed an integral part of our corporate strategy.

✓ | The reporting period is from 1 January to 31 December 2020. The NFR covers all Group subsidiaries included in the consolidated financial statements. Moreover, we report on initial results and measures having been taken based on the strategic partnership with Asklepios. You will find information on the business model in the Group Management Report of this Annual Report in the section "Basic characteristics of the RHÖN-KLINIKUM Group" on page 47 ff. and on the internet at www.rhoen-klinikum-ag.com.

✓ | The paragraphs marked with a tick form the NFR and were reviewed by the accounting firm PricewaterhouseCoopers in accordance with the auditing standard ISAE 3000 (Revised) with limited assurance (in this regard see the auditor's Report on page 155 f.)

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

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

Material subjects

✓ | For us the year 2020 was dominated by two extraordinary events – the COVID-19 pandemic and the beginning of the strategic partnership with Asklepios. For this reason we postponed the originally planned performance of a new materiality analysis to 2021. Instead, we reviewed the subjects identified in the comprehensive materiality analysis from 2017 internally with the respective departments and the Board of Management for up-to-dateness. In the review, the following four items within the aspects of social and employee matters were confirmed as material within the meaning of the German CSR Directive Implementing Act (Richtlinie-Umsetzungsgesetz, CSR-RUG) and thus as being subject to reporting:

– Patient well-being
– Network medicine
– Training
– Continued and higher-qualification training

✓ | These subjects are required both for understanding the business performance, results of operations or the position of the Company and for understanding the impact of the business operations on the non-financial aspects. They are of special strategic importance for business development and represent areas of focus for us. We report in detail on the objectives, actions and results in the relevant sections as set out for you in the table below.

✓ | The review of the materiality analysis further confirmed that the aspects of environmental issues, respect of human rights and combating corruption and bribery are not material within the meaning of the CSR-RUG. For that reason, no concepts within the meaning of the German Commercial Code are reported with regard to these aspects. But since we regard both these items and the subject of supplier management as forming an important part of responsible corporate governance, we report on them voluntarily in this report.

The first and foremost concern for us is always our patients and their well-being.

✓ | You can find a detailed description of the materiality analysis procedure on page 41 of the 2017 Annual Report and in the 2018 Annual Report on pages 56/57.

Non-financial risks

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

✓ | NFR REFERENCING

Aspect acc. to section 289 (2) HGB	RHÖN-KLINIKUM AG item	Reporting in section
Social matters	Patient well-being Network medicine	Medical excellence
Employee matters	Training as well as continued and higher-qualification training	Employees
Environmental matters	Subjects not material as defined in law	Voluntary reporting in section “Environmental protection”
Anti-corruption Respect of human rights	Subjects not material as defined in law	Voluntary reporting in section “Compliance”

✓ | RHÖN-KLINIKUM AG has implemented risk reduction measures. On a net view of risks (including COVID-19), no risks were identified that are very likely to have a serious adverse impact on the aspects. For detailed information on our risk management (approach) and our material risks, also in connection with non-financial aspects, please see the section "Opportunities and Risk Report" on page 66 ff. of our Group Management Report.

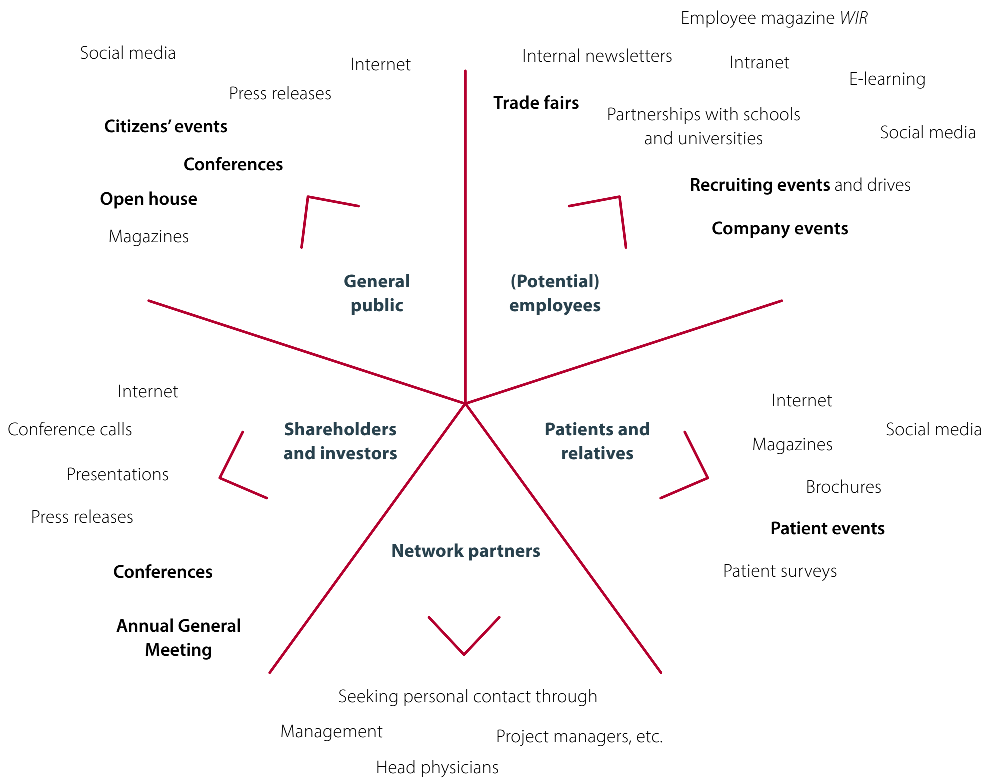
Our stakeholders

✓ | Maintaining a continuous exchange with our stakeholders – i.e. our patients and their relatives, (potential) employees, the general public, shareholders and investors, as well as the members of our network – is important to us. That is because it is thanks to the wide range of different views of the stakeholders with their (sometimes even conflicting) interests that we are provided with valuable ideas and constructive criticism enabling us to improve our position even further. At the same time it gives us the opportunity to steadily improve our understanding of our stakeholders' expectations and thus to enhance specific aspects of our communication. The first and foremost concern for us is always our patients and their well-being. That is why the feedback from our patients is especially important to us. Sensible suggestions and improvement proposals are promptly implemented and carried through by our quality management department.

✓ | In the context of the COVID-19 pandemic, increasing digital communication has enabled us in 2020 to maintain the exchange with our stakeholder groups. However, some events such as job fairs, events for patients and their relatives, or also excursions for trainees and students had to be cancelled. These are to take place once again in 2021 because they are a good way to stay in contact with our stakeholders.

You will find further information on patient communication in the section "Patient communication" on page 32 of this report.

✓ | FORMS OF DIALOGUE WITHIN STAKEHOLDER ENVIRONMENT



The formats in boldface could take place only to a limited extent due to the COVID-19 pandemic and the related regulations in 2020 or were replaced by digital substitute formats such as video conferences, webcasts, podcasts and telephone consultations.

MEDICAL EXCELLENCE

Constantly improving our medical excellence is something we see as one of our most important management tasks. The path to achieving this calls for interfacility structures. These allow us to press ahead with network medicine, introduce innovations and innovative processes as well as define and achieve quality at all levels.

Control and organisation

✓| Medical excellence is a crucial objective of our strategy. That is why we are constantly reviewing our activity in terms of how we can further improve the quality of our medical services. For example, under the direction of the Medical Board, we are constantly striving to further develop the following areas:

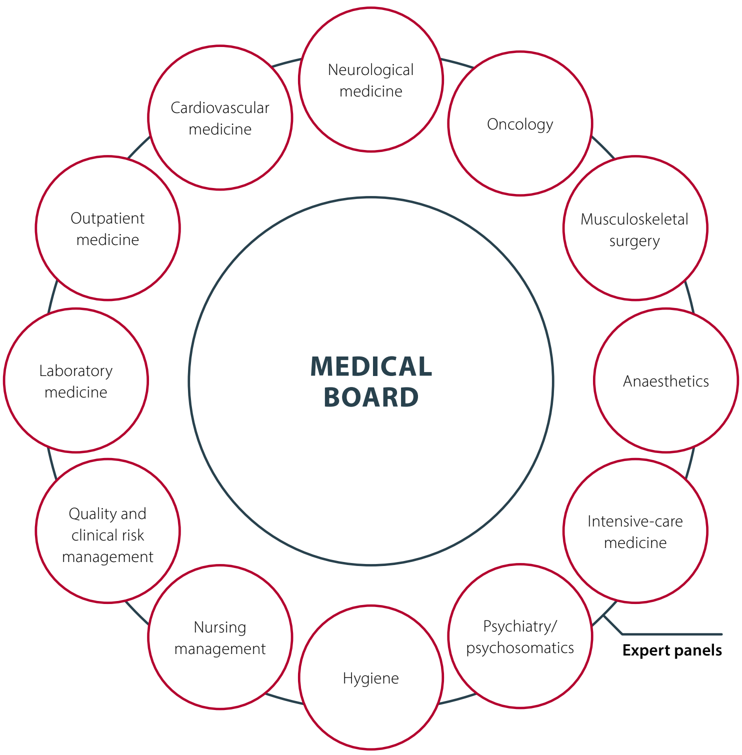
- Network medicine and innovation
- Medical process management
- Patient safety, quality management and hygiene

✓| The Board division Medical contributes its expertise, participates in the strategic development of the hospital sites and promotes their interdisciplinary medical exchange. In return, it is assisted in its decisions by many departments and executive staff since medical excellence affects all levels of the Group. Professional exchange for this takes place within the Medical Board and in the expert panels. Here there is a regular dialogue between the medical and commercial decision makers.

Fight against COVID-19 pandemic as field test

✓| During the reporting period, the subject of COVID-19 with its many facets and impact on our organisational structures took up a great deal of our efforts. For example, as soon as the pandemic became known an interfacility task force was formed across sites which in some cases met several times a week for a discussion and

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



coordination regarding the epidemiological, legislative and political developments as well as the measures derived from them. It brought together experts from all relevant areas, including the Board division Medical, the medical directors of the hospital sites, the Group divisional heads for patient safety, quality management and hygiene, materials management, human resources and finance, as well as employees from the area of corporate communications and the Group Finance division.

✓ | This allowed the sites to respond flexibly to the development of the pandemic in the respective region and in close cooperation with the local health authorities. The expertise of our physicians and scientists was increasingly sought out also in various bodies at the state and national level. We also treated patients from other federal states in our hospitals.

✓ | In this way RHÖN-KLINIKUM AG, in the further course of fighting the COVID-19 pandemic, built up a broad-based partnership network made up of local and regional hospitals, community-based practitioners, public health and first responders as well as municipal partners.

Competence pooled in the Medical Board and expert panels

✓ | Our organisational structure enables good cooperation between the various departments and RHÖN-KLINIKUM AG sites. The Medical Board is a standing advisory body to the Board of Management and management bodies of the hospitals. The top-ranking medical doctors belonging to it prepare for decisions relating to medical-strategic issues and the further development of care quality. The members of the Medical Board work together with their colleagues at the individual hospitals on an interfacility and interdisciplinary basis and assess medical and technological innovations as well as the latest therapy procedures. The Medical Board met five times during the reporting year as a hybrid event (locally and by video communication). The main subjects included the interdisciplinary and interdepartmental fight against the spread of the COVID-19 pandemic, coordinating various pilot projects as well as exploiting synergies with our strategic partner Asklepios.

✓ | In our twelve medical expert panels, physicians and nursing staff from the respective specialist areas from different sites meet. They also deliberate on non-medical issues in the Group divisions of Materials Management, IT and Human Resources. Thanks to such networked, interfacility exchange, the results benefit patients from all Group hospitals. Each expert panel meets twice a year, presents its findings to the Medical Board and forwards them to all hospital sites. The main subjects during the reporting period included organising the testing and procurement of personal protective equipment (PPE), new therapy and treatment possibilities in individual specialist fields as well as analysing processes across departments, sectors and sites.

Scope for interfacility exchange of experience

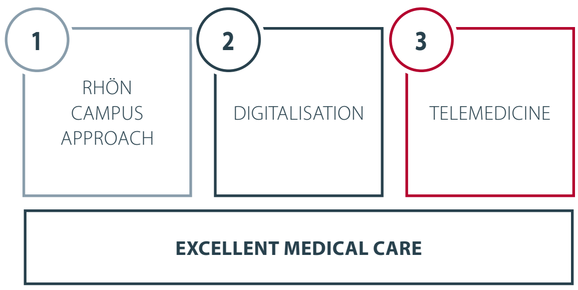
✓ | The purpose of our semi-annual medical care centre (MVZ) dialogues is also to facilitate the interfacility exchange of experience with the aim of jointly developing best-practice approaches. Experts from the medical care centres belonging to the Company as well as representatives from the Group meet and discuss issues such as patient and employee satisfaction, quality management, knowledge and document management, contract management, IT and accounting. In 2020 the focus was primarily on questions relating to the management of online appointments and video consultations, optimising telematics infrastructure as well as organising day-to-day operations under COVID-19 conditions.

✓ | In addition to the specialist exchange between our bodies, the first discussions between the chief medical officers (CMOs) of Asklepios and RHÖN-KLINIKUM AG took place to explore and coordinate potential cooperation arrangements. Further meetings of the specialist departments of both companies dealt, for example, with subjects from the areas of transfer management, discharge management, risk management and quality assurance.

Medical strategy and objectives

✓ | We strive to ensure excellent medical care for everyone and at all times. For us, that means examining and treating our patients with the latest and scientifically sound therapy procedures using state-of-the-art medical technology. To achieve this, we offer the best possible treatment and care, and create the basis for sustainable treatment success. As we understand it, "medical excellence" is based on three core elements: the RHÖN campus approach, digital transformation and the sensible use of telemedicine. The latter items will become increasingly important in the future.

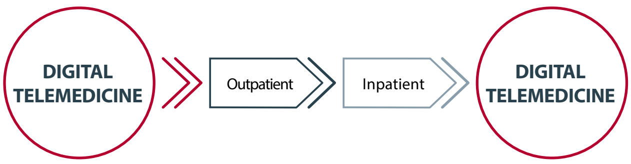
✓ | OUR THREE CORE ELEMENTS OF MEDICAL EXCELLENCE



✓ | Furthermore, we want to further develop cooperation potential to avoid unnecessary inpatient hospital stays. We expect the strategic partnership with Asklepios to provide further stimulus leading to a further development of our medical strategy.

✓ | To clearly define these overarching objectives, RHÖN-KLINIKUM AG set itself qualitative objectives for the two subjects of key importance defined in the CSR-RUG, "network medicine" and "patient well-being", already in 2018. We steadfastly pursued these further during the past reporting period 2020. Both are closely connected and mutually complementary. Network medicine describes today's need for professional healthcare service providers to engage in far-reaching cooperation. The objective is to achieve regional and integrated full-coverage care for our patients at one point of contact. We are steadfastly supplementing building blocks for implementing the increasingly important area of networked medicine. The RHÖN Campus approach and our activities in the area of telemedicine describe this central networking concept.

✓ | Objective for network medicine



Continuous expansion of network medical care. Long-term objective: digital before outpatient before inpatient.

✓ | Objectives for patient well-being

- Continuous improvement in medical quality
- Further enhancement of patient safety through expansion of hygiene management and clinical risk management
- Improvement in patient communication and patient services
- Analysis and description of patient-relevant core medical processes

During reporting year 2020, numerous measures taken by us have helped to achieve these goals. We describe these in detail in the following sections.

Network medicine

COVID Online app, made in Marburg

✓ | Under the direction of Prof Dr Martin Hirsch, the new COVID-Online app was developed at the University Hospital of Marburg. It enables users to perform a personal COVID-19 self-check to assess their likelihood of being infected and risk susceptibility, as well as to request help if required. Moreover, the app improves patient care in the cooperation between doctor's practices, first responders and the university hospital because patient flows can be better managed.

Outpatient care successfully expanded

✓ | During the 2020 reporting period, we moreover succeeded in forging ahead with the RHÖN Campus approach. Outpatient care at our site in Bad Neustadt has been further strengthened by the Outpatient Operation Centre (OOC). In the past financial year, some 2,000 patients were treated there by our physicians from all surgery and orthopaedic disciplines. Since 2020, community-based partners from the region also operate at the OOC.

✓ | Our outpatient offering at the Centre for Rare Diseases in Children and Juveniles at the University of Giessen has also been well received. Thanks to its specialisation, it is characterised by a higher level of expertise than a hospital or clinic treating only a few children or juveniles each year. Each of the young patients is treated in a long-term interdisciplinary process in which experienced paediatricians, neurologists, psychologists, physiotherapists, speech therapists, social workers and pedagogues work together. Psychosocial support to the families is also offered. A Centre for Immunodeficiencies has now also been established in Giessen. It is included in the FIND-ID-Netzwerk (network initiative for immunodeficiencies) and managed there as a specialist outpatient service. This enables the hospital / outpatient department to considerably enhance its visibility nationally while continuing to treat young patients to high quality standards.

✓ | At the beginning of January 2020, the Neuromedical Centre was put into operation at RHÖN-KLINIKUM Campus Bad Neustadt. To ensure the most comprehensive treatment and rehabilitation of patients possible, the Clinics for Neurosurgery, Neurology and Neurological Intensive Care, Neurological Early Rehabilitation, Neurological Rehabilitation, as well as the Neurology Department based at the medical care centre (MVZ) work together here on an interdisciplinary basis in cooperation with the Clinic for Radiology and the Centralised Emergency Ward.

We are convinced of the concept of the medical specialist centres. For this reason, we are already working together with the Radiology, Neuroradiology, Vascular Surgery and Cardiology Clinics to apply for the status as "Neurovascular Centre".

Since 1 April 2020, a cardiology practice has been part of the medical care centre (MVZ) Bad Neustadt. We thus can also offer cardiology services at this site on an outpatient basis.

✓ | During the reporting period we have also worked successfully in further developing Klinikum Frankfurt (Oder) based on the campus approach and expanding our range of outpatient medical services. The related medical care centre (MVZ) was expanded by a psychotherapy offering for children and youth based on the special need in the region by a half KV seat. Furthermore, the physician associations (Kassenärztliche Vereinigungen, KVs) have granted their approvals for orthopaedic offerings in the Fürstenwalde branch practice as well as gynaecological treatments at a branch practice in the city area of Frankfurt (Oder).

✓ | Since January 2020, we can offer outpatient consultation and molecular laboratory services at the medical care centre (MVZ) of Universitätsklinikum Gießen und Marburg (UKGM). Here the focus is on treatments of hereditary diseases, panel diagnostics in close family relatives and consultation on therapy decisions for oncology colleagues.

✓ | The outpatient treatment portfolio of the centres of Zentralklinikum Bad Berka has also been enlarged. As of 1 October 2020, outpatient physiotherapy treatments were started. Since the establishment of the new medical care centre (MVZ) in Apolda at the beginning of December 2020, we can also use the outpatient services of cardiology and neurology.

We strive to ensure excellent medical care for everyone and at all times.

Telemedicine further established

✓ | We were have also made headway in the area of telemedicine during the reporting period. Led by UKGM, twelve ambulances equipped with telemetrics have been in use in Central Hesse since March 2020. More than a hundred emergency paramedics have been trained in this new technology enabling the results of the ECG measurement and the vital signs of patients to be transmitted live to an experienced emergency physician.

✓ | Likewise, we also enhanced the dermatological video consultation launched in November 2019 to enable expertise to be exchanged between doctors at the Campus Bad Neustadt and the dermatologists of the University Hospital of Marburg. Video transmission, image material and data on diagnostics and therapy scheduling can also be exchanged and discussed in real time. Direct access to the dermatological expertise from Marburg enables them to act quickly with the right measures on-site without having to rely on an external dermatologist.

✓ | Our experiences in the context of the increased hygiene regulations in connection with the COVID-19 pandemic have proved particularly positive: contactless consultation and medical consultations by video conferencing that have been offered at UKGM for some time and in the reporting year were successfully expanded in the outpatient departments of Clinic Marburg Oto-Rhino-Laryngology (ENT), Phoniatrics, Neurology, and Children and Juvenile Psychiatry (CJP). The other reason they were so well received was because they did not involve any risks of contagion. That is why, looking forward, we want to introduce the online consultations also in our medical care centres (MVZs).

✓ | With 450,000 cases per year, cardiac insufficiency is the most frequent diagnosis made on admission to hospital and one of the most common causes of death in Germany. In the middle of 2020, we launched the scientific and medical project SekTOR-HF, which makes it possible to bring about a decisive improvement in the treatment of patients with left ventricular failure. The goal is to reduce the mortality rate and hospital referrals through optimum care and a coordinated cooperation of all service providers – such as GPs or specialists, hospitals, specialist post-care entities – whilst at the same time raising the quality of life of cardiac insufficiency patients. The patient and telemedicine take on an active role. In a course, each participating patient learns how to send his or her vital signs or details about their current state of health via app or internet portal to the competent doctors and a network contact. In the event of discrepancies in the monitoring, the network entity can thus establish specifically adapted measures and coordinate individual treatment recommendations with the physicians involved. At the beginning of the project, each patient is given comprehensive training in use of the telemedical devices as well as self-management. At the same time, we want to establish with the SekTOR-HF project a cross-sector care model by which the care delivery processes can accordingly be coordinated and remunerated on a new basis.

✓ | In the future, telemedicine will become an increasingly important component in medical care and sensibly complements inpatient and outpatient provision of services. Nonetheless, on 25 September 2020 we transferred our majority equity interest in Medgate Deutschland GmbH to the minority shareholder Medgate Holding AG. However, we remain wholly committed to telemedicine and will continue to look for cooperation opportunities – including with our strategic partner Asklepios – in this area as well.

Modern medical care means cutting-edge technology

✓ | Research is the basis of our success. As of 1 January 2020, the professorship Artificial Intelligence in Medicine was newly established and filled at the faculty of medicine of Philipps-University Marburg and of the University Hospital of Marburg. The professorship will press ahead with the further conception and establishment of the Centre of Digital Medicine of the University of Marburg. In the interdisciplinary centre, the faculties of medicine, mathematics and informatics are to collaborate with several professor chairs, which in some cases are to be newly established.

Research is the basis of our success.

✓ | On 24 September 2020, the RHÖN-KLINIKUM Campus Bad Neustadt was officially designated as a European Reference Centre for Cardiovascular Medicine. Here, national and international customers of Siemens Healthineers have the possibility of being given a demonstration on-site of how the most state-of-the-art imaging systems and solutions are used more efficiently in diagnosis, therapy and post-care in patients with cardiovascular diseases.

Innovation and innovative processes

✓ | The maxim of our activity is to seek out and take new paths to achieve the goal of improving the medical quality of our services even further. In 2020 we began or continued several pilot projects.

✓ | To fight the COVID-19 virus, RHÖN-KLINIKUM AG is playing a decisive role in the research. Prof Dr Stephan Becker, director of the Institute of Virology of Philipps-University Marburg, is performing a clinical trial on vaccine development in cooperation with the University Hospital of Hamburg-Eppendorf (UKE). At the end of September 2020, a first phase with 30 subjects was launched which will provide insight into the tolerance and side effects of the vaccine. A second phase in which the tests are to be expanded to 180 to 700 subjects is likewise planned.

✓ | SPI stands for a platform for standardisation and optimisation of medical procedures which we implemented in 2019 at the University Hospital Giessen in the orthopaedics/trauma surgery department. In the course of 2020, we expanded its use to two operating theatres in orthopaedic procedures. During the operation, the operator controls the program using a foot pedal or a touchscreen. The high degree of standardisation and the digital illustration of each OR step resulted in a high quality of the operation outcomes. Moving forward, use of SPI is also being planned for sports medical procedures.

✓ | At the RHÖN-KLINIKUM Campus Bad Neustadt, the further development of SPI for use in electrophysiotherapy was started in 2019. Since 2020 the OR process navigation can now also be used in the new heart catheter laboratory for the first time. For that purpose, the program of the provider Surgical Process Institute (SPI) was further developed and optimised with our experts. This standardisation in the treatment of cardiac arrhythmia is currently unique in Germany.

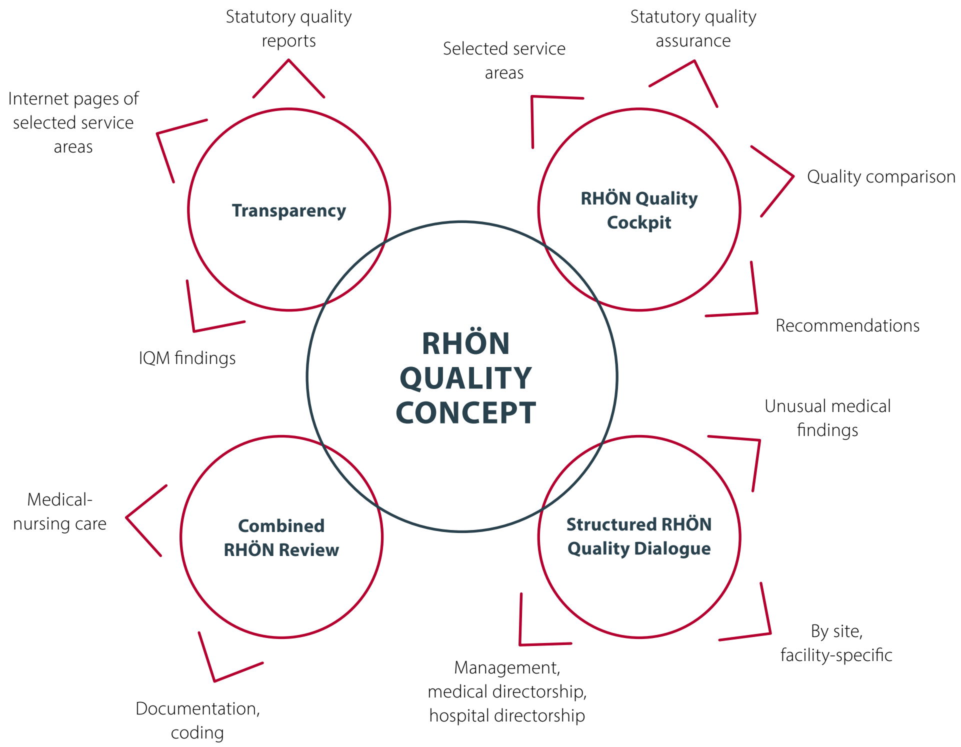
✓ | As announced, we have subjected the processes in aortic-valve operations to a detailed transcatheter aortic valve implantation (TAVI) process analysis. From the derived measures, we succeeded in reducing the duration of stay for this procedure. In 2020, another minimally invasive procedure was further developed at the RHÖN-KLINIKUM Campus Bad Neustadt using the catheter-based therapy for mitral valve defects which, like TAVI, does not require open-heart surgical intervention and allows the patient to recover more quickly.

✓ | Offering good training for young specialists is a recruiting opportunity we use at RHÖN-KLINIKUM AG. During the reporting period, aspiring doctors at Uniklinikum Gießen und Marburg (UKGM) as well as at the Campus Bad Neustadt were given the opportunity to practise operative treatment methods for the first time on an ultra-modern operation simulator.

✓ | At the neurology department in Bad Neustadt we performed a cross-sector project in 2020 to record patient-reported outcome measures (PROMs). In this way we want to strengthen patient-centred treatment as well as further improve the quality of treatment and medical processes. PROMs are measures recording the subjective perspective of patients and their experience with medical care, thus supplementing objective clinical results. For the patient survey, a standardised, validated questionnaire is used which is available in the context of a cooperation agreement with Charité – Universitätsmedizin Berlin. The assessments are expected to be available at the beginning of 2021. During that time a further pilot project is being planned in orthopaedics.

✓ | Further progress was achieved in expanding the radiation therapy offering and in securing scientific and medical advances. The Marburg Ion Beam Therapy Centre (MIT) offers radiation therapy with carbon ions in addition to hydrogen ion radiation treatments. In the whole of Germany there is only one other clinic using this method with tumour patients. Preparatory studies paving the way for also treating patients with non-small-cell lung cancer using protons or carbon ions have already been largely completed. We succeeded in fulfilling all legal regulations for commencement of these patient studies by the end of 2020. Cooperation schemes with renowned hospitals abroad moreover make us confident that the radiation therapy treatment offering of the MIT will in future be used for patients even well beyond national borders.

RHÖN QUALITY CONCEPT



The RHÖN quality concept

✓| With our RHÖN quality concept we are pursuing the goal of steadily improving our medical quality through a comprehensive approach. Its most important elements are the RHÖN Quality Cockpit, Structured RHÖN quality dialogues and Combined RHÖN reviews. Its results are regularly presented to the Medical division of the Board of Management and in some cases also discussed in the Medical Board.

✓| The RHÖN Quality Cockpit helps us to manage our medical quality. We measure and continually assess defined quality indicators and derive improvement measures from them. For the year 2020 it became clear that we could achieve further improvements in statutory quality assurance.

✓| The structured RHÖN quality dialogs, which set the base for the alignment between the Board of Management for Medicine with the hospitals regarding quality assurance and implementation of the quality strategy, were also continued in 2020 in their proven form. From the exchange we were able to establish specific measures for improving internal processes and documentation. The experiences gained from this format are included in the work of the Medical Board and the expert panels.

✓| During the reporting year, we were unable to conduct the combined RHÖN reviews established since 2018 due to the contact restrictions imposed in the COVID-19 pandemic. Nonetheless, we liaised with our strategic partner Asklepios on connecting points for mutually complementing each other in this area.

✓| For 2021 we have set out to conduct at each site at least one combined RHÖN review as well as at least one structured RHÖN quality dialogue during the reporting year. For this purpose we are looking at the possibility of having the reviews held as remote events, i.e. using telecommunication and video communication media.

✓| In the area of medical quality we were able to maintain the high level of achievement.

Hospital hygiene concept as necessary basis in fighting COVID-19

✓| Hospital hygiene is vital to the safety of our patients. That is why it has always played a prominent role in our hospitals. With the onset of the COVID-19 pandemic it once again became clear that the continuous expansion of our hygiene management over the past years had paid off. For example, we have been able to fall back on the already existing pandemic plans and on this basis to develop a perfectly adapted strategy. Our interfacility coordination body (COVID-19 Task Force) made a decisive contribution to an exchange of ideas on measures for coping with the pandemic. This was supported by the new COVID-19 reporting system that documented the development at the sites and in the surrounding districts.

✓ | Our task is to protect our patients, visitors and employees from infections with pathogens as far as possible. Our measures taken for that purpose are recorded and monitored permanently and systematically. This is done using a software program for hygiene surveillance used Group-wide. We compare the hygiene-relevant data recorded in the hospitals with national reference data, e.g. on the use of hand disinfectants, so that on that basis we can take improvement measures. During the reporting year, we extended this software as planned.

✓ | By contrast, we did not implement the Antibiotic Stewardship Programme (ABS) as planned because with the COVID-19 pandemic it has been necessary to put other priorities first for the time being.

Software-based clinical risk management

✓ | We give the highest priority to the safety of our patients. To that end we employ throughout the Group 35 clinical risk managers from different areas and professional groups. They exchange their insights in an interfacility expert group. From reporting year 2020 onwards we wanted to gradually introduce a software program for an internal error reporting system – which also takes account of risk management – to identify relevant risks as well as establish and introduce measures for risk minimisation. Our strategic partner Asklepios is already using such software. At RHÖN-KLINIKUM AG we are currently looking at the possibility of using the software.

✓ | To steadily expand patient safety, we have moreover set out to conduct at each site a clinical risk audit based on a uniform checklist in 2021. The interfacility Risk Management Working Group has moreover initiated performance of the Stop-Inject project, aimed at preventing drugs from being confused.

Patient communication

✓ | A good hospital is characterised not only by the high quality standard of its medical services but also the way it communicates with its patients and the quality standard of the service offering. We are steadily improving both criteria through very different measures.

✓ | The COVID-19 pandemic in its many facets was the dominating theme in patient communication in 2020.

- Right at the beginning of the pandemic, we posted and continually updated important information on this subject at a prominent place on the website of RHÖN-KLINIKUM AG and the websites of the respective hospitals.
- Within the hospitals we have provided comprehensive and updated information for patients.
- In the RHÖN-Gesundheitsblog (health blog), content was prepared to be especially readable and easy to understand.
- Our corporate communication has conducted numerous interviews with the respective experts of RHÖN-KLINIKUM AG. In addition to that, we have always informed the public about the respective situation of COVID-19 patient numbers at the various hospital sites in transparent form, as seen from the example of our chief medical officer, Prof Dr Bernd Griewing, with his YouTube videos.
- In addition to communication externally, we have been providing our employees with comprehensive information on the COVID-19 situation within our hospitals by email, newsletters, intranet reports and other notices, supporting them with detailed employee guidance.

✓ | We also succeeded in improving our service offering for patients during the reporting period: we further expanded the patient service centre established in 2019 in Bad Neustadt in the course of 2020 and thus rolled out our digital services in 2020 to further disciplines and for select consultations. On the basis of these projects we were able to derive further technical requirements for 2021 targets, e.g. for technical depth integration.

✓ | Already from the middle of 2019, the Group website as well as the websites of our hospitals provide access to an interactive body compass. Using a representation of the body, users can inform themselves about which facility focuses on what areas of treatment and how the quality of treatment in this regard compares with other facilities from the same German federal state or even nationally. Patients can also quickly find the right contact for their disease or symptoms. Given the high demand, the information offering is to remain a permanent integral feature of communication with patients.

EMPLOYEES

Ongoing, continued and higher-qualification training is of huge importance at RHÖN-KLINIKUM AG because employees with excellent training are our most valuable asset. Recruiting these people and retaining them for our Company in the long term is an important goal.

✓ | With 18,449 employees, we are one of Germany's biggest healthcare groups. Over financial year 2020 we have taken a variety of measures to recruit new, qualified staff despite the serious shortage of skilled staff in Germany. It is not least thanks to our broad offering of attractive further development opportunities that we have succeeded in retaining our employees in the long term. Thanks to the strategic partnership with Asklepios from the second half of 2020, the range of opportunities we offer has grown further. Despite the increasing political regulation of the German healthcare system, for example with the legal regulations on lower limits or floors for nursing staff (PpUG), we can create even more attractive framework conditions for our employees.

Our human resources management

✓ | The general shortage of specialised staff presents a challenge we are meeting with professional human resources management. Each of our hospitals has its own human resources department that reports to the respective hospital management body. Since the Board of Management decides on management matters and regularly liaises with the Group Human Resources division, it influences their strategic human resources policy. At the Group level, decisions are moreover made on the orientation of human resources policy of the Group and its hospitals as well as the establishment and further development of an employer branding concept. Also the areas of collective bargaining law and the orientation of collective wage policy along with remuneration schemes, fundamental issues of human resources legislation, the German Works Council Constitution Act (Betriebsverfassungsgesetz, BetrVG) as well as co-determination are addressed at this level. In 2020, we put the focus of Group-wide human resources management on specific measures for recruiting and retaining specialist staff, increasing the number of training places, expanding the International Scholarship Programme as well as planning an interfacility employer branding campaign. The latter preliminary considerations and concepts will be continued and clarified in the context of integrating the independent RHÖN-KLINIKUM AG employer brand under the umbrella of the Asklepios Group. In this regard, a Group-wide corporate culture project is in the planning stages.

✓ | The RHÖN brand has long been established as a fixture among employers within the German healthcare system. For years we have been committed to excellent medical care, competence and knowledge as well as closeness to our patients with humanity. We have proven ourselves innovative and digital, act responsibly and are highly efficient. We have rightly earned the reputation of being able to offer good personal development opportunities at the various sites and within the Group as a whole. That is something that is particularly valued by doctors in Germany. Our hospitals are attractive as large intermediate- and maximum-care facilities with access to university medicine, allowing them to offer a unique selling point.

✓ | During the reporting year the experiences we have had with the applicant management system introduced in August 2019 have been extremely positive. It is proving to be a valuable tool to help process applications received at Group headquarters. Since April 2020, Zentralklinik Bad Berka has been connected to the system. Universitätsklinikum Gießen und Marburg (UKGM), the RHÖN-Campus Bad Neustadt, and Klinikum Frankfurt (Oder) are slated to follow suit in the course of 2021. Already since June 2020, an internal job portal which can be reached from the Group's intranet has been live at Group headquarters.

Strategic partnership opens up new prospects and makes us even more attractive as an employer

✓ | Based on the new strategic partnership with Asklepios, we can further expand the position of RHÖN-KLINIKUM AG as an attractive employer. In the course of 2021, the two companies' human resources divisions are looking to bring about a close cooperation with each other; with this in mind, suitable areas of cooperation were identified during the reporting period. Both Groups are very favourably positioned and are able to offer their existing and future employees job security in an exciting environment with extremely attractive working conditions.

✓ | For example, a joint benefit programme is to be developed, and the already existing Employee Assistance Programme (EAP) offered by the Asklepios subsidiary Insite Interventions GmbH is to be established Group-wide to help employees cope with professional or private challenges.

✓ | Lastly, we want to execute a corporate culture project which we hope not least will promote an even closer relationship of our hospital sites to the Company.

✓ | EMPLOYEES

	2020		2019	
	Total	Share of part-time employees, %	Total	Share of part-time employees, %
Employees (headcount)	18,449	42.96	18,142	44.45
Employees (full-time positions)	14,579	33.86	14,541	31.73
Female employees (headcount)	13,272	50.23	13,037	51.92
Male employees (headcount)	5,177	24.33	5,105	25.39

Our objectives in employee area

✓ | For RHÖN-KLINIKUM AG two subjects are essential in terms of the CSR-RUG: continued and higher-qualification training and ongoing training. We approach these subjects strategically and set ourselves the following objectives:

Objectives for continued and higher-qualification training

– Qualitative expansion of continued and higher-qualification training programmes at the sites
– Expansion of continued training of teaching staff

Objectives for ongoing training

– Qualitative enhancement of training
– Continued positioning as attractive employer on employment/training market
– Securing new nursing training

✓ | During the 2020 reporting period, we implemented numerous measures to achieve these goals.

Continued and higher-qualification training

✓ | RHÖN-KLINIKUM AG continually invests in the development of its employees and promotes all professional groups represented within the Group with numerous continued and higher-qualification training offerings. That is just as true for our nursing employees as it is for our doctors and therapists. Physicians, for example, have the option of obtaining supplementary qualifications and of being trained as specialists at all the Company's sites. Expenditure on ongoing, continued and higher-qualification training totalled roughly 2.85 million euros in 2020 – after over 4 million euros in the previous year.

✓ | Each hospital organises its higher-qualification training measures itself, relying on its own budget for that. In this way the already existing partnerships with regional providers can be used for ongoing, continued and higher-qualification training opportunities. In particular, though, this enables us to specifically identify the very specific qualification needs at the respective site and to take account of the continued training requests and suggestions of employees in the planning.

✓ | The COVID-19 pandemic has impacted human resources at RHÖN-KLINIKUM AG – both positively and negatively. On the one hand, the sense of "togetherness" of employees has been strengthened throughout the Group. On the other, the onset of the pandemic has seen a marked increase in organisational and administrative expenses and has tied a lot of capacities in the human resources departments. That meant delaying implementation of one or the other measure or even postponing it to 2021. For example, the executive staff conference on Group-wide higher-qualification training in the fields of management, communication and conflict management had to be cancelled at short notice. It is to be made up during 2021 with the participation of the Asklepios executive staff. Also the nursing summit successfully carried out in the past, to which the Board of Management traditionally invited medical directors, managing directors and nursing directors, could not go ahead in 2020. However, there continued to be an intensive dialogue between these groups of persons at all times in 2020.

✓ | It is very important for us to make sure our employees from all areas have access to high-quality higher-qualification training. At the end of October 2020, 24 nurses and physiotherapists completed their two-year course of higher-qualification training as respiratory therapists (DGP) at Zentralklinik Bad Berka. The higher-qualification course has been offered since 2006. One in five of Germany's 800 respiratory therapists (DGP) was trained in Bad Berka.

✓ | The strategic partnership with Asklepios opens up additional prospects for improving the quality of continued and higher-qualification training on which we have held exploratory discussions in the course of 2020. For example, with our university hospitals in Giessen and Marburg as well as the Asklepios hospitals we are the largest training entity in the healthcare system locally in the Federal State of Hesse. And we want to live up to this role.

Together in the virtual and real classroom

✓ | Combining online-based training units and in-person training courses is a sensible way to pass on knowledge. In keeping with this approach, we implemented a learning management system (LMS) in 2017 that is accessible to every employee. During the reporting period, in-person events had to be scaled back significantly because of the COVID-19 pandemic. Independent of that, we want to further expand the share of e-learning while however maintaining in-person classes as the digitalisation of the Group advances. In this way we can ideally exploit the advantages of both systems under a blended-learning approach and convey to all employees both theoretical and practical knowledge. Together with our partner Asklepios, we have been looking for ways to further develop the training offering overall since the end of 2020.

✓ | Already today, our web-based courses are very diverse. We offer mandatory employment law training courses on the subjects of hygiene, fire and occupational protection, compliance and data privacy. We also convey theoretical knowledge in the area of nursing. The voluntary general content includes for example courses on burnout and violence prevention for employees in the healthcare system. In addition to that, there are also course materials which the hospitals have created for their specific needs. For example, in Bad Neustadt there is a voluntary training course on the subject of process management and the possibility of registering via the portal for an in-person training course on addiction prevention. Zentralklink Bad Berka has moreover made numerous handbooks available in the library.

Digitalisation dominates continued training for teaching staff

✓ | We regularly provide our instructors with continued training didactically and methodologically – in external and internal training courses. In 2020 the focus was on digitalisation to enable our instructors to familiarise themselves and become proficient in the use of digital media and devices. From a didactic-methodological viewpoint, the focus was on the use of digital concepts in courses. In this context, each school follows its own continued training concept, which for example was submitted for the schools of the ESB – Gemeinnützige Gesellschaft für berufliche Bildung mbH to the Bavarian Ministry of Education.

Renowned universities as cooperation partners

✓ | To provide our employees and students with the opportunity for in-service higher-qualification training and dual studies, we cooperate with various universities. In this way we promote our young talent, ensure integration of theory and practice and retain the students in our Company. For example, we have been working together at the Giessen/Marburg site with the Technische Hochschule in Mittelhessen (THM) already since 2007. The areas of focus of the study offering are on the areas of business administration, hospital management, medical technology and IT. During the past year, two employees from human resources management and one from patient management successfully completed the dual curriculum. The course is currently being completed by four other employees.

✓ | In 2020 we also continued for our students of ESB – Gemeinnützige Gesellschaft für berufliche Bildung mbH the cooperation agreement with Hamburger Fernhochschule HFH. The response to the dual studies offering has been reserved so far: three graduates from the ESB have chosen this option. From surveys we know that the double burden of school and studies is found to be too high.

✓ | Digital medicine is playing an increasingly important role in our continued and higher-qualification training. For that reason we entered into a cooperation scheme with Justus-Liebig-Universität Gießen (JLU) in 2019 to offer the specific curriculum Digital Medicine, eHealth and Telemedicine. An excursion to the RHÖN-KLINIKUM Campus Bad Neustadt planned for the beginning of 2020 did not go ahead due to the coronavirus pandemic.

Training

✓ | Anyone performing training at a high level and is considered an attractive employer has good prospects of subsequently taking over qualified and motivated employees and in that way tackling the shortage of specialist staff. During the reporting period, 1,734 young persons were in training with us, of whom 1,044 were in nursing professions, 39 in commercial professions and 651 in other areas. Of the apprentices having completed their training in 2020, most of them, exactly 212 graduates, were taken on as employees.

Increase in the number of applicants and apprentices

✓ | Despite the restrictions due to the COVID-19 pandemic we succeeded in raising the number of apprentices in our Company during the reporting period from 1,526 in 2019 by 208. The number of applicants also witnessed a sharp rise. We attribute that to the newly regulated training remuneration and the good reputation of RHÖN-KLINIKUM AG as an attractive employer.

✓ | As a result of the COVID-19 pandemic, we were not able to attend relevant job fairs and information events within the catchment areas of our hospitals during the reporting period to the same extent as in previous years. We were able to continue our information events, which we perform jointly with schools in the graduating classes as well as the employment agency to inform on medical professions and training opportunities in our Company, likewise only to a limited extent. For that reason we ran ad campaigns in the local and regional daily newspapers, above all in the career classifieds. Our poster and image campaigns "Nüscht für Luschen – reloaded" ("Not for weaklings – reloaded") or "Diversity" at Universitätsklinikum Gießen und Marburg (UKGM) from the previous year once again drew in applicants. We will additionally step up our recruiting via social media channels in 2021 in collaboration with our strategic partner Asklepios.

Switch to generalist nursing training concluded

✓ | With the Care Professions Reform Act (Pflegeberufereformgesetz, PflBRefG), which entered into force at the beginning of 2020, the existing geriatric, patient and paediatric nursing training programmes were unified into a single generalist nursing care training scheme. We already concluded our preparations for this in 2019, reaping the benefits from it already in financial year 2020: we were able to satisfy all legal requirements for the new professional nurse training programme and fully secure the training programme.

✓ | We received the state approvals for a school-specific curriculum that we developed on the basis of the framework syllabus. We also succeeded in entering into a collaborative training agreement at various sites with suitable partners from the region in which practice-oriented units can be completed. That is because, according to the curriculum, trainees spend only a little over half of the some 2,500 scheduled hours of their practical training at the hospital. During the rest of the time they work in external facilities such as retirement homes or social agencies with which RHÖN-KLINIKUM AG has entered into such framework agreements. In addition, we have set up a steering group made up of members of the facilities and nursing schools cooperating within the collaborative training network to ensure not only the practical but also the formal and substantive interests of training to a uniformly high quality level.

✓ | Given the higher numbers of apprentices, we have expanded our nursing school in Bad Neustadt into a dual system offering double training sessions. In 2019 we thus offered two new courses for the first time – one in April, the second in October. We continued and expanded this model also in 2020: in September 2020, a total of 52 students started their generalist nursing training in two classes.

Rising attendance and level of digitalisation at our schools

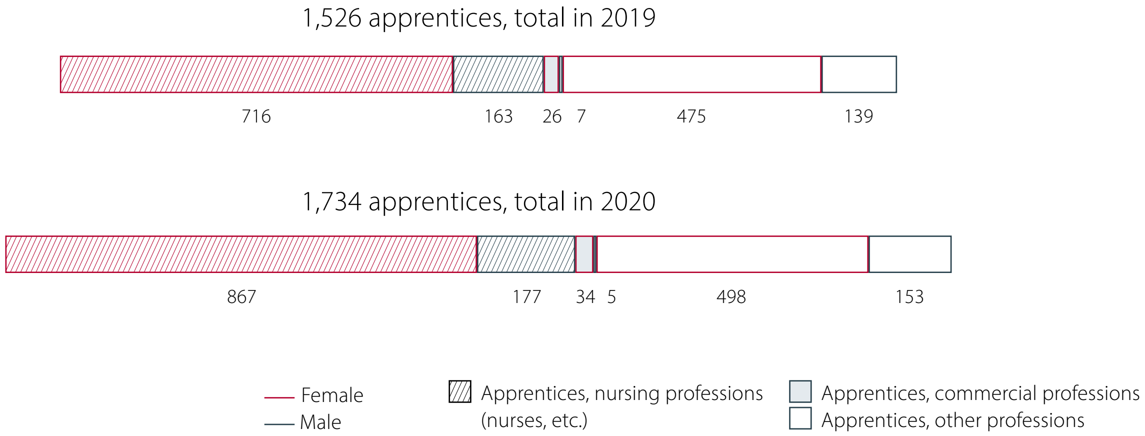
✓ | As a healthcare Group, we operate several schools of our own to train qualified staff ourselves. These include for patient nursing, physiotherapy, ergotherapy, speech therapy, dietician services, and for medical assistance professions in the areas of functional diagnosis (MTAF), laboratory (MTLA), radiology (MTRA) and medical documentation (MDA). We are furthermore involved in training in business, gastronomic and IT fields.

✓ | As expected, we were also able to raise student numbers in the professional schools for ergotherapy and physiotherapy in Bad Neustadt. At the professional school for physiotherapy, we welcomed a total of 32 new students for the 2020/21 school year, compared with 17 persons having graduated. In the area of ergotherapy, there were 27 new admissions compared with 19 graduates. We attribute part of this success to the fact that, particularly in Bavaria, we promote the tuition-free status of our schools introduced retroactively to February 2019.

✓ | In this regard, the ESB schools, unlike most competing institutions, refrain from charging graduates a monthly administrative fee of up to 75 euros – even despite being tuition-free. In addition to the quality criteria, that also plays a role for our trainees.

APPRENTICES, TRAINING YEAR 1–3

Headcount



✓ | However, recruiting new teaching staff despite considerable expenditure on job searching is proving very difficult because the market for nursing educators has nearly dried up completely. Also problematic was higher-qualification training of teaching faculty. During the reporting period continued training in IT-based instruction took place, but the other higher-qualification training events for teaching staff had to be cancelled or were carried out subject to restrictions due to the COVID-19 pandemic. One reason was that it was not possible to offer the continued training programmes designed as in-person events on an online basis due to inadequate IT equipment. We are nonetheless working successfully towards digitalising the learning environment of our schools. We see this as a measure for qualitative higher-qualification training. As part of our digitalisation strategy, we established a "Team Digital" already in 2019 which created a medial pedagogical concept and submitted the same to the Bavarian Ministry of Education. Course subjects are planning our IT equipment, interdisciplinary medial instruction concepts as well as a higher-qualification training concept. During the reporting period we succeeded in obtaining public grants for all ESB schools which can be drawn up to the end of 2022. In a first step, this was used to purchase 45 notebooks, to equip the school building of the ESB with the necessary IT infrastructure and the classrooms with digital teaching tools including digital boards.

Attractive employer

We take care of our employees

The health of our employees and in the same measure that of our patients has always been of tremendous importance for us. Despite the special challenges presented by the COVID-19 pandemic, we succeeded during the reporting year in ensuring the health and safety of our employees at the workplace at all times. Throughout the Group, all recommendations of the Robert Koch Institute (RKI) were complied with at all times. Furthermore, sufficient capacities of protective equipment and instruments for performing infection tests were available at all times and at all sites. We were also able to help our employees cope with additional challenges arising from the special social behaviour measures brought in to contain the pandemic. We allowed our employees to perform their work in the mobile office wherever working procedures permitted. To make things as easy as possible for the parents among our employees, we organised emergency childcare at times when day-care centres were closed.

✓ | APPRENTICES TAKEN ON AFTER COMPLETION OF TRAINING

Headcount

	2020			2019		
	Total	Female	Male	Total	Female	Male
Number of apprentices taken on after training	212	177	35	204	163	41
Number of apprentices taken on after training, nursing professions (nursing, etc.)	159	136	23	177	148	29
Number of apprentices taken on after training, commercial professions	6	5	1	4	2	2
Number of apprentices taken on after training, other professions	47	36	11	23	13	10

AGE STRUCTURE OF WORKFORCE

Headcount

	2020			2019		
	Total	Female	Male	Total	Female	Male
Number of employees	18,449	13,272	5,177	18,142	13,037	5,105
of which under 30 years	4,840	3,645	1,195	4,426	3,330	1,096
of which 30 to 50 years	7,903	5,475	2,428	8,084	5,618	2,466
of which over 50 years	5,706	4,152	1,554	5,632	4,089	1,543

We carried out our programme for company health management at all hospital sites during the entire year. It includes for example courses on sports and nutrition as a way of preventing harm arising from unhealthy habits. To cope with crisis situations, we also ensured the availability of mediation or supervision offerings. Moreover, the programme "Gesund managen" (manage your health) took place at UKGM. It is intended primarily for executive staff, who can share the content with their employees.

Increasing the level of safety in our hospitals is one of our primary concerns. We help do this for example with special training sessions on de-escalation. Particularly in the emergency ward, our employees or also patients are occasionally exposed to a sharp tone which we seek to handle in a professional manner.

We love diversity

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

Already since 2015, our nursing integration programmes in Bad Neustadt a. d. Saale and Giessen have opened up new professional opportunities for migrants. We hire nurses forced to flee from their home countries as nursing assistants at the hospital for an initial period of twelve months. They acquire the necessary language skills in the accompanying German language courses. We then work to have the original professional training of the employees recognised so that we can continue to employ them in the long term after they have completed the programme. Since the beginning of the first nursing integration programme, we have succeeded in recruiting more than 90 employees with professional and social skills for the two sites.

In cooperation with our strategic partner Asklepios, we want to press ahead with recruiting foreign nursing staff. We are therefore pleased that since September 2020 we have employed a total of 43 nurses from the Philippines at UKGM. Some of them were previously given preparatory training at the Asklepios training centre in Darmstadt. After an intensive course in German, they completed an intensive, multi-week workshop "Working as a nurse in Germany". This comprehensive preparation made it much easier for them to adjust to day-to-day work at our university hospital.

EXECUTIVE EMPLOYEES BY MANAGEMENT LEVEL IN 2020

Headcount	Total	Female	Male
1st management level	47	11	36
2nd management level	240	69	171
3rd management level	1,150	537	613
Total	1,437	617	820

We make it possible to harmonise working and family life

We create the environment for our employees to succeed in harmonising their professional and personal life. We achieve this by ensuring the most flexible working hours possible. For example, our employees work under trust-based flexitime or part-time schemes. In 2020, 7,925 employees (roughly 42.96%) were employed part-time. We have entered into individual agreements for each site in which we take greater account of employees' personal priorities. In this regard we rely on clear staff back-up rules, try to take personal requests into consideration and set up call services or relief employee pools. To the greatest extent possible, we also allow our employees to work from home.

Our employees and their families benefit from an extensive offering allowing for the best possible harmonisation of professional and personal life. For example, we run our own kindergartens or cooperate with facilities locally, and in the case of external continued training or a mandatory event provide individual care options. We also help relatives providing nursing care to cope with the requirements of their work and providing nursing care for their relatives. UKGM has been certified as a family-friendly employer already since 2009.

In-house collective agreement and special benefits ensure fair compensation

Fair remuneration has an influence on how satisfied our employees are. At the same time they benefit from our in-house collective agreements that we have negotiated with the social partners ver.di and Marburger Bund for our hospitals. Compared with the other collective wage agreements within the healthcare system, our employees for example enjoy high night-shift premiums exempt of tax and social insurance contributions as well as differentiated bonuses.

COMPLIANCE

Our compliance rules promote fair dealings within the Company and in the relationship with our external stakeholders. In regular training sessions we ensure our employees gain an awareness of compliance issues. They can report compliance breaches anonymously.

Comprehensive rules for internal and external relationship

We have a comprehensive compliance management system in which the principles and rules of fair dealings with one another and responsible corporate governance are defined. It defines, clearly regulates and further embodies the relationships to our patients, suppliers, shareholders and the general public as well as the conduct of employees amongst one another.

The structure and functioning of the compliance management system (CMS) are defined in the Rules of Procedure for Compliance valid Group-wide. In this regard, the highest level of responsibility is held by the Chairman of the Board of Management, who reports to the Audit Committee of the Supervisory Board. In addition, a Central Compliance department was set up at the Group level. The most important task of the employees working there is to develop a corporate organisation ensuring the best possible prevention of compliance breaches already at an early stage.

The highest level of responsibility for compliance is held by the Chairman of the Board of Management.

During the reporting year 2020, the central department further intensified its cooperation with the hospitals of the Group. It acts as a point of contact for questions on compliance arising in other subsidiaries. The need for consultation at the hospitals was seen for example in the context of cooperation with industry and in the review of sponsoring and research agreements. Moreover, hospital representatives to a greater extent than in the past availed themselves of the possibility of conducting what are referred to as non-discussions – i.e. discussions of which no official mention is made afterwards – or of briefly discussing issues over the phone. The importance of the "not-yet cases" category likewise increased: we understand these as inquiries that do not yet represent compliance cases but which are reviewed, researched and documented.

Each Group subsidiary employs its own compliance officer, who reports to the Central Compliance department and acts as a contact person on-site. At the beginning of 2020, the compliance officers introduced back-up provisions. That ensures that even in the absence of a compliance officer a contact person is available for employees and the Central Compliance department. To ensure an ongoing exchange between the Risk Management, Internal Auditing and Compliance departments, there is also a Compliance Committee that meets at least once quarterly and deals with compliance cases and their risk assessment. We moreover liaise regularly with the Head of Compliance with our strategic partner Asklepios on important issues.

To facilitate implementation of our compliance management system in practice, we have developed a code of conduct that is binding on all employees as well as a recommended procedure for dealing with potentially critical contracts. In addition, our employees gain an awareness of compliance issues thanks to regular training sessions. Every employee must complete a corresponding in-person or online training session at least every two years. In this context, we further develop the training concept on a regular basis and endeavour to adapt it to the needs of the employees in the best way possible. The knowledge of employees regarding compliance issues is moreover maintained with a learning management system. That allows us to convey to them that the Central Compliance department would like to improve processes to prevent compliance breaches before they happen.

We monitor not only compliance with rules but also adapt the compliance rules as required. Our goal is to prevent such breaches from the outset by identifying and averting risks in good time. Adaptations may be occasioned by both internal incidents and information on compliance breaches at similar companies.

Procedure for compliance reports

Through our whistle-blower hotline, employees can report compliance breaches on an anonymous basis. The contact persons available for this are compliance officers at the hospitals, the head of the Central Compliance department, the Chairman of the Board of Management of RHÖN-KLINIKUM AG as well as the Chairman of the Audit Committee of the Supervisory Board. If a compliance report is made through one of the aforementioned entities, it is sent immediately – regardless of the form used or the person sending it – to the Central Compliance department. The Central Compliance department and the person in charge of compliance (the compliance officer) then jointly review whether a compliance event exists. If required, they consult the Internal Auditing and Risk Management departments. If the investigations reveal a sufficient suspicion of a breach, they initiate appropriate measures to make sure such breach does not happen again in future. Moreover, the team assesses the risk and level of damage and prepares a written report to the Chairman of the Board of Management of RHÖN-KLINIKUM AG. According to the provisions in the Rules of Procedure for Compliance, anyone suspecting a compliance breach may report the same either to the person in charge of compliance of his or her site or directly to the Central Compliance department.

Raising awareness of data protection issues

The General Data Protection Regulation (GDPR) and the resulting revised German federal and state rules on data protection have been in force since 25 May 2018. In addition to provisions on managing personal data in compliance with data protection legislation, they also include various new or amended requirements. In this context, the Board of Management of RHÖN-KLINIKUM AG adopted a data protection guideline which is adapted to the rules and regulations and addresses key points of the Regulation, presents the Company's data protection law strategy, and sets out the organisational framework for employees.

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

Our goal is to prevent such breaches from the outset by identifying and averting risks in good time.

ENVIRONMENTAL PROTECTION

We are a modern hospital Group using innovative technology for the well-being of our patients and for the environment. For us, making responsible use of the resources of energy and water is self-evident and thus also a guiding principle for environmental protection at our Company.

Environmental protection as a top priority

Apart from the well-being of patients, a sound and liveable environment is a priority at RHÖN-KLINIKUM AG. Given its decentralised corporate structure, environmental management is firmly enshrined at two levels, with each hospital being responsible for its own measures. The respective technical control department is responsible for the hospital's safe operation: it monitors all technical and medical-technical equipment and systems but also construction projects, and assumes the task of energy controlling as well as modernisation and optimisation planning. Where required, it is assisted in all measures by the Group division Construction and Technology.

The Group division Construction and Technology is responsible for Group-wide energy and emissions controlling. It promotes an interfacility development of new standards for energy supply and finds ways to optimise it. If more extensive investment measures are impending at a hospital site, it implements these in a lead capacity. The members of the Board of Management are involved in all relevant decisions on account of their responsibility for the sites.

Already since the end of 2016 we have pooled procurement of energy Group-wide in the company RHÖN Energie für Gesundheit GmbH. This enables us to obtain more attractive purchasing prices for electricity and gas and gives us a centralised overview of the energy consumed and monthly controlling. Looking forward, we expect to reap synergies from a cooperation with our strategic partner Asklepios on energy procurement.

In 2015/2016 we conducted an energy audit to DIN EN 16247-1 for the first time. During the 2020 reporting period, we moreover performed and successfully concluded the repeat audit.

Saving energy and limiting emissions

Modern hospital operations need a lot of energy. We use a large variety of technical equipment and systems that are important for the treatment and care of our patients. Our patients and employees rely on rooms being kept at the right temperature. And the increasing pace of digitalisation and expansion of equipment-based medical care will also bring increasing demand for energy. To counter this trend, we are committed to using particularly energy-efficient technology and energy generated by highly efficient cogeneration plants.

To ensure energy-optimised operations, we invest in sustainable technology at all our sites. State-of-the-art instrumentation and control technology with numerous metering points allows us to monitor, control and reduce energy consumption. In this way, for example at the RHÖN-KLINIKUM Campus Bad Neustadt, we can adjust consumption in the individual rooms or zones at all times to the user-specific requirements.

To ensure energy-optimised operations, we invest in sustainable energy-saving technology at all our sites.

We not only save electricity but also generate it with our own cogeneration plants.

Given the state-of-the-art technology being planned in the investments already under way, such as the modernisation of the bed facilities at Klinikum Frankfurt (Oder) (project running until 2026) or the conversion of a former bed facility into an administrative building at the RHÖN-KLINIKUM Campus Bad Neustadt (project running until 2022), we are looking ahead to lower energy consumption in the future.

At RHÖN-KLINIKUM AG, emissions are produced primarily in the form of carbon dioxide (CO_2) from heat generation or from electricity purchases. By modernisation measures, energy efficiency improvements and by increasing the use of renewable energies, we seek to counteract this increase. To an extent exceeding the national average, the electricity purchased by us is from renewable energy sources.

Intelligent LED lighting systems
In all new buildings and extensions as well as in connection with modernisation measures, the ceiling lighting systems we install for the ward corridors exclusively use LED technology that can be centrally controlled. This allows us to control the illumination level and thus also energy consumption depending on the time of day based on energy requirements, and to operate the lighting system during the day at only around 65% of maximum strength. We are also gradually switching over the lighting systems of the outdoor facilities, car parks and pedestrian paths at our sites to dimmable LED lamps.

Ceiling-cooled patient rooms
On the RHÖN-KLINIKUM Campus Bad Neustadt, the patient rooms have been equipped with an especially energy-efficient cooling method. During the summer, the rooms are cooled by water lines set in the concrete slabs. The water is cooled down by a central cooling unit and additionally by lower outdoor temperatures, with the concrete of the floor slabs serving as a storage medium. It absorbs the cold at night and then releases it slowly to the surroundings over the day. During the winter, the system can be used in turn to heat the rooms by using heated water. Since the experiences with the innovative system have been positive, the technology is to be used more frequently in new buildings.

Energy modernisation measures
We not only save electricity but also generate it. For over 20 years, we have been pursuing efforts in generating energy using highly efficient cogeneration plants (CHPs) that supply electrical energy and heat by burning natural gas. In this way we reduce CO_2 emissions at RHÖN-KLINIKUM AG. At the same time, we use this heat to generate the required cooling energy with absorption coolers. We thus save electrical energy that would otherwise be needed for cold generation.

The potential for energy savings features very prominently in all modernisation measures we perform on our buildings. For example, at Klinikum Frankfurt (Oder) the water, heating, ventilation and cooling systems were insulated, the lighting replaced and the instrumentation and control technology modernised. In the refurbishment of Building 2.3 at the Bad Neustadt Campus, all required measures for modernising the building's energy systems were taken. At the University Hospital of Marburg, efforts were primarily focused on a comprehensive heating system upgrade of Building 1. To optimise heat generation there, we are planning the future installation of an absorber as well as an additional cogeneration plant based on a combined cooling, heating and power plant (CCHP) concept. At the University Hospital of Giessen, an efficient steam generation system is to be installed jointly with the local utility (Stadtwerke Giessen) in the course of 2021.

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

To protect the environment, we have implemented a consistent waste management approach and regularly train our employees.

Data influenced by COVID-19

During calendar year 2020 impacted by the pandemic, the overall energy savings achieved by the measures can be quantified and identified only with difficulty. During the COVID-19 pandemic, staffing at the hospitals had to be reduced considerably in some cases.

In 2020, we generated with combined heat and power units a total of 39,434 megawatt hours (MWh) of electricity, covering roughly 40% of our requirements. This is cost-efficient and saves around 1,417 t in CO_2 emissions each year as compared with conventional energy supply. Compared with the previous year, electricity consumption at RHÖN-KLINIKUM AG in 2020 increased by approximately 3% to 98,902 MWh. The consumption increase is completely accounted for by the Marburg Ion Beam Therapy Centre (MIT) being included for the first time in the overall balance on a full-year basis. Excluding MIT, electricity consumption saw a total decline of roughly 1%.

Heat consumption decreased by around 2% to 133,606 MWh.

The trend towards higher energy requirements of our hospitals is being accompanied in turn by higher CO_2 emissions. What are referred to as Scope 1 emissions are produced directly on-site in our own heat and electricity generation plants. During the reporting period, these amounted to over 36,361 t of CO_2. Scope 2 emissions cover all indirect emissions from district heating and electricity deliveries. In 2020 they were roughly 27,658 t of CO_2. Scope 3 emissions, i.e. emissions produced by suppliers, service providers or by employees during their daily commute to work, will not be calculated by us in future either, because the effort and cost involved are too high compared with the insight gained. Nonetheless, we are trying to lower them.

Reducing waste

In hospitals it is often imperative to use single-use products to comply with hygiene regulations. This increases the volume of waste. That was more than ever the case in 2020 marked by the COVID-19 pandemic. As infection numbers rose exponentially and with it the shortage of hygiene items, environmental protection aspects had to be treated as secondary in the interests of patient well-being.

Generally, however, we pursue a consistent waste management approach: each of our hospitals has its own waste officer. We also regularly train our staff in the proper sorting as well as disposal of waste and the sparing use of consumables.

Ensuring water purity

For the healthcare Group RHÖN-KLINIKUM AG, having the highest quality of drinking water is absolutely necessary. That is why we drew up our own Water Use Guideline already years ago. Strict compliance with the requirements of this Guideline is to ensure the high quality of drinking water from the point of delivery from the public water mains to the final point of use. We also conduct regular water quality inspections through microbiological tests that exceed the legal requirements. During the 2020 reporting period, water consumption decreased by roughly 6% to 660,957 m^3. The total amount of waste water of all sites was roughly 630,692 m^3 in 2020. Contaminants of waste water result from excretions of contrast agents or medications as well as from treatment of medical instruments. Waste water containing grease resulting from the preparation of foods as a rule is passed through grease separators and only then discharged to the public sewerage system.

SUPPLIER MANAGEMENT

We actively maintain our relationships to our suppliers. To obtain the highest quality of products at the best prices, we have centralised our supplier management activities for the entire Group and work together closely with the purchasing managers of the hospitals. This practice has proven itself since 2018.

Over the years, what began as mere business relationships have grown into partnerships based on mutual trust. This means that our requirements in terms of quality, reliability and efficiency are perfectly met. This is also helped by the annual evaluation of our main suppliers. In addition to that, we entered into a cooperation scheme with the purchasing department of our strategic partner Asklepios in October 2020. From this we hope to gain an even stronger bargaining position with our partners.

Over the past years we have succeeded in steadily lowering the risk of supply shortages. This has been helped by our approach of working together with at least two suppliers for each product group. We are usually able to bridge any short-term supply difficulties through inventory or alternative products (generics).

We experienced an unprecedented exception to this when the COVID-19 pandemic swept through Europe, spreading at an increasingly rapid pace and causing demand for products to protect against the virus to skyrocket all over the world. Overnight, even our long-standing business partners were no longer in a position to supply us with personal protective equipment such as surgical masks, surgical caps, FFP2 masks as well as protective gowns. However, we were able to ensure a sufficient supply by temporarily purchasing such items at significantly higher prices. The situation improved as production was resumed by businesses in Asia and German protective masks became increasingly available.

Uniform products ensure reliable availability

Understandably, we want to use only those products which have proven themselves in clinical processes over the long term, are of high quality and can be purchased at acceptable costs. As the frank discussion amongst the materials management heads and in the medical expert panels has revealed, such standardisation does not lend itself to all products.

Standardisation and harmonising of products was the subject of an intensive discussion within the Group in 2020 within the expert panels with the doctors as well as among the materials management heads.

Standardisation has once again proven advantageous in the following medical areas:

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

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

Key goods categories of RHÖN-KLINIKUM AG are:

– Drugs and blood products (blood supplies and blood coagulation factors)
– Transcatheter aortic valve implants (TAVI)
– Cardiac pacemakers and defibrillators
– Stents
– Endoprosthetics
– Nursing items

During the 2020 reporting period, we implemented digital supplier records in Group materials management as planned. This ensures that all necessary information is available in transparent form and from a centrally pooled source.

Group Management Report

Group Management Report

During financial year 2020 we treated 808,655 patients in our hospitals and medical care centres, generating revenues of € 1,360.1 million, EBITDA of € 80.2 million and consolidated result of +€ 2.5 million.

Financial year 2020 was particularly dominated by the COVID-19 pandemic as well as the takeover of RHÖN-KLINIKUM AG by Asklepios Kliniken GmbH & Co. KGaA.

The operating result continues to be significantly influenced by increasing regulatory intervention, a highly competitive environment and difficult conditions for recruiting qualified staff.

1 | BASIC CHARACTERISTICS OF THE RHÖN-KLINIKUM GROUP

1.1 Overview

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

With our eight hospitals and 5,304 beds/places at a total of five sites in four federal states, we are one of the largest hospital operators in Germany. A total of 808,655 patients (previous year: 860,528) were treated in our facilities in financial year 2020. With revenues of € 1,360.1 million (previous year: € 1,303.9 million), we generated EBITDA amounting to € 80.2 million (previous year: € 125.3 million). At the balance sheet date, the Group employed 18,449 persons (31 December 2019: 18,142).

1.2 Future of the Group

The year 2020 was marked by profound social developments as well as path-breaking decisions for RHÖN-KLINIKUM AG. Our attention was focused on the COVID-19 pandemic and the takeover of the Company by Asklepios Kliniken GmbH & Co. KGaA.

The spread of the coronavirus has presented, and continues to present, considerable challenges for our hospital group. At our five hospital sites of university, maximum and intermediate care, we have been providing care to many patients with COVID-19. We took care of them often for many weeks, and even months, with the utmost dedication and empathy, whilst ensuring compliance with the additional stringent safety measures without exception.

The pandemic meant not only that capacity utilisation was significantly lower at our hospitals in 2020 but also that elective procedures and non-urgent treatments had to be postponed to keep beds free for COVID-19 patients and to implement the new, more stringent (hygiene) requirements. At the same time, however, we also saw a huge increase in our personnel and material requirements, including for the extensive hygiene protection measures.

At the time of this Management Report being prepared it is foreseeable that the persisting pandemic situation will continue to weigh heavily on the hospitals also in 2021. Although the number of coronavirus infections is currently on the decline in Germany, there are still no signs that the medical or economic situation is relaxing at the hospitals. Rather, more hospitals than ever before are faced with an uncertain outlook.

Two big players – one common goal

With Asklepios Kliniken GmbH & Co. KGaA and RHÖN-KLINIKUM AG, two innovative groups are joining forces in a common mission. The partnership, successfully concluded in July with the voluntary public takeover offer made to the shareholders of RHÖN-KLINIKUM AG, gives the hospital network a new position of strength. Together, both partners will develop and promote path-breaking concepts of healthcare delivery to ensure we can continue providing excellent medical care. At the same time, they will strategically complement each other at all levels and act within the hospital network – creating outstanding value added, particularly given the tightening regulatory and demographic environment in the hospital sector.

Under one common entity this creates the ideal basis for meeting the challenges of the sector head-on and taking advantage of the Group's economies of scale for each individual hospital in the best possible way. To this end – in addition to the targeted economies of scale in the areas of purchasing and IT – we are also focusing our joint efforts on optimising clinical procedures and processes.

Universitätsklinikum Gießen und Marburg (UKGM) – the third-largest university hospital in Germany – plays a special key role in this partnership. With its five maximum and intermediate care hospital sites, RHÖN-KLINIKUM AG already today is a recognised name for excellent medical care with a direct tie-in to the two university hospitals and their research institutions. This strength has to be used in the future also – in the best interests of patients and employees at all sites of the Asklepios Group.

Corporate model

The principle underlying everything RHÖN-KLINIKUM AG does as a healthcare provider is "Don't do to others what you would not like done to yourself, and don't leave off doing anything that you would like done to yourself." It is characterised by expertise and knowledge, closeness and humanity, responsibility and integrity.

This corporate model defines the overall body of rules and guidelines and ensures the ethically sound activity within the Company. The areas of management of risks and opportunities, compliance, corporate governance as well as quality management are defined by it and form the key tools in this regard.

Corporate social responsibility

RHÖN-KLINIKUM AG wholly embraces sustainable commitment – as a provider of healthcare services, as an employer and as a Company. In this regard, our success is always inseparably bound up with medical, ecological and social responsibility.

In the Corporate Social Responsibility Report (CSR Report), we report on our social commitment. The Report includes the separate condensed non-financial report (NFR) pursuant to sections 315c in conjunction with sections 289c to 289e of the German Commercial Code (Handelsgesetzbuch, HGB). RHÖN-KLINIKUM AG thus fulfils its reporting requirements at the Company level and the Group level pursuant to the German CSR Directive Implementing Act (Richtlinie-Umsetzungsgesetz, CSR-RUG).

a) Improving the quality of life

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

We are committed to integrated care completely oriented to the needs of patients – at each individual facility as well as in cooperation with other facilities and sectors.

By harmonising excellent medical care and economic efficiency we are securing the future of socialised healthcare provision in Germany – a healthy hospital will also be around in the future, not just as a healthcare provider but also as employer and business from the region. In our strong healthcare network with a direct tie-in to university medicine, we specifically promote a professional exchange amongst our doctors and in nursing. With this knowledge transfer, we deliver cutting-edge medicine to the regions and thus secure access to advances in medical care also in rural regions.

b) Protecting the environment

A sound environment contributes to the well-being of our patients and the quality of life for everyone. For us, protecting the environment and being a conscientious steward of energy and water resources is inseparably bound up with responsible corporate governance. As a modern hospital group, we are committed to innovative technologies in technical building equipment, promote the development of new standards in energy supply and at all sites invest in sustainable, energy-saving technology.

c) Promoting and retaining employees

As one of the largest private healthcare providers in Germany and an attractive employer with 18,449 employees, RHÖN-KLINIKUM AG relies on having excellent staff. It is only thanks to them that we offer above-average medical care based on the latest medical research.

That is why continued and higher-qualification training are so important to us. We reach out to students early, run our own schools and train people for example in nursing, medical as well as commercial professions. We specifically promote the continued and higher-qualification training of all professional groups in the Group.

A wide array of human resources development and promotion measures as well as numerous offerings for balancing working and family life also make the Company an attractive employer and training entity, also nationally.

For further information on Corporate Social Responsibility, reference is made to the separate non-financial report in accordance with section 315c in conjunction with sections 289c to 289e of the HGB in the Annual Report published on our website www.rhoen-klinikum-ag.com/annual-report.

1.3 Objectives and strategies

With the takeover of RHÖN-KLINIKUM AG by Asklepios Kliniken GmbH & Co. KGaA, two innovative groups are joining forces for one mission: together, our objective is to develop and promote path-breaking concepts of healthcare delivery to ensure we can continue providing excellent medical care. Particularly in the context of an increasingly tighter regulatory and demographic environment in the hospital sector, we will strategically complement each other at all levels and act within the network. Under the common structure with Asklepios, we have created the ideal basis for meeting the challenges of our sector head-on and taking advantage of the Group's economies of scale for each individual facility and hospital in the best possible way. Both companies are united by the mission of jointly developing and promoting trailblazing concepts of healthcare delivery to ensure we can continue providing excellent medical care. We are putting this strength to use – in the best interests of patients and employees – at all sites of the network.

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

Our objective is to pursue new paths to uphold the standard of offering patients the best medical care. 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. In the future, too, we will vigorously and undauntedly pursue the necessary task of restructuring the healthcare system and implementing our corporate goals.

To continue improving patient care along the lines of our campus approach with a view to ensuring cross-sector and viable healthcare provision in Germany in the future, we are currently also looking at innovative remuneration and care models. For example, it is our joint objective with Asklepios to further develop what is referred to as the capitation model as well as to expand intermediate care prevention for cardiovascular diseases. The capitation model is a flat remuneration scheme in which part of the insurance risks is transferred to the service providers who thus assume a co-responsibility within a region. In return, they are given a greater degree of freedom and receive a flat remuneration fee per insured person. The flat remuneration fee completely covers the care provided over a particular period of time. We are convinced that a switch to such a model will put greater emphasis on both prevention and the efficiency of treatments.

Already for some time, we took a close look at the respective 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 continue to be consistently implemented. In a further step, we will review the efficiency reserves in OR, bed, duration-of-stay and discharge management as well as within administration.

Together with Asklepios, we will especially forge ahead with the digitalisation of our facilities and the hospital sector as a whole, thus further expanding our position as a trailblazer in the digital healthcare system.

Our objectives continue to be ambitious and present RHÖN-KLINIKUM AG and our employees with a wide array of challenges. We are in the midst of a process of transformation towards implementing our vision "RHÖN 2023". Our strategy and identity as an independent Company within the new network with Asklepios will gradually progress, the feeling of common identity and togetherness and our networks will further grow. Moreover, new prospects are emerging for us as an employer. We are very favourably positioned and are able to offer our existing and future employees a workplace in an exciting environment with attractive working conditions. People from over 70 nations work for RHÖN. Each day they work together in a team and do an outstanding job. At the same time we will support them – whether through a valuating structure of management and trust at the hospitals or by offerings allowing for a better work-life balance. For example, we are introducing a joint benefit programme for employees and an Employee Assistance Programme (EAP) at RHÖN-KLINIKUM AG to help employees cope with challenges in their professional or private lives.

With effect from 1 September 2020, RHÖN-KLINIKUM AG transferred 51% of its interests in Medgate Deutschland GmbH to its co-shareholder, Medgate Holding AG. Both contracting parties agree that the telemedicine will form an indispensable part of healthcare delivery in the future and meaningfully complements provision of inpatient and outpatient care both from a medical and from an economic perspective. At the same time RHÖN-KLINIKUM AG has also agreed with Medgate Holding AG that such fundamental cooperation will not be dependent on the rigid boundaries of a legal entity. As a result, Medgate Deutschland GmbH has been part of the corporate group of Medgate Holding AG since September 2020.

RHÖN-KLINIKUM AG will continue its active commitment in the area of telemedicine. Here RHÖN-KLINIKUM AG, in addition to other cooperation schemes already existing, will also explore potential cooperation opportunities with Asklepios Kliniken GmbH & Co. KGaA.

1.4 Controlling system

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

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

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

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

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

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

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

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

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

1.5 Quality

Every patient is entitled to the best possible medical care – every day, and around the clock. That is the central guiding principle of medical quality management and provision of medical services at RHÖN-KLINIKUM AG. Here, we strictly adhere to a comprehensive approach, with clinical risk management, hospital hygiene and medical controlling representing the most important elements in this scheme. Regular exchange between disciplines covering similar medical subjects and "classic" quality management thus gives rise to a stable and viable system – the quality concept of RHÖN-KLINIKUM AG.

To achieve this, comprehensive transparency is ensured by our quality reports. The consistent publication of the results gives patients, relatives, referring doctors and health insurance funds the possibility of informing themselves extensively on the treatment quality of our hospitals.

The Company understands quality management as an ongoing task which we deliberately and gladly take on. We are continually striving to further raise the quality of our care. That is the standard and yardstick we apply to ourselves.

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

1.6 Medical research and its transfer into practice

The continuous transfer of knowledge from research into daily clinical practice is key when it comes to providing excellent healthcare at RHÖN-KLINIKUM AG. Our hospitals work together in national and international research associations and projects and benefit from the close networking with the Company's university hospitals in Giessen and Marburg. Thanks to this direct link to university maximum care and the direct access to university research findings, we can translate state-of-the-art scientific findings quickly and precisely into hospital care and competently deliver the same to the regions.

Our hospital sites maintain an open scientific dialogue – whether as organisers of medical conferences, as partners in clinical trials and international research projects, as university teaching institutions or as providers of continued training measures for doctors.

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

1.7 Compliance

Acting in accordance with legislation and Company-wide ethical standards, i.e. compliance, is of key importance for RHÖN-KLINIKUM AG and ultimately serves the well-being of our patients. We have a comprehensive compliance management system in which the principles and rules of fair dealings with one another and responsible corporate governance are defined.

To facilitate implementing this compliance management system in practice, we have developed a code of conduct that is binding on all employees as well as a recommended procedure. It enables every employee to pursue our corporate objectives in accordance with our values.

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

1.8 Corporate Governance

Issued share capital

The subscribed capital of RHÖN-KLINIKUM AG stated in the consolidated financial statements is completely made up of 66,962,470 ordinary voting bearer shares (non-par shares) each having a nominal share in the registered share capital of € 2.50. Restrictions on voting rights or the transfer of shares – even if these may result from agreements of shareholders – do not exist or are not known to us. None of our shares is issued with special rights that confer on its holder special powers of control. Employees who hold shares exercise their voting rights freely. Shareholders may exercise their voting rights themselves at the Annual General Meeting or through proxies appointed for this purpose. Based on the threshold events notified to us, the following picture pursuant to section 33 et seq. of the WpHG in terms of shareholder structure emerges as at the relevant key date of 31 December 2020:

Person subject to notification requirement	Published on	Held directly %	Attributed %	Voting rights held %	Date that interest exceeds/falls below the threshold	Interest exceeding/ falling below threshold in the case of	Notification pursuant to section 33 et seq. WpHG Attributin pursuant to WpHG/ additional information:
Dr Bernard große Broermann/Eugen Münch; AMR Holding GmbH	23 July 2020/ 24 July 2020	0.0005	93.37	93.38	22 July 2020	> 75%	Attributed (section 34 WpHG): AMR Holding GmbH

Consolidated financial statements, communication with shareholders and analysts

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

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

Corporate bodies

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

In line with the principle of equal representation of shareholders and staff pursuant to the German Co-Determination Act (Mitbestimmungsgesetz) and the Articles of Association, the Supervisory Board of RHÖN-KLINIKUM AG comprises an equal number of employee and shareholder representatives (16) and held eleven meetings in 2020 (2019: five meetings). At the virtual Annual General Meeting on 19 August 2020, new elections for the Supervisory Board were held in which eight members of the shareholders stood for election. Dr Julia Dannath-Schuh, Prof Dr Gerhard Ehninger, Ms Irmtraut Gürkan, Mr Kai Hankeln, Dr Jan Liersch, Ms Nicole Mooljee Damani, Ms Christine Reissner as well as Mr Hafid Rifi were elected to the Supervisory Board. At the constituent meeting of the Supervisory Board, Dr Jan Liersch was elected as the body's new chairman. The new election of the eight employee representatives was held on 22 July 2020. Here, Mr Peter Berghöfer, Ms Regina Dickey, Mr Peter Ducke, Prof Dr Leopold Eberhart, Dr Martin Mandewirth, Dr Thomas Pillukat, Mr Oliver Salomon and Mr Georg Schulze were elected to the Supervisory Board with effect from 19 August 2020. There was one change in the Supervisory Board after the end of financial year 2020: Prof Dr Gerhard Ehninger notified the Company in the middle of December 2020 that he is resigning his mandate as member of the Supervisory Board of the Company. He thus left the Supervisory Board on 15 January 2021. The Supervisory Board therefore resolved already in January 2021 on the recommendation of the Nomination Committee to nominate Mr Marco Walker, COO of Asklepios Kliniken GmbH & Co. KGaA Hamburg, and managing director of Asklepios Kliniken Management GmbH, for the election to be held at the 2021 Annual General Meeting, to succeed Prof Dr Ehninger as member of the Supervisory Board of RHÖN-KLINIKUM AG for the remaining term of office. The application by the Board of Management of the Company to the Local Court of Schweinfurt to appoint Mr Marco Walker as member of the Supervisory Board of the Company until the conclusion of the Annual General Meeting was made on 11 February 2021. The five-year term of office of the Supervisory Board ends upon conclusion of the Annual General Meeting resolving on the formal approval of the actions of the Supervisory Board for financial year 2024. The Terms of Reference of the Supervisory Board provide that only candidates who are not more than 75 years of age at the time of the election are to be nominated for election as members of the Supervisory Board. As at 31 December 2020, 31.3% of the Supervisory Board is currently comprised of women and 68.7% of men. The Terms of Reference of the Supervisory Board provide for the formation of committees. Until 5 November 2020 there were seven standing committees: the Mediation Committee, Personnel Affairs Committee, Audit Committee, the Investment, Strategy and Finance Committee and the Committee for Compliance and Communication as committees with power to adopt resolutions, as defined in section 107 (3) of the AktG, and the Nomination Committee and Medical Innovation and Quality Committee. As of 5 November 2020 there have been six standing committees: the Mediation Committee as well as the Personnel Affairs Committee, the Audit Committee and the Committee for Deciding on Transactions with Related Parties within the meaning of section 111a of the AktG ("Related Party Committee") as committees with the power to adopt resolutions within the meaning of section 107 (3) AktG, as well as the Nomination Committee for candidates of the shareholders' representatives and the Medical Innovation and Quality Committee. The respective committee chairman report at regular intervals to the Supervisory Board on the work of the committees.

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

The Board of Management of RHÖN-KLINIKUM AG is responsible for directing the Company. In accordance with the Terms of Reference, its business operations are carried out under joint responsibility. The Board of Management reports regularly, without delay and comprehensively to the Supervisory Board on all significant issues relating to the business development and position of the Group and its subsidiaries. Within the Board of Management, Mr Stephan Holzinger (chairman of the Board of Management) resigned his Board mandate and all other offices with immediate effect on 22 June 2020. The Supervisory Board approved the termination by mutual consent of the Board of Management service contract of Mr Stephan Holzinger with effect on 30 September 2020. On 10 August 2020 the Supervisory Board of RHÖN-KLINIKUM AG appointed with effect from 15 August 2020 Dr Christian Höftberger and with effect from 1 September 2020 Dr Stefan Stranz as new members to the Board of Management. Dr Christian Höftberger was appointed by the Supervisory Board on 5 November 2020 as the new chairman of the Board of Management. The responsibilities within the Board of Management were adjusted accordingly.

As at 31 December 2020, the Board of Management of RHÖN-KLINIKUM AG is composed of four members: Dr Christian Höftberger (CEO), Prof Dr Bernd Griewing (CMO), Dr Stefan Stranz (CFO) and Dr Gunther K. Weiß (COO).

Remuneration Report

In the Remuneration Report, the principles applied in determining the remuneration of the Board of Management of RHÖN-KLINIKUM AG are summarised. Moreover, the structure and amount of the payments of the Board of Management as well as the principles and amount of the remuneration of the Supervisory Board are explained.

In 2020 the remuneration of the Board of Management is made up of fixed and variable components. The remuneration of the Supervisory Board exclusively comprises fixed components. The payments of each member of the Supervisory Board and the Board of Management are set out in tabular form in the Group Management Report.

Remuneration of the Board of Management

The aggregate remuneration of the members of the Board of Management is comprised of several remuneration components. Specifically, the remuneration is comprised of the base salary, the management profit sharing bonus, additional benefits (non-cash benefits) and in the case of individual member of the Board of Management a contingent retirement benefit.

The full Supervisory Board of RHÖN-KLINIKUM AG is responsible for determining the individual remuneration of the Board of Management after preparation by the Personnel Affairs Committee.

Essential provisions of Board of Management remuneration scheme

For presenting the remuneration scheme, a distinction is made at RHÖN-KLINIKUM AG between the service contracts of Board members which were entered into before and after the takeover of RHÖN-KLINIKUM AG by Asklepios Kliniken GmbH & Co. KGaA.

The statements below apply to the service contracts of Prof Griewing and Dr Weiß as well as to the Board member having resigned during the year under way, Mr Holzinger, and are based on the remuneration guidelines as defined by the Supervisory Board and applicable to these Board members.

Pursuant to the remuneration guidelines, the total payments of the members of the Board of Management are defined and reviewed by the Supervisory Board giving due regard to the criteria for assessing the reasonable and customary level of remuneration as well as the duties of each individual member of the Board of Management, to such member's personal performance, as well as to the economic position and success of the Company. Moreover, the total payments are not to exceed the customary level of remuneration unless there are special grounds for doing so. If the Company's economic position deteriorates, the Supervisory Board will lower the total payments subject to the provisions of section 87 (2) of the AktG if continuation of such total payments would be unreasonable.

The remuneration of the members of the Board of Management is comprised of a non-results-based and a results-based component as well as short-term and long-term incentives. The non-results-based part is comprised of the basic salary and fringe benefits, and the results-based component covers a management profit sharing component. Provisions for a minimum remuneration and for a cap on total remuneration have been put in place to compensate for unexpected earnings developments. The contingent retirement benefits are always based on the annual remuneration at the time when the service relationship is terminated. These benefits are thus influenced by the non-results-based and results-based components of the remuneration scheme.

The basic salary as a rule is € 192 thousand p.a. and is paid out as non-performance-linked remuneration in 12 equal monthly instalments. The members of the Board of Management also receive additional non-cash benefits essentially consisting in the value determined by the tax guidelines for use of a company car, the insurance premiums for accident insurance, moving expenses and the D&O insurance. Since use of a company car and the accident insurance premiums are remuneration components, each individual member of the Board of Management has to pay tax on these benefits. As a general rule, all members of the Board of Management are entitled to these in the same way, the amount of which varies depending on the member's personal situation.

The managing profit sharing element represents the results-based component of the remuneration. The multi-year or one-year assessment basis for its level is the development of the consolidated result after minority interests in accordance with the currently applicable IFRSs as the reference value. In the event that the consolidated result has been influenced by extraordinary developments, the one-off impacts of such developments are not included. The calculation of the management profit sharing bonuses is adjusted to the changed circumstances of the Group. The assessment basis of the management profit sharing bonuses follows from the average of consolidated results of the last three financial years weighted by the factors of 3, 2 and 1. The consolidated result which is furthest in the past is weighted with the lowest factor. The assessment basis for the former chairman of the Board of Management, Mr Holzinger, was calculated from the consolidated result of the year less a fixed predetermined basic amount. The consolidated result used as a basis is the consolidated result after minority interests in accordance with the currently applicable IFRSs. In the event that the consolidated result has been influenced by extraordinary developments, the one-off impacts of such developments are eliminated. The rate of management profit sharing is defined by the Supervisory Board individually for each member of the Board of Management on recommendation by the Personnel Affairs Committee, giving due regard to the performance, duties and number of terms of office.

As of financial year 2016, the members of the Board of Management receive a guaranteed total annual remuneration (sum of base salary and management profit sharing) of at least € 600 thousand. The caps are each represented individually and in the Group Management Report. The guaranteed total remuneration for the year is paid out in advance in twelve equal monthly instalments. As a general rule, the minimum remuneration and the cap can be fixed at up to 2.5 times these amounts for the chairman of the Board of Management and at up to twice these amounts for his permanent representative and the chief financial officer (CFO). In the event of a change of control at the level of RHÖN-KLINIKUM AG, the chairman of the Board of

Management has the right, within a period of four months, to resign from his Board of Management position and to give notice of termination of his service contract subject to a defined severance package.

If a service contract of a member of the Board of Management ends without this being attributable to good cause in the person of such member, or in the event of decease of the member of the Board of Management during such member's term of office, the member of the Board of Management receives (or, in the event of decease, that member's heirs receive) an old-age pension benefit in the form of a one-off payment. For each full year of work as member of the Board of Management, this benefit amounts to 0.125 times the annual payments (annual basic salary plus management profit sharing) for the calendar year in which such member leaves the Board of Management or deceases – not more than 1.5 times such latter payments, but at least 1.5 times the average remuneration during the contractual term for the term of work for the Board of Management. The retirement benefit is due and payable six months after the close of the financial year in which the service contract ends or the member of the Board of Management has deceased. As a rule, no old-age pension benefit is granted if a member of the Board of Management terminates the service contract of his/her own accord before reaching the age of 60 for a reason not attributable to the Company, or does not renew the service contract despite having received an offer for a renewal.

If a member of the Board of Management having terminated his activity on the Board of Management without good cause is granted severance compensation, the amount of such benefit including the additional benefits may not exceed the value of two years' remuneration and may not provide remuneration for more than the remaining term of the service contract.

Currently, pension commitments, loans and similar benefits are not granted to the members of the Board of Management.

For the Board service contracts of Dr Höftberger and Dr Stranz entered into in financial year 2020, the following provisions apply:

The remuneration of Dr Höftberger and Dr Stranz is comprised of a non-results-based and a results-based component. The non-results-based component is comprised of a fixed basic salary amounting to € 500 thousand (basic salary). In addition to the agreed basic salary, Dr Höftberger and Dr Stranz receive a variable remuneration (performance-linked management share in profit or tantieme/bonus) based on the annual target agreement to be entered into each year. Currently, and until an amendment to the bonus level, the maximum tantieme/bonus is € 250 thousand. In financial year 2020 the variable remuneration is granted pro rata temporis because of the agreements having been entered into during the year under way. Total remuneration in each case is limited to € 750 thousand p.a.

Dr Höftberger and Dr Stranz also receive additional non-cash benefits essentially consisting in the value determined by the tax guidelines for use of a company car, the insurance premiums for accident insurance, moving expenses and the D&O insurance. Since use of a company car and the accident insurance premiums are remuneration components, they have to pay tax on these benefits. As a general rule, Dr Höftberger and Dr Stranz are entitled to these in the same way, the amount of which varies depending on the members' personal situation.

In the event of early removal before the expiry of their term of appointment to the Board of Management, Dr Höftberger and Dr Stranz are each entitled to terminate their service contract on two weeks' notice for the end of the month following the removal. In such case they are entitled to 80% of their total remuneration which they still would have received in the event of their contracts having been continued to their end in accordance with the contractual provisions, unless the removal was validly effected for good cause attributable to them. However, the severance compensation shall amount to no more than double one total annual remuneration, with the amount of the total annual remuneration of the financial year ending before the termination or the financial year under way on termination to be applied, whichever total annual remuneration is lower.

In financial year 2020, the payments of the incumbent members of the Board of Management totalled € 2.7 million (previous year: € 4.0 million). Of this total, € 0.8 million (previous year: € 2.2 million) was accounted for by components that are not results-based and € 1.9 million (previous year: € 1.8 million) by variable components. The provision for claims to post-retirement benefits by the incumbent Board of Management in accordance with IFRS amounted to € 1.1 million (previous year: € 1.6 million) as at 31 December 2020. The remuneration of the members of the Board of Management no longer holding office as at the balance sheet date, or their surviving dependants, totalled € 3.3 million in financial year 2020 (previous year: € 1.1 million).

The total payments of the Board of Management break down as follows:

in € '000 Incumbent member of Board of Management	Dr Christian Höftberger (Chairman of Board of Management from 5 November 2020; member of Board of Management from 15 August 2020)					
	Inducements granted				Inflow	
	2020	2019	**2020 (min.)**	**2020 (max.)**	**2020**	2019
Base salary (fixed remuneration)	188	0	188	188	188	0
Fringe benefits	21	0	21	21	21	0
Total	**209**	**0**	**209**	**209**	**209**	**0**
One-year variable remuneration						
Management profit sharing	94	0	0	94	0	0
Total payments	**304**	**0**	**209**	**304**	**209**	**0**

in € '000 Incumbent member of Board of Management	Prof Dr Bernd Griewing (member of Board of Management)					
	Inducements granted				Inflow	
	2020	2019	**2020 (min.)**	**2020 (max.)**	**2020**	2019
Base salary (fixed remuneration)	192	192	192	192	192	192
Fringe benefits	12	12	12	12	12	12
Total	**204**	**204**	**204**	**204**	**204**	**204**
One-year variable remuneration						
Management profit sharing	1,008	1,008	1,008	1,308	1,008	1,008
Total payments	**1,212**	**1,212**	**1,212**	**1,512**	**1,212**	**1,212**
Pension expense[1]	165	157	165	165	0	0
Total remuneration	**1,377**	**1,369**	**1,377**	**1,677**	**1,212**	**1,212**

[1] Pension expenditure includes past service cost according to IAS 19.

in € '000 Incumbent member of Board of Management	Dr Stefan Stranz (member of Board of Management from 1 September 2020)					
	Inducements granted				Inflow	
	2020	2019	**2020 (min.)**	**2020 (max.)**	**2020**	2019
Base salary (fixed remuneration)	167	0	167	167	167	0
Fringe benefits	14	0	14	14	14	0
Total	**181**	**0**	**181**	**181**	**181**	**0**
One-year variable remuneration						
Management profit sharing	83	0	0	83	0	0
Total payments	**264**	**0**	**181**	**264**	**181**	**0**

in € '000

Incument member of Board of Management	Dr Gunther K. Weiß (member of Board of Management from 1 May 2018)					
	Inducements granted				Inflow	
	2020	2019	**2020 (min.)**	**2020 (max.)**	**2020**	2019
Base salary (fixed remuneration)	192	192	192	192	192	192
Fringe benefits	17	13	17	17	17	13
Total	**209**	**205**	**209**	**209**	**209**	**205**
One-year variable remuneration						
Management profit sharing	708	708	708	1,308	708	708
Total payments	**917**	**913**	**917**	**1,517**	**917**	**913**
Pension expense[1]	130	121	130	130	0	0
Total remuneration	**1,047**	**1,034**	**1,047**	**1,647**	**917**	**913**

[1] Pension expenditure includes past service cost according to IAS 19.

in € '000

Former member of Board of Management	Stephan Holzinger (Chairman of Board of Management until 16 June 2020; member of Board of Management until 22 June 2020; service relationship until 30 September 2020)					
	Inducements granted				Inflow	
	2020	2019	**2020 (min.)**	**2020 (max.)**	**2020**	2019
Base salary (fixed remuneration)	1,350	1,800	1,350	1,350	1,350	1,800
Fringe benefits	8	16	8	8	8	16
Total	**1,358**	**1,816**	**1,358**	**1,358**	**1,358**	**1,816**
One-year variable remuneration						
Management profit sharing	0	0	0	1,000	0	0
Total payments	**1,358**	**1,816**	**1,358**	**2,358**	**1,358**	**1,816**
Pension expense[1]	63	249	63	63	825	0
Severance payments	1,872	0	1,872	1,872	1,872	0
Total remuneration	**3,293**	**2,065**	**3,293**	**4,293**	**4,055**	**1,816**

[1] Pension expenditure includes past service cost according to IAS 19.

For the post-termination entitlements of Prof Griewing and Dr Weiß, the following provisions have been formed for post-employment benefits:

in € '000

Retirement benefits	Provision as at 31 Dec. 2019	Change in retirement benefits	**Provision as at 31 Dec. 2020**	Nominal amount on contract expiry[1]
Incumbent members of the Board of Management				
Stephan Holzinger	762	–762	0	0
Prof Dr Bernd Griewing	665	143	808	1,350
Dr Gunther K. Weiß	215	91	306	413
Total	**1,642**	**–528**	**1,114**	**1,763**

[1] Claim according to expiry of service contract of the incumbent members of the Board of Management based on remuneration.

Remuneration of the Supervisory Board

As part of the amendments to the Articles of Association resolved at the Annual General Meeting of RHÖN-KLINIKUM AG on 19 August 2020, an amendment to the remuneration of the Supervisory Board was adopted. The amendment to the Articles of Association took effect shortly after the Annual General Meeting on 24 August 2020 through recording in the commercial register.

The remuneration of the Supervisory Board is governed by section 14 of the Articles of Association. Below, the remuneration applicable based on the old version of the Articles of Association is presented, and then the remuneration based on the new version of the Articles of Association. The quantitative data in the tables following the statements contain cumulative data for full-year 2020.

1. Remuneration of the Supervisory Board of RHÖN-KLINIKUM AG on the basis of section 14 of the Articles of Association (old version):

The remuneration is performance-linked, taking into account the amount of time worked, the duties and the functional responsibilities assumed by the members of the Supervisory Board. The remuneration of the Supervisory Board is comprised of a fixed basic remuneration, a fixed attendance fee as well as a share in the annual fixed total remuneration.

The fixed basic remuneration is € 40 thousand for each full financial year. The chairman of the Supervisory Board receives three times, and the deputy chairman of the Supervisory Board twice the amount of the fixed basic remuneration. In the case of the fixed basic remuneration, a share of € 20 thousand is conditional on attendance of the plenary sessions and the Annual General Meeting. For each non-attendance, this share is reduced by one fifth.

For their participation in person in a meeting of the Supervisory Board, of a committee and of an Annual General Meeting, each member of the Supervisory Board receives a fixed attendance fee of € 2 thousand. The chairman of the Supervisory Board and the deputy chairman of the Supervisory Board shall receive double the amount of the fixed attendance fee. Chairman of Supervisory Board committees with power to adopt resolutions on behalf of the Supervisory Board shall also receive twice the aforementioned amount unless they hold office as chairman of the Supervisory Board or deputy chairman of the Supervisory Board at the same time. If a Supervisory Board member chairs several committees with power to adopt resolutions, he shall receive double the amount only once. Supervisory Board members belonging to the Supervisory Board during only part of the financial year receive a pro rata remuneration.

Moreover, the members of the Supervisory Board receive overall a fixed total remuneration equal to € 800 thousand per year. This fixed total remuneration is distributed amongst the individual members of the Supervisory Board in accordance with the terms of remuneration issued by the Supervisory Board. In addition to the responsibility assumed through exercising special duties, this duly reflects in particular also the time devoted by the individual member as well as the fluctuating workload of the members of the Supervisory Board during the course of the year.

All expenditures which members of the Supervisory Board incur in the performance of their mandate as well as the VAT payable on the payments are reimbursed. The Company's chauffeur service and an office including a secretariat are made available to the chairman of the Supervisory Board. No loans are granted by the Company to the members of the Supervisory Board.

2. Remuneration of the Supervisory Board of RHÖN-KLINIKUM AG on the basis of section 14 of the Articles of Association (new version):

The remuneration of the Supervisory Board is made up of a fixed basic remuneration and a fixed attendance fee.

The fixed basic remuneration is € 25 thousand for each full financial year. For the work on the committees of the Supervisory Board, the members of the Supervisory Board shall receive an additional remuneration. It shall amount to € 25 thousand for the chairman of the Audit Committee and € 10 thousand for the chairman of another committee. The corresponding remuneration shall be € 5 thousand for each member of the Audit Committee and € 2,5 thousand for each member of another committee.

Instead of the aforementioned basic remuneration and the remuneration for the work on committees, the chairman of the Supervisory Board shall receive a fixed annual remuneration of € 75 thousand. His deputies shall received, instead of the aforementioned basic remuneration and the remuneration for the work on committees, a fixed annual remuneration of € 50 thousand.

Members of the Supervisory Board who have not been on the Supervisory Board or a committee during a full year, or in each case have not held the chair or deputy chair of the Supervisory Board or the chair of a committee during a full year, shall receive the remuneration for each commenced calendar month of their activity pro rata temporis. The remuneration for committee activities on a pro rata temporis basis shall be conditional on the committee in question having met for the fulfilment of its duties during the period in question.

For their participation in person in a meeting of the Supervisory Board, of a committee and of an Annual General Meeting, each member of the Supervisory Board receives a fixed attendance fee of € 2 thousand for an in-person meeting. For joining a meeting by conference call or video conference, the fixed attendance fee shall amount to € 1 thousand. The chairman of the Supervisory Board and the deputy chairman of the Supervisory Board shall receive double the amount of the fixed attendance fee for the Supervisory Board and committee meetings chaired by them in each case.

All expenditures which members of the Supervisory Board incur in the performance of their mandate as well as the VAT payable on the payments are reimbursed.

RHÖN-KLINIKUM AG shall make available to the Supervisory Board an office including a secretariat with all personnel and material resources required for the work of the Supervisory Board as well as the Company's chauffeur service.

No loans are granted by the Company to the members the Supervisory Board.

In financial year 2020, the remuneration of the active members of the Supervisory Board was € 1.6 million (previous year: € 1.9 million). The total amount in 2020 was completely accounted for by fixed remuneration components.

Expenses (excluding VAT) for members of the Supervisory Board break down as follows:

in € '000

Total payments	**Total 2020**	Total 2019
Eugen Münch (until 19 August 2020)	219	352
Dr Jan Liersch (from 3 June 2020)	67	0
Georg Schulze	122	138
Wolfgang Mündel (until 19 August 2020)	196	296
Hafid Rifi (from 19 August 2020)	27	0
Dr Annette Beller (until 3 June 2020)	83	161
Peter Berghöfer	91	100
Prof Dr h. c. Ludwig Georg Braun (until 5 June 2019)	0	33
Nicole Mooljee Damani (from 19 August 2020)	18	0
Dr Julia Dannath-Schuh (from 3 June 2020)	40	0
Regina Dickey (from 19 August 2020)	18	0
Peter Ducke (from 19 August 2020)	15	0
Prof (apl.) Dr med. Leopold Eberhart (from 19 August 2020)	20	0
Prof Dr Gerhard Ehninger (until 15 January 2021)	68	59
Irmtraut Gürkan (from 19 August 2020)	18	0
Jan Hacker (from 5 June 2019 to 19 August 2020)	57	49
Stefan Härtel (until 19 August 2020)	55	82
Kai Hankeln (from 19 August 2020)	16	0
Klaus Hanschur (until 19 August 2020)	50	82
Meike Jäger (until 19 August 2020)	70	100
Dr med. Martin Mandewirth (from 19 August 2020)	18	0
Dr Brigitte Mohn (until 19 August 2020)	43	54
PD Dr med. Thomas Pillukat (from 19 August 2020)	15	0
Christine Reißner	81	100
Oliver Salomon	70	82
Evelin Schiebel (until 19 August 2020)	57	88
Dr Katrin Vernau (until 3 June 2020)	56	92
Natascha Weihs (until 19 August 2020)	57	80
	1,647	**1,948**

Shareholdings of members of corporate bodies

As at 31 December 2020, the members of the Supervisory Board and the Board of Management and their related parties together held, pursuant to Article 19 of the Market Abuse Regulation (MAR), 0.0% (previous year: 20.0%) of the Company's registered share capital, of which the Supervisory Board and its related parties account for 0.0% (previous year: 20.0%) of the shares in issue. As in the previous year, the members of the Board of Management and their related parties do not hold any interests in the registered share capital.

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

Other contracts containing a change-of-control clause

The company purchase agreements of the hospitals acquired by us contained provisions according to which, subject to the condition of a change of control as a result of a takeover bid for RHÖN-KLINIKUM AG, a retransfer of the company shares can be demanded. This rang true in particular for Universitätsklinikum Gießen und Marburg GmbH up to the end of financial year 2019. As at the balance sheet date of 31 December 2020, no such provisions exist.

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

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

As a result of the takeover of the majority of interests in RHÖN-KLINIKUM AG by Asklepios Kliniken GmbH & Co. KGaA, the aforementioned change-of-control clauses were triggered subject to a time limit. With a few exceptions, the strategic financing partners of RHÖN-KLINIKUM AG have continued their commitments.

1.9 Declaration on Corporate Governance

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

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

2 | ECONOMIC REPORT

2.1 Macroeconomic conditions

Economic output in Germany plunged in 2020 due to the COVID-19 pandemic. After bottoming in April, the German economy initially staged a robust recovery in the third quarter. In the fourth quarter, this economic recovery was then thwarted and put on hold by the second wave of COVID-19.. After having increased for ten years, gross domestic product contracted in 2020 by 5.0%. Sentiment amongst German companies has declined. After improving slightly from 90.9 points in November 2020 to 92.1 points in December 2020, the ifo Business Climate Index dropped to 90.1 points in January 2021.

The COVID-19 pandemic also had a clear impact on the German employment market in 2020. There was a steep rise in unemployment as well as in demand for short-time employment. The number of persons unemployed rose by 21.6% in December 2020 compared with the previous year. The jobless rate stood at 5.9% in December 2020 and remained stable compared with the previous month. In December of the previous year, the rate was 4.9%.

2.2 Sector-specific conditions

The German legislature responded to the COVID-19 pandemic with many different pieces of legislation and regulations. Of particular relevance for the healthcare industry is the Act Compensating COVID-19-Related Financial Burdens of Hospitals and Other Healthcare Facilities (COVID-19 Hospital Relief Act (COVID-19-Krankenhausentlastungsgesetz)). The Act provided for various measures, such as relief payments of € 560.00 daily for each hospital bed vacant compared with the average of the previous year and lump-sum amounts of € 50,000.00 for newly created intensive care beds. Each of these measures was limited in term to the end of the third quarter of 2020. Since in particular the relief payments for vacant hospital beds were insufficient for intermediate and maximum-care hospitals to cover regular costs, the "Regulation Amending the Relief Payments to Hospitals due to Extraordinary Burdens Resulting from the Coronavirus SARS-CoV-2 (COVID-19 Relief Payment Adjusting Regulation) (COVID-19-Ausgleichszahlungs-Anpassungs-Verordnung, AusglZAV) of 3 July 2020 defined differentiated lump-sum payments for determining relief payments of up to € 760.00 as of 13 July 2020. To finance the additional costs related to the pandemic, in particular for personal protective equipment (PPE), hospitals received a defined surcharge per patient during the period from 1 April to 30 September 2020. As of 1 October 2020, individual hospital surcharges equal to the amount of the proven additional costs may in principle be agreed with the payers.

With the Third Civil Protection Act (Third Act to Protect the Population in an Epidemic Situation of National Proportion (Drittes Gesetz zum Schutz der Bevölkerung bei einer epidemischen Lage von nationaler Tragweite)), which entered into force in November 2020, hospitals receive specific assistance for treating COVID-19 patients. This Act provides in particular for a continuation and modification of the relief payments for hospitals, e.g. the continuation of differentiated lump sum bed vacancy payments for each hospital bed vacant compared with the average of the previous year for the period from 18 November 2020 to 28 February 2021. These bed vacancy lump sums are paid from the federal states to certain hospitals that meet the predetermined care criteria, depending on the proportion of freely operable intensive care beds in the respective state or municipality and the seven-day incidences of new infections. Moreover, the relief payments for prevention and rehabilitation facilities and the authorisation of rehab hospitals to perform hospital treatments are extended until 28 February 2021. These measures in particular do not take account of the needs of university hospitals as well as maximum and intermediate care providers which to a special extent provide care nationally to patients requiring complex procedures. Here, the assessment criterion for purely state-specific incidence values fails to take account of the extent of the corresponding care mandate with large, national catchment areas and is totally unsuited as a means of assessing relief payments.

We therefore continue to appeal to the political players to grant sustainable relief for beds which cannot be occupied or are kept vacant, as well as to offset COVID-19-related additional costs and to remove the obstacles for hospitals in the form of bureaucratic red tape. Without such federal and state measures there is a considerable risk of insolvencies for many badly needed systemically relevant hospitals outside the Group of RHÖN-KLINIKUM AG and thus an accompanying weakening of the structures which are indispensable for fighting the COVID-19 pandemic as well as for treating non-COVID-19 patients.

The fundamental idea of limiting relief payments to the core phase of the pandemic is initially correct in its approach, but fails to recognise the difficulties of the subsequent start-up phase for a transitioned return to normal hospital operations. Despite existing fixed costs, no hospital, let alone the highly specialised university hospitals as well as providers of intermediate and maximum care, will be able to return patient numbers and consequently also revenues within just a few weeks to the levels seen before the crisis. In all cases this will take several months. During this time, the liquidity situation of the hospitals must also be ensured. Doing this is the task of the responsible federal and state politicians.

In September 2020 the Hospital Future Act (Krankenhauszukunftsgesetz, KHZG) was passed. It provides for investment funding for hospital modernisation, greater funding of emergency capacities and digital structures, as well as bonus payments to employees who had a particularly high workload from providing care to patients infected with COVID-19. The Act is a step in the right direction. But the investments contemplated in this new legislation will not be enough to remove the investment backlog of up to € 3 billion p.a. for all hospitals (excluding university hospitals) described in the RWI study "Krankenhäuser in privater Trägerschaft 2018" (Privately Owned Hospitals 2018). It is not least for that reason that we also reaffirm our demand for a sustainable expansion of investment funding. Federal, state and local government authorities must define a new path forward for objective implementation of investment financing of the healthcare system, independent of federal responsibilities. In this context, the existing divisions relevant in government grants along outpatient and inpatient lines must be abolished and thus overcome.

2.3 Business performance

2.3.1 Overall statement on economic position

Financial year 2020 was dominated in particular by the takeover of RHÖN-KLINIKUM AG by Asklepios Kliniken GmbH & Co. KGaA and the COVID-19 pandemic.

With revenues up by € 56.2 million (4.3%), we record a decline in EBITDA by € 45.1 million or 36.0% to € 80.2 million, a decline in EBIT by € 46.2 million or 81.3% to € 10.6 million, as well as a decline in consolidated result by € 42.0 million or 94.4% to € 2.5 million in financial year 2020 compared with the previous year.

In this regard the only limited comparability of the figures of financial year 2020 with the same period last year has to be noted. On the one hand, the same period of the previous year included one-off positive effects from the reversal of provisions for legal and tax risks in the amount of € 39.2 million and from the agreement reached on remuneration of the university outpatient units to the tune of € 6.9 million as well as the one-off expense-increasing effects of share-based remuneration of former members of the Management Board in the form of virtual shares amounting to € 1.0 million. On the other, the key figures of financial year 2020 include transaction-related expenses in the amount of € 8.0 million as well as one-off expenses of € 1.3 million relating to the termination of the service contract of the former chairman of the Board of Management. The decline in service volumes compares with income as a result of COVID-19 legislation in the total amount of € 94.1 million. Further discrepancies result from the new nursing regulation applicable from financial year 2020.

2.3.2 Trend in service volumes

	Hospitals	Beds
As at 31 December 2019	**8**	**5,312**
Change in capacities	–	–8
As at 31 December 2020	**8**	**5,304**

The change in capacities compared with 31 December 2019 is accounted for entirely by our acute inpatient capacities:

	Approved beds/ places		Change	
	31 Dec. 2020	31 Dec. 2019	absolute	in %
Inpatient capacities				
Acute hospitals	4,609	4,617	–8	–0.2
Rehabilitation hospitals and other inpatient facilities	500	500	0	0.0
	5,109	**5,117**	**–8**	**–0.2**
Semi-inpatient and day-clinical capacities	195	195	0	0.0
Total	**5,304**	**5,312**	**–8**	**–0.2**

As at 31 December 2020, we operate nine medical care centres with a total of 54.75 specialist practices:

	Medical care centres	Specialist practices
As at 31 December 2019	**7**	**47.50**
Opened/acquired		
MVZ Bad Berka	1	3.00
MVZ Bad Neustadt a. d. Saale	–	1.00
MVZ Frankfurt (Oder)	–	2.50
MVZ Marburg	–	1.00
MVZ MED	1	2.00
Disposals		
MVZ Bad Berka	–	–0.25
MVZ Bad Neustadt a. d. Saale	–	–2.00
As at 31 December 2020	**9**	**54.75**

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

January to December	**2020**	2019	Change absolute	Change in %
Inpatient and semi-inpatient treatments at our				
Acute hospitals	190,093	210,075	–19,982	–9.5
Rehabilitation hospitals and other facilities	4,079	5,067	–988	–19.5
	194,172	**215,142**	**–20,970**	**–9.7**
Outpatient attendances at our				
Acute hospitals	426,410	464,000	–37,590	–8.1
Medical care centres	188,073	181,386	6,687	3.7
	614,483	**645,386**	**–30,903**	**–4.8**
Total	**808,655**	**860,528**	**–51,873**	**–6.0**

The number of inpatient and semi-inpatient treatments is down 20,970 or 9.7%. This is attributable in particular to declining elective service volumes as well as ensuring available beds. Added to that was the impact of the COVID-19 pandemic on the outpatient area.

2.3.3 Results of operations

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

Consolidated performance figures developed as shown below:

in € million January to December	**2020**	2019	Change	Change in %
Income				
Revenues	1,360.1	1,303.9	56.2	4.3
Other income	207.0	229.9	–22.9	–10.0
Total	**1,567.1**	**1,533.8**	**33.3**	**2.2**
Expenditure				
Materials and consumables used	422.4	407.9	14.5	3.6
Employee benefits expense	917.4	867.0	50.4	5.8
Other expenditure	146.6	133.4	13.2	9.9
Result of impairment on financial assets	–0.2	0.2	–0.4	–200.0
Total	**1,486.2**	**1,408.5**	**77.7**	**5.5**
Expense from deconsolidation of subsidiaries	0.7	–	0.7	n. a.
EBITDA	**80.2**	**125.3**	**–45.1**	**–36.0**
Depreciation/amortisation and impairment	69.6	68.5	1.1	1.6
EBIT	**10.6**	**56.8**	**–46.2**	**–81.3**
Finance result	–6.7	–2.6	–4.1	–157.7
EBT	**3.9**	**54.2**	**–50.3**	**–92.8**
Income taxes	1.4	9.7	–8.3	–85.6
Consolidated result	**2.5**	**44.5**	**–42.0**	**–94.4**

Compared with financial year 2019, revenues witnessed a rise of € 56.2 million or 4.3%. The revenues of financial year 2020 include € 90.6 million in relief payments of the legislature in connection with the COVID-19 pandemic, which essentially relate to income from relief payments in the amount of € 82.4 million for bed capacities kept available. As in the same period of the previous year, income from the invoicing of an additional remuneration component for the medicamentous treatment of spinal muscle atrophy as well as income from the invoicing of an additional remuneration component for the treatment of multiple sclerosis are likewise recorded under this item. The above supplementary fees are remunerated along with the pure DRGs (diagnosis-related groups) and negatively impact the materials and consumables used item by nearly the same amount. Revenues further include cost reimbursements for cancer immunotherapies which were applied for the first time in the second quarter of financial year 2019 and negatively impact the materials and consumables used item by the same amount. Moreover, revenues of the previous year of € 9.0 million (before profit participation of employees) were helped by revenues from our university outpatient units not attributable to the period under review.

The decline in other income by € 22.9 million or 10.0% is essentially attributable to the income recognised in the same period of the previous year from the reversal of provisions for legal and tax risks on the basis of new knowledge in the amount of € 39.2 million. Furthermore, financial year 2020 was affected by the higher income from ancillary and incidental activities as a result, among other things, of higher sales of drugs and cytostatics. Other income of financial year 2020 also for the first time includes income of € 3.5 million from the legislator in connection with the COVID-19 pandemic.

in %	**2020**	2019
Materials ratio	31.1	31.3
Personnel ratio	67.4	66.5
Other cost ratio	10.8	10.2
Depreciation and amortisation ratio	5.1	5.2
Finance result ratio	–0.5	–0.2
Effective tax ratio	0.1	0.8

Compared with the same period last year, materials and consumables used witnessed a rise in financial year 2020, disproportionately moderate to the rise in revenues, by € 14.5 million or 3.6%. The materials ratio declined slightly from 31.3% to 31.1%. Materials and consumables used includes expenditures for the medicamentous treatment of spinal muscle atrophy, multiple sclerosis, and for the first time from the second quarter of 2019 expenses for cancer immunotherapies (e.g. of CAR T-cell therapy), which are remunerated in nearly the same amount and reported under revenues or other income. Adjusted for this effect, the materials ratio likewise diminished slightly from 29.5% to 29.3%.

In addition to a rise in the number of employees, general wage increases had an impact on the employee benefits expense compared with financial year 2019. The personnel expense ratio rose from 66.5% to 67.4%. Employee benefits expenses of financial year 2020 include one-off expenses in the amount of € 1.3 million in connection with the termination of the service contract of the former chairman of the Board of Management. By contrast, the employee benefits expense item of the same period last year recognised remuneration of former members of the Board of Management in the form of virtual shares amounting to € 1.0 million.

The other expenditure ratio rose from 10.2% to 10.8%. The rise in particular includes one-off transaction-related expenses relating to the takeover by Asklepios Kliniken GmbH & Co. KGaA amounting to € 8.0 million.

The positive result from the impairment on financial assets in the amount of € 0.2 million results from the adoption of IFRS 9, which among other things governs the future expected losses of financial assets. The improvement in the negative result recorded in the same period of previous year is essentially attributable to declining receivables owed from payers due to the COVID-19 pandemic.

In connection with the sale of the 51% interest in Medgate Deutschland GmbH in the third quarter of 2020 to its co-shareholder, Medgate Holding AG, an expense of € 0.7 million was generated from the deconsolidation.

The depreciation and impairment item rose compared with the same period of the previous year by € 1.1 million or 1.6% to € 69.6 million. The depreciation/amortisation ratio fell slightly from 5.2% to 5.1%.

The negative finance result deteriorated in financial year 2020 by € 4.1 million to € 6.7 million. The trend in the finance result is attributable among other things to breakage (prepayment) costs and the full-year impact of the registered bond issued in July 2019.

The income tax expense item declined by € 8.3 million compared with the same period last year. The decline is the result of a lower tax assessment basis. Moreover, a ruling by the German Federal Fiscal Court and the related risk provisioning had an adverse impact on expenditures during the same period of the previous year.

Consolidated result declined by € 42.0 million or 94.4% to € 2.5 million (previous year: € 44.5 million). Non-controlling interests in profit declined compared with the same period last year by € 0.2 million or 16.7% to € 1.0 million (previous year: € 1.2 million).

With revenues of € 1.4 billion, we met our forecast for revenues for 2020 made in the 2019 Group Management Report for € 1.4 billion within a range of plus or minus 5%. We also met the forecast for EBITDA made in the 2019 Group Management Report for financial year 2020 of between € 72.5 million and € 82.5 million with the actual figure of € 80.2 million.

The interest of RHÖN-KLINIKUM AG shareholders in profit for financial year 2020 declined by 96.5% to € 1.5 million (previous year: € 43.3 million) compared with the previous year. This translates into earnings per share of € 0.02 (previous year: € 0.65) in accordance with IAS 33.

The total result (sum of consolidated profit and other earnings) for financial year 2020 stands at € 4.8 million (previous year: € 46.8 million). In this connection, gains from changes in fair value through other comprehensive income (FVOCI) in the amount of € 2.1 million (previous year: € 2.2 million) as well as gains from the revaluation of defined benefit pension plans amounting to € 0.3 million (previous year: € 0.2 million) had to be recognised directly at equity.

2.3.4 Net assets and financial position

in € million

	31 Dec. 2020		31 Dec. 2019	
		in %		in %
ASSETS				
Non-current assets	1,063.2	65.2	1,068.9	65.5
Current assets	566.5	34.8	563.0	34.5
	1,629.7	**100.0**	**1,631.9**	**100.0**
LIABILITIES				
Shareholders' equity	1,190.2	73.0	1,185.8	72.7
Long-term loan capital	166.1	10.2	183.8	11.3
Short-term loan capital	273.4	16.8	262.3	16.0
	1,629.7	**100.0**	**1,631.9**	**100.0**

Compared with the balance sheet date of 31 December 2019, the balance sheet total declined slightly by € 2.2 million or 0.1% to € 1,629.7 million (previous year: € 1,631.9 million).

The equity capital ratio saw a slight rise compared with the last reporting date, from 72.7% to 73.0%, and remains at a very high level. As at 31 December 2020, equity stands at € 1,190.2 million (previous year: € 1,185.8 million). The increase in equity capital compared with the reporting date of 31 December 2019 by € 4.4 million results from consolidated result of financial year 2020 (€ 2.5 million), gains from the change in the fair value through other comprehensive income (FVOCI) (€ 2.1 million), gains from the revaluation of defined benefit pension plans (€ 0.3 million), and changes in consolidated companies (€ 0.3 million), on the one hand, and the equity-decreasing effects from dividend payments to non-controlling interests (€ 0.8 million), on the other.

127.6% (previous year: 128.1%) of non-current assets is nominally covered by equity and non-current liabilities at fully matching maturities. As at 31 December 2020, we report net liquidity of € 96.8 million (31 December 2019: € 65.4 million). Net liquidity is calculated as follows:

in € million

	31 Dec. 2020	31 Dec. 2019
Current cash	91.0	128.0
Current fixed term deposits	166.4	89.8
Non-current fixed term deposits	0.0	19.8
Cash, fixed term deposits	**257.4**	**237.6**
Current financial liabilities	0.9	0.9
Non-current financial liabilities	148.5	158.3
Liabilities under leases	11.2	13.0
Financial liabilities	**160.6**	**172.2**
Net liquidity	**96.8**	**65.4**

Including assets and liabilities held for sale.

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

in € million January to December	2020	2019
Cash generated from (+) /cash used in (–) operating activities	113.3	47.3
Cash generated from (+)/cash used in (–) investing activities	–135.2	–86.7
Cash generated from (+) /cash used in (–) financing activities	–15.1	35.1
Change in cash and cash equivalents	**–37.0**	**–4.3**
Cash and cash equivalents as at 1 January	128.0	132.3
Cash and cash equivalents as at 31 December	**91.0**	**128.0**
of which held-for-sale cash and cash equivalents as at 31 December	–	0.3
of which cash and cash equivalents not held for sale as at 31 December	**91.0**	**127.7**

Cash and cash equivalents decreased in financial year 2020 by € 37.0 million (previous year: € 4.3 million).

In this context, a positive operating cash flow was achieved in the amount of € 113.3 million (previous year: € 47.3 million). The rise in operating cash flow by € 66.0 million over the previous year compares with a € 48.5 million increase in cash used in investment activity as well as a € 50.2 million increase in cash used in financing activity, in each case compared with the previous year.

The increase in operating cash flow results among other things from payments in connection with COVID-19 legislation as well as the more rapid payments by the health insurance funds in connection with pandemic legislation. Whereas higher fixed deposit investments resulted in an increase in cash used in investment activity, the rise in cash used in finance activity was attributable to the partial repayment of our promissory note in 2020 due to a special termination right of the capital providers relating to the change of control following the public takeover offer by Asklepios Kliniken GmbH & Co. KGaA as well as the placement of a registered bond in financial year 2019.

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

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

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

As at the balance sheet date, we have cash investments available in the short term as well as available credit lines together amounting to roughly € 356.6 million.

2.3.5 Investments

Aggregate investments of € 105.4 million (previous year: € 103.8 million) in financial year 2020 are shown in the following table:

in € million	Use of grants	Use of own funds	Total
Current investments	23.2	81.2	101.4
Takeovers	–	1.0	1.0
Total	**23.2**	**82.2**	**105.4**

During financial year 2020, we invested a total of € 105.4 million (previous year: € 103.8 million) in intangible assets, in property, plant and equipment as well as in investment property. Of this total, € 23.2 million (previous year: € 27.5 million) relates to capital expenditure funded under the Hospital Financing Act (KHG), with the grants being reflected as a deduction from acquisition cost.

In the consolidated financial statements we report net investments of € 82.2 million (previous year: € 76.3 million). Current capital expenditure accounted for € 81.2 million (previous year: € 69.4 million) and assets and specialist practices acquired on takeovers for € 1.0 million (previous year: € 6.9 million) of total net investments during the year under review.

An analysis of investments financed from company funds by site in financial year 2020 is given below:

in € million	
Giessen, Marburg	33.8
Bad Neustadt a. d. Saale	33.0
Frankfurt (Oder)	8.2
Bad Berka	7.2
Total	**82.2**

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 31 December 2020, these investment obligations were fully met. There are also further obligations relating to building modernisation and extension measures at the Giessen and Marburg sites due to be completed by 31 December 2024. As at the balance sheet date, we do not have any investment obligations under company acquisition agreements entered into.

2.3.6 Employees

On 31 December 2020, the Group employed 18,449 persons (31 December 2019: 18,142):

Number	
As at 31 December 2019	**18,142**
Change in employees at hospital companies	374
Change in employees at medical care centre companies	25
Change in employees at service companies	–92
As at 31 December 2020	**18,449**

Doctors accounted for 15.0% (previous year: 15.1%) of the total headcount on the reporting date, while nursing and medical-technical staff accounted for 54.2% (previous year: 53.4%). On average over the year, we recorded a rise of 1.91% in full-time staff. As in the previous year, the share of women remains at around 72%.

3 | FORECAST REPORT

3.1 Strategic objectives

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

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

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

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

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

3.2 Economic and legal environment

Leading economists as well as the German government expect economic performance in Germany to turn out worse than initially believed as a result of the second wave of coronavirus and the resulting shutdown. The further trend will be influenced to a decisive extent by the further course of the pandemic and the measures taken to contain it. After the 5.0% slump in economic output in 2020, the German government expects gross domestic product to grow by 3.0% in 2021. Sentiment amongst German entrepreneurs has declined. They assess their current situation to be worse than in December 2020. The Business Climate Index of the ifo Institute declined from 92.2 points in December 2020 to 90.1 points in January 2021. The indicator for the current situation fell from 91.3 points in December 2020 to 89.2 points in January 2021.

It is now emerging that the COVID-19 pandemic will continue to have a considerable impact on the German labour market. The forecast jobless rate, according to the German government, will likely remain at roughly 5.8% in 2021. In December 2020 the rate was 5.9%, after 4.9% in December 2019.

The legislator's tightened regulatory regime for hospitals such as the Regulation on Nursing Staff Floors (Pflegepersonaluntergrenzen-Verordnung, PpUGV), the Nursing Staff Strengthening Act (Pflegepersonalstärkungsgesetz, PpSG) and minimum volume requirements will result in a market consolidation which in the end will likely see fewer hospitals in Germany. This is the conclusion reached by studies conducted by RWI – Leibniz-Institut für Wirtschaftsforschung e. V. as well as the Bertelsmann Foundation.

As for the entire industry as well, rising demand for specialists and the related shortage of qualified staff are issues of key importance for us. Particularly during the COVID-19 pandemic, weaknesses in staffing within the German healthcare system became and are becoming all the more visible. According to the DKI, at the end of 2019 three quarters of the hospitals were having problems filling vacancies in intensive care or on general wards. At the national level, some 17,000 nursing positions (and rising) are vacant – since 2016 an increase of 50% in intensive care and more than 200% on general wards.

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

3.3 Forecast

Also in the coming year, the economic basis of the RHÖN-KLINIKUM Group will be provided by its five large sites in four federal states counting some 5,300 beds and roughly 18,450 employees. That ranks us amongst the large hospital operators in Germany.

For the coming financial year, we expect revenues of € 1.4 billion within a range of plus or minus 5%. For earnings before interest, tax and depreciation/amortisation (EBITDA), we expect a level of between € 72.5 million and € 82.5 million.

This forecast reflects the further heightened regulatory interference by the German legislator, such as the Regulation on Nursing Staff Floors (Pflegepersonaluntergrenzenverordnung, PpUGV) and the Nursing Staff Strengthening Act (Pflegepersonalstärkungsgesetz, PpSG).

We point out that our outlook is further subject to considerable uncertainties in connection with the further course of the COVID-19 pandemic and any regulatory measures impacting our remuneration structure in 2021.

4 | OPPORTUNITIES AND RISK REPORT

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

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

4.1 Risk report

4.1.1 Risk management system

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

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

Definition

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

Risk management process

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

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

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

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

The analysis and evaluation of the relevant risks is the task of the respective persons entrusted with such responsibility. In the case of risk analysis and evaluation, their probability of occurrence and potential monetary impact (amount of damage) are derived with an explanation being given on the evaluation assumptions (gross valuation). The case to be assessed is the most realistic one, with the potential amount of damage being calculated as the impact on earnings before tax with future reference to the financial year and for the risk period.

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

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

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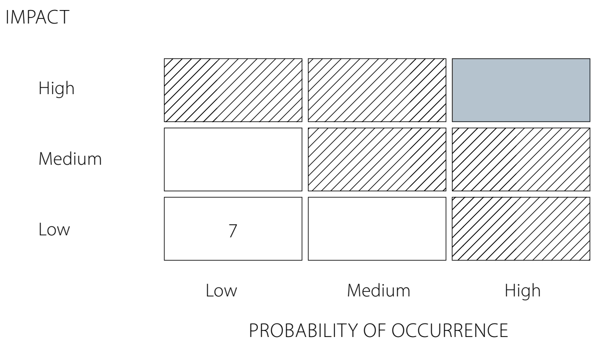
4.1.2 Risk assessment

Not all risks are to be weighted equally. To ensure efficient risk management, we perform a systematic assessment of the risks identified. Within the context of risk evaluation, the probability of occurrence and potential monetary impact of the risk are determined, also giving due regard to already existing and planned measures. Using a risk matrix, probability of default and impact of risks are classified to the three levels low, medium and high. Risks whose probability of occurrence and impact are high are classified as posing a threat to the Company's existence. We classify a medium probability of occurrence as being greater than 30%, and a high probability of occurrence as greater than 70%. Generally, all risks meeting the definitions of the Group risk guideline are to be reported, irrespective of their risk amount. Risks posing a threat to the Company's existence are assessed as high.



Throughout the Group, seven relevant risks from various risk fields were reported. No risks posing a threat to the Company's existence were identified. Based on the risk assessment and giving due regard to the measures initiated, all risks are classified as being low. We continue to rate the overall risk position as low. We expect a risk expectation value for the full year of roughly € 0.33 million. Given the developments in service volumes as well as further cost-cutting potential, these risks should not have any material impact on planning for 2021.

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

General environment and industry risks

We are affected only indirectly by developments in the German economy since healthcare spending is influenced by contribution volumes of the insured and thus by the job market situation. We are for the most part unaffected by foreign economic factors given our exclusive focus on the German healthcare market.

Compared with the previous years, one new aspect relates to the risks associated with the COVID-19 pandemic. In this regard our focus, in addition to providing the best possible medical care for our patients, is on coping with the corresponding economic impacts. At the same time we do not consider the measures taken so far to be adequate to maintain the economic performance of hospitals with the growing burdens they face. To secure objective patient care it is imperative to cut bureaucratic red tape and improve the liquidity situation of the hospital sector. If that does not succeed, this runs the risk of triggering a wave of insolvencies of badly needed hospitals.

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

Furthermore, the industry environment is marked by heightened influences from healthcare policy regulation. Particularly the continued development of nursing regulation (PpUGV) and the changes brought in by the Nursing Staff Strengthening Act (Pflegepersonalstärkungsgesetz, PpSG) create new levels of bureaucracy, and instead of making the medical and nursing professions more attractive will continue to put a drag on earnings. To implement successfully the dynamic potential and complexity of digitalisation, policy framework conditions have to be created where patients must be the focus of interest. For us, digitalisation is one of the prerequisites for innovations and better healthcare delivery.

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

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

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

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

Risks to service volumes

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

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

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

Operating risks

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

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

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

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

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

Personnel risks

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

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

In cooperation with Asklepios Kliniken GmbH & Co. KGaA we already succeeded in 2020 in recruiting 43 new, urgently needed foreign nurses for Universitätsklinikum Gießen und Marburg GmbH.

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

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

Procurement risks

For materials procurement in the areas of medical facilities, equipment as well as supplies, we rely on external providers. These business ties can give rise to risks that are triggered, for example, by delivery and quality problems. This became visible in financial year 2020 in the area of personal protective equipment (PPE).

In the area of materials management, RHÖN-KLINIKUM AG is working together closely with Asklepios Service Einkauf & Versorgung GmbH. In the autumn of 2020, a cooperation agreement was entered into here to ensure greater certainty of supply to the sites on adequate terms. Thanks to the cooperation agreement and the measures already taken, we continue to assess the risk in this area as low overall.

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

Financial risks

Our Company is characterised by a high and sound capital base, a sustainable internal financing strength and a strong liquidity position in the triple-digit million euro range. With a few exceptions, our strategic financing partners have continued their commitment, also after completion of the takeover of RHÖN-KLINIKUM AG by Asklepios Kliniken GmbH & Co. KGaA. Our three-pronged financing strategy consisting of a syndicated, undrawn line of credit, a promissory note and a long-term registered bond thus continues.

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

Since we operate exclusively in Germany, we are not subject to any transaction and currency risks. No securities (except for 24,000 treasury shares) are held within the Group of RHÖN-KLINIKUM AG. Likewise, there are no corresponding credit rating and share price risks either.

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

Overall assessment

RHÖN-KLINIKUM AG has implemented risk reduction measures. In the context of the risk evaluation for financial year 2020 on a net view of risks, no risks were identified that are or will be very likely to have a serious adverse impact on the aspects. Neither were any risks posing a threat to the Company's existence reported. The principles of the statutorily prescribed system of early identification of risks jeopardising the Company's existence were continued in the reporting year as in the previous years.

As an overall assessment based on our analysis of the risk position within the Group and at its subsidiaries for financial year 2020, we have concluded that there are no risks that could endanger the existence of the subsidiaries or the Group of RHÖN-KLINIKUM AG, and do not see any matters having an adverse effect on corporate development. The risks at the individual companies as well as at the Group as a whole continue to be rated as low.

4.2 Report on opportunities

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

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

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

The Expert Panel on Hospital Concepts (Fachkommission Krankenhauskonzepte) has been established as a new working group. Made up of six members comprising internal experts as well as external experts relating to both companies, this body works like a think tank for the entire Group to research, develop and assess path-breaking ideas and concepts of the healthcare system intended to promote the business operations of Asklepios and RHÖN-KLINIKUM AG. These include synergy effects in the management of the partnership, optimising ratios of investment and government grants or developing a general healthcare fund model with a view, through a regionalised assessment, to predict the changes in Group sites to be expected and to forge ahead with developing new forms of remuneration (capitation).

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

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

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

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

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

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

The Group's accounting process is organised in such a way that for each of the subsidiaries on each reporting date – i.e. monthly, quarterly and annually – a financial statement according to the HGB is prepared in the Group's own data centres based on a uniform Group-wide accounting guideline and a uniform Group-wide accounting programme. From these financial statements, a consolidated financial statement is derived for each quarter in accordance with the International Financial Reporting Standards (IFRSs). The data for the financial statements of the subsidiaries are aggregated to form one consolidated financial statement using certified consolidation software after capital consolidation and a consolidation of expenses and earnings, receivables and liabilities as well as an elimination of any intercompany profits. IFRS-relevant revaluations and/or reclassifications are performed at the Group level according to uniform accounting and valuation methods.

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

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

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

Bad Neustadt a. d. Saale, 23 February 2021

RHÖN-KLINIKUM Aktiengesellschaft
THE BOARD OF MANAGEMENT

Prof Dr Bernd Griewing   Dr Christian Höftberger   Dr Stefan Stranz   Dr Gunther K. Weiß

Consolidated financial statements

Consolidated balance sheet

31 DECEMBER 2020

ASSETS

in € '000	Notes	31 Dec. 2020	31 Dec. 2019 [1]
Non-current assets			
Goodwill and other intangible assets	6.1	181,627	178,128
Property, plant and equipment	6.2	865,554	858,151
Investment property	9.3.2	2,208	2,349
Investments accounted for using the equity method	6.4	394	388
Deferred tax assets	6.3	1,472	626
Other financial assets	6.5	11,981	29,290
		1,063,236	**1,068,932**
Current assets			
Inventories	6.6	35,239	28,437
Trade receivables	6.7	193,900	226,606
Other financial assets	6.8	231,232	167,928
Other assets	6.9	11,968	10,479
Current income tax assets	6.10	3,140	1,482
Cash and cash equivalents	6.11	90,955	127,694
Held-for-sale assets	4	–	361
		566,434	**562,987**
		1,629,670	**1,631,919**

[1] adjusted

EQUITY AND LIABILITIES

in € '000	Notes	31 Dec. 2020	31 Dec. 2019 [1]
Shareholders' equity			
Issued share capital	6.12	167,406	167,406
Capital reserve		574,168	574,168
Other reserves		423,831	420,006
Treasury shares		–76	–76
Equity attributable to shareholders of RHÖN-KLINIKUM AG		1,165,329	1,161,504
Non-controlling interests in equity		24,892	24,305
		1,190,221	**1,185,809**
Non-current liabilities			
Financial liabilities	6.13	148,460	158,315
Provisions for post-employment benefits	6.14	1,114	1,642
Other financial liabilities	6.17	16,498	23,807
		166,072	**183,764**
Current liabilities			
Financial liabilities	6.13	943	943
Trade payables	6.16	80,707	64,643
Current income tax liabilities	6.19	11,388	16,417
Other provisions	6.15	32,393	33,837
Other financial liabilities	6.17	14,922	13,119
Other liabilities	6.18	133,024	133,296
Held-for-sale liabilities	4	–	91
		273,377	**262,346**
		1,629,670	**1,631,919**

[1] adjusted

Consolidated income statement

1 JANUARY TO 31 DECEMBER 2020

in € '000	Notes	**2020**	2019
Revenues	5.1	1,360,159	1,303,898
Other income	5.2	206,983	229,938
		1,567,142	**1,533,836**
Materials and consumables used	5.3	422,435	407,923
Employee benefits expense	5.4	917,368	866,975
Depreciation/amortisation and impairment	5.5	69,628	68,522
Other expenses	5.6	146,565	133,460
Result of impairment on financial assets	5.7	–183	152
		1,555,813	**1,477,032**
Expense from deconsolidation of subsidiaries	4.0	732	–
Operating result		**10,597**	**56,804**
Result of investments accounted for using the equity method	5.9	87	80
Finance income	5.9	829	194
Finance expenses	5.9	–7,391	–2,976
Result of impairment on financial investments	5.9	–190	140
Finance result (net)	5.9	**–6,665**	**–2,562**
Earnings before taxes		**3,932**	**54,242**
Income taxes	5.10	1,469	9,763
Consolidated profit		**2,463**	**44,479**
of which			
non-controlling interests	5.11	1,012	1,202
shareholders of RHÖN-KLINIKUM AG		1,451	43,277
Earnings per share in €			
undiluted	5.12	0.02	0.65
diluted	5.12	0.02	0.65

Consolidated statement of comprehensive income

1 JANUARY TO 31 DECEMBER 2020

in € '000	Notes	2020	2019
Consolidated profit		**2,463**	**44,479**
of which			
non-controlling interests		1,012	1,202
shareholders of RHÖN-KLINIKUM AG		1,451	43,277
Changes in fair value through other comprehensive income (FVOCI)	6.5	2,489	2,560
Income taxes	6.3	–394	–405
Other comprehensive income (changes in fair value through other comprehensive income) not subsequently reclassified to income statement		**2,095**	**2,155**
Revaluation of defined benefit pension plans	6.14	331	196
Income taxes	6.3	–52	–31
Other comprehensive income (revaluation of pension plans) not subsequently reclassified to income statement		**279**	**165**
Other comprehensive income [1]		**2,374**	**2,320**
of which			
non-controlling interests		–	–
shareholders of RHÖN-KLINIKUM AG		2,374	2,320
Total comprehensive income		**4,837**	**46,799**
of which			
non-controlling interests		1,012	1,202
shareholders of RHÖN-KLINIKUM AG		3,825	45,597

[1] Sum of value changes recognised directly at equity.

Statement of changes in equity

in € '000	Issued share capital	Capital reserve	Retained earnings	Treasury shares	Equity attributable to shareholders of RHÖN-KLINIKUM AG	Non-controlling interests in equity [1]	Equity
As at 31 Dec. 2018/1 Jan. 2019	**167,406**	**574,168**	**393,821**	**–76**	**1,135,319**	**23,903**	**1,159,222**
Equity transactions with owners							
Dividend payments	–	–	–19,412	–	–19,412	–947	–20,359
Consolidated profit	–	–	43,277	–	43,277	1,202	44,479
Other comprehensive income	–	–	2,320	–	2,320	–	2,320
Other changes							
Changes in consolidated companies	–	–	–	–	–	147	147
As at 31 Dec. 2019	**167,406**	**574,168**	**420,006**	**–76**	**1,161,504**	**24,305**	**1,185,809**
As at 31 Dec. 2019/1 Jan. 2020	**167,406**	**574,168**	**420,006**	**–76**	**1,161,504**	**24,305**	**1,185,809**
Equity transactions with owners							
Dividend payments	–	–	–	–	–	–751	–751
Consolidated profit	–	–	1,451	–	1,451	1,012	2,463
Other comprehensive income	–	–	2,374	–	2,374	–	2,374
Other changes							
Changes in consolidated companies	–	–	–	–	–	326	326
As at 31 Dec. 2020	**167,406**	**574,168**	**423,831**	**–76**	**1,165,329**	**24,892**	**1,190,221**

[1] Including other comprehensive income (OCI).

Statement of cash flows

in € million	Notes	2020	2019
Earnings before taxes		3.9	54.2
Finance result (net)	5.9	6.7	2.7
Depreciation/amortisation and impairment and gains/losses on disposal of assets	5.5	69.8	68.1
		80.4	**125.0**
Change in net current assets			
Change in inventories	6.6	–6.8	–2.2
Change in trade receivables	6.7	32.7	–11.2
Change in other financial assets and other assets	6.8 et seq.	11.5	–24.2
Change in trade payables	6.16	10.6	–4.7
Change in other net liabilities/other non-cash transactions	6.15/6.17 et seq.	–0.5	11.8
Change in provisions	6.14 et seq.	–1.6	–42.2
Income taxes paid	5.10	–9.5	–3.1
Interest paid		–3.5	–1.9
Cash generated from operating activities		**113.3**	**47.3**
Investments in property, plant and equipment and in intangible assets	6.1 et seq.	–97.0	–114.5
Government grants received to finance investments in property, plant and equipment and in intangible assets		23.2	27.5
Change in investments in fixed term deposits	6.5/6.8	–57.0	5.0
Investments in financial assets	6.5	0.1	–2.2
Acquisition of subsidiaries, net of cash acquired	4	–5.0	–3.4
Sale of subsidiaries, net of cash sold	4	–1.0	–
Sale proceeds from disposal of assets		0.7	0.7
Interest received		0.8	0.2
Cash used in investing activities		**–135.2**	**–86.7**
Payments on contracting of financial liabilities	6.13	–	59.0
Transaction costs of borrowing/of repayment of financial liabilities	6.13	–1.0	–0.3
Repayment of financial liabilities	6.13	–10.0	–
Principal payments for leases	9.3	–3.4	–3.4
Dividend payments to shareholders of RHÖN-KLINIKUM AG	6.12	–	–19.4
Payments to non-controlling interests in equity	6.12	–0.7	–0.8
Cash used in/cash generated from financing activities		**–15.1**	**35.1**
Change in cash and cash equivalents	6.11	–37.0	–4.3
Cash and cash equivalents as at 1 January		128.0	132.3
Cash and cash equivalents as at 31 December		**91.0**	**128.0**
of which held-for-sale cash and cash equivalents as at 31 December	4	–	0.3
of which cash and cash equivalents not held for sale as at 31 December	6.11	**91.0**	**127.7**

Notes

CONTENTS

1 | 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. Moreover, outpatient structures in the form of medical care centres are also being expanded. 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 since 1989. The registered office of the Company is in Bad Neustadt a. d. Saale, Salzburger Leite 1, Germany. The Company is entered in the Commercial Register of the Register Court of Schweinfurt under HRB 1670. The RHÖN-KLINIKUM Group (smallest consolidation group) is indirectly included by way of full consolidation through AMR Holding GmbH, Königstein im Taunus, in the group financial statements of Broermann Holding GmbH, Königstein im Taunus (largest consolidation group). Its equity interest in RHÖN-KLINIKUM AG is 86.4%. Furthermore, the RHÖN-KLINIKUM Group is included in the subgroup financial statements of Asklepios Kliniken GmbH & Co. KGaA, Hamburg.

2 | ACCOUNTING POLICIES

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

2.1 Principles applied to the preparation of the financial statements

The consolidated financial statements of RHÖN-KLINIKUM AG for the year ended 31 December 2020 have been prepared applying section 315e of the German Commercial Code (Handelsgesetzbuch, HGB) in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as well as the related Interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), which are the subject of mandatory adoption in accordance with the European Parliament and Council Directive number 1606/2002 concerning the application of international accounting standards in the European Union in financial year 2020. No early adoption of new Standards is planned at this time.

a) New accounting rules from financial year 2020

The following new or revised Standards and Interpretations are adopted by the European Union and to be applied as of financial year 2020. As far as can be seen at present, they have no practical relevance, no material impact or no impact for the consolidated financial statements of RHÖN-KLINIKUM AG as of financial year 2020 as well as subsequent years:

Standard/Interpretation			Mandatory adoption date	Endorsement[1]	Impact
Amendments	IAS 1, IAS 8	Presentation of Financial Statements, Accounting Policies	1 Jan. 2020	Yes	No practical relevance
Amendments	IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform	1 Jan. 2020	Yes	No practical relevance
Amendments	IFRS 3	Business Combinations, Definition of a Business	1 Jan. 2020	Yes	No material impact
Amendments	IFRS 16	Leases	1 June 2020	Yes	No practical relevance
Amendments	Miscellaneous	Conceptual Framework for IFRS Standards	1 Jan. 2020	Yes	No impact

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

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

Amendments to IAS 1, IAS 8: "Presentation of Financial Statements, Accounting Policies"

The amendments harmonise the definition of materiality in all IFRSs and in the Framework Concept of the IFRS. The definition reads: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." It is clarified that the question of whether information is material depends on the nature of the information and/or the extent to which it influences the underlying item. In this context, the concept of the obscuring of information is newly introduced with the amended definition of materiality. A case of obscuring exists if the effects resulting from obscuring information are similar to those resulting from such information being omitted or misrepresented. This is e.g. the case if the language used to describe items is vague or unclear, coherent information regarding an item is disaggregated or scattered in different places in the financial statements, or dissimilar items are inappropriately aggregated. Lastly, material information can also be obscured by being hidden by immaterial information. To facilitate use of the term of materiality in the future, the IASB also explains the group of primary users of financial statements, such as existing and future investors, lenders and other creditors who – in the absence of alternative possibilities of direct access – have to resort to the information contained in the financial statements. The amendments to IAS 1, IAS 8 are to be applied to financial years beginning on or after 1 January 2020, and are of no practical relevance for RHÖN-KLINIKUM AG.

Amendments to IFRS 9, IAS 39, IFRS 7: "Interest Rate Benchmark Reform"

The amendments to the Standards provide for particular reliefs in connection with the IBOR reform. The reliefs provide for a temporary exemption from the application of specific hedge accounting requirements for hedging relationships which are directly affected by the IBOR reform and result in the IBOR reform not generally leading to the termination of the hedge accounting relationship. However, any ineffectiveness is to continue to be recognised in the income statement. The amendments are to be applied to financial years beginning on or after 1 January 2020. They are of no practical relevance for RHÖN-KLINIKUM AG.

Amendments to IFRS 3: "Business Combinations, Definition of a Business"

Pursuant to the amendment, the existence of a business, in addition to economic resources (inputs), at least also requires a substantive process which together with the inputs creates the ability to generate output. In this regard, output is deemed to be only the provision of goods and services for customers as well as the generating of returns on investment and other income. Mere cost reductions do not suffice to differentiate the acquisition of a business from the acquisition of a group of assets. Likewise, the analysis – to which different interpretations were applied in practice – to be performed to determine whether a market participant is capable of replacing any missing inputs or processes and continuing to produce outputs was removed. Instead, the applicable criterion is that the acquired inputs and processes significantly contribute to the ability to create outputs. A "concentration test" may be performed to assess whether a business or merely a group of assets was acquired. The amendments are applicable for the first time to company acquisitions whose date of acquisition is in financial years beginning on or after 1 January 2020. They are of no material relevance for RHÖN-KLINIKUM AG.

Amendments to IFRS 16: "Leases"

The amendments grant lessees an optional relief in the assessment of whether a rent concession (e.g. rent deferral or forgiveness) in connection with COVID-19 is a modification. In this context the lessee may elect to forego the assessment of whether a rent concession constitutes a lease modification directly related to the COVID-19 pandemic with reference to lease payments, instead accounting for it as if it were not a lease modification. The relief may be applied only to rent concessions directly relating to the COVID-19 pandemic which reduce lease payments falling due by 30 June 2021. Further requirements are that the changed consideration is substantially the same or less than the consideration immediately preceding the change and that there is no substantive change to other terms and conditions of the lease. The amendments are to be applied as of 1 June 2020 to financial years beginning on or after 1 January 2020. They are of no practical relevance for RHÖN-KLINIKUM AG.

Miscellaneous amendments: "Conceptual Framework for IFRS Standards"

The IASB has revised its Framework Concept for Financial Reporting. The revision of the conceptual framework does not result in the amendment of any existing IFRSs. However, entities which develop their own accounting policies in the absence of IFRS rules with reference to the conceptual framework must take the latter as a basis for the future and determine whether as a consequence the existing accounting policies are still applicable. The amendments meant that the references in some IFRSs have been adjusted to the new, revised conceptual framework of IFRS. The amendments are to be applied to financial years beginning on or after 1 January 2020, and have no impact on the net assets, financial position and results of operations of RHÖN-KLINIKUM AG.

b) New accounting rules from financial year 2021 and subsequent financial years

The following Standards and Interpretations newly published by the IASB – to the extent adopted by the European Union – are applicable as of financial year 2021/subsequent years and are of no practical relevance for, have no material impact on, have no impact on the consolidated financial statements of RHÖN-KLINIKUM AG or are subject to a review by the Management:

Standard/Interpretation			Mandatory adoption date	Endorsement[1]	Impact
Amendments	IFRS 4	Insurance Contracts	1 Jan. 2023	Yes	No practical relevance
Amendments	IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	IBOR Reform – Phase 2	1 Jan. 2021	Yes	No material impact
New (including amendments)	IFRS 17	Insurance Contracts	1 Jan. 2023	No	No practical relevance
Amendments	IFRS 3	Business Combinations	1 Jan. 2022	No	Subject to a review by the Management
Amendments	IAS 1	Classification of Liabilities as Current or Non-current	1 Jan. 2023	No	No impact
Amendments	IAS 16	Property, Plant and Equipment	1 Jan. 2022	No	Subject to a review by the Management
Amendments	IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 Jan. 2022	No	Subject to a review by the Management
Amendments	Annual Improvements to IFRS, 2018–2020 Cycle	Collective Standard for amendments to various IFRS	1 Jan. 2022	No	Subject to a review by the Management

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

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

Amendments to IFRS 4: "Insurance Contracts"

IFRS 17 "Insurance Contracts" in future will replace IFRS 4 "Insurance Contracts". All companies to be accounted for in accordance with the IFRSs which issue insurance contracts, including those companies outside the insurance industry issuing such insurance contracts, are affected by the Amendments to IFRS 17. The mandatory initial adoption date of IFRS 17, including the amendments, was postponed by two years to financial years beginning on or after 1 January 2023. The defined expiry of the temporary exemption from adoption of IFRS 9 in IFRS 4 was accordingly postponed to financial years beginning on or after 1 January 2023. IFRS 4 and IFRS 7 are of no practical relevance for RHÖN-KLINIKUM AG.

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

The amendments to Phase 2 of the IASB project on the Interest Rate Benchmark Reform provide for reliefs from accounting for changes in contractual cash flows and hedging relationships having become necessary in connection with the IBOR Reform, i.e. which are necessary as a direct consequence of the IBOR Reform and for which the new and old basis for determining contractual cash flows is economically balanced. The amendments are to be applied to financial years commencing on or after 1 January 2021, and have no material impact on the net assets, financial position and results of operations of RHÖN-KLINIKUM AG.

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

c) Estimates

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

d) Publication

The consolidated financial statements will be approved for publication by the Supervisory Board on 24 March 2021.

2.2 Consolidation

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

2.3 Subsidiaries

Subsidiaries are all entities (including structured entities) which the Group has the possibility of controlling pursuant to IFRS 10. When assessing whether control exists, it is examined whether the parent has power over the subsidiary, obtains positive or negative variable returns and from it can influence the amount of such returns through exercising its power. The Group examines whether control is exercised also when the parent company does not hold the majority of the voting rights but has the possibility of controlling the relevant activities of the subsidiary based on de facto control. De facto control exists for example in the case of voting right agreements or high minority rights.

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

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

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

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

2.3.1 Transactions with non-controlling interests

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

2.3.2 Associated companies and joint ventures

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

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

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

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

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

2.3.3 Sale of subsidiaries and associated companies

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

2.3.4 Segment reporting

According to IFRS 8 “Operating Segments”, segment information on operating segments is to be presented in accordance with the internal reporting to the chief operating decision maker (management approach).

An operating segment is a company component

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

The chief decision-making body in our Group is the Board of Management. It is in this body that the strategic decisions are made for the Group and to this body that the key ratios of the hospitals, which represent our operating segments, are reported.

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

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

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

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

2.4 Goodwill and other intangible assets

2.4.1 Goodwill

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

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

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

2.4.2 Computer software

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

2.4.3 Other intangible assets

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

2.4.4 Research and development expenses

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

2.5 Property, plant and equipment

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

Property, plant and equipment are tested for impairment if events or changed circumstances suggest that an impairment may have occurred. In such a case, the impairment test is performed pursuant to IAS 36 according to the principles explained for intangible assets. Where an impairment is to be made, the remaining useful life of the asset may be adjusted accordingly. If the reasons for a previously recognised impairment have ceased to exist, such impairment losses are reversed, in which case such reversal may not exceed the carrying amount that would have resulted if no impairment had been recognised in the previous periods.

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

Buildings	33 $^{1}/_{3}$ years
Machinery and equipment	5 to 15 years
Other plant and equipment	3 to 12 years

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

2.6 Government grants

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

Government grants are recognised on a systematic basis either in profit or loss, and during periods in which the Company applies corresponding expenditures which the government grants are intended to cover as expenses. This relates e.g. to payments made in the context of the COVID-19 pandemic for creating additional intensive care treatment capacities equipped with mechanical ventilators.

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

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

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

2.8 Financial assets

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

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

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

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

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

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

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

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

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

2.8.1 Assets measured at fair value through profit or loss

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

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

Investments in equity instruments do not fulfil the cash flow conditions as defined in IFRS 9; they are principally to be measured at fair value. For equity instruments not held for trading, an entity has the irrevocable right on initial recognition to avail itself of the fair-value OCI option. Within the Group of RHÖN-KLINIKUM AG, equity investments in the amount of € 12.0 million (previous year: € 9.5 million) are measured at fair value (fair value through other comprehensive income, without recycling).

2.8.3 Assets measured at amortised cost

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

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

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

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

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

2.9 Investment property

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

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

2.10 Inventories

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

2.11 Trade receivables

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

2.12 Cash and cash equivalents

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

2.13 Equity

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

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

2.14 Financial liabilities

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

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

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

2.15 Current and deferred taxes

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

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

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

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

2.16 Employee benefits

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

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

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

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

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

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

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

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

Multi-employer plans

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

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

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

In addition to the levy, the VBL also levies reform imposts from the participating employers with compulsory insurees in the separately organised and managed settlement class Abrechnungsverband West. In financial year 2020, the reform impost amounted to 0.17% of the insured remunerations.

In the settlement class Abrechnungsverband West, the VBL finances its benefits through a PAYGO approach taking the form of a modified defined period-based funded approach (Abschnittsdeckungsverfahren). The current defined period covers 2016 to 2022. The levy rate is assessed in such a way that the contribution to be paid for the duration of the defined period together with the other income expected and the available assets suffices to settle the expenditures during the defined period and the period of six months thereafter. Since 1 January 2002, the levy rate has been 7.86% of the remuneration subject to supplementary pension payments, of which employers pay a share of 6.45% and employees a share of 1.41%. Since 1 July 2017, an additional employee contribution of 0.4% has applied. The contribution rate in the BVK, depending on the year of the employee's entry, is between 4.8% and 7.75%.

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

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

Membership in VBL/BVK exists only due to the acquisition of hospitals from public ownership. The hospitals in Giessen and Marburg are members of the VBL, and RHÖN-Kreisklinik Bad Neustadt a. d. Saale is a member of the BVK.

2.16.2 Termination benefits

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

2.16.3 Management profit sharing and employee profit sharing

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

2.16.4 Share-based payments

Share-based payments are recognised in accordance with IFRS 2. In financial year 2014, warrants in the form of virtual shares were issued. These are accounted for as payment with cash settlement. The provision for the liability resulting from the virtual shares was formed in the amount of the expected expenditure. The fair value of the virtual shares was calculated using a binomial model. The obligations under virtual stock options were fully settled by way of payment in June 2019. Moreover, incumbent and former members of the Board of Management held an equity interest of 3.0% (previous year: 3.0%), and other employees an interest of 3.0% (previous year: 3.0%), in the registered share capital of the company RHÖN-Innovations GmbH founded in March 2016. The payments made on founding of the company for the interests in the amount of € 0.3 million (previous year: € 0.3 million) – of which € 0.1 million (previous year: € 0.1 million) is attributable to the members of the Board of Management) – are reported under the other liabilities item as share-based remunerations as defined in IFRS 2 (cash-settled share-based payment transactions). The result for the period of the reporting year includes € 0.1 million (previous year: € 0.0 million) in this connection. In this context, the members of the Board of Management are granted a put option to tender the interests to RHÖN-KLINIKUM AG in each case after five years, for the first time as at 31 December 2020. Moreover, the option of returning the interests on termination of the service relationship existed. The interests were measured at fair value, but at least at their nominal value. The interests are not freely disposable. Current and former members of the Board of Management tendered their interests with effect from 31 December 2020. Payment of the preliminary purchase prices was made in February 2021.

2.17 Provisions

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

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

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

2.18 Revenue recognition

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

2.18.1 Inpatient and outpatient hospital services

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

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

2.18.2 Interest income

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

2.18.3 Income from distribution and dividends

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

2.19 Leases

The new IRFS 16, which has applied since 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.

As a rule, every lease 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 present value calculation is therefore as a rule based on the incremental borrowing rates. The right of use as a general rule is measured at the amount of the lease liability plus any initial direct cost. During the lease term, the right of use is to be depreciated and the lease liability updated using the effective interest method and taking into account the lease payments.

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

2.20 Costs of borrowing

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

2.21 Dividend payments

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

2.22 Financial risk management

2.22.1 Financial risk factors

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

- Credit risk
- Liquidity risk
- Interest rate risk

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

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

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

2.22.2 Credit risk

The Group provides over 90% of its services for members of the statutory social insurance scheme, and the remainder to persons who pay medical invoices themselves and who have taken out private health insurance. There are no significant concentrations with respect to individual payers. The cost of hospital services is normally settled by payers within the legally prescribed period. With regard to the default risks in financial year 2020, please refer to our comments in the sections "Trade receivables" and "Other financial assets". The maximum risk of default is equal to the aggregate amount of the financial assets (less impairments) recognised on the balance sheet. Counterparty risks from entering into financial transactions are minimised by adherence to rules and limits.

2.22.3 Liquidity risk

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

2.22.4 Interest rate risk

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

As at the balance sheet date, 35.3% (previous year: 53.8%) of cash at banks was invested at a variable interest rate subject to 30 days' termination notice or callable daily, and 64.7% (previous year: 46.2%) at a fixed or variable interest rate with a maximum residual term of up to eleven months (previous year: 15 months).

In July 2019, RHÖN-KLINIKUM AG placed a registered bond in the amount of € 60.0 million with a term of 20 years. In October 2018 a promissory note in the amount of € 100.0 million was issued. The tranches exclusively bearing fixed interest with bullet maturities have terms of five, seven and ten years. The registered bond and the promissory note are subject to a change-of-control clause. Following the takeover by Asklepios Kliniken GmbH & Co. KGaA the total volume of the promissory note decreased by € 10.0 million to € 90.0 million. The total volume of the registered bond did not change as a result of the takeover. The funds collected from both transactions are being used for general corporate finance. In 2017, a syndicated line of credit in the amount of € 100.0 million was issued. Here, the line of credit decreased in connection with the takeover by Asklepios Kliniken GmbH & Co. KGaA by € 12.0 million to € 88.0 million. As at the balance sheet date, this line had not been utilised.

As already in the previous year, no monitoring of interest rate risks was performed in financial year 2020 by means of sensitivity analyses given the reduced risk.

2.22.5 Management of equity and debt

The aim of the Management with regard to the handling of equity and debt is to adopt a strict policy of matching maturities (horizontal balance sheet structure) of source and use of funds. Non-current assets should be funded on a long-term basis. The items of equity and non-current liabilities shown in the balance sheet are included under the source of long-term funds. This ratio should be at least 100%, and amounted to 127.6% in the year under review (previous year: 128.1%). Long-term appropriation of funds relates to financial assets and property, plant and equipment. Although given the personnel cost ratio of more than 50% the Group of RHÖN-KLINIKUM AG is frequently attributed to the services sector, our business model has a long-term focus and is for the most part investment-driven. As at 31 December 2020, 73.0% (previous year: 72.7%) of investments at the Group level was backed by equity.

Group growth is also managed by way of appropriate equity measures through resolutions on the appropriation of profits for the consolidated companies. With regard to retaining parts of the net income, the Management focuses on an equity ratio of 25%.

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

3 | CRITICAL ESTIMATES AND ASSESSMENTS IN ACCOUNTING AND VALUATION

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

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

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

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

3.1 Estimated impairment of goodwill

To determine goodwill at fair value less costs to sell, the operating cash flows of the individual hospitals, with their inpatient, semi-inpatient and outpatient care structures, were discounted at the weighted average cost of capital (WACC) after tax of 4.21% (previous year: 5.27%). The carrying amounts do not exceed fair value less cost of sale. Based on this calculation, no impairment requirement was ascertained. Key assumptions having a substantial influence on fair value less costs to sell are WACC and the average EBIT margin. See our Note under 6.1 for average growth in revenues. For the cash-generating units, the recoverable amount is equal to the carrying amount as of an assumed cost of capital rate of 5.3% (previous year: 6.2%).

3.2 Revenue recognition

The hospitals of RHÖN-KLINIKUM AG, like all other hospitals in Germany, are subject to the statutory regulations on fees.

Revenue recognition is essentially based on a comparison of performance and consideration under a contract: a service performed gives rise to an asset, the consideration received to an obligation. This time or period does not have to, but can coincide with transfer of opportunities and risks. Treatment contracts between hospitals and patients or their health insurance funds correspond to contracts for services pursuant to section 630a et seq. BGB. Irrespective of who performs the payment in future, it is normally the case that the patient will likely be regarded as the customer. The scope of the performance obligations in the context of hospital treatment is essentially governed by statutory provisions. The prices charged to the payers are stipulated by numerous laws and regulations. The patient receives and consumes the benefit simultaneously with performance of the service. Control is thus transferred and also revenue recognised for a specified period. Revenues are recognised in accordance with progress of service performance over the service performance period.

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

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

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

Due to the pandemic, approved fee agreements existed at none of the hospitals at the time the consolidated balance sheet was prepared; this meant that any compensation payments for excess revenues or shortfalls were estimated. In hospitals in which no fee agreements had yet been concluded for 2020 or for previous years, we adhered strictly to the legal framework in our accounting. We assume that the agreements for 2020 and for previous years will not have any negative impact on the result in 2021.

Moreover, pursuant to section 275 German Social Insurance Code V (Sozialgesetzbuch V, SGB V) as well as section 17 of the German Hospital Financing Act (Krankenhausfinanzierungsgesetz, KHG), payers as a rule have a right of review with regard to the coded income by the Medizinischer Dienst Körperschaft des öffentlichen Rechts (Medical Review Board under Public Law, MD) (formerly Medizinischer Dienst der Krankenversicherung (Medical Review Board of the Statutory Health Insurance Funds, MDK)). In the assessment of trade receivables or trade payables and of revenues from hospital services rendered, estimates are made with reference to the complaint rate of the MD and, based on empirical values, corresponding corrections in revenues taken into account for this. The final results from the reviews of the MD in turn have an influence on the income compensation for the respective financial year.

The German legislature responded to the COVID-19 pandemic with many different pieces of legislation and regulations. Of particular relevance for the healthcare industry is the Act Compensating COVID-19-Related Financial Burdens of Hospitals and Other Healthcare Facilities (COVID-19 Hospital Relief Act (COVID-19-Krankenhausentlastungsgesetz)). The Act provided for various measures, such as relief payments of € 560.00 daily for each hospital bed vacant compared with the average of the previous year and lump-sum amounts of € 50,000.00 for newly created intensive care beds. Each of these measures was limited in term to the end of the third quarter of 2020. Since in particular the relief payments for vacant hospital beds were insufficient for intermediate and maximum-care hospitals to cover regular costs, the "Regulation Amending the Relief Payments to Hospitals due to Extraordinary Burdens Resulting from the Coronavirus SARS-CoV-2 (COVID-19 Relief Payment Adjusting Regulation) (COVID-19-Ausgleichszahlungs-Anpassungs-Verordnung, AusglZAV) of 3 July 2020 defined differentiated lump-sum payments for determining relief payments of up to € 760.00 as of 13 July 2020. To finance the additional costs related to the pandemic, in particular for personal protective equipment (PPE), hospitals received a defined surcharge per patient during the period from 1 April to 30 September 2020. As of 1 October 2020, individual hospital surcharges equal to the amount of the proven additional costs may in principle be agreed with the payers. With the Third Civil Protection Act (Third Act to Protect the Population in an Epidemic Situation of National Proportion (Drittes Gesetz zum Schutz der Bevölkerung bei einer epidemischen Lage von nationaler Tragweite)), which entered into force in November 2020, hospitals receive specific assistance for treating COVID-19 patients. This Act provides in particular for a continuation and modification of the relief payments for hospitals, e.g. the continuation of differentiated lump sum bed vacancy payments for each hospital bed vacant compared with the average of the previous year for the period from 18 November 2020 to 28 February 2021. These bed vacancy lump sums are paid from the federal states to certain hospitals that meet the predetermined care criteria, depending on the proportion of freely operable intensive care beds in the respective state or municipality and the seven-day incidences of new infections. Moreover, the relief payments for prevention and rehabilitation facilities and the authorisation of rehab hospitals to perform hospital treatments are extended until 28 February 2021.

In this regard, an amount of € 90.6 million was stated as service volume within revenues in financial year 2020, of which € 82.4 million is attributable to income relating to hospital beds kept available. Added to that are essentially the lump sums for additional costs and relief payments for rehabilitation hospitals which are also regarded as service remuneration and were recognised under revenues. Furthermore, € 3.5 million was reported under other income.

3.3 Income taxes

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

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

4 | COMPANY ACQUISITIONS

Consolidated companies

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

	31 Dec. 2019	Additions	Disposals	**31 Dec. 2020**
Fully consolidated subsidiaries	27	1	–2	26
Companies consolidated using the equity method	1	–	–	1
Other subsidiaries	10	–	–1	9
Consolidated companies	**38**	**1**	**–3**	**36**

In the first quarter of 2020 we founded MVZ MED GmbH as a wholly owned subsidiary of RHÖN-KLINIKUM AG. Approval by the physicians association (Kassenärztliche Vereinigung) was granted as at 1 April 2020.

After all conditions for validity were met, the interests in GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH Leipzig were transferred to the purchaser in 2020. The company was deconsolidated in the first quarter of 2020.

With effect from 1 September 2020, Medgate Deutschland GmbH was sold to the minority shareholder, Medgate Holding AG, and deconsolidated in the third quarter of 2020.

The liquidation of Soemmerring GmbH privates Institut für Bewegungsstörungen und Verhaltensneurologie i. L. previously recognised as other company was completed in the first quarter of 2020.

Acquisition of physicians' practices

In financial year 2020 a total of four physicians' practices were acquired for consideration whose conditions of validity as per agreement were satisfied during the reporting period of 2020. Consolidation in the Group also took place in financial year 2020. No costs were incurred from the acquisition of these physicians' practices. The revenues and annual results generated since their inclusion in the consolidated statements are of minor importance for the Group of RHÖN-KLINIKUM AG. The final purchase price allocation has the following impact on the Group's net assets in 2020:

in € million

Purchase of physicians' practices, January to December 2020	Fair value post acquisition
Acquired assets and liabilities	
Intangible assets	
Property, plant and equipment	0.3
Other liabilities	–0.2
Net assets acquired	**0.1**
+ Goodwill	0.7
Cost	**0.8**
./. Purchase price payments outstanding	0.0
./. Acquired cash and cash equivalents	0.0
Cash outflow on transaction	**0.8**

Goodwill amounting to € 0.7 million essentially includes synergy effects expected from the expansion of medical care centres. The goodwill recognised is likely to be tax-deductible.

Furthermore, 3.5 physicians' practices were transferred during the reporting period from the physicians associations to the MVZ subsidiaries at the Bad Berka and Frankfurt (Oder) sites without consideration. 0.25 physicians' practices at the Bad Berka site were returned to the physicians association. Moreover, 2.0 clinical physicians' practices were transferred from MVZ Bad Neustadt a. d. Saale to MVZ MED GmbH.

In financial year 2020, no physicians' practices were acquired whose conditions of validity as per agreement will be satisfied only in 2021.

Deconsolidation of subsidiaries

The company GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH Leipzig, which operates its business activity in Leipzig, was sold with effect from 1 January 2020. With the sale of the hospitals at the Leipzig site in 2014, the company did not have any affiliation to the remaining hospitals of the Group.

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

in € million

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

Held-for-sale assets and liabilities

In financial year 2019, the assets and liabilities held for sale of GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH Leipzig were recognised under this item. The company was sold with effect from 1 January 2020. As part of the adjustment to IFRS 5, the assets and liabilities held for sale relating to the company intended to be sold were reclassified in the 2019 balance sheet accordingly. Depreciation on these items was not necessary. The breakdown of the original balance sheet items in 2019 is shown below:

in € million

Held-for-sale assets as at 31 Dec. 2019	
Non-current assets	
Property, plant and equipment	0.1
	0.1
Current assets	
Trade receivables	0.0
Other financial assets	0.0
Cash and cash equivalents	0.3
	0.3
Total Held-for-sale assets	**0.4**

in € million

Held-for-sale liabilities as at 31 Dec. 2019	
Non-current liabilities	
Other financial liabilities	0.0
	0.0
Current liabilities	
Trade payables	0.0
Current income tax liabilities	0.0
Other financial liabilities	0.1
	0.1
Total Held-for-sale liabilities	**0.1**

5 | NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1 Revenues

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

in € million

	2020	2019
Business areas		
Acute hospitals	1,319.4	1,261.8
Medical care centres	17.6	16.1
Rehabilitation hospitals	23.2	26.0
	1,360.2	**1,303.9**
Regions		
Bavaria	274.3	265.8
Saxony	–	0.2
Thuringia	185.4	170.7
Brandenburg	154.9	146.6
Hesse	745.6	720.6
	1,360.2	**1,303.9**

According to IFRS 15, revenues constitute revenues generated from the provision of services and in financial year 2020 rose by € 56.3 million or 4.3% to reach € 1,360.2 million. Of that, our acute and rehabilitation hospitals accounted for € 1,342.6 million (previous year: € 1,287.8 million) and the medical care centres for € 17.6 million (previous year: € 16.1 million).

As in the previous year, revenue figures include income from the invoicing of an additional remuneration component for the medicamentous treatment of spinal muscle atrophy as well as income from the invoicing of an additional remuneration component for the treatment of multiple sclerosis. These supplementary fees are remunerated along with the pure DRGs (diagnosis-related groups) and negatively impact the materials and consumables used item by nearly the same amount. Furthermore, revenues for the first time as of financial year 2019 are influenced by cost reimbursements for cancer immunotherapies that negatively impact the materials and consumables used item by the same amount. The revenues of the previous year were moreover helped by revenues from our university outpatient units not attributable to the period under review.

In addition, the revenues of financial year 2020 include relief payments of the legislator in connection with the COVID-19 pandemic amounting to € 90.6 million, which essentially relate to income from relief payments in the amount of € 82.4 million for bed capacities kept available.

5.2 Other income

Other operating income comprises:

in € million

	2020	2019
Income from services rendered	176.0	163.3
Income from grants and other allowances	20.6	13.7
Income from indemnification payments/other reimbursements	1.7	2.1
Other	8.7	50.8
	207.0	**229.9**

Income from services rendered includes income from ancillary and incidental activities amounting to € 168.8 million (previous year: € 155.6 million) as well as income from rental and lease agreements amounting to € 7.2 million (previous year: € 7.7 million).

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

Compared with the previous year, the other income item witnessed a decrease of € 22.9 million or 10.0% to € 207.0 million. The decline is essentially attributable to the income recognised during the same period last year resulting from the reversal of provisions for legal and tax risks on the basis of new knowledge in the amount of € 39.2 million. Furthermore, financial year 2020 was affected by the increased income from ancillary and incidental activities as a result, among other things, of higher sales of drugs and cytostatics. In addition, other revenues of financial year 2020 for the first time include income of the legislator in connection with the COVID-19 pandemic amounting to € 3.5 million.

5.3 Materials and consumables used

in € million

	2020	2019
Cost of raw materials, consumables and supplies	381.0	369.9
Cost of purchased services	41.4	38.0
	422.4	**407.9**

Compared with the previous year, materials and consumables used witnessed a rise in financial year 2020, disproportionately moderate to the rise in revenues, by € 14.5 million or 3.6%. The materials ratio decreased slightly from 31.3% to 31.1%.

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 materials ratio likewise diminished slightly from 29.5% to 29.3%.

5.4 Employee benefits expense

in € million

	2020	2019
Wages and salaries	769.2	726.7
Social insurance contributions	64.0	60.3
Expenditure for post-employment benefits		
Defined contribution plans	83.6	79.1
Defined benefit plans	0.6	0.9
	917.4	**867.0**

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

In financial year 2020, contribution payments to the VBL pension scheme were made in the amount of € 24.1 million (previous year: € 23.2 million). Payments to the BVK amounted to € 0.9 million (previous year: € 0.9 million) in 2020. As at the reporting date of 31 December 2020, 9,060 employees (previous year: 8,950 employees) with a claim to supplementary pension benefits were registered with VBL and 407 employees (previous year: 397 employees) with the BVK.

Employee benefits expenses include a figure of € 2.5 million (previous year: € 1.9 million) for severance payments.

5.5 Depreciation and impairment

This item includes amortisation of intangible assets and depreciation of property, plant and equipment and investment property. Compared with the same period last year, the depreciation/amortisation item increased by € 1.1 million (or 1.6%) to € 69.6 million.

5.6 Other expenses

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

in € million	2020	2019
Maintenance	57.9	56.2
Charges, subscriptions and consulting fees	43.0	29.1
Insurance	13.3	12.5
Administrative and IT costs	10.9	11.7
Other personnel and continuing training costs	5.6	6.1
Rents and leaseholds	4.0	4.2
Travelling, entertaining and representation expenses	1.5	2.6
Losses on disposal of non-current assets	0.3	0.1
Secondary taxes	0.2	0.8
Other	9.9	10.2
	146.6	**133.5**

The other expenditure ratio increased slightly from 10.2% to 10.8%. The rise includes one-off transaction-related expenses relating to the takeover by Asklepios Kliniken GmbH & Co. KGaA amounting to € 8.0 million.

5.7 Result from impairment on financial assets

The positive result from the impairment on financial assets in the amount of € 0.2 million (previous year: negative result of € 0.2 million) results from the adoption of IFRS 9, which among other things governs the future expected losses of financial assets. Regarding the default risk of financial assets, we refer to the comments on the finance result.

5.8 Research costs

Research activities relate primarily to process optimisations in the area of inpatient hospital care and not to making marketable products. The research results are therefore generally produced as a result of or in objective connection with the activities of healthcare provision. For this reason, differentiating and measuring these in isolation is possible only to a very limited extent. Depending on the volume of costs to be attributed to research activities, annual research expenditure is roughly estimated to be within a range of 0.5% to 2.0% of revenues. They are primarily accounted for by personnel expenses and other expenses. As part of the takeover of the two university and scientific sites Giessen and Marburg, we committed ourselves to provide funding to the two medical faculties in an amount of at least € 2.0 million p.a.

5.9 Finance result – net

The finance result is shown as follows:

in € million

	2020	2019
Result of investments accounted for using the equity method		
Income of investments accounted for using the equity method	0.1	0.1
Expense of investments accounted for using the equity method	–	–
	0.1	**0.1**
Finance income		
Bank balances	0.0	0.1
Interest income from tax assets	0.6	0.0
Other interest income	0.2	0.1
	0.8	**0.2**
Finance expenses		
Liabilities to banks	–2.8	–2.4
Interest expenses from tax liabilities	–3.0	0.0
Other interest expenses	–1.6	–0.6
	–7.4	**–3.0**
Result of impairment on financial investments		
Income from impairment on financial investments	–	0.1
Expense from impairment on financial investments	–0.2	–
	–0.2	**0.1**
	–6.7	**–2.6**

The negative finance result increased in financial year 2020 from € 2.6 million by € 4.1 million to € 6.7 million. This is essentially attributable to the rise in finance expenses in the amount of € 4.4 million resulting in particular from back-claims to interest expenses in the context of trade tax paid (€ 3.0 million) and from an increase of € 1.0 million in other interest expenses due to the breakage (prepayment) costs for our promissory note. The rise in finance expenses moreover relates to the registered bond issued in July 2019. An opposite effect came from the € 0.6 million increase in finance income resulting among other things from interest income for VAT claims from previous years.

In addition, an income item from the impairment on financial assets under IFRS 9 was recognised in the amount of € 0.2 million (previous year: income of € 0.1 million).

The net interest income under IFRS 9 for financial assets and liabilities which are not included in the category "Financial assets and liabilities shown at fair value in profit and loss" amounted to € 4.6 million in financial year 2020 (previous year: € 2.5 million). The amount comprises income of € 0.2 million (previous year: € 0.3 million) and expenses of € 4.8 million (previous year: € 2.8 million).

5.10 Income taxes

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

Income tax comprises the following:

in € million

	2020	2019
Current income taxes	2.8	8.7
Deferred taxes	–1.3	1.1
	1.5	**9.8**

At an unchanged rate of taxation, the tax expense item declined by € 8.3 million to € 1.5 million (previous year: € 9.8 million) compared with the previous year essentially as a result of a lower tax assessment basis. Moreover, a risk provision relating to a ruling by the Federal Fiscal Court (Bundesfinanzhof) in the amount of € 3.1 million had an adverse impact on expenses during the same period of the previous year. The income tax burden stands at 38.9% (previous year: 18.1%).

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

in € million

	2020		2019	
		%		%
Earnings before taxes	**3.9**	**100.0**	**54.2**	**100.0**
Nominal tax expense (tax rate 15.0%)	0.6	15.0	8.1	15.0
Solidarity surcharge (tax rate 5.5%)	0.0	0.8	0.4	0.8
Risk provision for Federal Fiscal Court ruling	–	0.0	3.1	5.7
Derecognition of loss carry-forward recognised/Recognition of previous loss carry-forwards and interest carry-forwards not recognised/Loss carry-forwards not applied	2.3	59.0	2.6	4.8
Trade tax	0.5	12.8	0.8	1.5
Increase in tax liability due to non-deductible charges	0.1	2.6	0.2	0.4
Taxes, previous years	–0.1	–2.6	0.2	0.4
Additional expense from dividend payment	0.1	2.6	0.1	0.2
Elimination of items not relevant for taxation	–2.0	–51.3	–5.8	–10.6
Effective income tax expense	**1.5**	**38.9**	**9.8**	**18.1**

Items of no relevance for taxation include amounts not classified as taxable in the calculation of taxable income. Further details of how deferred tax has been allocated to assets and liabilities are given in the Notes to the consolidated balance sheet.

5.11 Profit to non-controlling interests

This is the share of profit attributable to minority shareholders.

5.12 Earnings per share

Earnings per share in accordance with IAS 33 is calculated using the share of consolidated profit attributable to the shareholders of RHÖN-KLINIKUM AG and the weighted average number of shares in issue during the year.

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

	No. of shares on 1 Jan. 2020	**No. of shares on 31 Dec. 2020**
Non-par shares	66,962,470	66,962,470
Treasury shares	–24,000	–24,000
	66,938,470	**66,938,470**

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

Earnings per share are calculated as follows:

	Ordinary shares
Share in consolidated profit (€ ’000)	1,451
(previous year)	(43,277)
Weighted average number of shares outstanding, in thousands	66,938
(previous year)	(66,938)
Earnings per share in €	0.02
(previous year)	(0.65)

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

6 | NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 Goodwill and other intangible assets

in € million

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

in € million

	Goodwill	Other intangible assets	Total
Cost			
1 Jan. 2019	**163.9**	**43.9**	**207.8**
Additions due to changes in consolidated companies	0.3	0.0	0.3
Additions	0.0	4.5	4.5
Disposals	0.0	0.1	0.1
Transfers	0.0	0.2	0.2
31 Dec. 2019	**164.2**	**48.5**	**212.7**
Cumulative depreciation and impairment			
1 Jan. 2019	**0.0**	**31.1**	**31.1**
Depreciation	0.0	3.5	3.5
Disposals	0.0	0.1	0.1
Transfers	0.0	0.1	0.1
31 Dec. 2019	**0.0**	**34.6**	**34.6**
Balance sheet value as at 31 Dec. 2019	**164.2**	**13.9**	**178.1**

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

Goodwill is subjected to an annual impairment test for its respective cash-generating unit (each hospital with its inpatient, semi-inpatient and outpatient care structures, unless the related goodwill of co-operating units is monitored at a higher level). This impairment test is performed on 1 October of each year. The carrying amount of the cash-generating unit is compared with the recoverable amount for the unit which was determined at the fair value less costs to sell of the unit. The fair value is calculated on the basis of a discounted cash flow method (DCF method). In this regard, a corresponding present value is projected for a further five years with assumptions on long-term growth rates on the basis of an operative detailed five-year plan – which also includes expectations on future market development in the healthcare system – and calculated with subsequent recognition of a perpetual annuity. The company targets also reflect the heightened regulatory interference by the German legislator, such as the Regulation on Nursing Staff Floors (Pflegepersonaluntergrenzen-Verordnung, PpUGV), the Nursing Staff Strengthening Act (Pflegepersonalstärkungsgesetz, PpSG) and the minimum volume requirements. The calculated cash flows are discounted at the WACC to calculate the present value of the perpetual annuity. In view of unforeseeable measures by the legislature, a discount of 0.5% (previous year: 0.5%) was included in the discounting factor of the perpetual annuity (growth in the perpetual annuity). This forms an integral part of the Company's planning and is accordingly based on the management's actual expectations for the respective unit as well as on the statutory framework in the healthcare system. We believe that it is only with this longer detailed view that the measures already planned at the time of the company acquisition (e.g. demolition and rebuilding, modernisation measures) can be correctly recognised. At the end of each year, a review was carried out to establish whether the economic situation continues to support the results of the impairment test in the same way as before. This was the case on 31 December 2020.

Goodwill of the acquired entities was tested for impairment as at 31 December 2020 based on data from the companies' current planning. This did not reveal any indications that the goodwill had changed negatively between the contract date and the balance sheet date.

The weighted cost of capital of a potential investor from the healthcare sector is used as the discount rate at the time of measurement, taking into account the tax shield arising from theoretical debt financing. This discount rate was defined at 4.21% for 2020 (previous year: 5.27%). Significant goodwill relates to the following cash-generating units:

in € million

	31 Dec. 2020	31 Dec. 2019
Units		
Universitätsklinikum Gießen und Marburg	137.5	137.5
Zentralklinik Bad Berka	16.3	16.3
RHÖN-KLINIKUM Campus Bad Neustadt	6.5	6.2
Other goodwill of less than € 5.0 million	4.5	4.2
Balance sheet value	**164.8**	**164.2**

For the calculation of fair value of the business-generating units less cost of sale, cash flows were forecast on the basis of past experience, current operating results and best-possible estimates of future management performance as well as market assumptions. The values in use could not be taken as a basis because the carrying amounts are already exceeded by fair values less cost of sale. The calculated fair value for the business-generating units was attributed to level 3 of the hierarchy levels of fair values. Fair value less cost of sale is primarily defined by the terminal value (present value or perpetual annuity) which is particularly sensitive to changes in assumptions on the long-term growth rate of revenues and on the discount rate. Whereas the discount rate was defined uniformly for all business-generating units, the growth rate is defined individually per entity. The discount rate reflects the current market assessment of the entities' specific risks. The growth rates take account of external macroeconomic data and sector-specific trends. For planning purposes, the units accounting for the main portion of goodwill are assumed to have a homogenous structure.

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

in %

	2020		2019	
	Long-term growth rate revenues	WACC	Long-term growth rate revenues	WACC
Universitätsklinikum Gießen und Marburg	3.00	4.21	3.00	5.27
Zentralklinik Bad Berka	3.00	4.21	3.00	5.27
RHÖN-KLINIKUM Campus Bad Neustadt	3.00	4.21	3.00	5.27

The assumptions for the other business-generating units are comparable.

The values of revenues in the ten-year planning period of the groups of cash-generating units to which material goodwill was attributed are based on average organic growth rates of between 2.9% and 3.2% (previous year: 3.1% and 3.4%).

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

- EBIT declines by 10%
- Increase in WACC by 0.5%

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

6.2 Property, plant and equipment

in € million

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

in € million

	Land and buildings	Technical plant and equipment	Operating and office equipment	Plant under construction	Total
Cost					
1 Jan. 2019	**1,150.2**	**56.4**	**345.5**	**19.2**	**1,571.3**
Additions to changes in consolidated companies	0.0	0.0	6.6	0.0	6.6
Additions	19.9	1.6	23.4	20.0	64.9
Disposals	1.0	1.1	11.7	0.0	13.8
Transfers	–1.2	1.0	5.0	–5.0	–0.2
31 Dec. 2019	**1,167.9**	**57.9**	**368.8**	**34.2**	**1,628.8**
Cumulative depreciation and impairment					
1 Jan. 2019	**446.0**	**36.2**	**237.0**	**0.0**	**719.2**
Depreciation	30.9	4.0	30.0	0.0	64.9
Impairment	0.0	0.0	0.0	0.0	0.0
Disposals	0.9	1.1	11.4	0.0	13.4
Transfers	0.0	0.0	–0.1	0.0	–0.1
31 Dec. 2019	**476.0**	**39.1**	**255.5**	**0.0**	**770.6**
Balance sheet value as at 31 Dec. 2019	**691.9**	**18.8**	**113.3**	**34.2**	**858.2**

During the financial year, borrowing costs of € 0.5 million (previous year: € 0.1 million) were related to financing the acquisition or production of qualifying assets and were recognised in additions to property, plant and equipment. An average interest rate of 2.2% (previous year: 2.0%) was used, which reflects the Group's general costs of borrowing from banks.

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

Public grants related to assets are deducted from the cost of the asset for which they are given, reducing the depreciation over the period. The deducted amortised amount of assistance granted under the Hospital Financing Act (Krankenhausfinanzierungsgesetz, KHG) and which was invested in line with the applicable conditions totals € 161.2 million (previous year: € 163.3 million). To secure conditionally repayable single grants under the KHG (e.g. for the construction of new hospitals or major extensions) totalling € 1.9 million (previous year: 2.1 million), the Group holds registered charges on real property in the amount of € 4.1 million (previous year: € 4.1 million). There are no reasons to assume that these grants will have to be repaid.

Buildings, technical equipment and medical equipment include as at 31 December 2020 rights of use pursuant to IFRS 16 in which the Group is the lessee. The rights of use are as follows:

in € million

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

in € million

	Land and buildings	Operating and office equipment	Total
Cost			
1 Jan. 2019	**0.0**	**6.7**	**6.7**
Initial adoption IFRS 16	2.3	5.9	8.2
1 Jan. 2019 according to IFRS 16	**2.3**	**12.6**	**14.9**
Additions	1.4	0.9	2.3
Disposals	0.0	0.1	0.1
31 Dec. 2019	**3.7**	**13.4**	**17.1**
Cumulative depreciation and impairment			
1 Jan. 2019	**0.0**	**1.1**	**1.1**
Depreciation	0.6	2.6	3.2
Disposals	0.0	0.1	0.1
31 Dec. 2019	**0.6**	**3.6**	**4.2**
Balance sheet value as at 31 Dec. 2019	**3.1**	**9.8**	**12.9**

6.3 Deferred tax assets

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

in € million

	31 Dec. 2020		31 Dec. 2019	
	Assets	Liabilities	Assets	Liabilities
Tax loss carry-forwards	0.1	0.0	0.4	0.0
Property, plant and equipment/ Intangible assets	0.0	6.9	0.0	7.1
Interest-bearing liabilities	0.0	0.2	0.0	0.3
Valuation differences at subsidiaries	0.0	1.0	0.0	0.9
Other assets and liabilities	10.2	0.7	9.6	1.1
Total	**10.3**	**8.8**	**10.0**	**9.4**
Balance sheet value	**1.5**		**0.6**	

Deferred tax assets for tax loss carry-forwards are recognised in the amount of the associated tax benefits that can probably be realised as a result of future taxable profits. Tax loss carry-forwards in connection with previous hospital acquisitions are included in the tax base for recognising deferred tax assets if they are sufficiently determinable for tax purposes. In a tax-detrimental sale of shares in companies, any existing deferred tax is transferred to loss carry-forwards. Deferred tax assets from tax loss carry-forwards are recognised on the basis of tax planning calculations for a period of five years. The tax base used for deferred taxes is € 0.2 million (previous year: € 2.5 million). On the balance sheet date, tax losses carried forward which have so far not been utilised amounted to € 7.4 million (previous year € 26.4 million); no deferred tax assets were recognised in relation to € 7.2 million (previous year: € 23.9 million) of this figure. In Germany, tax loss carry-forwards can reduce the taxable result for an unlimited term. The annual taxable result can reduce tax loss carry-forwards fully up to an amount of € 1.0 million and beyond that only at the rate of 60.0% of the remaining current taxable result.

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

Deferred tax liabilities for non-distributed profits of subsidiaries totalling € 131.8 million (previous year: € 122.3 million), which lead to non-tax-deductible expenses of 5.0% of the total dividend for the parent company, were included in the consolidated financial statements.

Changes in deferred taxes are shown as follows:

in € million	**31 Dec. 2020**	31 Dec. 2019
Deferred tax assets at beginning of year	**0.6**	**3.2**
Recognition of deferred taxes directly in equity in connection with changes in the fair value of investments recognised directly in equity	–0.4	–0.4
Recognition of deferred taxes directly in equity in connection with revaluation of defined benefit pension plans recognised in equity	0.0	0.0
Recognition of deferred taxes directly in equity in connection with company acquisitions	–	–1.1
Expense/income from current netting in the income statement	1.3	–1.1
Deferred tax assets at end of year	**1.5**	**0.6**

6.4 Financial investments accounted for using the equity method

6.4.1 Investments accounted for using the equity method

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

Joint ventures accounted for using the equity method

Name of company	Registered office	Capital share in %
Joint ventures		
Energiezentrale Universitätsklinikum Gießen GmbH	Giessen	50.0

6.4.2 Associated companies

In the current consolidated financial statements as well as the financial statements of the previous year, there were no associates that would result in a measurement using the equity method.

6.4.3 Joint ventures

The object of enterprise of the joint venture is to carry on, together with Stadtwerke Gießen, the supply of energy to the university hospital in Giessen. In addition to RHÖN-KLINIKUM AG with an interest of 50%, Stadtwerke Gießen AG holds an interest of 50% in the joint venture. The table below provides a summary of the aggregated results data and aggregated carrying amounts of the joint venture accounted for using the equity method:

in € million	**2020**	2019
Results data and carrying amounts of joint venture accounted for using the equity method		
Revenues	0.4	0.4
Earnings after tax	0.2	0.2
Pro rata earnings after tax	**0.1**	**0.1**
Pro rata total comprehensive income after tax	0.1	0.1
Carrying amount of joint venture accounted for using the equity method	**0.4**	**0.4**

As at the balance sheet date, the joint venture reports assets of € 0.9 million (previous year € 0.9 million) as well as equity of € 0.8 million (previous year: € 0.8 million).

6.5 Other financial assets (non-current)

Other non-current financial assets break down as follows:

in € million	**31 Dec. 2020**	31 Dec. 2019
Participating interests	12.0	9.5
Time deposits	–	19.8
	12.0	**29.3**

The equity interests relate to interests held by the company RHÖN-Innovations GmbH in the companies Inovytec Medical Solutions Ltd., Telesofia Medical Ltd. and CLEW Medical Inc. Also included are interests in Tiplu GmbH and Siebensachen GmbH. The interests are measured at fair value in accordance with IFRS 9. The investments are measured at fair value directly in equity (fair value through other comprehensive income, without recycling). The carrying amount of € 12.0 million (previous year: € 9.5 million) corresponds to the maximum default risk.

Moreover, € 0.0 million (previous year: € 0.0 million) relates to immaterial equity interests which are measured at fair value.

The fixed deposits reported in the previous year within the meaning of IFRS 9 were fully accounted for by the rating class BBB. The expected credit loss of the fixed deposits reported in the previous year amounts to € 0.2 million.

The development of the impairments recognised under the item of other financial assets (non-current) pursuant to IFRS 9 is shown in the table below:

in € million	**2020**	2019
Impairment		
As at 1 Jan. pursuant to IFRS 9	**0.2**	**–**
Changes in consolidated companies	–	–
Allocation	–	0.2
Utilisation	–	–
Write-back	0.2	–
Currency translation difference	–	–
As at 31 Dec. pursuant to IFRS 9	**–**	**0.2**

The decline in impairments as at the balance sheet date of 31 December 2020 by € 0.2 million to € 0.0 million results from the expiry of long-term fixed deposit investments.

6.6 Inventories

Inventories in the amount of € 35.2 million (previous year: € 28.4 million) are attributable to raw materials, consumables and supplies and mainly consist of medical supplies. Impairments of € 3.9 million (previous year: € 3.1 million) were effected. All inventories are owned by RHÖN-KLINIKUM AG and the companies affiliated with RHÖN-KLINIKUM AG. There are no assignments or pledges of inventories.

6.7 Trade receivables

As at the balance sheet date of 31 December 2020, we report trade receivables in the amount of € 193.9 million (previous year: € 226.6 million). The fair values of trade receivables essentially correspond to their carrying amounts since they are primarily short-term in character.

Trade receivables as well as impairments within the meaning of IFRS 9 show the following maturity structure as at the balance sheet date of 31 December 2020:

in € million

	Gross carrying amount	Expected credit loss
Impairment matrix 31 Dec. 2020		
Not overdue	160.4	0.3
Between 0 and 30 days overdue	11.5	0.1
Between 31 and 90 days overdue	9.7	0.2
Between 91 and 180 days overdue	5.3	0.2
More than 180 days overdue	7.8	0.0
Total	**194.7**	**0.8**

Trade receivables as well as impairments within the meaning of IFRS 9 had the following maturity structure as at the balance sheet date of 31 December 2019:

in € million

	Gross carrying amount	Expected credit loss
Impairment matrix 31 Dec. 2019		
Not overdue	192.3	0.3
Between 0 and 30 days overdue	11.5	0.1
Between 31 and 90 days overdue	6.8	0.1
Between 91 and 180 days overdue	7.3	0.2
More than 180 days overdue	9.6	0.2
Total	**227.5**	**0.9**

The development of impairments pursuant to IFRS 9 recognised under the item of trade receivables is shown in the table below:

in € million

	2020	2019
Impairment		
As at 1 Jan. pursuant to IFRS 9	**0.9**	**0.9**
Changes in consolidated companies	–	–
Allocation	0.8	0.9
Utilisation	–	–
Write-back	0.9	0.9
Currency translation difference	–	–
As at 31 Dec. pursuant to IFRS 9	**0.8**	**0.9**

With regard to the impairments on trade receivables, reference is made to the further Notes in the section Accounting policies.

Trade receivables were derecognised in the income statement in the amount of € 7.5 million in financial year 2020 (previous year: € 2.5 million). Settlement mechanisms in accordance with the Hospital Remuneration Act (KHEntgG) partially compensated for these defaults. Inflows of € 0.1 million (previous year: € 0.1 million) were recognised in the income statement in relation to previously derecognised trade receivables.

The item trade receivables includes unfinished services from the treatment of patients in the amount of € 14.6 million (previous year: € 21.8 million). The amount of the variable consideration is calculated using the expected value method as defined in IFRS 15.

6.8 Other financial assets (current)

in € million

	31 Dec. 2020	31 Dec. 2019
	< 1 year	< 1 year
Time deposit < 1 year	166.4	89.8
Receivables under the KHEntgG	56.0	59.9
Remaining other financial assets	8.8	18.2
	231.2	**167.9**

Receivables under the German Hospital Remuneration Act (Krankenhausentgeltgesetz, KHEntgG) relate to compensation claims under federal hospital compensation legislation (Hospital Remuneration Act (Krankenhausentgeltgesetz, KHEntgG)) and the Federal Hospital Nursing Rate Ordinance (Bundespflegesatzverordnung, BPflV) as well as compensation claims against the training fund. Stated receivables under the KHEntgG do not include any impairments.

Remaining other financial assets relate among others to receivables from services rendered which are not primarily related to patient treatments at hospitals (€ 7.4 million, previous year: € 6.8 million), receivables due from employees in particular from invoices as part of the liquidation right of head physicians (€ 1.9 million, previous year: € 1.8 million), as well as trade receivables (€ 0.7 million, previous year: € 0.8 million). Moreover, receivables resulting from separate accounting were reported in the previous year in the amount of € 9.9 million under this item. The remaining other financial assets include impairments amounting to € 1.6 million (previous year: € 1.3 million). No reversals of impairment losses were made.

Other financial assets (current) attributable to fixed deposits, as well as corresponding impairments within the meaning of IFRS 9, are divided into the following rating classes as at 31 December 2020:

in € million

	Gross carrying amount	Expected credit loss
Impairment matrix according to S&P rating classes 31 Dec. 2020		
A	110.0	0.1
BBB	57.0	0.5
Total	**167.0**	**0.6**

Other financial assets (current) attributable to fixed deposits, as well as corresponding impairments within the meaning of IFRS 9, were divided into the following rating classes as at 31 December 2019:

in € million

	Gross carrying amount	Expected credit loss
Impairment matrix according to S&P rating classes 31 Dec. 2019		
A	35.0	0.0
AA	30.0	0.1
BBB	25.0	0.1
Total	**90.0**	**0.2**

The remaining other financial assets (current, not including fixed deposits) as well as the corresponding impairments within the meaning of IFRS 9 show the following maturity structure as at the balance sheet date of 31 December 2020:

in € million

	Gross carrying amount	Expected credit loss
Impairment matrix 31 Dec. 2020		
Not overdue	64.7	0.1
Between 0 and 30 days overdue	0.1	0.0
Between 31 and 90 days overdue	0.0	0.0
Between 91 and 180 days overdue	0.1	0.1
More than 180 days overdue	0.2	0.1
Total	**65.1**	**0.3**

The remaining other financial assets (current, not including fixed deposits) as well as the impairments within the meaning of IFRS 9 had the following maturity structure as at the balance sheet date of 31 December 2019:

in € million

	Gross carrying amount	Expected credit loss
Impairment matrix 31 Dec. 2019		
Not overdue	76.7	0.1
Between 0 and 30 days overdue	1.2	0.1
Between 31 and 90 days overdue	0.2	0.1
Between 91 and 180 days overdue	0.1	0.0
More than 180 days overdue	0.3	0.1
Total	**78.5**	**0.4**

The development of the impairments recognised under the item of other financial assets (current) pursuant to IFRS 9 is shown in the table below:

in € million

	2020	2019
Impairment		
As at 1 Jan. pursuant to IFRS 9	**0.6**	**0.8**
Changes in consolidated companies	–	–
Allocation	0.9	0.6
Utilisation	–	–
Write-back	0.6	0.8
Currency translation difference	–	–
As at 31 Dec. pursuant to IFRS 9	**0.9**	**0.6**

Of the impairments as at the balance sheet date in the amount of € 0.9 million (previous year: € 0.6 million), € 0.6 million (previous year: € 0.3 million) is attributable to fixed deposits. The € 0.3 million rise is essentially attributable to the higher volume of fixed deposits.

Within the Group, settlement receivables due from and settlement liabilities to the payers under fee/budget agreements of the current year and the previous years are stated on a netted basis. A similar approach is taken towards claims under government grants for investments and grants not yet used for their intended purpose. On a gross basis, the statement is as follows:

in € million

	31 Dec. 2020	31 Dec. 2019
Receivables according the KHEntgG (gross)	70.2	68.6
Liabilities according the KHEntgG (gross)	–14.2	–8.7
Balance sheet value	**56.0**	**59.9**

Regarding the statement on a gross basis of the corresponding liabilities in accordance with the KHG/KHEntgG, please refer to the section “Other financial liabilities”.

6.9 Other assets (current)

Of other current assets in the amount of € 12.0 million (previous year: € 10.5 million), essentially € 6.6 million (previous year: € 8.4 million) is attributable to prepaid expenses, in particular maintenance contracts and insurance expenses, and € 1.7 million (previous year: € 1.9 million) is attributable to reimbursement claims against insurers under liability claims as well as € 3.3 million (previous year: € 0.0 million) to VAT receivables. The increase is essentially attributable to VAT adjustments for previous years.

6.10 Current income tax assets

Current income tax assets essentially include claims against tax authorities for reimbursement of corporate income tax.

6.11 Cash and cash equivalents

in € million

	31 Dec. 2020	31 Dec. 2019
Cash with banks and cash on hand	83.5	117.7
Short-term bank deposits	7.5	10.0
	91.0	**127.7**

The decline in cash with banks and cash on hand is attributable to the interest rate environment for time deposits relative to overnight money investments with rising custodian fees. The high level of cash with banks and cash on hand ensures flexibility in controlling cash outflows in connection with extensive construction measures. As far as possible, freely disposable funds were reallocated at matching maturities into fixed deposit investments with a remaining term of < 1 year (> 3 months) and > 1 year and reported under the item "Other financial assets (current)" and "Other financial assets (non-current)" respectively. As at the balance sheet date, the effective interest rate for bank balances with an initial term < 3 months was 0.00% (previous year: 0.03%). The average remaining term of these deposits was 30 days (previous year: 30 days).

Cash and bank overdrafts are aggregated as follows for the purpose of the statement of cash flows:

in € million	**31 Dec. 2020**	31 Dec. 2019
Cash and cash equivalents	91.0	127.7
Bank overdrafts	0.0	0.0
Cash position	**91.0**	**127.7**

6.12 Equity

The registered share capital of RHÖN-KLINIKUM AG was € 167,406,175 (previous year: € 167,406,175). It is divided into 66,962,470 (previous year: 66,962,470) fully paid-up non-par value bearer shares each with a notional value in the registered share capital of € 2.50 per share.

	Number	Arithmetic share in registered share capital in €
Ordinary shares as at 1 Jan. 2020	**66,962,470**	**167,406,175**
Changes in 2020	–	–
Ordinary shares as at 31 Dec. 2020	**66,962,470**	**167,406,175**

The premium from the capital increase in the amount of € 396.0 million (previous year: € 396.0 million) as well as the amounts of € 178.2 million (previous year: € 178.2 million) attributable to the shares redeemed in the previous years are reported in the capital reserve.

Other reserves at the balance sheet date amounting to € 423.8 million (previous year: € 420.0 million) comprise earnings generated in prior years of companies included in the consolidated annual report amounting (to the extent not paid out to shareholders) in the amount of € 423.8 million (previous year: € 420.0 million) as well as effects of consolidation adjustments.

The total result (sum of consolidated profit and other earnings) for financial year 2020 stands at € 4.8 million (previous year: € 46.8 million). This includes gains from the revaluation of defined benefit pension plans amounting to € 0.3 million after tax (previous year: € 0.2 million) as well as income from changes in the fair value of equity investments in the amount of € 2.1 million (previous year: € 2.1 million).

Treasury shares are valued at € 0.1 million (previous year: € 0.1 million) and deducted from equity. The level of treasury shares developed as follows during the financial year:

	Number
Treasury shares as at 1 Jan. 2020	**24,000**
Changes in 2020	–
Treasury shares as at 31 Dec. 2020	**24,000**

In accordance with the provisions of the German Stock Corporation Act (Aktiengesetz, AktG), the amount of dividends distributable to shareholders is based on the net distributable profit shown in the annual financial statements of RHÖN-KLINIKUM AG which are prepared in accordance with the German Commercial Code (HGB). During the last Annual General Meeting, the shareholders approved the proposal of the Board of Management and of the Supervisory Board to waive a dividend payment in financial year 2020.

Non-controlling interests in equity of € 24.9 million (previous year: € 24.3 million) relate to interests held by non-Group third parties in the following consolidated subsidiaries:

in %

	Non-controlling interests	
	31 Dec. 2020	31 Dec. 2019
Hospital companies		
Universitätsklinikum Gießen und Marburg GmbH, Giessen	5.0	5.0
Zentralklinik Bad Berka GmbH, Bad Berka	12.5	12.5
Medical care centre companies		
MVZ UKGM GmbH, Marburg	5.0	5.0
MVZ Zentralklinik GmbH, Bad Berka	12.5	12.5
Other subsidiaries		
Medgate Deutschland GmbH, Bad Neustadt a. d. Saale	–	49.0

6.13 Financial liabilities

in € million

	31 Dec. 2020		31 Dec. 2019	
	Remaining term > 1 year	Remaining term < 1 year	Remaining term > 1 year	Remaining term < 1 year
Non-current financial liabilities				
Liabilities to banks	148.5	–	158.3	–
Total non-current financial liabilities	**148.5**	**–**	**158.3**	**–**
Current financial liabilities				
Liabilities to banks	–	0.9	–	0.9
Total current financial liabilities	**–**	**0.9**	**–**	**0.9**
Total financial liabilities	**148.5**	**0.9**	**158.3**	**0.9**

In the fourth quarter of 2017, a syndicated line of credit 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 the right to an early repayment and for the right of the lenders to exclude new lendings. In the context of the takeover by Asklepios Kliniken GmbH & Co. KGaA, the line of credit was reduced by € 12.0 million to € 88.0 million. As at the balance sheet date, this line had not been utilised. The syndicated loan is subject to a financial covenant. This financial ratio limits net financial debt to a maximum of 3.5 times EBITDA. The financial ratio was complied with by RHÖN-KLINIKUM AG in financial year 2020 (previous year: complied with).

In October 2018, RHÖN-KLINIKUM AG placed a promissory note in the amount of € 100.0 million. The tranches exclusively bearing fixed interest with bullet maturities have terms of five, seven and ten years. For the promissory note a change-of-control clause is stipulated providing a right to early repayment in the event of a change of control. In the context of the takeover by Asklepios Kliniken GmbH & Co. KGaA the total volume decreased by € 10.0 million to € 90.0 million.

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 a right to early repayment in the event of a change of control. In the context of the takeover by Asklepios Kliniken GmbH & Co. KGaA the total volume of the registered bond did not change.

The funds collected are used for general corporate finance to ensure sufficient funds for investments planned in the medium-to-short term. The reported financial liabilities amounting to € 150.0 million (previous year: € 160.0 million) decrease by the costs incurred in connection with the borrowing in the amount of € 1.5 million (previous year: € 1.7 million).

The contractual interest adjustment dates relating to the interest-bearing liabilities are as follows:

in € million

Fixed interest period ends	31 Dec. 2020 Interest rate in %[1]	31 Dec. 2020 Original value	31 Dec. 2020 Carrying amount of loans	31 Dec. 2019 Interest rate in %[1]	31 Dec. 2019 Original value	31 Dec. 2019 Carrying amount of loans
Liabilities to banks						
2021–2024	0.90	7.0	7.0	0.90	7.5	7.5
2025	1.33	31.0	30.9	1.33	31.0	30.9
2026	–	–	–	–	–	–
> 2026	2.10	112.0	110.6	2.00	121.5	119.9
Interest on loans			0.9			0.9
		150.0	**149.4**		**160.0**	**159.2**

[1] Weighted interest rate.

The effective interest rates at balance sheet date are:

in %

	31 Dec. 2020	31 Dec. 2019
Liabilities to banks	1.91	1.86

The remaining terms of the financial liabilities are:

in € million

	31 Dec. 2020	31 Dec. 2019
Up to 1 year	0.9	0.9
Between 1 and 5 years	37.9	7.5
More than 5 years	110.6	150.8
Total	**149.4**	**159.2**

As in the previous year, the financial liabilities stated are not secured by registered charges on real property.

6.14 Provisions for post-employment benefits

The Group provides post-retirement benefits for eligible employees under its company pension scheme, which comprises both defined benefit and defined contribution pension plans. Obligations under this scheme include current pension payments and future entitlements.

Defined benefit obligations are financed by recognising provisions. Amounts relating to defined contribution plans are recognised immediately in profit or loss.

Members of the Board of Management are covered by a plan providing for post-retirement benefits. In addition to their regular remuneration the members of the Board of Management, on termination of their employment as Board members, receive a post-retirement benefit depending on the length of service and level of remuneration and not exceeding 1.5 times the last annual remuneration. The scope of the obligation was calculated based on the individual contract terms and not on a uniform retirement age as with the other pension plans. In this connection there are risks associated with changes in the assessment basis. These essentially relate to the dependence on the last salary and last variable remuneration components. If the development of this assessment basis turns out to be different from what is assumed in the provision calculations, this might give rise to a subsequent financing requirement. This provision no longer applies to members of the Board of Management appointed after the takeover by Asklepios Kliniken GmbH & Co. KGaA.

The provision volume on the balance sheet relates only to one-off payments:

in € million	31 Dec. 2020	31 Dec. 2019
Commitment for one-off payments	1.1	1.6
Provision for pensions (defined benefit liability)	**1.1**	**1.6**

The calculation of pension provisions is based on the following assumptions:

in %	31 Dec. 2020	31 Dec. 2019
Rate of interest	0.43	0.98
Projected increase in wages and salaries	2.50	2.50
Projected increase in pensions	2.00	2.00

We used Prof. Dr. Klaus Heubeck's 2018G Tables (previous year: Prof. Dr. Klaus Heubeck's 2018G Tables) as actuarial tables. All pension costs are reported under the pension costs item.

The development of the defined benefit obligation in financial year 2020 compared with the previous year is shown in the following:

in € million	2020	2019
As at 1 January	**1.6**	**2.2**
Service time cost	0.6	0.7
Interest expense	0.0	0.0
Losses from plan changes	0.0	0.0
Pension payments	0.0	0.0
Actuarial gains/losses from changes in financial assumptions	0.0	0.1
Experience-based adjustments	–0.3	–0.5
Payments rendered	–0.8	–0.9
As at 31 December	**1.1**	**1.6**

The commitments have a term of > 1 year. There are no reimbursement claims resulting from pension liability insurance policies entered into by reason of pension commitments to employees.

The weighted average duration of the pension liabilities is three years (previous year: eight years). The sensitivity of the pension obligations in terms of fluctuation range due to changes in the various actuarial valuation assumptions is shown in the table below:

	Change in assumption in percentage points	Increase in assumption	Reduction in assumption
Impact on the commitment in % as at 31 Dec. 2020			
Interest rate	0.2	–0.6	0.6
Remuneration trend	0.2	0.6	–0.6
Mortality	+/–1 year	0.1	–0.1

	Change in assumption in percentage points	Increase in assumption	Reduction in assumption
Impact on the commitment in % as at 31 Dec. 2019			
Interest rate	0.2	–1.6	1.7
Remuneration trend	0.2	1.6	–1.6
Mortality	+/–1 year	0.1	–0.2

The effects of the sensitivity were calculated using the same method as the obligations at the end of the year. In this regard, effects of a simultaneous change in several assumptions were not examined. Since the commitments remaining at the end of the financial year are capital commitments, no or no material changes result from the change in the pension trend; consequently, no disclosure of sensitivity in this regard was made.

6.15 Other provisions

Other provisions developed as follows in the financial year:

in € million	**1 Jan. 2020**	Con-sumption	Write-back	Allocation	**31 Dec. 2020**	of which < 1 year	of which > 1 year
Liability risks	7.3	0.4	0.4	0.6	7.1	7.1	0.0
Other provisions	26.5	12.7	0.0	11.5	25.3	25.3	0.0
	33.8	**13.1**	**0.4**	**12.1**	**32.4**	**32.4**	**0.0**

The provisions for liability risks relate to claims for damages by third parties. These compare with repayment claims from insurers in the amount of € 1.7 million (previous year: € 1.9 million) against insurers; these are shown under other assets (current). In the assessment of the Board of Management, the settlement of these liability events using the provisions will not entail any significant additional expenses. The timing of cash outflows from liability risks, which generally may occur in the short term, essentially depends on the course and outcome of specific liability cases.

The other provisions include provisions for recovery risks. In the previous year these were stated under trade payables and adjusted for greater comprehension for the users of financial statements. The previous year statement of other provisions was adjusted in the balance sheet from € 14.0 million to € 33.8 million (as at 1 January 2019 from € 62.4 million to € 83.2 million). In this connection, cash outflow in financial year 2020 in the amount of € 4.2 million (previous year: cash outflow of € 1.0 million) was reclassified in the cash flow statement from the item "Change in trade payables" to the item "Change in provisions".

Moreover, the item other provisions includes the provisions formed for legal and non-income-tax risks in connection with the sale of entities in the amount of € 9.7 million (previous year: € 6.7 million).

Compared with the previous year, their maturities are as follows:

in € million	**31 Dec. 2020**	of which < 1 year	of which > 1 year	31 Dec. 2019	of which < 1 year	of which > 1 year
Liability risks	7.1	7.1	0.0	7.3	7.3	0.0
Other provisions	25.3	25.3	0.0	26.5	26.5	0.0
	32.4	**32.4**	**0.0**	**33.8**	**33.8**	**0.0**

The Group of RHÖN-KLINIKUM AG has contingent liabilities of up to € 0.0 million (previous year: € 0.1 million). These constitute liabilities as part of the performance process. At the present time RHÖN-KLINIKUM AG does not expect any significant usage in the future.

6.16 Trade payables

in € million

	31 Dec. 2020		31 Dec. 2019	
	< 1 year	> 1 year	< 1 year	> 1 year
Trade payables	80.7	0.0	64.6	0.0

Trade payables exist with regard to third parties. The total amount of € 80.7 million (previous year: € 64.6 million) is due within one year.

With regard to the reclassifications of provisions for recovery risks, we refer to the statements under Note 6.15. The previous year statement of trade payables was adjusted in the balance sheet from € 84.4 million by € 19.8 million to € 64.6 million.

6.17 Other financial liabilities

in € million

	31 Dec. 2020		31 Dec. 2019	
	< 1 year	> 1 year	< 1 year	> 1 year
Liabilities under KHEntgG	3.2	–	0.0	–
Purchase prices	0.7	0.0	0.7	4.2
Leases	3.1	8.1	3.2	9.8
Other financial liabilities	7.9	8.4	9.2	9.8
Other financial liabilities (financial instruments)	**14.9**	**16.5**	**13.1**	**23.8**

Liabilities under the Hospital Remuneration Act (KHEntgG) relate to compensation obligations under federal hospital compensation legislation (the Hospital Remuneration Act (Krankenhausentgeltgesetz, KHEntgG)) and the Federal Hospital Nursing Rate Ordinance (Bundespflegesatzverordnung, BPflV). The liabilities under the KGH, reported under other financial liabilities, for government grants not yet used in accordance with the conditions for their use granted under state legislation for hospital financing amounting to € 21.5 million (previous year: € 22.0 million; 1 January 2019: € 12.3 million) were reclassified to the item other liabilities because of the clearer objective interpretation of the IFRSs, as this better reflects the character of the item. The previous year statement in the balance sheet was adjusted from € 35.1 million by € 22.0 million to € 13.1 million.

The purchase prices from company purchases relate to contractually stipulated obligations. The change over the previous year results from the payment of the second purchase price tranche for Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft mbH in financial year 2020.

The carrying amounts of the current financial liabilities recognised under this item correspond to their fair values. The carrying amounts of other non-current liabilities have been discounted using the effective interest method on the basis of historical market rates.

Of the figure stated for remaining non-current financial liabilities with remaining maturities of more than five years in the amount of € 0.0 million (previous year: € 1.6 million), € 0.0 million (previous year: € 1.6 million) is attributable to obligations arising from research grants owed to the universities in Giessen and Marburg.

Within the Group, settlement receivables due from and settlement liabilities to payers under fee/budget agreements of the current year and the previous years are stated on a netted basis.

in € million

	31 Dec. 2020	31 Dec. 2019
Liabilities according to the KHEntgG (gross)	17.4	8.7
Receivables according to the KHEntgG (gross)	–14.2	–8.7
Balance sheet value	**3.2**	**–**

Regarding the statement on a gross basis of receivables in accordance with the KHEntgG on the assets side, please refer to the section “Other financial assets (current)”.

6.18 Other liabilities

in € million

	31 Dec. 2020		31 Dec. 2019	
	< 1 year	> 1 year	< 1 year	> 1 year
Personnel liabilities	76.8	0.0	76.9	0.0
Liabilities according to the KHG	21.5	0.0	22.0	0.0
Operating taxes and social insurance	13.2	0.0	13.0	0.0
Deferred income	10.7	0.0	10.9	0.0
Prepayments	0.6	0.0	1.0	0.0
Other liabilities	10.2	0.0	9.5	0.0
Other liabilities (non-financial instruments)	**133.0**	**0.0**	**133.3**	**0.0**

Personnel liabilities relate to performance-linked remuneration, obligations arising from still outstanding holiday leave entitlement as well as overtime obligations and on-call services. Moreover, severance payment obligations are recognised under this item.

The liabilities according to the KHG relate to government grants not yet used in accordance with the conditions for their use granted under state legislation for hospital financing.

The remaining liabilities essentially include third-party funds from, among other things, ongoing studies not yet appropriated.

With regard to the statements on reclassifications of liabilities according to the KHG for government grants not yet used in accordance with the conditions for their use granted under state legislation for hospital financing, we refer to the statements under Note 6.17. The previous year statement of other liabilities was adjusted in the balance sheet from € 111.3 million by € 22.0 million to € 133.3 million.

6.19 Current income tax liabilities

Current income tax liabilities in the amount of € 11.4 million (previous year: € 16.4 million) comprise corporate income tax, solidarity surcharge and trade tax not yet assessed for the past financial year and previous years. Provisions for legal and fiscal risks in connection with the sale of subsidiaries and the tax risks triggered thereby further materialised during the current financial year. They are shown as at the balance sheet date of 31 December 2020 at € 5.1 million (previous year: € 7.6 million) under current income tax liabilities and at € 9.7 million (previous year: € 6.7 million) under other provisions. Moreover, in the previous year risk provision relating to a ruling by the Federal Fiscal Court (Bundesfinanzhof) was included under current income tax liabilities in the amount of € 3.1 million.

6.20 Derivative financial instruments

As at the previous year's balance sheet date, no derivative financial instruments exist.

6.21 Additional disclosures regarding financial instruments

6.21.1 Carrying amounts, recognised figures and fair values according to measurement categories

The table below presents the carrying amounts and fair values of the individual financial assets and liabilities for each individual category of financial instruments pursuant to IFRS 9 as at 31 December 2020:

in € million	Measurement category according to IFRS 9
ASSETS	
Non-current assets	
Other financial assets	
of which investments	Measured at fair value directly in equity (fair value through other comprehensive income, without recycling)
of which investments	Measured at fair value through profit or loss
of which other	Measured at amortised cost
Current assets	
Trade receivables and other financial assets	Measured at amortised cost
Cash and cash equivalents	Measured at amortised cost
LIABILITIES	
Non-current liabilities	
Financial liabilities	Financial liabilities measured at amortised cost
Other financial liabilities	
of which other financial liabilities	Financial liabilities measured at amortised cost
of which leases	n. a.
Current liabilities	
Trade payables	Financial liabilities measured at amortised cost
Financial liabilities	Financial liabilities measured at amortised cost
Other financial liabilities	
of which other financial liabilities	Financial liabilities measured at amortised cost
of which leases	n. a.

Aggregated according to measurement categories, the above figures are as follows:	
	Financial assets measured at amortised cost
	Financial assets measured at fair value directly in equity (fair value through other comprehensive income, without recycling)
	Financial assets measured at fair value through profit or loss
	Financial liabilities measured at amortised cost

	31 Dec. 2020	of which financial instruments		31 Dec. 2019	of which financial instruments	
		Carrying amount	Fair value		Carrying amount	Fair value
	12.0	12.0	12.0	29.3	29.3	29.3
	12.0	12.0	12.0	9.5	9.5	9.5
	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	19.8	19.8	19.8
	425.1	425.1	425.1	394.5	394.5	394.5
	91.0	91.0	91.0	127.7	127.7	127.7
	148.5	148.5	172.3	158.3	158.3	172.6
	16.5	16.5	9.1	23.8	23.8	15.1
	8.4	8.4	9.1	14.0	14.0	15.1
	8.1	8.1	–	9.8	9.8	–
	80.7	80.7	80.7	64.6	64.6	64.6
	0.9	0.9	0.9	0.9	0.9	0.9
	14.9	14.9	11.8	13.1	13.1	9.9
	11.8	11.8	11.8	9.9	9.9	9.9
	3.1	3.1	–	3.2	3.2	–
		516.1	516.1		542.0	542.0
		12.0	12.0		9.5	9.5
		0.0	0.0		0.0	0.0
		250.3	274.8		247.7	263.1

The fair values of financial assets and liabilities accounted for as defined in IFRS 9 as at 31 December 2020 are classified as follows to the three levels of the fair value hierarchy:

in € million	Level 1	Level 2	Level 3	Total 31 Dec. 2020	Total 31 Dec. 2019
Other non-current financial assets (investments)	–	12.0	–	12.0	9.5
Other non-current financial assets (remaining)	–	0.0	–	0.0	19.8
Trade receivables, other current financial assets	–	425.1	–	425.1	394.5
Non-current financial liabilities	–	172.3	–	172.3	172.6
Other non-current financial liabilities	–	17.2	–	17.2	24.9
Current trade liabilities	–	80.7	–	80.7	64.6
Current financial liabilities	–	0.9	–	0.9	0.9
Current other financial liabilities	–	14.9	–	14.9	13.1

The levels of the fair value hierarchy and their application to assets and liabilities are described below:

- Level 1: Listed market prices for identical assets or liabilities on active markets
- Level 2: Other information in the form of listed market prices which are directly (e.g. prices) or indirectly (e.g. derived from prices) observable
- Level 3: Information on assets and liabilities not based on observable market data.

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

Investments in the amount of € 12.0 million (previous year: € 9.5 million) are measured as of acquisition pursuant to IFRS 9 at fair value directly in equity (fair value through other comprehensive income, without recycling). These investments relate to start-up equity interests whose market value was calculated based on current equity transactions between market participants in the context of additional financing rounds or applying the DCF method. Moreover, additional immaterial investments amounting to € 0.0 million are measured at fair value (fair value through profit or loss). Changes in the market valuation of investments, which are measured at fair value directly in equity (fair value through other comprehensive income, without recycling), resulted in total in gains in the amount of € 2.1 million (previous year: € 2.2 million) (after tax), which are recognised directly in equity under other comprehensive income (OCI).

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

6.21.2 Net gains or losses by measurement category

The net result by measurement category according to IFRS 9 for financial year 2020 is as follows:

in € million		From subsequent measurement			Net result
	From share price gains	At fair value	Impairment	From disposal	**2020**
Financial assets measured at amortised cost	0.0	0.0	0.0	7.6	7.6
Total	**0.0**	**0.0**	**0.0**	**7.6**	**7.6**

+ = cost, – = income

The net result by measurement category according to IFRS 9 for financial year 2019 is as follows:

in € million		From subsequent measurement			Net result
	From share price gains	At fair value	Impairment	From disposal	2019
Financial assets measured at amortised cost	–	–	0.0	2.4	2.4
Total	**0.0**	**0.0**	**0.0**	**2.4**	**2.4**

+ = cost, – = income

6.21.3 Financial liabilities (maturity analysis)

The following table sets out the contractually agreed (undiscounted) interest payments and redemption payments of the original financial liabilities:

in € million	Cash outflows		
	2021	2022–2027	> 2027
Financial liabilities	–3.0	–55.4	–139.5
Trade payables	–80.7	0.0	0.0
Other financial liabilities	–11.8	–8.3	0.0
Liabilities under leases	–3.3	–8.4	0.0
	–98.8	**–72.1**	**–139.5**

The following table shows the maturity analysis of the previous year:

in € million	Cash outflows		
	2020	2021–2026	> 2026
Financial liabilities	–2.9	–55.6	–141.3
Trade payables	–64.6	0.0	0.0
Other financial liabilities	–9.9	–14.5	0.0
Liabilities under leases	–3.4	–10.1	0.0
	–80.8	**–80.2**	**–141.3**

The above table includes all financial liabilities held as at the balance sheet date and for which payments had been contractually agreed. Planned payments for new liabilities in the future have not been included in the calculations. Interest payments were included in the future cash flows under agreements in effect as at the balance sheet date. Current liabilities and liabilities which can be terminated at any time are shown under the shortest time horizon.

7 | STATEMENT OF CASH FLOWS

The statement of cash flows shows how the item "Cash and cash equivalents" of RHÖN-KLINIKUM Group has changed in the year under review as a result of cash inflows and outflows. The impact of acquisitions, divestments and other changes in consolidated companies has been eliminated. In accordance with IAS 7 (Statement of Cash Flows), a distinction is made between cash flows from operating activities, investing activities as well as financing activities. The liquidity shown in the statement of changes in financial position includes cash on hand, cheques as well as cash with banks. For the purposes of the statement of cash flows, bank overdrafts are deducted from cash and cash equivalents. As at 31 December 2020, as in the previous year, there were no bank overdrafts.

Cash and cash equivalents decreased in financial year 2020 by € 37.0 million (previous year: € 4.3 million). In this context, a positive operating cash flow was achieved in the amount of € 113.3 million (previous year: € 47.3 million). The rise in operating cash flow by € 66.0 million over the previous year compares with a € 48.5 million increase in cash used in investment activity as well as a € 50.2 million increase in cash used in financing activity, in each case compared with the previous year.

The increase in operating cash flow results among other things from payments in connection with COVID-19 legislation as well as the more rapid payments by the health insurance funds in connection with pandemic legislation. Whereas higher fixed deposit investments resulted in an increase in cash used in investment activity, the rise in cash used in finance activity was attributable to the partial repayment of our promissory note in 2020 due to a special termination right of the capital providers relating to the change of control following the public takeover offer by Asklepios Kliniken GmbH & Co. KGaA as well as the placement of a registered bond in financial year 2019.

The cash flow statement included a total of € 15.0 million (previous year: € 9.6 million) in outstanding construction invoices.

The statement of cash flows sets out the change in cash and cash equivalents between two balance sheet dates. In the RHÖN-KLINIKUM Group, this item exclusively comprises cash and cash equivalents attributable to continuing operations because no operations were discontinued.

In financial year 2020, financial liabilities changed as follows:

in € million	31 Dec. 2019	Cash changes	Non-cash changes	Change in consolidated companies	**31 Dec. 2020**
Lease obligations	13.0	–3.4	1.4	0.2	11.2
Current financial liabilities	0.9	–0.9	0.9	–	0.9
Non-current financial liabilities	158.3	–10.0	0.2	–	148.5
Total liabilities from finance activities	**172.2**	**–14.3**	**2.5**	**0.2**	**160.6**

In the context of the takeover by Asklepios Kliniken GmbH & Co. KGaA, the total volume of the promissory notes was reduced by € 10.0 million to € 90.0 million. In this connection, the item Other prepayment costs were incurred in the amount of € 1.0 million. Lease obligations of € 0.2 million were incurred in connection with the acquisition of physicians' practices.

Financial liabilities changed in financial year 2019 as follows:

in € million	31 Dec. 2018	Cash changes	Non-cash changes	31 Dec. 2019
Lease obligations	5.7	–3.4	10.7	13.0
Current financial liabilities	0.3	–	0.6	0.9
Non-current financial liabilities	99.5	58.7	0.1	158.3
Total liabilities from finance activities	**105.5**	**55.3**	**11.4**	**172.2**

The registered bond issued in July 2019 in the amount of € 60.0 million resulted after deduction of banking fees in a cash inflow of € 59.0 million. The cash outflow of € 0.3 million in financial year 2019 relates to further advisory costs in connection with the registered bond.

8 | SHAREHOLDINGS

8.1 Companies included in the consolidated annual report

in € '000

	Interest held in %	Equity	Result for the year
Hospital companies			
Haus Saaletal GmbH, Bad Neustadt a. d. Saale [1]	100.0	1,516	0
Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder) [1]	100.0	73,677	0
RHÖN-Kreisklinik Bad Neustadt GmbH, Bad Neustadt a. d. Saale [1]	100.0	350	0
Universitätsklinikum Gießen und Marburg GmbH, Giessen	95.0	148,906	12,797
Zentralklinik Bad Berka GmbH, Bad Berka	87.5	129,612	8,734

[1] The company claims the exemptions pursuant to section 264 (3) HGB from preparing notes and, to the extent required by law, from preparing a management report as well as disclosure.

in € '000

	Interest held in %	Equity	Result for the year
Medical care centre companies			
MVZ Bad Neustadt/Saale GmbH, Bad Neustadt a. d. Saale [1]	100.0	370	0
MVZ des Klinikums Frankfurt (Oder) GmbH, Frankfurt (Oder)	100.0	283	35
MVZ MED GmbH, Bad Neustadt a. d. Saale	100.0	13	–182
MVZ UKGM GmbH, Marburg	95.0	889	427
MVZ Zentralklinik GmbH, Bad Berka	87.5	1,994	0

[1] The company claims the exemptions pursuant to section 264 (3) HGB from preparing notes and, to the extent required by law, from preparing a management report as well as disclosure.

in € '000

	Interest held in %	Equity	Result for the year
Research and education companies			
ESB – Gemeinnützige Gesellschaft für berufliche Bildung mbH, Bad Neustadt a. d. Saale	100.0	1,928	302
gemeinnützige Gesellschaft zur Förderung der klinischen Forschung auf dem Gebiet der Humanmedizin und zur Betreuung von Patienten an den Universitäten Gießen und Marburg mbH, Marburg	100.0	35	0

in € '000

	Interest held in %	Equity	Result for the year
Property companies			
BGL Grundbesitzverwaltungs-GmbH, Bad Neustadt a. d. Saale	100.0	34,134	1,794

in € '000

	Interest held in %	Equity	Result for the year
Service companies			
RHÖN-Cateringgesellschaft mbH, Bad Neustadt a. d. Saale [1]	100.0	58	0
RHÖN-KLINIKUM Services GmbH, Bad Neustadt a. d. Saale (formerly: RHÖN-Reinigungsgesellschaft mbH, Bad Neustadt a. d. Saale)	100.0	3,040	353
RK Reinigungsgesellschaft Nordost mbH i. L., Bad Neustadt a. d. Saale (formerly: RK Reinigungsgesellschaft Nordost mbH, Bad Neustadt a. d. Saale)	100.0	204	–7
UKGM Service GmbH, Bad Neustadt a. d. Saale	100.0	68	0

[1] The company claims the exemptions pursuant to section 264 (3) HGB from preparing notes and, to the extent required by law, from preparing a management report as well as disclosure.

in € '000

	Interest held in %	Equity	Result for the year
Other companies/shelf companies			
Energiezentrale Universitätsklinikum Gießen GmbH, Giessen	50.0	788	173
Kinderhort Salzburger Leite gemeinnützige Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	174	–6
KLINIK "HAUS FRANKEN" GMBH Bad Neustadt/Saale i. L., Bad Neustadt a. d. Saale (formerly: KLINIK "HAUS FRANKEN" GMBH Bad Neustadt/Saale, Bad Neustadt a. d. Saale)	100.0	694	–8
Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	–39,165	1,797
Psychosomatische Klinik GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	19	–6
PTZ GmbH, Marburg	100.0	335	–11
RHÖN-KLINIKUM Energie für Gesundheit GmbH, Bad Neustadt a. d. Saale [1]	100.0	1,500	0
RHÖN-Innovations GmbH, Bad Neustadt a. d. Saale	100.0	5,462	–1,385
RK Klinik Betriebs GmbH Nr. 35 i. L., Bad Neustadt a. d. Saale (formerly: RK Klinik Betriebs GmbH Nr. 35, Bad Neustadt a. d. Saale)	100.0	114	–7
Wolfgang Schaffer GmbH i. L., Bad Neustadt a. d. Saale (formerly: Wolfgang Schaffer GmbH, Bad Neustadt a. d. Saale)	100.0	562	–7

[1] The company claims the exemptions pursuant to section 264 (3) HGB from preparing notes and, to the extent required by law, from preparing a management report as well as disclosure.

8.2 Other companies according to section 313 (2) No. 2 et seq. HGB

in € '000

	Interest held in %	Equity	Result for the year
4QD – Qualitätskliniken.de GmbH, Berlin [1]	20.0	469	–254
Bäderland Bayerische Rhön GmbH & Co. KG, Bad Kissingen [1]	0.1	8	0
CLEW Medical Inc., Delaware (USA) [2]	8.9	5,806	–3,736
HOSPIZ MITTELHESSEN gemeinnützige GmbH, Wetzlar [1]	13.6	525	21
Inovytec Medical Solutions Ltd., Hod Hasharon (Israel) [2]	10.2	1,588	–1,299
proDRG GmbH, Hamburg [4]	5.0	28	12
Projektanker GmbH, Hamburg [4]	1.2	68	–1
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale [3]	25.0	1,335	286
Siebensachen GmbH, Hamburg	0.004	49	1,157
Telesofia Medical Ltd., Tel Aviv (Israel) [2]	12.2	46	–383
Tiplu GmbH, Hamburg	5.0	4,352	3,212
Tiplu Schweiz AG, Zurich [4]	5.0	n. a.	n. a.

[1] Figures according to annual financial statements of 31 December 2019.
[2] Figures according to annual financial statements of 31 December 2019, converted at closing/average exchange rate 31 December 2020.
[3] Figures according to annual financial statements of 31 December 2018.
[4] Equity interest of Tiplu GmbH, Hamburg.

9 | OTHER DISCLOSURES

9.1 Average annual number of employees

	2020	2019	Change	
	Number [1]	Number [1]	Number [1]	in %
Medical doctors	1,083	1,050	33	3.1
Nursing services	5,026	4,727	299	6.3
Medical-technical services	2,607	2,652	–45	–1.7
Functional	1,629	1,674	–45	–2.7
Supply and misc. services	2,000	2,016	–16	–0.8
Technical	270	273	–3	–1.1
Administrative	1,123	1,127	–4	–0.4
Other personnel	312	291	21	7.2
	14,050	**13,810**	**240**	**1.7**

[1] Headcount, excluding Board members, managing directors, apprentices, trainees and those in alternative national service.

9.2 Other financial obligations

in € million

	31 Dec. 2020	31 Dec. 2019
Order commitments	**33.3**	**28.4**
Other		
Due in subsequent year	37.1	34.5
Due in 2 to 5 years	18.1	22.0
Due in 5 years	2.5	2.3
Total other	**57.7**	**58.8**

Of the figure for order commitments, € 1.2 million (previous year: € 2.3 million) is attributable to intangible assets, and € 26.8 million (previous year: € 22.1 million) is attributable to property, plant and equipment.

The remaining other financial obligations are mainly attributable to service agreements (maintenance agreements, agreements concerning the sourcing of products, agreements relating to laundry services, etc.).

As at the balance sheet date, there are no obligations under loan commitments to associates (previous year: € 2.5 million). 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, already € 139.0 million (previous year: € 94.1 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 to the University Hospital. For these measures, € 19.4 million (previous year: € 10.7 million) has already been invested. 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.

In addition, absolute bank guarantee undertakings not limited by contract exist for claims of the associations of accredited physicians (kassenärztliche Vereinigungen) and health insurance funds against medical care centre subsidiaries from their accredited physician activities, and with a medical care centre subsidiary a contract performance guarantee amounting to € 0.3 million (previous year: € 0.2 million) as security for advance payments of the association of accredited physicians.

As part of the construction of the new hospital in Bad Neustadt a. d. Saale, a bank guarantee in the amount of € 0.1 million (previous year: € 0.1 million) was granted to secure the reforestation agreement with the Free State of Bavaria.

Moreover, one aval guarantee (Aval-Bürgschaftserklärung) in the amount of € 3.5 million (previous year: € 3.5 million) exists for claims to government grants of the Free State of Bavaria. Furthermore, an absolute guarantee (selbstschuldnerische Bürgschaft) exists for claims to government grants of the Free State of Bavaria in the amount of € 0.2 million (previous year: € 0.2 million). There is also a litigation guarantee in connection with a lawsuit amounting to € 1.9 million (previous year: € 1.9 million) and a rental guarantee amounting to € 0.0 million (previous year: € 0.0 million).

It is no longer expected that any claims will be made under the guarantees.

9.3 Leases within the Group

The new IRFS 16 has been subject to mandatory adoption within the Group since 1 January 2019. It defines a lease as a contract which conveys the right to use an asset for a period of time in exchange for consideration. Within the Group, the modified retroactive approach was applied. Numerous property leases contain renewal options. Further details on the change are presented in the 2019 Annual Report.

For leases with a term of twelve months maximum amounting to € 0.4 million (previous year: € 0.3 million) as well as for leases relating to low-value assets in the amount of € 0.2 million (previous year: € 0.1 million), no rights of use and no lease liabilities are recognised within the Group of RHÖN-KLINIKUM AG. The lease rates are recognised as before within the income statement. Interest expenses from leases amounted to € 0.2 million (previous year: € 0.2 million) in financial year 2020.

Further details on leases are provided in sections 6.2, 6.17 and 6.21.3.

9.3.1 Obligations of lessees

Under leases, the Group mainly rents copier and printer systems as well as laboratory equipment. In the Group, there is a principle of always acquiring ownership of operating assets.

in € million

Liabilities from leases – minimum lease payments	**2020**	2019
Due in subsequent year	3.2	3.3
Due in 2 to 5 years	7.3	8.3
Due in 5 years	1.2	2.0
	11.7	**13.6**
Future financing costs under leases	**–0.5**	**–0.6**
Present value of liabilities under leases	**11.2**	**13.0**

in € million

Present value of liabilities under leases	**2020**	2019
Due in subsequent year	3.1	3.2
Due in 2 to 5 years	8.1	9.3
Due in 5 years	–	0.5
	11.2	**13.0**

9.3.2 Investment property

The Group lets residential space to employees, office and commercial space to third parties (e.g. cafeterias), as well as premises to doctors cooperating with the hospital and to joint laboratories as part of cancellable operating leases.

The most significant operating lease contracts by amount stem from the letting of property to third parties.

The largest item in absolute terms is the letting of a property to a nursing home operator. Based on the provisions of IFRS 13.97, fair value is calculated for the assets to be stated according to IAS 40. The fair value determined in this regard cannot be observed on an active market nor can be derived from a quoted market price and are thus classified to Level 3 of the fair value hierarchy of IFRS 13. The fair value is determined using a capitalised value approach in which the corresponding components of the income cost approach such as gross profit, expected return on land value and standard land value are used as input factors. On the basis of the capitalised value of potential earnings, no material differences between the fair value of the properties and their carrying amounts shown below are seen. For this reason, no external fair-value expertise was obtained.

Depreciation is recognised on a straight-line basis over a useful life of 33¹⁄₃ years. Rental income of € 0.4 million (previous year: € 0.4 million) was received in 2020. The operating costs for the investment properties amounted to € 0.2 million in the financial year (previous year: € 0.2 million). These are accounted for entirely by properties with which rental income was generated.

in € million

	2020	2019
	Total	Total
Cost		
1 Jan.	**5.0**	**5.0**
Additions	0.0	0.0
Disposals	0.0	0.0
31 Dec.	**5.0**	**5.0**
Cumulative depreciation		
1 Jan.	**2.6**	**2.5**
Depreciation	0.2	0.1
Disposals	0.0	0.0
31 Dec.	**2.8**	**2.6**
Balance sheet value as at 31 Dec.	**2.2**	**2.4**

There is also income from non-terminable leases. The minimum lease payments to be received in future (up to one year) are € 0.7 million (previous year: € 0.7 million). The minimum lease payments for the period of up to five years are stated at € 1.2 million (previous year: € 1.5 million). The corresponding figure for the period in excess of five years is € 0.3 million (previous year: € 0.2 million).

9.4 Related parties

According to the definition of IAS 24.9, related parties are those related to the reporting entity. Such parties are in particular natural persons who control the reporting entity or are involved in its joint management, exercise a material influence or hold a key position in the corporate management of the reporting entity. The same is true of close relatives of such persons. A person's close relatives are family members who may be assumed to be capable of influencing such person or being influenced by such person in their transactions with the Company. That includes children and spouses of life partners of such person, children of the spouse of life partner of such person and dependants of such person or of the spouse of life partner of such person. Also included are companies of the same corporate group and companies subject to or exercising a material influence.

Companies in the RHÖN-KLINIKUM Group enter into transactions with related parties in certain cases. These in particular include lettings of buildings as well as services related to nursing as well as supply of staff. Such service or lease relations are arranged at arm's length terms.

Related companies are accordingly defined as all companies in which we own an interest of between 20.0% and 50.0% or which were not included in the consolidated financial statements on the grounds of materiality (for the companies of the Group, please refer to the list of shareholdings in these Notes). Jointly managed joint ventures are also deemed to be related companies. From the point of view of the Group, the volume of transactions with related companies in financial year 2020 was as follows:

in € '000	**Expenses 2020**	**Income 2020**	Receivables 31 Dec. 2020	Liabilities 31 Dec. 2020
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale	–	370	1	–
4QD – Qualitätskliniken.de GmbH, Berlin	7	–	–	5
HOSPIZ MITTELHESSEN gemeinnützige GmbH, Wetzlar	20	–	–	–
	27	**370**	**1**	**5**

From the point of view of the Group, the volume of transactions with companies consolidated using the equity method in financial year 2020 was as follows:

in € '000	**Expenses 2020**	**Income 2020**	Receivables 31 Dec. 2020	Liabilities 31 Dec. 2020
Energiezentrale Universitätsklinikum Gießen GmbH, Giessen	688	–	–	112
	688	**0**	**0**	**112**

The receivables and liabilities result from supply and service relationships.

The members of management in key positions as well as close family relatives are treated as related parties. The Board of Management of RHÖN-KLINIKUM AG, the members of the Supervisory Board, as well as the members of management in key positions of a parent company were included among the members of management in key positions. Direct and indirect parent companies are the companies specified under Note 1 “General information” as well as Dr Bernard große Broermann.

In the year under review, members of the Supervisory Board of RHÖN-KLINIKUM AG, or companies and entities related with these as well as companies within the meaning of IAS 24, rendered the following services at arm’s length terms:

in € ’000

			Expenses	
Related party	**Companies as defined by IAS 24**	**Nature of services**	**2020**	2019
Dr Bernard große Broermann	Asklepios-Kliniken Group	Purchase of services and medical products	1,996	123
	of which Asklepios Kliniken GmbH & Co. KGaA	Purchase of services and medical products	1,740	0
Prof Dr Gerhard Ehninger (until 15 January 2021)	AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	20	22
		Supervisory board activity at an affiliated company	3	1
	B. Braun Konzern (primarily B. Braun Melsungen AG and Aesculap AG) (until 3 July 2020)	Purchase of medical products	5,304	10,900
Peter Berghöfer		Supervisory board activity at an affiliated company	2	3
Klaus Hanschur (until 22 July 2020)		Supervisory board activity at an affiliated company	2	3
Hafid Rifi (from 19 August 2020)		Supervisory board activity at an affiliated company	2	1
Eugen Münch		Fee for services	193	–
Dr Katrin Vernau (until 3 June 2020)		Supervisory board activity at an affiliated company	–	1

As in the previous year, the expenses were recognised in the income statement under the materials and consumables item as well as the other expenses item. As in the previous year, no impairments were to be recognised in financial year 2020.

The following services were recognised in the income statement under other income:

in € '000

Related party	Companies as defined by IAS 24	Nature of services	Income 2020	Income 2019
Dr Bernard große Broermann	Asklepios-Kliniken Group	Services, pharmacy services and medical products	942	777
	of which Asklepios Kliniken GmbH & Co. KGaA	Services and medical products	0	0
Eugen Münch		Telephone expenses, insurance fees, other services	3	11
Stephan Holzinger		Other services	–	1

As at the balance sheet date of 31 December 2020, the following trade payables existed:

in € '000

Related party	Companies as defined by IAS 24	Nature of services	Liabilities 2020	Liabilities 2019
Dr Bernard große Broermann	Asklepios-Kliniken Group	Purchase of services and medical products	1,907	10
	of which Asklepios Kliniken GmbH & Co. KGaA	Services and medical products	1,024	0
Eugen Münch		Fee for services	48	–
Prof Dr Gerhard Ehninger (until 15 January 2021)	AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	2	1
	B. Braun Konzern (primarily B. Braun Melsungen AG and Aesculap AG) (until 3 July 2020)	Purchase of medical products	–	413

As at the balance sheet date of 31 December 2020, the following trade receivables existed:

in € ’000

Related party	Companies as defined by IAS 24	Nature of services	Receivables 2020	Receivables 2019
Dr Bernard große Broermann	Asklepios-Kliniken Group	Services, pharmacy services and medical products	81	65
	of which Asklepios Kliniken GmbH & Co. KGaA	Services and medical products	0	0

The employee representatives on the Supervisory Board employed at RHÖN-KLINIKUM AG or its subsidiaries received the following remuneration within the scope of their employment contracts in the past financial year:

in € ’000

	Fixed	Profit-linked	Total 2020	Total 2019
Peter Berghöfer	160	50	210	194
Regina Dickey (from 19 August 2020)	19	0	19	–
Peter Ducke (from 19 August 2020)	14	0	14	–
Prof Dr Leopold Eberhart (from 19 August 2020)	67	0	67	–
Stefan Härtel (until 19 August 2020)	35	1	36	50
Klaus Hanschur (until 19 August 2020)	25	2	27	37
Dr Martin Mandewirth (from 19 August 2020)	51	0	51	–
Dr Thomas Pillukat (from 19 August 2020)	48	3	51	–
Oliver Salomon	52	1	53	50
Evelin Schiebel (until 19 August 2020)	29	1	30	45
Natascha Weihs (until 19 August 2020)	31	2	33	51
	531	**60**	**591**	**427**

The above costs are shown under employee benefit expenses in the income statement.

9.5 Total payments of Supervisory Board, the Board of Management and the Advisory Board

The total expenditures (excluding VAT) for members of the Supervisory Board are broken down below:

in € '000

Total payments	**2020**	2019
Eugen Münch (until 19 August 2020)	219	352
Dr Jan Liersch (from 3 June 2020)	67	0
Georg Schulze	122	138
Wolfgang Mündel (until 19 August 2020)	196	296
Hafid Rifi (from 19 August 2020)	27	0
Dr Annette Beller (until 3 June 2020)	83	161
Peter Berghöfer	91	100
Prof Dr h. c. Ludwig Georg Braun (until 5 June 2019)	0	33
Nicole Mooljee Damani (from 19 August 2020)	18	0
Dr Julia Dannath-Schuh (from 3 June 2020)	40	0
Regina Dickey (from 19 August 2020)	18	0
Peter Ducke (from 19 August 2020)	15	0
Prof (apl.) Dr med. Leopold Eberhart (from 19 August 2020)	20	0
Prof Dr Gerhard Ehninger (until 15 January 2021)	68	59
Irmtraut Gürkan (from 19 August 2020)	18	0
Jan Hacker (from 5 June 2019 to 19 August 2020)	57	49
Stefan Härtel (until 19 August 2020)	55	82
Kai Hankeln (from 19 August 2020)	16	0
Klaus Hanschur (until 19 August 2020)	50	82
Meike Jäger (until 19 August 2020)	70	100
Dr med. Martin Mandewirth (from 19 August 2020)	18	0
Dr Brigitte Mohn (until 19 August 2020)	43	54
PD Dr med. Thomas Pillukat (from 19 August 2020)	15	0
Christine Reißner	81	100
Oliver Salomon	70	82
Evelin Schiebel (until 19 August 2020)	57	88
Dr Katrin Vernau (until 3 June 2020)	56	92
Natascha Weihs (until 19 August 2020)	57	80
	1,647	**1,948**

As at the balance sheet date, liabilities to members of the Supervisory Board in the amount of € 1.3 million (previous year: € 1.6 million) exist.

The total payments of the Board of Management break down as follows:

in € ’000

Incumbent member of Board of Management	Dr Christian Höftberger (chairman of Board of Management from 5 November 2020; member of Board of Management from 15 August 2020)					
	Inducements granted				Inflow	
	2020	2019	**2020 (min.)**	**2020 (max.)**	**2020**	2019
Base salary (fixed remuneration)	188	0	188	188	188	0
Fringe benefits	21	0	21	21	21	0
Total	**209**	**0**	**209**	**209**	**209**	**0**
One-year variable remuneration						
Management profit sharing	94	0	0	94	0	0
Total payments	**304**	**0**	**209**	**304**	**209**	**0**

in € ’000

Incumbent member of Board of Management	Prof Dr Bernd Griewing (member of Board of Management)					
	Inducements granted				Inflow	
	2020	2019	**2020 (min.)**	**2020 (max.)**	**2020**	2019
Base salary (fixed remuneration)	192	192	192	192	192	192
Fringe benefits	12	12	12	12	12	12
Total	**204**	**204**	**204**	**204**	**204**	**204**
One-year variable remuneration						
Management profit sharing	1,008	1,008	1,008	1,308	1,008	1,008
Total payments	**1,212**	**1,212**	**1,212**	**1,512**	**1,212**	**1,212**
Pension expense [1]	165	157	165	165	0	0
Total remuneration	**1,377**	**1,369**	**1,377**	**1,677**	**1,212**	**1,212**

[1] Pension expenditure includes past service cost according to IAS 19.

in € ’000

Incumbent member of Board of Management	Dr Stefan Stranz (member of Board of Management from 1 September 2020)					
	Inducements granted				Inflow	
	2020	2019	**2020 (min.)**	**2020 (max.)**	**2020**	2019
Base salary (fixed remuneration)	167	0	167	167	167	0
Fringe benefits	14	0	14	14	14	0
Total	**181**	**0**	**181**	**181**	**181**	**0**
One-year variable remuneration						
Management profit sharing	83	0	0	83	0	0
Total payments	**264**	**0**	**181**	**264**	**181**	**0**

in € ’000

Incumbent member of Board of Management	Dr Gunther K. Weiß (member of Board of Management from 1 May 2018)					
	Inducements granted				Inflow	
	2020	2019	**2020 (min.)**	**2020 (max.)**	**2020**	2019
Base salary (fixed remuneration)	192	192	192	192	192	192
Fringe benefits	17	13	17	17	17	13
Total	**209**	**205**	**209**	**209**	**209**	**205**
One-year variable remuneration						
Management profit sharing	708	708	708	1,308	708	708
Total payments	**917**	**913**	**917**	**1,517**	**917**	**913**
Pension expense[1]	130	121	130	130	0	0
Total remuneration	**1,047**	**1,034**	**1,047**	**1,647**	**917**	**913**

[1] Pension expenditure includes past service cost according to IAS 19.

in € ’000

Former member of Board of Management	Stephan Holzinger (Chairman of Board of Management until 16 June 2020; member of Board of Management until 22 June 2020; service relationship until 30 September 2020)					
	Inducements granted				Inflow	
	2020	2019	**2020 (min.)**	**2020 (max.)**	**2020**	2019
Base salary (fixed remuneration)	1,350	1,800	1,350	1,350	1,350	1,800
Fringe benefits	8	16	8	8	8	16
Total	**1,358**	**1,816**	**1,358**	**1,358**	**1,358**	**1,816**
One-year variable remuneration						
Management profit sharing	0	0	0	1,000	0	0
Total payments	**1,358**	**1,816**	**1,358**	**2,358**	**1,358**	**1,816**
Pension expense[1]	63	249	63	63	825	0
Severance payments	1,872	0	1,872	1,872	1,872	0
Total remuneration	**3,293**	**2,065**	**3,293**	**4,293**	**4,055**	**1,816**

[1] Pension expenditure includes past service cost according to IAS 19.

For the post-termination entitlements of Prof Dr Griewing and Dr Weiß, the following provisions have been formed for post-employment benefits:

in € '000

Retirement benefits	Provision as at 31 Dec. 2019	Change in retirement benefits	**Provision as at 31 Dec. 2020**	Nominal amount on contract expiry [1]
Incumbent members of the Board of Management				
Stephan Holzinger	762	–762	0	0
Prof Dr Bernd Griewing	665	143	808	1,350
Dr Gunther K. Weiß	215	91	306	413
Total	**1,642**	**–528**	**1,114**	**1,763**

[1] Claim according to expiry of service contract of the incumbent members of the Board of Management based on remuneration.

As at the balance sheet date, liabilities to members of the Board of Management in the amount of € 0.2 million (previous year: € 0.0 million) exist.

No loans were granted to members of the Supervisory Board and the Board of Management. The members of the Supervisory Board and their related parties together have a shareholding interest in RHÖN-KLINIKUM Aktiengesellschaft of 0.0% (previous year: 20.0%) of total equity capital. As at 31 December 2020, the members of the Board of Management hold no (previous year: no) shares of RHÖN-KLINIKUM Aktiengesellschaft. The payments of the Supervisory Board relate to benefits due in the short term.

During the 2020 reporting period, RHÖN-KLINIKUM AG received the following notifications on transactions for own account by persons discharging managerial responsibilities pursuant to Article 19 of the Market Abuse Regulation (EU) No 596/2014:

Date of transaction	First and last name	Position/status	Financial instrument and ISIN	Nature and place of transaction	Quantity	Price	Business volume
28 May 2020	Eugen Münch	Chairman of the Supervisory Board of RHÖN-KLINIKUM AG	Sale of shares, DE0007042301	Sale of shares, outside a trading venue	2,469,971	€ 18.00	€ 44,459,478.00
28 May 2020	Ingeborg Münch	Person has a close relationship to Eugen Münch, chairman of the Supervisory Board of RHÖN-KLINIKUM AG	Sale of shares, DE0007042301	Sale of shares, outside a trading venue	1,935,546	€ 18.00	€ 34,839,828.00
26 May 2020	HCM SE	Person has a close relationship to Eugen Münch, chairman of the Supervisory Board of RHÖN-KLINIKUM AG	Contribution, DE0007042301	Contribution of shares in RHÖN-KLINIKUM AG to AMR Holding GmbH under a joint venture agreement, between HCM SE and Asklepios Kliniken GmbH & Co. KGaA dated 28 February 2020, outside a trading venue	5,097,578	not quantifiable	not quantifiable
26 May 2020	Eugen Münch	Chairman of the Supervisory Board of RHÖN-KLINIKUM AG	Sale of shares, DE0007042301	Sale of shares, outside a trading venue	2,180,112	€ 18.00	€ 39,242,016.00
26 May 2020	Ingeborg Münch	Person has a close relationship to Eugen Münch, chairman of the Supervisory Board of RHÖN-KLINIKUM AG	Sale of shares, DE0007042301	Sale of shares, outside a trading venue	1,708,778	€ 18.00	€ 30,758,004.00

For the statements on share-based compensation within the meaning of IFRS 2 (cash-settled share-based payment transactions), we refer to Note 2.16.4 “Share-based payments”.

9.6 Declaration of Compliance with the German Corporate Governance Code

By joint resolution of the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG of 5 November 2020, the Company made the declaration pursuant to section 161 of the German Stock Corporation Act (AktG) regarding the application of the German Corporate Governance Code in financial year 2020. These have been published on the website of RHÖN-KLINIKUM AG and thus made available to the general public.

9.7 Disclosure of the fees recognised as expenses (including reimbursement of outlays and excluding VAT) for the statutory auditors

In financial year 2020, expenses resulting from fees for statutory auditors amounting to € 1.3 million (previous year: € 1.4 million) were incurred Group-wide. A breakdown of these fees (including outlays and excluding VAT) by service rendered is provided below:

in € '000

	2020	2019
Fees for auditing financial statements	880	942
Fees for other statutory auditing services	119	91
Fees for tax advice	13	249
Fees for other services	270	73
	1,282	**1,355**

The fees for the other statutory auditing services essentially cover certificates for hospital legislation purposes as well as for review of the separate non-financial report. The tax advisory services include fees for support services in the preparation of tax declarations and in the assessment of tax matters. Other services primarily relate to fees for project-related advisory services.

Of the total fee (excluding VAT), no fees are attributable to other statutory auditors who are not auditors of the consolidated financial statements.

9.8 Events after the reporting date

No particularly significant events have occurred since 31 December 2020 that are expected to have a material influence on the net assets, financial position and results of operations of the Group of RHÖN-KLINIKUM AG.

In addition, we draw attention to one change in the Supervisory Board after the end of financial year 2020: Prof Dr Gerhard Ehninger notified the Company in the middle of December 2020 that he is resigning his mandate as member of the Supervisory Board of the Company. He thus left the Supervisory Board on 15 January 2021. The Supervisory Board therefore resolved already in January 2021 on the recommendation of the Nomination Committee to nominate Mr. Marco Walker, COO of Asklepios Kliniken GmbH & Co. KGaA, Hamburg, and managing director of Asklepios Kliniken Management GmbH, for the election to be held at the 2021 Annual General Meeting, to succeed Prof Dr Ehninger as member of the Supervisory Board of RHÖN-KLINIKUM AG for the remaining term of office. The application of the Board of Management of the Company to the Local Court of Schweinfurt was made on 11 February 2021.

10 | CORPORATE BODIES OF RHÖN-KLINIKUM AG

The Supervisory Board of RHÖN-KLINIKUM AG comprises the following persons:

Dr Jan Liersch
Business address at Königstein-Falkenstein, managing director of Broermann Holding GmbH, Chairman of the Supervisory Board (from 3 June 2020 Supervisory Board member, from 19 August 2020 Chairman of the Supervisory Board)

Also a member of the Supervisory Board of:
- MEDICLIN Aktiengesellschaft, Offenburg (Chairman of the Supervisory Board)

Other mandates:
- Hotel Montreux Palace S.A., Montreux, Switzerland (Chairman of the Board of Directors)
- Hôtel Suisse Majestic S.A., Montreux, Switzerland (Chairman of the Board of Directors)

Georg Schulze
Frankfurt am Main, 1st Deputy Chairman, Regional Director of ver.di, region of Hesse

Hafid Rifi
Business address at Königstein-Falkenstein, 2nd Deputy Chairman, Chief Financial Officer of Asklepios Kliniken GmbH & Co. KGaA (from 19 August 2020)

Also a member of the Supervisory Board of:
- Universitätsklinikum Gießen und Marburg GmbH, Giessen

Peter Berghöfer
Münchhausen, Head of Finance, Universitätsklinikum Gießen und Marburg GmbH, Giessen

Also a member of the Supervisory Board of:
- Universitätsklinikum Gießen und Marburg GmbH, Giessen

Nicole Mooljee Damani
Rottach-Egern, corporate consultant (from 19 August 2020)

Dr Julia Dannath-Schuh
Zurich, Switzerland, Vice President Human Resources Development & Leadership ETH Zurich (from 3 June 2020)

Also a member of the Supervisory Board of:
- Asklepios Kliniken GmbH & Co. KGaA, Hamburg
- MEDICLIN Aktiengesellschaft, Offenburg

Other mandates:
- Alsia und Partners AG, Hünenberg, Switzerland (member of the Board of Directors)

Regina Dickey
Giessen, administrative employee (from 19 August 2020)

Peter Ducke
Kirchhain, employee in nursing service (from 19 August 2020)

Prof (apl.) Dr med. Leopold Eberhart
Marburg, medical doctor (from 19 August 2020)

Irmtraut Gürkan
Alsbach, Dipl.-Volkswirtin (economist) (from 19 August 2020)

Also a member of the Supervisory Board of:
- Charité Universitätsmedizin Berlin, Berlin

Other mandates:
- Eurotransplant International Foundation, Leiden, Netherlands (Member of the Supervisory Board)
- Stiftung Alice-Hospital vom Roten Kreuz zu Darmstadt, Darmstadt (Member of the Board of Trustees)
- Universitätsspital Basel, Basel, Switzerland (Member of the Board of Directors)

Kai Hankeln
Business address Hamburg, Chief Executive Officer of Asklepios Kliniken GmbH & Co. KGaA (from 19 August 2020)

Also a member of the Supervisory Board of:
- Asklepios Fachklinikum Stadtroda GmbH, Stadtroda (Chairman of the Supervisory Board)
- Asklepios Kliniken Hamburg GmbH, Hamburg (until 27 April 2020)
- MEDICLIN Aktiengesellschaft, Offenburg

Dr med. Martin Mandewirth
Oberelsbach, Facharzt für Herzchirurgie
(medical doctor, specialist in heart surgery) (from 19 August 2020)

PD Dr med. Thomas Pillukat
Bad Neustadt a. d. Saale, medical doctor (from 19 August 2020)

Christine Reißner
Sülzfeld, merchant

Oliver Salomon
Bad Berka, male nurse

Dr Annette Beller
Kassel, member of the Management Board of B. Braun SE
(until 3 June 2020)

Other mandates:
- Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main (member of the Board of Directors)

Prof Dr Gerhard Ehninger
Dresden, medical doctor (until 15 January 2021)
- Cellex Gesellschaft für Zellgewinnung mbH, Dresden (Managing Director)
- GEMoaB Monoclonals GmbH, Dresden (Managing Director)

Also a member of the Supervisory Board of:
- Universitätsklinikum Gießen und Marburg GmbH, Giessen
- Universitätsklinikum Schleswig-Holstein, Kiel

Dipl.-Kfm. Jan Hacker
Corporate consultant, Bayreuth (until 19 August 2020)

Stefan Härtel
Müllrose, male nurse, Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder) (until 19 August 2020)

Other mandates:
- Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder) (member of the Advisory Board)

Klaus Hanschur
Marburg, masseur and med. spa therapist (until 19 August 2020)

Also a member of the Supervisory Board of:
- Marburger Spar- und Bauverein eG, Marburg
- Universitätsklinikum Gießen und Marburg GmbH, Giessen (until 31 August 2020)

Meike Jäger
Berlin, Regional Director and Secretary of ver.di
(until 19 August 2020)

Also a member of the Supervisory Board of:
- Vivantes – Netzwerk für Gesundheit GmbH, Berlin (Chairman of the Supervisory Board)

Other mandates:
- Rosa-Luxemburg-Stiftung Gesellschaftsanalyse und politische Bildung e. V., Berlin (member of the Board of Management)

Dr Brigitte Mohn
Gütersloh, member of the Board of Management of Bertelsmann Stiftung (until 19 August 2020)

Also a member of the Supervisory Board of:
- Bertelsmann SE & Co. KGaA, Gütersloh
- Bertelsmann Management SE, Gütersloh
- PHINEO gAG, Berlin (Chairman of the Supervisory Board)

Other mandates:
- Bauhaus der Erde (member of the Initiative Group (Initiativkreis))
- Bundesverband Deutsche Startups e. V., Berlin (member of the Board of Trustees)
- Clue by Biowink GmbH, Berlin (member of the Advisory Board)
- European Center for Digital Competitiveness (ESCP), Berlin (member of the Advisory Board)
- Human Capital Network, London (member of the Advisory Council)
- State Government of North Rhine-Westphalia, Düsseldorf (member on the Advisory Council for Participation and Integration)
- Member of Bertelsmann Verwaltungsgesellschaft mbH, Gütersloh
- Peres Center for Peace and Innovation, Israel (member on the International Board of Governors)
- Reinhard-Mohn-Institut für Unternehmensführung, Witten (member of the Board of Trustees)
- Regine Sixt Kinderhilfe Stiftung, Pullach (member of the Advisory Board)
- Stiftung Michael Skopp, Bielefeld (member of the Board of Trustees)
- Stiftung Deutsche Schlaganfall-Hilfe, Gütersloh (Chairman of the Board of Trustees)
- Sunrise Capital GmbH, Leopoldshöhe (Managing Shareholder)
- Volunteer Directly Ltd, GivingWay, Israel (member of the Advisory Board)
- RTL-Stiftung "Wir helfen Kindern", Cologne (member of the Board of Trustees)

Eugen Münch
Bad Neustadt a. d. Saale, Chairman of the Supervisory Board (until 19 August 2020)

Other mandates:
- HCM SE, Bad Neustadt a. d. Saale (managing director)
- Stiftung Münch, Munich (Board of Management)

Wolfgang Mündel
Kehl, 2nd Deputy Chairman, Wirtschaftsprüfer (German public auditor) and tax consultant in own practice (until 19 August 2020)

Other mandates:
- Jean d'Arcel Cosmétique GmbH & Co. KG, Kehl (Chairman of the Advisory Board) (until 24 January 2020)
- HCM SE, Bad Neustadt a. d. Saale (Chairman of the Board of Directors)

Evelin Schiebel
Görsbach, nurse (until 19 August 2020)

Dr Katrin Vernau
Hamburg, Administrative Director of WDR Westdeutscher Rundfunk, Cologne (until 3 June 2020)

Also a member of the Supervisory Board of:
- Bavaria Film GmbH, Geiselgasteig
- Universitätsklinikum Gießen und Marburg GmbH, Giessen
- WDR mediagroup GmbH, Cologne

Other mandates:
- Fee service of ARD, ZDF and Deutschlandradio, Cologne (Chairman of the Board of Directors)
- Gothaer Versicherungsbank (member of Members' Representatives)
- IVZ Informationsverarbeitungszentrum, Cologne (member of the Board of Directors)
- Köln Musik GmbH, Köln (representative of the shareholder WDR)
- Rheinische Friedrich-Wilhelms-Universität Bonn, Bonn (member and Deputy Chairman of the University Council)

Natascha Weihs
Bad Neustadt a. d. Saale, physiotherapist (until 19 August 2020)

The Board of Management of RHÖN-KLINIKUM AG comprises the following persons:

Dr Christian Höftberger
Business address at Bad Neustadt a. d. Saale, Chairman of the Board of Management (member of the Board of Management from 15 August 2020, Chairman of the Board of Management from 5 November 2020)

Also a member of the Supervisory Board of:
- IWG HOLDING AG, Giessen
- IWG MEDICAL REAL ESTATE AG, Giessen
- Universitätsklinikum Gießen und Marburg GmbH, Giessen (from 6 October 2020) (Chairman of the Supervisory Board from 26 October 2020)

Prof Dr med. Bernd Griewing
Business address Bad Neustadt a. d. Saale, Chief Medical Officer

Member of the Supervisory Board of:
- Universitätsklinikum Gießen und Marburg GmbH, Giessen

Other mandates:
- Stiftung Münch, Munich (Board of Management)
- Stiftung Deutsche Sporthilfe, Frankfurt am Main (member of the Board of Trustees)

Dr Stefan Stranz
Business address Bad Neustadt a. d. Saale, Chief Financial Officer (from 1 September 2020)

Dr med. Gunther Karl Weiß, M.Sc.
Business address Bad Neustadt a. d. Saale, Chief Operating Officer

Member of the Supervisory Board of:
- P.E.G. Einkaufs- und Betriebsgenossenschaft eG, Munich

Other mandates:
- Universitätsklinikum Gießen und Marburg GmbH, Giessen (Chairman of the Management Board)
- Mittelhessische Medizin-Stiftung am Universitätsklinikum Gießen und Marburg, Giessen (member of the Board of Directors)

Stephan Holzinger
Business address at Bad Neustadt a. d. Saale, Chairman of the Board of Management (until 22 June 2020)

Also a member of the Supervisory Board of:
- Universitätsklinikum Gießen und Marburg GmbH, Giessen (Chairman of the Supervisory Board) (until 22 June 2020)
- Medgate Deutschland GmbH, Bad Neustadt a. d. Saale (until 22 June 2020)

Bad Neustadt a. d. Saale, 23 February 2021

RHÖN-KLINIKUM Aktiengesellschaft
THE BOARD OF MANAGEMENT

Prof Dr Bernd Griewing   Dr Christian Höftberger   Dr Stefan Stranz   Dr Gunther K. Weiß

Responsibility Statement

We assure to the best of our knowledge that based on the accounting principles to be applied to the Consolidated Financial Statement of RHÖN-KLINIKUM AG a true and fair view of the asset, financial and earnings position of the Group is given therein and that the Consolidated Report of the Management presents the business performance including the situation of the Group in such a way as to give a true and fair view of the same as well as a description of the material risks and opportunities involved in the probable development of the Group of RHÖN-KLINIKUM AG.

Bad Neustadt a. d. Saale, 23 February 2021

RHÖN-KLINIKUM Aktiengesellschaft
THE BOARD OF MANAGEMENT

Prof Dr Bernd Griewing | Dr Christian Höftberger | Dr Stefan Stranz | Dr Gunther K. Weiß

The following copy of the auditor's report also includes an "Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes" ("Separate report on ESEF conformity "). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

Independent auditor's report

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

Report on the Audit of The Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of RHÖN-KLINIKUM Aktiengesellschaft for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ ***Recognition of revenue generated from hospital services provided and revenue settlement (Erlösausgleiche)***

❷ ***Recoverability of goodwill***

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ ***Recognition of revenue generated from hospital services provided and revenue settlement (Erlösausgleiche)***

① The revenue amounting to EUR 1,360.1 million recognized in the Company's consolidated financial statements relates primarily to hospital services and is therefore largely subject to the statutory fee regulations for the healthcare sector. For the purposes of settling the services that hospitals provide, the health insurance funds, in their capacity as the payer, and the respective hospital annually negotiate and agree revenue budgets pursuant to § 4 KHEntgG [Krankenhausentgeltgesetz: Hospital Reimbursement Act] and care budgets pursuant to § 6a KHEntgG. The basis for this is the measurement of the general hospital services within the health care mandate of the respective hospital. The service volumes actually provided in the budget and fee year are settled in accordance with § 4 Abs. 3 KHEntgG and the revenue deviations resulting from the continued levying of the previous state prime rate and previous fees are settled in accordance with § 15 Abs. 3 KHEntgG by way of revenue settlement. If, in addition, the total of the hospital's revenues from daily care fees pursuant to § 15 Abs. 2a KHEntgG falls short of the total of the costs relevant to the nursing budget in the financial year, settlement amounts may also be claimed by applying § 6a Abs. 2 and Abs. 5 KHEntgG accordingly within the framework of the budget and fee agreements. Since the budgets are negotiated primarily during the course of the financial year or only after the end of the financial year, the executive directors of the companies of the RHÖN-KLINIKUM Group estimate the service quantities to be remunerated as of the balance sheet date, which are affected by adjustments to revenue and the corresponding recognition of settlement receivables and liabilities.

Furthermore, in accordance with § 275 SGB V [Sozialgesetzbuch V: Book V of the German Social Code] and § 17c Abs. 1 KHG [Krankenhausfinanzierungsgesetz: German Hospital Financing Act], the health insurance funds generally have the right to have the coded revenue reviewed by Medizinischer Dienst der Krankenversicherung (MDK) and the settlement of care rates. The revenue from the hospital services provided is adjusted by the executive directors of the companies of the RHÖN-KLINIKUM Group on the basis of estimates in relation to the MDK's change rate, and on the basis of experience. In turn, the final findings of MDK's reviews influence the revenue settlement for the respective financial year.

In order to ensure short-term liquidity and compensation for services during the coronavirus crisis, various changes to hospital financing were implemented which will have an impact in particular through the introduction of compensation payments pursuant to § 21 Abs. 1 and Abs. 2 KHG for the period from 16 March 2020 to 30 September 2020, and compensation payments pursuant to § 21 Abs. 1a and Abs. 2a KHG for the period from 18 November 2020 to 28 February 2021. The aforementioned compensation payments were recognized under revenue.

The recognition of revenue and revenue adjustments are based to a large degree on the executive directors' estimates and assumptions and are therefore subject to considerable uncertainties. Against this background and due to the underlying complexity of the measurement on which this material item was based, revenue recognition was of particular significance for our audit.

② As part of our audit, we, among other things, used the contractual documents and other correspondence provided to us to gain an overview of the budget arrangements between the health insurance funds and the respective hospitals of the RHÖN-KLINIKUM Group as well as the respective remunerated service quantities. With the knowledge that estimated values result in an increased risk of accounting misstatements and that the executive directors' measurement decisions have a direct and significant effect on consolidated profit, we assessed the appropriateness of the budget estimates, the care budget-relevant costs, the revenue settlements and the revenue adjustments performed on basis of the MDK's verifications. In order to assess the appropriateness of the revenue recognized as of the balance sheet date, we assessed the Company's processes for recognizing and adjusting revenue from provided hospital services and we examined the method the executive directors use for performing revenue adjustments. Furthermore, we also evaluated the executive directors' related assumptions relating to the remunerated service quantities as of the balance date on the basis of the detailed information provided to us. We compared the revenue adjustments with the minutes and records provided to us of the respective negotiations with the health insurance funds as well as the outcomes of negotiations in previous years. For the revenue settlements, we also evaluated the process for determining the revenue settlements, incl. the care budget-related costs, in addition to validating the revenue figures using the respective information on hospital services provided by the patient management system and the underlying agreements.

With respect to any corrections by the MDK, we assessed the processes for determining the service quantities (coding) and for determining the corresponding corrections. We also analyzed and assessed the development of MDK's verification and objection rates as well as its audit focal points. Furthermore, we assessed the assumptions made by the executive directors and the documents underlying the entries with respect to the amount and timing of recognized amounts from compensation payments during the coronavirus crisis.

We were able to satisfy ourselves that the estimates applied and the assumptions made by the executive directors concerning the recognition and measurement of revenue from hospital services provided were sufficiently documented and that the estimates applied and the assumptions made by the executive directors were consistently derived.

③ The Company's disclosures relating to revenue recognition are contained in sections 3.2 and 5.1 of the notes to the consolidated financial statements.

❷ ***Recoverability of goodwill***

① In the Company's consolidated financial statements goodwill of EUR 164.8 million (10.1 % of consolidated total assets) is reported under the "Goodwill and other intangible assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The Company allocates goodwill to the respective cash-generating units. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of fair value less costs of disposal. Goodwill is generally measured as the present value of the future cash flows of the respective cash-generating unit. The relevant present value is calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted cost of capital for the relevant cash-generating unit. The impairment test determined that no write-downs were necessary. The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodological procedure adopted for the purpose of the impairment tests and evaluated the calculation of the weighted cost of capital, among other things. After matching the future cash inflows used for the calculation against the adopted mediumterm business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. We also assessed the appropriate consideration of the costs of Group functions. With the knowledge that even relatively small changes in the discount rate applied can have material effects on the goodwill calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, including the weighted average cost of capital, and assessed the calculation method. Furthermore, in order to take into account existing uncertainties inherent in the forecasts and projections, in addition to the sensitivity analyses carried out by the Company we performed our own sensitivity analyses and, taking into account the information available, determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future net cash inflows. Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures pertaining to goodwill are contained in sections 2.4.1, 3.1 and 6.1 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report, which we obtained prior to the date of our auditor's report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section 1.9 of the group management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The annual report is expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory Requirements

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file RhoenKlinikumAG-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) [if considered to be beneficial for the understanding of the separate report on ESEF compliance in an international context: and the International Standard on Assurance Engagements 3000 (Revised)]. Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 19 August 2020. We were engaged by the supervisory board on 23 December 2020. We have been the group auditor of the RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a.d. Saale, without interruption since the financial year 1988.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public Auditor responsible for the Engagement

The German Public Auditor responsible for the engagement is Lars Müller.

Frankfurt a. Main, 23 February 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Lars Müller	ppa. Samuel Artzt
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Balance sheet and income statement

BALANCE SHEET

in € million

	31 Dec. 2020	31 Dec. 2019
Assets		
Intangible assets	8.0	8.1
Property, plant and equipment	285.6	277.6
Financial assets	617.1	654.9
Fixed assets	**910.7**	**940.6**
Inventories	6.8	7.3
Receivables and other assets	106.6	96.0
Securities, cash and cash equivalents	228.3	212.1
Current assets	**341.7**	**315.4**
Prepaid expenses	**2.1**	**2.8**
Deferred tax assets	**7.6**	**7.2**
	1,262.1	**1,266.0**

in € million

	31 Dec. 2020	31 Dec. 2019
Shareholders' equity and liabilities		
Subscribed capital/issued capital	167.4	167.4
Capital reserve	589.0	589.0
Retained earnings	0.1	0.1
Net distributable profit	193.2	203.5
Shareholders' equity	**949.7**	**960.0**
Contribution to finance fixed assets	**12.4**	**13.0**
Provisions	**58.8**	**45.1**
Liabilities	**241.2**	**247.9**
	1,262.1	**1,266.0**

INCOME STATEMENT

in € million

	2020	2019
Revenues	273.3	258.9
Changes in services in progress	–1.2	1.3
Other operating income	8.5	45.3
Materials and consumables used	92.1	94.4
Employee benefits expense	149.1	139.9
Depreciation	22.5	21.5
Other operating expenses	39.1	33.1
Operating result	**–22.2**	**16.6**
Investment result	6.2	13.2
Finance result	3.0	8.9
Taxes	–2.7	4.9
Net loss/net profit for the year	**–10.3**	**33.8**
Profit carried forward from previous year	203.5	169.7
Net distributable profit	**193.2**	**203.5**

The annual financial statements of RHÖN-KLINIKUM Aktiengesellschaft, which have been audited and certified by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, will be published in the Federal Gazette (Bundesanzeiger) and deposited with the Commercial Register.

The report can be obtained from the Company on request.

Proposed appropriation of profit

The annual financial statements of RHÖN-KLINIKUM AG for the year ended 31 December 2020, which have been prepared by the Board of Management, approved by the Supervisory Board and thus adopted as final, show a net distributable profit of € 193,221,024.38.

The Board of Management and the Supervisory Board propose carrying forward the net distributable profit to new account.

Bad Neustadt a. d. Saale, 24 March 2021

RHÖN-KLINIKUM Aktiengesellschaft

The Supervisory Board

The Board of Management

Independent Practitioner's Report

ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING[1]

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

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of RHÖN-KLINIKUM AG, Bad Neustadt a. d. Saale, (hereinafter the "Company") for the period from 1 January to 31 December 2020 (hereinafter the "Non-financial Report"). The non-financial report comprises the sections marked with a check mark in the Corporate Social Responsibility Report of the company for the financial year 2020.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the information in the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the non-financial report.

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's non-financial report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of the Company's management and personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the non-financial report
- Analytical evaluation of selected disclosures in the non-financial report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt a. Main, 23 February 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke	ppa. Meike Beenken
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR

DATES FOR SHAREHOLDERS AND ANALYSTS 2021

25 March	Publication of 2020 Annual Financial Report, Press Conference
6 May	Publication of Interim Report for the quarter ending 31 March 2021
9 June	Annual General Meeting
5 August	Publication of Half-Year Financial Report as of 30 June 2021
11 November	Publication of Interim Report for the quarter ending 30 September 2021

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This Annual Report is also available in German.

Annual Report on the Internet
en.rhoen-klinikum-ag.com/annual-report

DISCLAIMER

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