



Corporate News

Bad Neustadt a. d. Saale | 22nd February 2019

RHÖN-KLINIKUM AG significantly increases EBITDA to Euro 125.5 million in Financial Year 2018 (Preliminary Figures)

- **EBITDA rose in 2018 by 28.3 % to Euro 125.5 million in comparison with the previous year (preliminary figures); EBITDA margin improved to 10.2 % after 8.1 %**
- **Net consolidated profit increased by 39.5 % to Euro 51.2 million**
- **Number of patients rose by 1.6 % to 850,147; revenues improved by 1.8 % to Euro 1.23 billion**
- **Guidance for 2019: revenue of EUR 1.30 billion + / - 5 %; EBITDA in a range from EUR 117.5 million to EUR 127.5 million; digitization, telemedicine and campus strategy to be consistently implemented**

According to preliminary figures, RHÖN-KLINIKUM AG, one of the leading healthcare service providers in Germany, closed the 2018 financial year with an increase in revenue and profit: Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 28.3 % to EUR 125.5 million in the reporting period. Stephan Holzinger, CEO of RHÖN-KLINIKUM AG, said: "RHÖN-KLINIKUM AG defies the difficult health market caused by increasing government regulation in many ways: With the campus strategy, we offer a very modern, cross-sectoral care concept that focuses on patients, where, depending on the severity of the disease, they receive all necessary medical services in one place, based on state-of-the-art IT and innovative instruments from digital medicine. Patients thus receive the best possible care in one place and in a short time".

Holzinger adds: "The Bad Neustadt campus is the first of its kind, in operation since the beginning of the year and built on time and within budget. The campus concept picks up on the noticeable change in patient care towards outpatient treatment. With the digital change of the company in the medical and nursing sector, we are facilitating the work of our employees and increasing the quality of patient care. In administration, we are becoming more efficient through the use of intelligent instruments. With

telemedicine, we will open up a promising business segment that can become a further pillar of the company."

It is increasingly in line with the lifestyle of younger people in particular or older people with an affinity for IT not to wait long for a prescription in general practitioners' surgeries. The patients demand a diagnosis by telephone, video or asynchronously by forms.

Significant Earnings Increase

The net consolidated profit rose in financial year 2018 to Euro 51.2 million, a plus of 39.5 % in comparison with the previous year. Revenues rose by 1.8 % to Euro 1.23 billion following Euro 1.21 billion in financial year 2017. 850,147 patients were treated at all our hospital sites, RHÖN-KLINIKUM Campus in Bad Neustadt, the university hospitals in Giessen and Marburg and our hospitals in Bad Berka and Frankfurt (Oder), a plus of 1.6 % in comparison with the previous year.

The agreement made on separate accounting with the Federal State of Hesse and the universities of Giessen and Marburg influenced EBITDA with a one-off positive effect of Euro 20.0 million. The package of measures which we initiated in 2017 to improve profitability was gradually implemented in 2018. The EBITDA margin improved to 10.2 % in 2018 after 8.1 % in the previous year. Regulatory legislation in the form of the law to reform the structures of hospital care (Krankenhausstrukturgesetz – KHSG) regarding lower remuneration for special orthopaedic and cardiological services and the discount for lower overheads applicable since 1st January 2017 again had a negative effect on the development of the operative results. The move of the hitherto five clinics to the new campus in Bad Neustadt also put pressure on the results.

Campus in Bad Neustadt – Prototype for Future Healthcare

With the new campus in Bad Neustadt where the completion of its first stage of construction was celebrated with roughly 450 guests at the beginning of December 2018 after just over three years of construction RHÖN-KLINIKUM AG has put its campus concept which crosses sectoral boundaries into service in an ideal manner for the first time. It allows one-stop medical care from a single source - irrespective of sectoral boundaries such as out-patient or in-patient services. The move of the various clinics to the campus was successfully completed at the end of 2018/beginning of 2019 and the new inpatient centre (ZkM - Zentrum für klinische Medizin) was taken into service.

Against the background of the demographic, regulatory and budgetary constraints on the healthcare market RHÖN-KLINIKUM AG is convinced that more regions will in future wish to benefit from our expertise in putting the campus concept into practice. As a driver of innovation in the German hospital market RHÖN-KLINIKUM intends to introduce the campus concept to other rural areas in particular.

Accelerated Implementation of Digitalisation Strategy

We also pressed on with the implementation of our digitalisation strategy in financial year 2018. Maintaining a modern IT system with the guarantee that patient data is secure is the basis for a system to pass information across all our sites and for the use of digital applications. RHÖN-KLINIKUM AG therefore provides a network between local GPs and specialist doctors and the hospital, and the hospital with rehabilitation or nursing services with the aim to treat patients faster, better and safer.

Clinical information systems are supplemented with digital innovations such as our Medical Cockpit, for example. With the gradual introduction of our Medical Cockpit at every location we shall provide physicians and nurses with a first-class instrument for rapid orientation and analysis of patient data. The Cockpit is integrated into our medical portal concept, i.e. electronic patient records, and is also available to local doctors. Further applications are the digital medical history and the use of telemedicine which gives us a network to other hospitals, local GPs and specialist doctors, emergency services and other out-patient service providers in the region and beyond. We are safeguarding revenue from rendered services with semantic coding in our administrative processes.

RHÖN-KLINIKUM AG develops Telemedicine as a Growth Market

With telemedicine, i.e. treating patients via telephone, video consultation and forms, RHÖN-KLINIKUM AG is intending to enter a forward-looking growth market in 2019. At the beginning of January we issued a press release about establishing a joint company with the Swiss telemedicine provider Medgate. The new company has the potential to develop into an important additional business sector. RHÖN-KLINIKUM AG will hold the majority of shares in the new company with 51 percent. In addition we plan to cooperate further with Medgate.

Our strategic share in the coding specialist Tiplu GmbH also shows that we are consistently implementing our digitalisation strategy. It gives RHÖN-KLINIKUM AG direct access to the Momo coding software which works with artificial intelligence and therefore contributes to perfecting the DRG coding process as well as to safeguarding revenues in our hospitals. The software for comprehensive and performance-related billing as well as safeguarding revenues is already being used in almost all of our five hospital sites.

Legislative Challenges

We criticise the legislation which has introduced limits on the number of staff for certain hospital activities requiring a high degree of nursing care since we believe there is no evidence for a link between the quality of treatment and a certain patient/nurse ratio. The threatened deductions if the stipulations are not fulfilled together with the acute need for specialist nursing staff run the risk of capacity shortages.

RHÖN-KLINIKUM AG favours a constructive discussion and systems which prevent too few staff working in hospitals. Apart from the high demand for quality and patient care the requirement for hospital wards and shifts to provide evidence which is extremely expensive and time-consuming should be eliminated since the time taken up by such duties cannot be used to look after patients.

Guidance

For the current financial year 2019 RHÖN-KLINIKUM AG expects revenues in the amount of Euro 1.30 billion plus/minus 5 percent. We expect an amount for earnings before interest, taxes, depreciation and amortisation (EBITDA) of between Euro 117.5 million and Euro 127.5 million.

This forecast reflects the regulatory legislation which has again grown in comparison with 2018, such as lower remuneration for services with high material costs (especially cardio services) or the discount for lower overheads on additional services, expenses in the area of telemedicine and digitalisation as well as effects from taking the new campus in Bad Neustadt into service at the end of 2018/beginning of 2019, for

example. EBITDA is also influenced by subsequent effects of the Helios transaction with a low two-digit million figure.

The guidance is subject to any further regulatory legislation affecting the remuneration structure in 2019.

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

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