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QUARTERLY REPORT - Q3 2020
ASKLEPIOS KLINIKEN GMBH & CO. KGAA, HAMBURG

Foreword by the group management

Ladies and gentlemen,

The continuing COVID-19 pandemic poses huge challenges for us as a hospital operator. While patient numbers marked a decline of around 30% in the first nine months of the financial year, the number of COVID inpatients in our facilities constantly increased. At the same time, the workload is increasing for our employees in emergency departments, in wards specialising in COVID-19 and other wards, and of course in intensive care wards. The teams from purchasing and the central pharmacy as well as all other employees in the Group are also working hard to ensure healthcare for our patients.

This makes it all the more important for us, together with RHÖN, to complement each other strategically on many different levels, to learn from one another and establish a stable positioning together for the benefit of patients and employees. It can already be seen during the coronavirus pandemic that both companies are making a significant contribution to ensuring healthcare in Germany. Following strict hygiene and distancing rules, we visited all RHÖN locations in a Management Board roadshow. There was constructive dialogue in several small group talks with the hospitals' management staff, senior consultants, employees and works councils. The teams from Asklepios and RHÖN are already collaborating in working groups and establishing several joint projects. We need to take advantage of the strong structures and synergies for our healthcare facilities so that we can fulfil our healthcare mandate together – and not just in the current exceptional circumstances.

As of the end of the third quarter of 2020, RHÖN's results for the months of July to September are directly included in the Asklepios Group's financial statements for the first time. This first-time consolidation means that the figures we are releasing today are comparable with neither the previous year nor the preceding quarters. In addition to the effects of the first-time consolidation, the continuing COVID-19 pandemic had a significant negative impact on the Asklepios Group's operating performance in the period from January to September of the current financial year.

Consolidated net operating income (EAT) for the first nine months of 2020 was impacted by depreciation, amortisation and impairment of million of EUR 119.5 million. At the same time, the acquisition of RHÖN led to an increase in interest

expenses of approximately EUR 5.0 million. Consolidated net operating income for the period was EUR 57.5 million.

After the reporting date of 30 September 2020, Asklepios placed a schuldschein loan agreement for EUR 730 million on 28 October 2020. The funds generated in this way will be used entirely for refinancing, including for the early repayment of the acquisition financing that Asklepios borrowed in connection with the RHÖN transaction. Financing security and a balanced maturity profile with financial flexibility are extremely important to us, as well as optimisation of our capital costs.

As well as dealing with the coronavirus pandemic, our focus now is also on the continued integration of RHÖN, even though – or perhaps because – the next few months will be enormously challenging for us both medically and economically. To be able to fulfil our healthcare mandate, we therefore need a reliable commitment to financial assistance from the German federal government. The assistance granted by legislators with the adoption of the German Third Civil Protection Act will not be sufficient, in our view. The very restrictive allocation criteria for the reintroduced flat-rate allowance for keeping capacity available in the months of November and December 2020 and January 2021 represent effective financial assistance only for a small number of hospitals. We would have welcomed it if politicians had decided on simplified regulations in the interests of providing security for hospitals' planning and liquidity. In fact, we do not consider the resolutions adopted to be very practical or even purposeful.

In the period from January to September 2020, the healthcare facilities of the Asklepios Group, not including the RHÖN hospitals, treated a total of 1.25 million patients. Another approximately 607,000 were cared for by RHÖN. Up to 22 November 2020, we had treated over 3,800 coronavirus patients throughout the Group, around 68% of whom were admitted as inpatients. It is clear to us that we cannot provide care for our patients without the dedication of our employees. They are the ones who are keeping German healthcare going during the pandemic. We would like to express our sincere thanks to all employees for their indefatigable efforts in this ongoing emergency.

Kind regards

Hamburg, 26 November 2020

Kai Hankeln

Hafid Rifi

Joachim Gemmel

Prof. Dr. Christoph U. Herborn

Marco Walker

Business performance in the third quarter of 2020

Alongside the ongoing corona pandemic, the first nine months of the 2020 financial year were shaped by the conclusion of the acquisition of a majority interest in RHÖN-KLINIKUM AG. Asklepios had acquired around 28,464,866 RHÖN shares as part of a voluntary public takeover offer. As at 3 July 2020, Asklepios held 93.07% of the voting rights together with RHÖN founder Eugen Münch. This was associated with the acquisition financing of the acquired shares, which affected the financing structure and the net finance costs of Asklepios Kliniken. RHÖN-KLINIKUM AG was consolidated for the first time as at 1 July 2020 and is included in these quarterly financial statements of Asklepios Kliniken GmbH & Co. KGaA as at 30 September 2020.

In the period from January to September 2020, the healthcare facilities of the Asklepios Group cared for a total of 1,248,923 patients, plus 607,151 patients of RHÖN-KLINIKUM AG. As a result of postponing operations and keeping intensive care beds available, there was a significant decrease in patient numbers. At the same time, Asklepios recorded a stable personnel development with an increase as compared to the previous year. An average of 36,611 full-time equivalents worked at Asklepios as at the reporting date; there were 18,242 employees at the RHÖN hospitals. The total number of beds was 32,508. With regard to our care mandate, we started increasing the number of nursing staff back in 2019, partly with foreign intensive care specialists and nursing staff.

Because of the first-time consolidation of RHÖN, the previous year's figures are not comparable. In the period from January to September 2020, consolidated revenue totalled EUR 3,070.9 million (9M 2019: EUR 2,637.3 million). The 2020 financial year began with a very good revenue performance in January and February, including in comparison to the previous year, but the coronavirus pandemic then curbed this positive trend. The revenue figures include the flat-rate allowances for keeping hospital and particularly staff capacity available for COVID patients. With our new offers in the EAP business segment, we generated year-on-year growth. This was due to the coronavirus-related high demand for psychological counselling for personal and professional problems. Overall, the investments in new business segments and our digitalisation companies are paying off and already contributing to revenue.

EBITDA amounted to EUR 292.6 million in the first nine months of 2020 (9M 2019: EUR 280.0 million) with an EBITDA margin of 9.5% (9M 2019: 10.6%). The staff costs ratio was 65.7% (9M 2019: 65.5%). In the third quarter of 2020, the cost of materials ratio came to 21.8% (9M 2019: 21.2%). Overall, we recorded a higher absolute cost of materials due to massive cost increases for hygiene and protective clothing, as it was necessary to secure supplies for potential patients as well as for our employees. The other operating expenses ratio was 9.0% (9M 2019: 9.3%).

Consolidated net operating income (EAT) for the period from January to September 2020 amounted to EUR 57.5 million in total (9M 2019: EUR 84.0 million). The return on sales was reduced by depreciation, amortisation and impairment of EUR 197.4 million (9M 2019: EUR 152.2 million). At the same time, the acquisition financing led to an increase in interest expenses to a total of EUR 38.6 million (9M 2019: EUR 33.7 million). Net finance costs amounted to EUR -18.1 million (9M 2019: EUR 21.8 million). The operating EAT margin amounted to 1.9% (9M 2019: 3.2%).

In the third quarter of 2020, net cash flow from operating activities came to EUR 493.3 million (9M 2019: EUR 190.2 million). Investments including subsidies amounted to approximately EUR 210.0 million. At EUR 147.8 million, the share of own funds was 70.4% in the third quarter of 2020 (9M 2019: 73.6%).

The Group's net debt amounted to EUR 1,553.2 million as at 30 September 2020 (31 December 2019: EUR 1,119.1 million). Cash and cash equivalents amounted to EUR 647.0 million (31 December 2019: EUR 265.0 million). The ratio of net debt to EBITDA for the past 12 months was 3.8x (31 Dec. 2019: 2.8x).

FORECAST

The effects of the COVID-19 pandemic will remain the defining issue for the healthcare sector for the rest of this financial year and beyond. The financial implications are still impossible to gauge in any detail. The respective German states' payments for hospital operators has not yet been finalised. Potential regulatory restrictions and their influence on the remuneration structure will also make an impact. Regardless of this, we will proceed with RHÖN's integration, further expand the strategic partnership and thus continue on our growth trajectory.

Consolidated income statement

(UNAUDITED)

EUR '000	9 MONTHS 2020 ³	9 MONTHS 2019
Revenue	3,070,904	2,637,318
Other operating income	184,419	174,369
Total operating revenue	3,255,323	2,811,687
Cost of materials	669,445	558,379
Staff costs	2,017,282	1,727,631
Other operating expenses	275,951	245,725
Operating result/EBITDA¹	292,645	279,951
Depreciation, amortisation and impairment – of intangible assets and of property, plant and equipment	197,433	152,207
Operating result/EBIT²	95,212	127,745
Net investment income	19,472	11,735
Interest and similar income	1,026	97
Interest and similar expenses	–38,558	–33,676
Net interest income	–37,531	–33,579
Net finance costs	–18,060	–21,843
Earnings before income taxes	77,152	105,901
Income taxes	–19,624	–21,922
Consolidated operating net income (EAT)	57,528	83,980
<i>of which attributable to the parent company</i>	<i>38,964</i>	<i>70,000</i>
<i>of which attributable to non-controlling interests</i>	<i>18,564</i>	<i>13,980</i>

¹ Operating earnings before interest, taxes and depreciation and amortisation

² Earnings before interest and taxes

³ Including RHÖN from the third quarter of 2020

Consolidated statement of comprehensive income

(UNAUDITED)

EUR '000	9 MONTHS 2020 ¹	9 MONTHS 2019
Consolidated operating net income (EAT)	57,528	83,980
Remeasurement as per IFRS 3	-138,990	0
Consolidated net income (EAT)	-81,462	83,980
Share in OCI of an associate accounted for using the equity method	1,034	386
Total changes in value reclassified to profit or loss	1,034	386
Change in actuarial gains (+)/losses (-) from defined benefit pension commitments and similar obligations	-3,774	-15,548
Changes in fair value of investments	-398	0
Income taxes	660	696
Total changes in value not reclassified to profit or loss	-3,512	-14,852
Other comprehensive income (net of tax)	-2,478	-14,465
Total comprehensive income	-83,940	69,515
<i>Davon dem Mutterunternehmen zustehend</i>	<i>-102,482</i>	<i>55,616</i>
<i>Davon auf nicht beherrschende Anteile entfallend</i>	<i>18,542</i>	<i>13,899</i>

¹ Including RHÖN from the third quarter of 2020

Consolidated statement of cash flows

(UNAUDITED)

EUR '000	9 MONTHS 2020 ¹	9 MONTHS 2019
EBITDA	292,645	279,951
Cash flow from operating activities	493,333	190,154
Cash flow from investing activities	-836,021	-217,370
Cash flow from financing activities	601,777	-2,641
Change in cash and cash equivalents	259,089	-29,857
Addition of cash and cash equivalents from the purchase of subsidiaries	122,867	0
Cash and cash equivalents at the start of the period	265,047	351,626
Cash and cash equivalents at the end of the period	647,003	321,769

¹ Including RHÖN from the third quarter of 2020

Consolidated statement of financial position

(UNAUDITED)

EUR '000	30. SEP. 2020 ¹	31. DEC. 2019
ASSETS		
Non-current assets		
Intangible assets	1,071,967	762,045
Property, plant and equipment	2,485,387	1,643,956
Right-of-use assets	458,281	475,832
Investments accounted for using the equity method	31,702	496,706
Financial assets	7,469	4,340
Receivables under German Hospital Financing Act	79,724	0
Other financial assets	5,721	65,752
Trade receivables	721	637
Other assets	84	6
Deferred taxes	133,838	86,952
Total non-current assets	4,274,894	3,536,224
Current assets		
Inventories	215,758	128,477
Receivables under German Hospital Financing Act	121,240	0
Other financial assets	481,972	177,150
Trade receivables	599,512	579,693
Current income tax assets	7,124	2,194
Other assets	33,094	13,247
Cash and cash equivalents	647,003	265,047
Total current assets	2,105,702	1,165,807
Assets held for sale	8,812	0
Total ASSETS	6,389,409	4,702,031

¹ Including RHÖN from the third quarter of 2020

Consolidated statement of financial position

(UNAUDITED)

EUR '000	30. SEP. 2020 ¹	31. DEC. 2019
EQUITY AND LIABILITIES		
Equity attributable to the parent company		
Issued capital	100	100
Reserves	1,087,756	1,187,782
Non-controlling interests	550,376	389,370
Total equity	1,638,232	1,577,253
Non-current liabilities		
Trade payables	116	124
Financial liabilities	2,105,783	1,269,663
Liabilities from leasing	415,950	431,693
Pensions and similar obligations	345,869	341,661
Other provisions	307,983	217,408
Deferred taxes	60,109	54,318
Liabilities under German Hospital Financing Act	28,633	0
Other financial liabilities	54,510	57,679
Other liabilities	7,426	8,109
Total non-current liabilities	3,326,380	2,380,656
Current liabilities		
Trade payables	95,782	87,122
Financial liabilities	94,445	114,398
Liabilities from leasing	57,143	53,709
Pensions and similar obligations	8,187	8,698
Other provisions	264,425	85,082
Current income tax liabilities	36,807	12,264
Liabilities under German Hospital Financing Act	241,580	0
Other financial liabilities	196,141	185,287
Other liabilities	427,560	197,561
Total current liabilities	1,422,069	744,122
Liabilities relating with assets held for sale	2,728	0
Total EQUITY AND LIABILITIES	6,389,409	4,702,031

¹ Including RHÖN from the third quarter of 2020

2018
2018
2018
2019
2019
2020

Financial calendar

30.04. Annual report 2019

28.05. Quarterly Report Q1

27.08. Interim Report H1

26.11. Quarterly Report Q3

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DISCLAIMER

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. These forward-looking statements are not to be understood as a guarantee of future developments and results referred to therein. On the contrary, future developments and results are dependent on a wide range of factors. These include various risks and uncertainties and are based on assumptions that may not be accurate. We do not assume any obligation to update the forward-looking statements contained in this report. This report does not constitute an offer to sell or a request to submit an offer to purchase bonds of Asklepios Kliniken GmbH & Co. KGaA or its subsidiaries.



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Gesund werden. Gesund leben.