



# Corporate News

Bad Neustadt / Saale | 29<sup>th</sup> March 2019

## **RHÖN-KLINIKUM AG proposes to increase dividend for Financial Year 2018 following significant rise in profits**

- **EBITDA rose by 28.3 % to Euro 125.5 million in financial year 2018 compared with last year; EBITDA margin improved to 10.2 % after 8.1 % last year**
- **Net consolidated profit increased by 39.5 % to Euro 51.2 million; revenues rose by 1.8 % to Euro 1.23 billion; number of patients grew by 1.6 % to 850,147**
- **Board of Management and Supervisory Board propose to increase dividend by approx. 32 % to Euro 0.29**
- **RHÖN-KLINIKUM Campus Bad Neustadt” flagship commenced well; first ideal implementation of campus concept for patient care which crosses sectoral boundaries**
- **Digitalisation and campus strategy consistently implemented; growing market for telemedicine has potential to develop into a substantial additional business sector**
- **Guidance for 2019 reinforced: revenues in the amount of Euro 1.30 billion +/- 5 %; EBITDA in a range of Euro 117.5 million to Euro 127.5 million**

RHÖN-KLINIKUM AG, one of the leading healthcare providers in Germany, significantly increased its profits in financial year 2018 against the industrial trend and despite the stricter regulatory environment. At the same time RHÖN has also set the course for future growth with the implementation of our digitalisation and campus strategies. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 28.3 % to Euro 125.5 million following Euro 97.8 million last year. Against the background of a positive development in business in 2018 the Board of Management and Supervisory Board shall propose to this year's Annual General Meeting on 5th June 2019 to pay a dividend in the amount of Euro 0.29 per non-par share entitled to dividend. This is an increase of approx. 32 % in comparison with last year.

Stephan Holzinger, CEO of RHÖN-KLINIKUM AG, stated: “RHÖN-KLINIKUM AG clearly achieved its targets for revenues and earnings in 2018. We have also set ourselves ambitious targets for 2019 by entering the growth market for telemedicine planned for 2019, extending our use of innovative digital tools in both medical care and nursing as well as in administration and by implementing our campus strategy.”

With our modern campus in Bad Neustadt which was officially opened at the beginning of December 2018 as one of the highlights in our 45-year corporate history RHÖN-KLINIKUM AG offers a convincing solution for the growing trend towards out-patient medical services and the increasingly difficult healthcare environment in rural areas of Germany.

“Telemedicine is a new and important component to complete our campus concept. Based on experience from abroad we expect that about 30 percent of out-patients will be able to be cared for via telemedicine in the future. But also apart from that telemedicine has the potential to develop into a substantial additional business sector for our company,” Stephan Holzinger stated.

### **Significantly Increased Earnings**

Net consolidated profit rose to Euro 51.2 million in financial year 2018, a plus of 39.5 % in comparison with last 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 pact for the future will initially run until the end of 2021 but the Company believes it can be the basis for a more permanent regulation on remuneration for research and teaching at the university hospitals in Giessen and Marburg beyond the agreed term. Furthermore it also already includes fixed fall-back regulations should it not be possible to come to an understanding.

The package of measures which we initiated in 2017 to improve profitability was gradually implemented in 2018, including in particular enhancing IT systems and reducing avoidable losses which arise when the Medical Review Board of the Statutory Health Insurance Funds (Medizinischer Dienst der Krankenversicherung – MDK) raises objections to hospital bills as well as reviewing maintenance and repair agreements. The EBITDA margin improved to 10.2 % in 2018 after 8.1 % last 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 fixed cost degression discount applicable since 1<sup>st</sup> January 2017 had a negative effect on the development of the operative result. The move of the hitherto five clinics to the new campus in Bad Neustadt and the resulting new work procedures with new machines taken into use also put pressure on the result.

Revenues rose by 1.8 % in financial year 2018 to Euro 1.23 billion after Euro 1.21 billion in the previous year. 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 %.

An extensive investment package for both university hospitals was set in motion when the agreement on separate accounting was signed in 2017. By 2024 RHÖN-KLINIKUM AG will invest Euro 100 million in both sites. Among other things the paediatric cardiological centre will be enlarged in Giessen and the paediatric and youth psychiatric clinic will be rebuilt in Marburg.

## **RHÖN-KLINIKUM Campus Bad Neustadt Flagship Successfully Taken into Service**

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 forward-looking campus concept which crosses sectoral boundaries into service in an ideal manner for the first time. The move of the various clinics to the campus was completed at the end of 2018 / beginning of 2019 and the new centre for clinical medical care (ZkM - Zentrum für klinische Medizin) was taken into service, covering both the central area of basic medical care as well as very complicated and difficult medical cases in the areas of cardiology, neurology and special orthopaedic surgery.

Both patients and referring doctors like the new campus very much. The innovative approach to healthcare places emphasis not only on interdisciplinary cooperation between our clinics and local doctors and other healthcare providers but also on state-of-the-art IT and intelligent digital tools such as electronic patient records.

The second stage of construction for, among other things, a centre for out-patient operations is due to commence in 2019. The investments for the first and second stages of construction in Bad Neustadt amount to a total of approx. Euro 250 million which have been financed from our own funds. We are convinced that other regions will benefit from our know-how in the future. The demographic and regulatory developments offer new opportunities. We are ready and well-prepared to take advantage of them.

## **Accelerated Implementation of Digitalisation Strategy**

The implementation of the digitalisation strategy was further accelerated in the financial year 2018. The aim of the extensive digital transformation of RHÖN-KLINIKUM AG is to further improve patient care, make the daily workload of our physicians and nurses noticeably easier and make administrative processes more efficient.

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. High-speed glass fibre optics enable us to make use of video conferences as well as the transfer of large amounts of data even into operating theatres. The interdisciplinary teams at work here can access data from various specialist areas and thus obtain an extensive overview of diagnoses and treatment options.

Clinical information systems are supplemented with digital innovations such as our Medical Cockpit, for example. With the gradual introduction of our Medical Cockpit, an intelligent search engine, 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.

With our modern IT system we therefore provide 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.

### **RHÖN-KLINIKUM AG Sees Great Potential in Telemedicine**

Relaxing the ban on telemedicine in Germany opens up new market opportunities for our Company. By intending in 2019 to enter into the new world of telemedicine, i.e. treating patients via telephone and video as well as with the use of standardised forms, RHÖN-KLINIKUM AG is developing a forward-looking and growing market. At the beginning of January we signed a memorandum of understanding (MoU) with Swiss telemedicine provider Medgate to establish a joint company. With this new telemedicine concept RHÖN-KLINIKUM AG wishes to help close the widening gaps in healthcare particularly in rural areas.

The new company has the potential to develop into a substantial additional business sector. It is a sensible addition to our established hospital business. RHÖN-KLINIKUM AG will hold the majority share of the new company with 51 percent. Further cooperation with Medgate is also planned.

Our strategic interest held in the coding specialist Tiplu GmbH also shows that we are consistently implementing our digitalisation strategy. Such interest gives RHÖN-KLINIKUM AG direct access to the Momo coding software which works with artificial intelligence and therefore contributes to further optimising the DRG coding process and safeguarding revenues in our hospitals. The software is already being used in almost all of our five hospital sites to facilitate a comprehensive and performance-related billing process and to safeguard revenues. We wish to further improve the performance of the Momo software by linking the billing expertise in our corporate hospitals with the leading technology in the market and Tiplu's reference material. Furthermore joint developments based on complementary know-how are also conceivable.

### **Everything in Place in 2018 for Successful Relaunch of MIT GmbH**

RHÖN-KLINIKUM AG took over the majority share in the "Marburger Ionenstrahl-Therapiezentrum" (MIT – Marburg ion therapy centre) from the university hospital in Heidelberg in the last financial year and thus averted the insolvency of the centre. This set the course for a successful relaunch under the medical and economic leadership of RHÖN-KLINIKUM AG. The agreement is a positive signal not only for the healthcare location of Marburg but also for the two university hospitals in Giessen and Marburg and the central Hesse region.

Marburger Ionenstrahl-Therapie-Betriebs-Gesellschaft mbH was established in 2014 as a subsidiary of the university hospital in Heidelberg (75.1 %) and RHÖN-KLINIKUM AG (24.9 %). MIT offers a highly effective possibility to treat tumours with the utmost precision using protons and heavy ions while sparing vital organs such as the heart, lungs, liver and kidneys.

Our Company is currently working flat-out to enhance the clinical and scientific cooperation with all the radiotherapists and oncologists active in the region and beyond in order to continue to raise the number of patients who can be treated with this innovative method.

## Package of Measures to Increase Profitability

The package of measures was successfully implemented in 2018: measures to increase the efficiency in administrative processes and at our different sites were also introduced as well as ones to improve and standardise processes and structures. It was possible to achieve significant savings by setting up knowledge databanks for our corporate group and by stronger utilisation of semantic coding aids in order to facilitate comprehensive billing of rendered services against the background of an increased number of objections by the Medical Review Board of the Statutory Health Insurance Funds (Medizinischer Dienst der Krankenversicherung – MDK).

## 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 cardiological 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 positive effects of the Helios transaction in a low two-digit million figure.

The outlook 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 sites 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.

[www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com)

Further information [www.rhoen-klinikum-ag.com](http://www.rhoen-klinikum-ag.com)

Annual Report 2018

[www.rhoen-klinikum-ag.com/annualreport](http://www.rhoen-klinikum-ag.com/annualreport)

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