

# ANNUAL REPORT 2020

MEDICLIN Aktiengesellschaft

# MEDICLIN: Key data on business development

	2020	2019	Change in %
Number of shares in millions	47.5	47.5	0.0
Number of cases (inpatient)	102,933	122,053	-15.7
Number of beds as of 31.12.	8,354	8,403	-0.6
Occupancy rate in %	74.0	87.7	
Number of full-time employees (annual average)	7,471	7,431	+0.5
In thousands of €	2020	2019	Change in %
Cash flow from operating activities	118,690	69,593	+70.5
Cash flow from operating activities per share in €	2.50	1.47	+70.5
Sales	659,864	673,090	-2.0
EBITDAR	78,225	94,521	-17.2
EBITDAR margin in %	11.9	14.0	
EBITDA	77,499	93,584	-17.2
EBITDA margin in %	11.7	13.9	
EBIT (operating result)	151	22,412	-99.3
EBIT margin in %	0.0	3.3	
Financial result	-10,239	-10,802	+5.2
Result attributable to shareholders of MEDICLIN AG	-9,035	9,683	-193.3
Earnings per share in €	-0.19	0.20	-193.1
Dividend per share <sup>1</sup> in €	-	-	
Capital expenditure (gross additions to non-current assets without right-of-use assets IFRS 16)	26,595	48,184	-44.8
Thereof subsidies	3,762	6,882	-45.3
Proportion of own funds in %	85.9	85.7	
Interest coverage factor (EBITDA/interest income)	7.5 x	8.6 x	
In thousands of €	31.12.2020	31.12.2019	Change in %
Balance sheet total	887,464	897,753	-1.1
Equity	176,846	190,746	-7.3
Equity ratio in %	19.9	21.2	
Return on equity <sup>2</sup> in %	-5.1	5.1	
Financial liabilities (to banks)	97,977	99,701	-1.7
Cash and cash equivalents	100,437	37,250	+169.6
Adjusted net financial debt <sup>3</sup>	50,649	58,410	-13.3
Adjusted net financial debt <sup>3</sup> / adjusted EBITDA <sup>4</sup>	2.0 x	1.4 x	

<sup>1</sup> Proposed for 2020 by the Management and the Supervisory Board

<sup>2</sup> Group result in the last 12 months/equity

<sup>3</sup> Adjusted average net financial debt in the last four quarters

<sup>4</sup> Adjusted EBITDA in the last 12 months

The calculations may lead to rounding differences of +/- one unit (€, %, etc.); percentage rates have been determined on the basis of € values.

## Health in view

**Listening to our patients and residents, understanding them, speaking their language and respectfully caring for them in every situation – this is our mission which we aim to fulfil in all respects.**

### NOTE

In order to improve readability, we refrain from stating both genders in the Annual Report. Whenever a gender-specific term is used, it should be understood as referring to both genders, unless explicitly stated. This does not entail any type of judgement whatsoever and no offense is intended.

## Quarterly development of the Group in 2020

In millions of €	Q1	Q2	Q3	Q4
Sales	167.4	156.1	175.2	161.2
EBITDAR	14.4	15.3	31.4	17.1
EBITDAR margin in %	8.6	9.8	17.9	10.6
EBITDA	14.2	15.2	31.2	16.9
EBITDA margin in %	8.5	9.7	17.8	10.5
EBIT (operating result)	-3.9	-4.9	10.8	-1.8
EBIT margin in %	-2.3	-3.1	6.1	-1.2
Financial result	-2.4	-2.3	-2.6	-2.9
Result attributable to shareholders of MEDICLIN AG	-5.2	-5.9	6.6	-4.5
Earnings per share in %	-0.11	-0.12	0.14	-0.10
Cash flow from operating activities	12.5	50.8	32.9	-96.2
Cash flow from operating activities per share in €	0.26	1.07	0.69	-2.03
Equity ratio in %	21.0	19.8	20.1	19.9
Capital expenditure (gross additions to non-current assets without right-of-use assets IFRS 16)	9.5	6.3	4.7	6.1
Adjusted net financial debt (end of quarter)	70.5	61.9	41.0	29.1
Number of cases (inpatient)	28,727	20,903	27,762	25,541
Number of beds (end of quarter)	8,423	8,423	8,431	8,354
Occupancy rate in %	81.7	59.8	79.6	74.8
Number of full-time employees (quarterly average)	7,558	7,457	7,427	7,444

### FEEDBACK REGARDING THE ANNUAL REPORT

If you have feedback or want to make comments regarding our Annual Report, please send an email to: [feedback.gb@mediclin.de](mailto:feedback.gb@mediclin.de)  
We are looking forward to your input.

FURTHER INFORMATION  
[www.mediclin.de](http://www.mediclin.de)

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**VOLKER HIPPLER**

CHAIRMAN OF THE MANAGEMENT BOARD

Dear Ladies and Gentlemen,  
Dear Shareholders,

It is almost exactly a year ago that I first addressed the pandemic and the drastic measures of the first lockdown in this letter. The resulting restrictions stayed with us throughout the year 2020 and, as is evident from the German government's five-step plan to lift restrictions, will continue to do so this year. Together with rapid COVID-19 testing the restrictions are to contain the spreading of the infection. Ultimately, the only real help against the spreading of the virus will be to immunise the population. Unfortunately, however, the vaccine rollout has been rather slow so far for various reasons.

Today, the infection rates are on the rise again for the third time in a row. In a planning environment that is far from reliable with manifold requirements which moreover differ from state to state, adjusting the range of services to these variations calls for a stringent concept that is applicable across the Group.

**Our concept has proven its worth**

The staff at our hospitals, rehabilitation and nursing care facilities prepared themselves for this extraordinary situation right from the start. Our acute clinics created additional capacity for the rising number of infected persons, while increasing ventilator support activities for severe COVID-19 patients by 40 %. The rehabilitation clinics freed capacity for COVID-19 patients after consultation with their state governments to ease the burden of the regional hospitals.



In addition to focusing on COVID-19 patients, however, we also need to provide all our other patients and residents with medical treatment, therapies and nursing care, i.e. continue our normal operations. Moreover, we must ensure by means of sophisticated hygiene concepts that the virus is prevented from spreading within any of our medical facilities. These concepts have been implemented and are working, also thanks to our employees, who live and breathe the new rules.

### **The COVID-19 pandemic had a clear impact on the business performance**

In the 2020 financial year we generated Group sales of EUR 659.9 mill., which was 2 % below the previous year. The Group operating result amounted to EUR 0.2 mill. and was thus down EUR 22.4 mill. on the Group operating result in 2019.

The effects on the business performance in 2021 are difficult to predict. For instance, it is currently not foreseeable how potential patients in the acute and the post-acute sector who are not infected with the virus will behave and whether they will continue to postpone treatment for fear of becoming infected when the infection rates are high. Another unknown factor is how the government and coverage providers will react to the uncertain market and pandemic situation with regard to benefits under the protective shield and remuneration, respectively.

This means that the sales and earnings forecast for the 2021 financial year can only be based on the experience from the previous year. Therefore, we anticipate a similar business development in the full year 2021 as in 2020, although this depends, as mentioned above, on the further effects of the pandemic, the benefits received under the protective shield and, in particular, the duration of the pandemic situation compared to the 2020 financial year.

### **Despite the coronavirus we are still tackling the challenges ahead of us**

We continued to pursue our specialisation strategy in 2020, albeit at a slightly slower pace, concentrating on “heart, head, age and exercise”. We have thus aligned our offering along socially highly relevant issues like demographics, multimorbidity, an increase in mental and neurological issues and prevention, and are thus set to make the most of the arising growth opportunities.

Preventive care is gaining more and more significance. The aim in this context is to see preventive care as the main principle of one’s own social security. In mid-2020 we prepared and published a preventive care report. The services presented in this report mainly target our employees, while our post-acute clinics offer preventive and rehabilitation therapy for patients.

The fact is that health promotion by means of preventive care is becoming more and more important.

Further challenges are posed by changing demographic social and regional structures, the issues surrounding climate protection and the environment and, last but not least, digitalisation. At present it is unpredictable what medium and long-term effects the pandemic will have on the aforementioned issues.

We prepared a sustainability report for 2020 that shows how seriously we take our responsibility towards society as a whole.

### **Digitalisation – the number one future challenge**

We, too, are making good progress with finding suitable digitalisation solutions. E-health is particularly significant for our post-acute clinics. Digital applications offer attractive possibilities to support our staff and patients during admission, while preparing for the treatment and during the therapy itself. This applies not only during a hospital stay, but also before and after.

Digitalisation is also able to enhance communication in general. Innovative Web-based software, for instance, helps to improve the exchange of information between patients and doctors at our medical care centres and to improve the communication between doctors.

### **Our business model has stood the test of the pandemic**

The fact is: effective medication to treat a COVID-19 infection does not (yet) exist. Furthermore, the effects of the infection are so varied that causal analysis of the severity and progression of the disease can only rely on the experience made while treating COVID-19 patients and on findings from other clinical pictures.

This means that an interdisciplinary approach is required. The advantages are obvious: close links between hospital and rehabilitation capacities and medical knowledge are the key to treating COVID-19 patients. This also applies to post-COVID-19 symptoms, the long-term effects of a COVID-19 infection that can affect patients of all ages with varying severity and characteristics.

Four MEDICLIN facilities have meanwhile specialised in the physical and psychiatric treatment of this illness.

We are convinced that the most promising approach to healthcare going forward, also from a medical perspective, is to increasingly interweave acute care and rehabilitation as well as nursing care.

### **We would like to thank our employees**

Again, our day-to-day working life will be affected by change this year – and will definitely not become any easier. The current challenges faced by the clinics themselves and the administration will again bring us to our limits. But I am still sure that our highly qualified and motivated employees will master this ongoing extreme situation excellently.

I would like to thank you for what you achieved in 2020.

### **Dear Shareholders,**

from my point of view, our healthcare system has withstood the first stress test posed by the pandemic. The MEDICLIN facilities mastered the situation they were faced with, and continue to fulfil their duty to provide healthcare for the German people.

In order to continue to fulfil this duty during the pandemic, we need binding promises by the government. The benefits for the rehabilitation sector under the protective shield must be extended and adjusted to cover the actual amount of additional expenses incurred.

I would like to thank you for the trust you place in us.



Volker Hippler  
Chairman of the Management Board





**TINO FRITZ**  
CHIEF FINANCIAL OFFICER

Dear Ladies and Gentlemen,  
Dear Shareholders,

One year of the COVID-19 pandemic is behind us. Society and the economy are currently being put to the test – many industries and companies are operating in a state of emergency. We have also had to adapt swiftly and comprehensively to this unprecedented situation. And we have done a lot to provide our patients and residents with the best possible care in these challenging times. New hygiene standards and changes in organisational and therapeutic structures have helped. Above all, however, our doctors and nurses have worked extremely hard to achieve this – despite the potential risk of infection they themselves face. The best possible care will also be our goal in the coming months, because the pandemic and its consequences will continue to accompany us through 2021.

But first, back to the 2020 financial year.

**Significant drop in occupancy in the second quarter of 2020**

A year ago, in March 2020, on the instructions of the federal and state governments, we cancelled scheduled operations in our acute hospitals that were not medically absolutely necessary in order to create additional capacity for the expected COVID-19 patients.

This meant that our post-acute and specialist clinics missed out on patients who would otherwise have received therapeutic and nursing treatment following acute treatments as well as those whose rehabilitative measures were postponed. Thus, existing capacities were not used, especially in the second quarter of 2020. This led to a significant decline in occupancy and a corresponding drop in sales and results. As the pandemic subsided in mid-2020, our clinics gradually returned to normal operations and in the third quarter of 2020 we were able to report a positive Group operating result. Towards the end of 2020, capacity utilisation fell again due to rising infection rates.

The result of this exceptional year: Group sales of EUR 659.9 mill. were 2 % below the previous year's value. The Group operating result amounted to EUR 0.2 mill. and was thus significantly below the value for the 2019 financial year. Group sales include around EUR 37.6 mill. in benefits from the state protective shield scheme to manage the effects of the pandemic.

### **Significantly higher expenses due to the pandemic**

The pandemic led to substantial additional expenses and burdens in 2020 and will probably do so this year, too.

Our post-acute segment generates about 60 % of our Group sales. This segment includes 28 rehabilitation clinics. Twelve of these clinics offer specific acute services in addition to rehabilitation measures. Our rehabilitation clinics not only have to cope with fluctuating occupancy rates and the associated lower revenues, but also bear the higher costs for hygiene concepts, protective equipment and other measures. The protective shield benefits received in 2020 have only partially compensated for these expenses.

What is the situation in the acute segment? All of our acute clinics have prepared for pandemic conditions. In this segment, we have increased the existing ventilator capacity by 40 % and trained our staff in intensive care. The protective shield benefits helped here, too, but they did not fully cover the expenses, despite an increase in sales compared to the previous year. The segment result is additionally burdened by a one-off effect from the write-down on the book value of a clinic in connection with its sale on 31 December 2020.

The extent to which protective shield benefits will cushion the effects of the pandemic in this financial year cannot be estimated at present.

### **How can we remain fit for the future under these conditions?**

Our portfolio of indications helped us in the 2020 financial year. Our fields of expertise focus are neurology, psychosomatics and psychiatry. The share of these indications in the total number of beds available (excluding nursing care) was 46.2 % at the end of the year (previous year: 44.2 %). Further indications are orthopaedics, oncology, cardiology and geriatrics. For some of these indications, it is only possible to postpone planned treatments to a limited extent. We will continue to work on these areas of specialisation.

This specialisation process may result in the consolidation of our clinic portfolio. The acute hospital MediClin Krankenhaus am Crivitzer See GmbH in Crivitz is no longer part of the Group since 31 December 2020. The clinic was sold to the administrative district of Ludwigslust-Parchim as of 31 December 2020.

Our aim is to create a portfolio of services that will enable long-term stable earnings within the Group.

**Capital expenditure for further specialisation despite the pandemic**

After it became clear from March 2020 what effects the pandemic and the associated measures could have on the occupancy of our rehabilitation facilities, we limited our capital expenditure to what was absolutely necessary to keep the operations going in order to maintain liquidity. Nevertheless, we still invested EUR 26.6 mill. in the expansion and modernisation of our capacities and our range of services. In addition, we spent EUR 16.1 mill. on maintenance.

In 2021, we will continue to pay very close attention to our liquidity and spend with great care. As soon as we have achieved a stable and sustainable level of capacity utilisation, we will increase our capital expenditure again. Of course, the possibility of applying for subsidies for construction measures will be consistently examined for each expenditure.

**We are still facing major challenges**

We are working intensively to raise the occupancy rates in our clinics to the usual high levels of previous years. The confidence that coverage providers and referring physicians have in our performance is instrumental in this regard.

We are currently in intensive discussions with the coverage providers regarding the treatment and therapy options for post-COVID-19 symptoms. In four of our clinics we have been successfully treating patients with these symptoms for several months. If you would like to know more about this, listen to our Annual Report here.

**We would like to thank our employees**

We currently demand a great deal from all our staff – regardless of their function or position – and we, as the Management Board, experience a high level of commitment and dedication from them. We can therefore be sure that the staff in the clinics provide our patients and residents with the best medical, therapeutic and nursing care possible.

MEDICLIN is well prepared. My heartfelt thanks to all our staff for this.

I would also like to thank the shareholders who have remained faithful to us throughout this difficult year.

Tino Fritz  
Chief Financial Officer



# Post-COVID-19 syndrome: What rehab can do.













# COVID-19

## **Coronavirus – we have learnt a lot but it is still much too little**

For many people, the morning glance at the current COVID-19 figures became a daily routine in 2020. And we continue to follow the course of the pandemic and the resulting statistics, like those from the Robert Koch Institute. Interpreting these figures involves correctly assessing the significance of the data, including their uncertainties. It is necessary to evaluate the information, assess the risks and derive recommendations or measures from it. The fact that this has led to “driving on sight” with regard to the recommended or prescribed measures has not been easy to accept but it is the right way to go.

## **COVID-19 forces us to learn quickly and intensively**

What did we have to recognise in 2020? A new and very contagious health-threatening virus was spreading rapidly across the globe. Effective medicines to treat a COVID-19 infection did not and do not exist (yet). Furthermore, the effects of the infection are such that decisions about the severity and course of the disease have to be based on the experience gained during treatment and on our knowledge of other diseases.

But we have also recognised that we have ways and means to curb the spread of the virus. The close cooperation between scientists and the government has meant that all of us – the population, the scientific community and politicians – have gone through a steep learning curve since 2020 in terms of how to deal with a highly infectious disease of pandemic proportions.

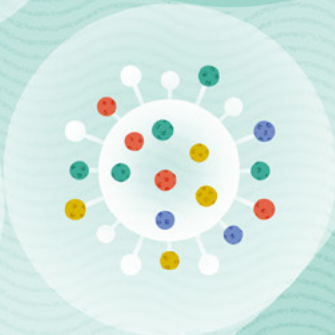
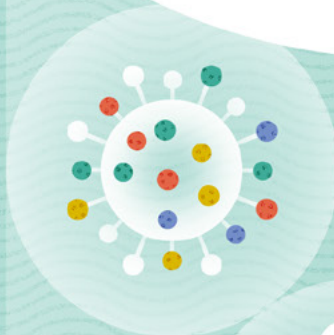
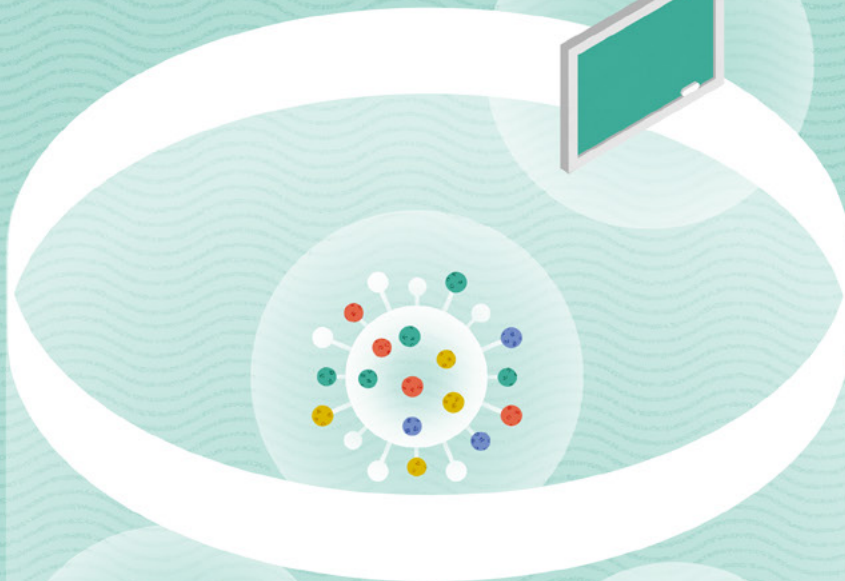
## **What our experts say**

On the following pages, find out how our experts are facing the challenges ahead and, in particular, how they are supporting the healing process in people suffering from the physical and psychological after-effects of COVID-19 or the pandemic in general.

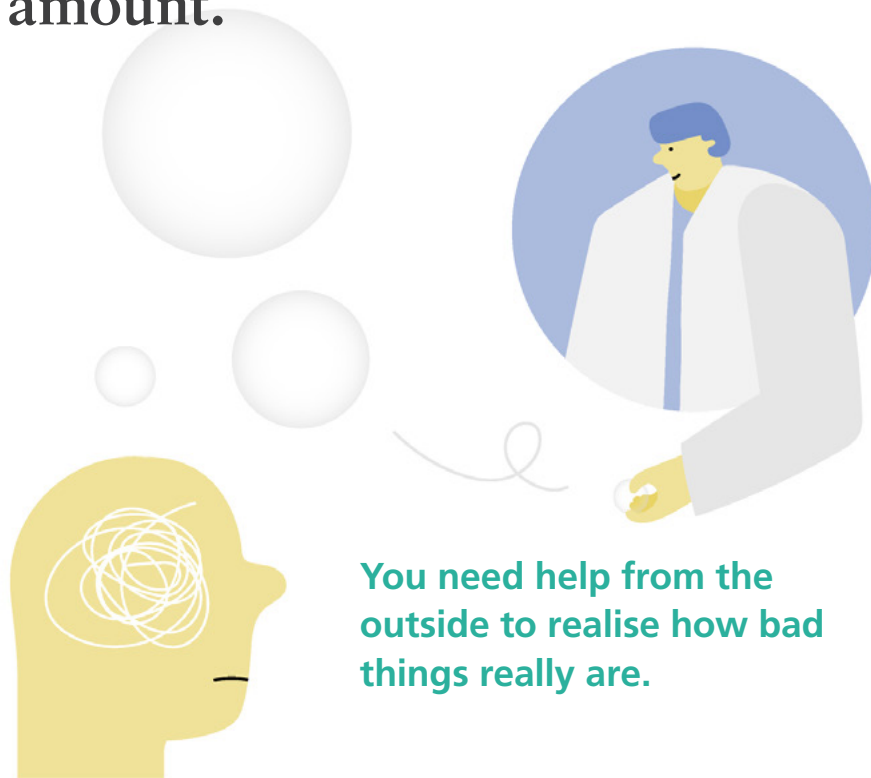
When your soul has  
COVID-19.







Most people can withstand an incredible amount.

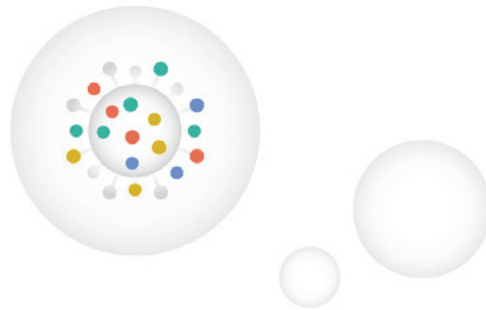


**Dr. med. Sigrid R.-M. Krause,**  
**MediClin Deister Weser Kliniken**  
*is the Director of Psychosomatics and  
Psychiatry as well as Head Physician  
of the clinic for acute psychosomatics  
and Head Physician of the rehabilita-  
tion clinic for psychosomatics and  
behavioural medicine in Bad Münster.*



### What have you learned from the pandemic?

We've noticed that it is important to share strong emotions with others. That's the kind of thing that this pandemic has shown us. Before, we took all of these things for granted: that you could go to the opera and cry, or go to a football match and get really worked up, or you could meet friends and just be silly together and laugh your heads off. All of that is not possible any more!



### What has changed since the beginning of the pandemic?

I had the feeling at the beginning of last year, or at least during the course of the year, that many patients presented with severe illness related to the pandemic – but not as many as there are now. If you could say that at the beginning or in the middle of last year one in ten patients had an illness related to the pandemic, especially anxiety or depression, then you can now see that it is definitely at least four to five patients out of ten who are affected by it.

**We had a very steep learning curve last year.**

### Are the people who come to you usually predisposed to having these kinds of difficulties?

Most people can withstand an incredible amount. If you take the image of the straw that broke the camel's back, and you think about that camel – laden down and still standing, carrying everything that has been put on its back. People are capable of carrying huge burdens while at the same time coping with everyday life. And then comes the last straw.

That's the hard part: it doesn't have to be a big extra load or disastrous event, it can be a banal situation or something insignificant that tips the balance.



Video of the whole interview:

[www.mediclin.de/corona-und-die-seele](http://www.mediclin.de/corona-und-die-seele)

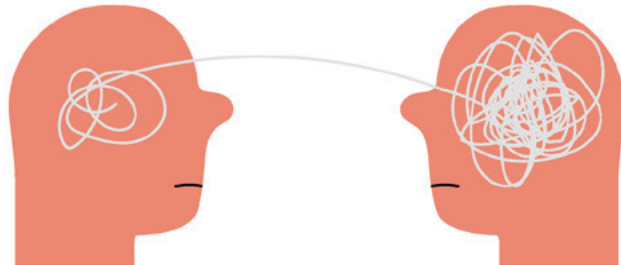


# We have been in a crisis mode for a year.

## Why is the lockdown a problem in relation to mental illness?

If I have a mental illness then a lockdown can highlight my vulnerability, my old symptoms can re-emerge, or I develop new ones because the coping outlets I depended on are taken away. And this is exactly what we have seen in the second wave: people have been cut off from their support – that could be their social contacts, it could also be activities they enjoy doing – things that help maintain their mental stability.

**Suddenly, people are slipping from mild symptoms into severe depression.**



## What kinds of illnesses have you seen in connection with the pandemic?

At the beginning of the pandemic, in the first phase of the lockdown, we saw patients suffering from mild to medium levels of depression; now, all at once, we see them slipping into severe depression. That is, of course, understandable when suddenly faced with a threatening situation. And what we have noticed is that people who previously had no visible symptoms, are suddenly developing psychoses.



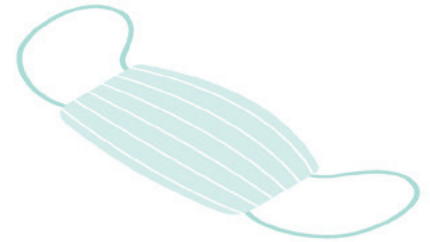
**Dr. med. Andrea Temme,**  
**MediClin Klinik an der Lindenhöhe**  
*is Head Physician of the clinic  
for psychiatry, psychotherapy and  
psychosomatics for adults in Offenburg.*



# Psychiatric emergencies are on the rise as well.

## How do children and young people experience the pandemic?

In my opinion children and young people are being hit particularly hard by the pandemic and the restrictions imposed by the authorities. Here at the clinic we are definitely seeing a change – we are seeing a significant rise in the need for our services – since the beginning of the pandemic, but especially after the first lockdown.



**Dr. med. Reta Pelz,**  
**MediClin Klinik an der Lindenhöhe**  
*is Head Physician of the clinic  
for psychiatry, psychotherapy and  
psychosomatics for children and young  
people in Offenburg.*



**Video of the whole interview:**  
[www.mediclin.de/corona-betrifft-alle](http://www.mediclin.de/corona-betrifft-alle)

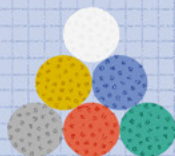
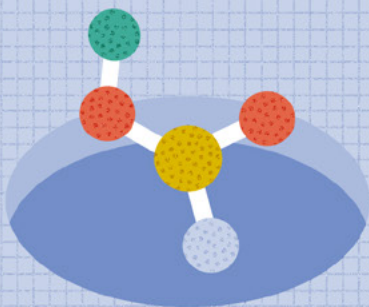
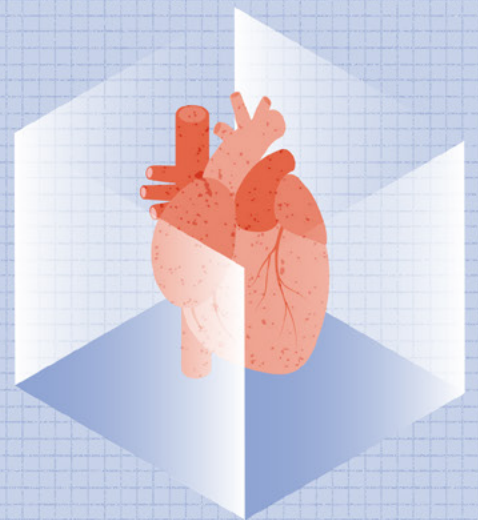
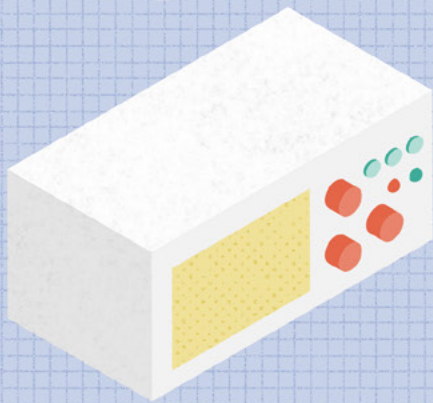
## What sorts of problems do the children and young people come to you with?

We have seen an increase in different types of disorders – this is indeed the case in Baden-Württemberg, but also across the whole country. These include depression and anxiety disorders, for example. However, we are also seeing more behavioural problems and a significant increase in eating disorders, especially anorexia nervosa.

**Children  
and young  
people are  
being hit  
particularly  
hard.**



We provide holistic  
support.









## A multidisciplinary approach is essential.

### What have you learned about the virus since the pandemic began?

I think the essential thing is actually that we have learned about the complexity of this disease. At the beginning, we thought we were basically dealing with patients with pneumonia caused by a virus. We've been familiar with this sort of illness for a long time – for example, with the flu virus. But then it very quickly became apparent that there are other aspects, relating to psychosomatics, neurology and also cardiology, at play here which affect these patients.

That is why the interdisciplinary approach is essential in order to be able to treat people effectively. And good treatment in rehabilitation will play a decisive role for many patients, as to whether or not they can return to their everyday working lives.

# We see people with long-term illness who are often at risk of losing their ability to work.



**Dr. med. Thomas Witt,**  
**MediClin Albert Schweitzer Klinik**  
*is the Medical Director and Head Physician of the specialist clinic for cardiovascular diseases in Königsfeld in the Black Forest.*



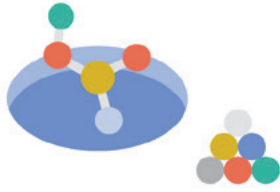
# What do I think I am capable of? How much more can I stand?



**Dr. med. Steffen Häfner,**  
**MediClin Baar Klinik**  
*is Head Physician of the specialist clinic for psychosomatics and behavioural medicine in Königsfeld in the Black Forest.*

### How many of the COVID-19 patients you have treated also have psychosomatic symptoms?

Compared to pulmonary conditions, the demand for rehab for psychosomatic conditions has been somewhat delayed, but now they are coming in large numbers. For the next few months – if not years – I expect a very high number of post-COVID-19 rehab patients in the psychosomatic area, for whom we have already worked out a specific concept that we are constantly

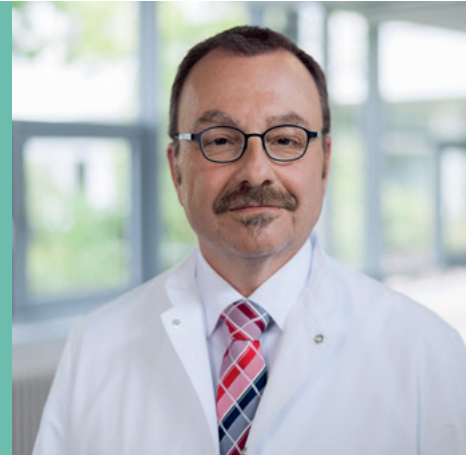


# A very varied picture, which makes highly differentiated therapy necessary.

**What is the difference between patients who come to you after a COVID-19 illness and patients who have had pneumonia after flu, for example?**

I have been doing rehabilitation here for 20 years and every spring we have the patients who were sick with influenza – flu – and had to be cared for in an intensive care unit because of pneumonia, and so on. This is different – this is completely different with COVID-19! With COVID-19 we are seeing much longer illnesses. People are taking much longer to recover from this pneumonia and on top of that, they have concomitant phenomena or concomitant diseases much more frequently than with other viral pneumonia diseases, which I have never seen, to this extent, with other diseases.

**Dr. med. Bernd Mössinger,**  
**MediClin Albert Schweitzer Klinik**  
*is Head Physician of the specialist clinic for respiratory diseases, allergies and sleep medicine in Königsfeld in the Black Forest.*



**I have never seen it to this extent in other illnesses.**



**Psychosomatic symptoms take their time to emerge, but then they are overwhelming.**

adapting. I think that the word still has to get around the medical world that these symptoms, which are usually delayed, but which are still very serious – up to severe depression and anxiety disorders – must not be ignored under any circumstances.



**Video of the whole interview:**

[www.mediclin.de/schwere-folgen-nach-corona](http://www.mediclin.de/schwere-folgen-nach-corona)

# People are simply missing a part of life.

The problem will certainly be with us for the next few years.



**Dr. med. Matthias Schmalenbach**  
**MediClin Klinik Reichshof**  
*is the Head Physician of the specialist clinic for pneumology in Reichshof-Eckenhagen.*

## How have patient histories changed since the pandemic began?

We are seeing more and more patients suffering from long COVID-19. Some of these are patients, who were initially in pneumological rehabilitation after a severe case of the disease and were certainly able to receive help there first, then notice in the second phase, over weeks or months, that unfortunately they are not able to return to their lives because they still have symptoms.

If someone is still suffering from respiratory problems and is struggling with them, they are admitted to the department of internal medicine, but they are also cared for by two other specialist departments.



**Dr. med. Sezer Melisande Lammers**  
**MediClin Klinik Reichshof**  
*is Head Physician of the specialist clinic for psychosomatics and psychotherapy in Reichshof-Eckenhagen*



# A myriad of disappointments.

**You don't just see patients who originally had a severe case and were ventilated, right? You also see patients who were actually considered to have recovered.**

When the disease is over, the patient thinks: Now I should be healthy again, now I have to be able to perform – and at the same level as before! But they aren't well enough. This means that they are constantly frustrated. We have seen a number of patients who have returned to work after an acute case of COVID-19 but unfortunately they then are often absent and the rate of mistakes increases. This leads to a myriad of disappointments.

**Dr. med. Jürgen Bonnert**  
**MediClin Klinik Reichshof**  
*is the Head Physician of the specialist clinic for neurology in Reichshof-Eckenhagen.*



**We are using a multitude of therapy methods – from a wide variety of therapeutic disciplines.**

## More depression, more anxiety disorders.

**What is your prognosis, what else will change with COVID-19?**

In terms of patient clientele, it will be interesting. We will certainly be dealing with more depression, more anxiety disorders and other conditions related to this illness, that none of us really know yet. That's where the picture will change, and it will definitely bring us a higher number of patients.



Video of the whole interview:

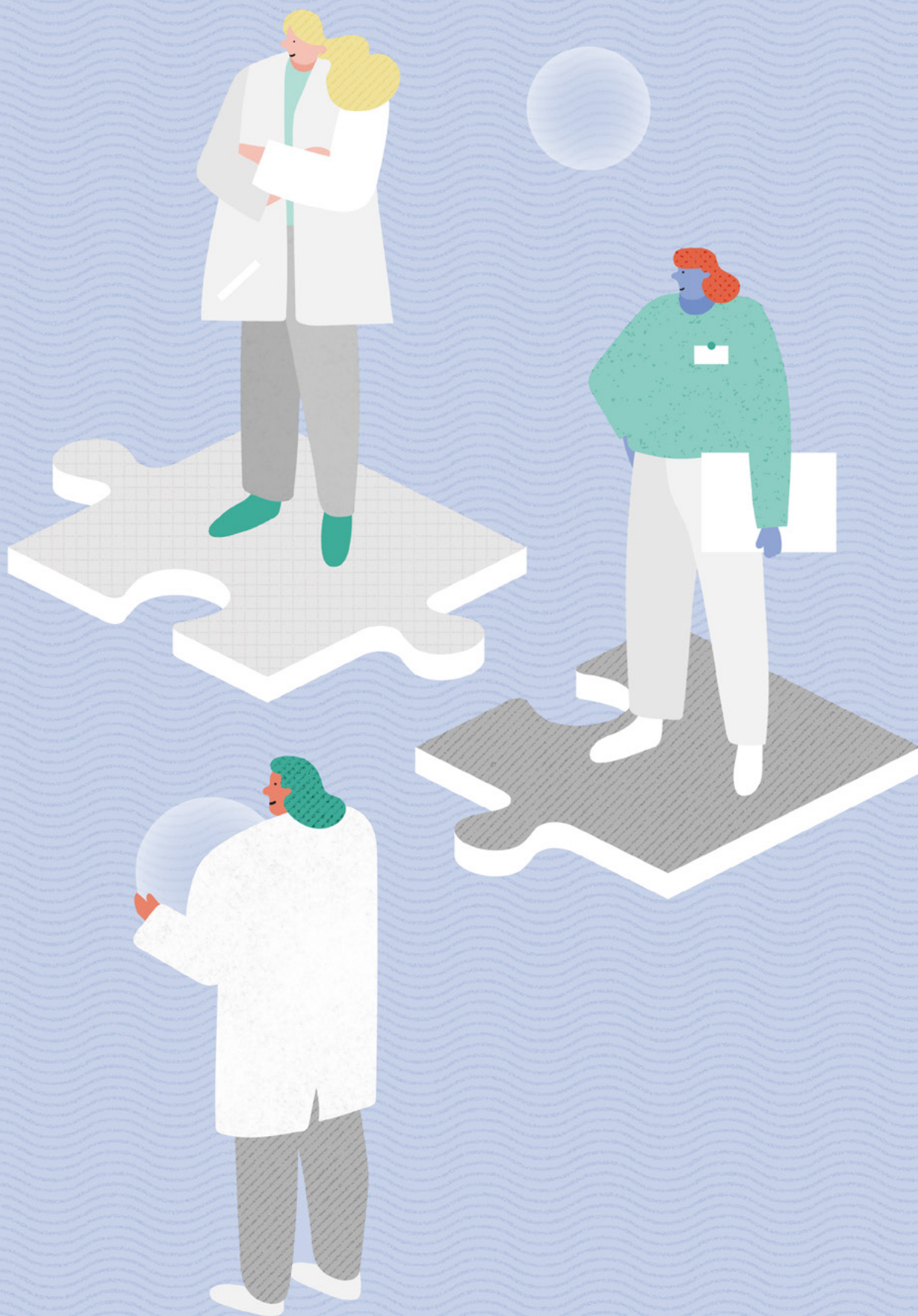
[www.mediclin.de/nach-corona-nicht-genesen](http://www.mediclin.de/nach-corona-nicht-genesen)



Gaining knowledge  
with a firm basis.







# Focus on fighting the pandemic: our healthcare system.

Developing  
immunity  
to the virus.

## **Best possible care despite COVID-19**

We, as providers of medical, therapeutic and nursing services have been directly affected in our clinics and in our work by the impact of the COVID-19 pandemic and have done a great deal to provide our patients and residents with the best possible care during this extraordinary time. New hygiene standards and changes in organisational and therapeutic structures have helped. Above all, however, our doctors and nurses have worked extremely hard to achieve this – despite the potential risk of infection they face themselves. The best possible care will also be our goal in the coming months, because the pandemic and its consequences will continue to accompany us through 2021.

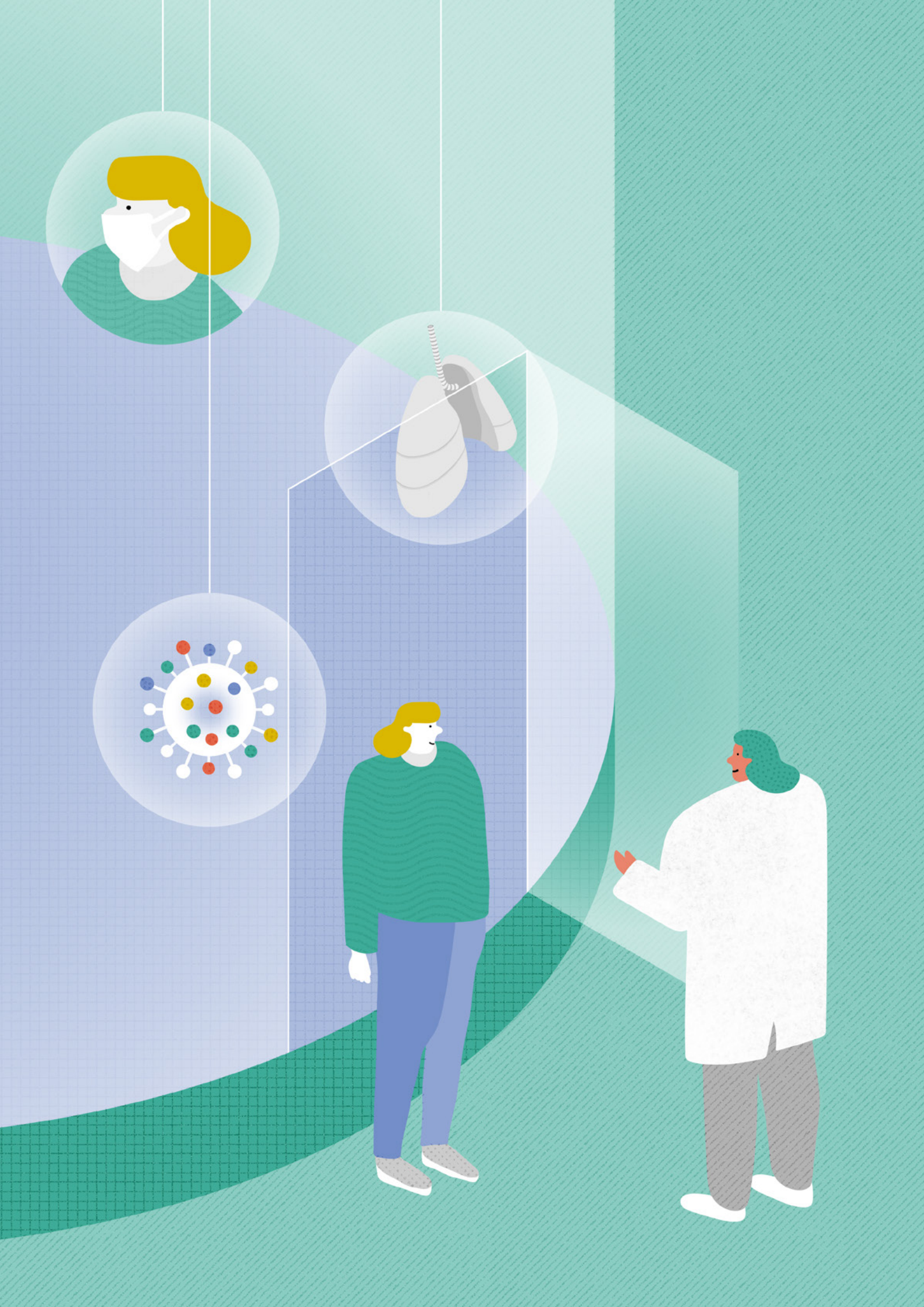
## **Vaccines will bring relief to the pandemic in 2021**

Towards the end of 2020, vaccinations against COVID-19 had begun in many regions of the world – including Germany. Effective and safe vaccination can make a decisive contribution to containing the pandemic and greatly reduce the risk of severe COVID-19 illness. However, for this to be sustainable a large part of the population has to be vaccinated and thus develop immunity to the virus.

## **What awaits us in 2021? – COVID-19 and its consequences**

There is no doubt that the pandemic has and will leave its mark on our society. This can be both the physical and psychological consequences of a COVID-19 illness or the purely psychological consequences of pandemic-related fears.









## The MEDICLIN share

## The MEDICLIN share

### The coronavirus pandemic also dominated the stock exchange in 2020

With 13,796 points on 20 February 2020, the DAX reached the highest point for the time being. When the extent of the pandemic became obvious in Germany in March 2020, the prices slumped dramatically: on 18 March 2020 the DAX stood at approximately 8,440 points, having plummeted by 38.8 % in only four weeks. After this the prices recovered surprisingly fast, balancing out between 12,000 and 13,000 points in June to then return almost to the high level of the previous year.

Experts believe this speedy recovery to be partly attributable to the low interest level. This and the large amount of funds are boosting the stock markets and are expected to continue doing so. Stocks seem to be one of the few alternatives left to investors in their search of yields.

The German stock exchange has risen sharply during the first few weeks of the new year. Investor sentiment is driven by the hope that coronavirus vaccinations will progress rapidly and the news of the change of government in the USA. Individual corporate announcements that were better than expected further fuelled the prices.

The DAX is supported by the expectation that the economy will recover considerably after the pandemic dies down and that companies made use of the lockdown in order to improve their structures and cut costs.

The fact that the current money policy makes sovereign debt, which exploded in the wake of the pandemic aid programmes, more bearable is a welcome side effect, at least from the governments' viewpoints. However, the expansive money policy also increases the risk of bubbles on the stock exchange and financial markets.

One thing is already clear, though: this year is a highly special year for the DAX. In September the index will be expanded to 40 constituents in the scope of the largest revision of rules in its history.

### Detailed investor information is available on our website

The Investor Relations section on MEDICLIN's website provides all the information relevant for private and institutional investors, such as the financial calendar, key company data, press releases, annual and interim reports and information on the Annual General Meeting; this includes current data and information referring to previous years.

The MEDICLIN share (Xetra) closed 2020 at a price of EUR 3.88, below the share price at the beginning of the year (EUR 5.00). The yearly low was EUR 3.60 (27.11.2020); the yearly high was EUR 5.35 (26.02.2020).

DZ Bank AG and Solventis Beteiligungen GmbH conduct research coverage on the MEDICLIN share. The recommendations on the basis of the figures after the first nine months of the 2020 financial year are "Hold" and "Buy".

### Shareholder structure

The major shareholders of MEDICLIN AG are Asklepios Kliniken GmbH & Co. KGaA with 52.73 % and ERGO Group AG with 35.00 %. 12.27 % of the shares are in free float.

### Share indicators

ISIN: DE0006595101; WKN: 659 510; Ticker: MED

In € per share	2020	2019
Result undiluted/diluted	-0.19	0.20
Cash flow from operating activities	2.50	1.47
Book value <sup>1</sup> as of 31.12.	3.73	4.02
Year-end price	3.88	5.15
Annual high	5.35	5.90
Annual low	3.60	4.92
Market capitalisation (year-end price) in millions of €	184.3	244.6
Number of shares in millions	47.5	47.5

<sup>1</sup> Equity less non-controlling interests  
Sources: Deutsche Börse AG; Xetra

# Summarised management report and Group management report of MEDICLIN Aktiengesellschaft for the 2020 financial year

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## Basis of Group activities

### Business model of the Group

The MEDICLIN Aktiengesellschaft Group (MEDICLIN) is a company active in Germany in the legal form of an Aktiengesellschaft (stock corporation). MEDICLIN is active throughout Germany and its facilities offer professional medical services in the fields of acute care and post-acute rehabilitation and, at some of the locations, nursing care services.

Focuses within the range of services in acute and post-acute care are neuromedicine (neurology, neurological early rehabilitation, neurosurgery and neuroradiology), psychosomatics and psychiatry, geriatrics as well as orthopaedics. In the acute treatment sector, the Group offers medical services in specialised facilities, such as neurosurgery at Plau am See, cardiac centres in Coswig and Lahr, neurological early rehabilitation in Lingen, Soltau and Plau am See or the specialist orthopaedic clinic in Bad Dübén. Furthermore, certain locations have special competencies in the areas of ENT (tinnitus, cochlea implants), oncology (radiotherapy) and internal medicine (cardiology, pneumology, endocrinology).

Its cross-sector presence enables MEDICLIN to pursue a business model that allows offering its patients integrated medical care. The network of outpatient and inpatient medical services across sector boundaries increases the efficiency of healthcare while guaranteeing a high-quality standard along the entire treatment chain. The usual interruptions in treatment between sectors can be avoided within the Group through integrated medical care at individual locations and at a regional and national level. This enables patient-oriented treatment as well as efficiency enhancements at the individual clinics through synergies and standardisation.

Together with the local clinic management teams, the managing directors that are responsible for a certain region are in charge of the operational and strategic orientation of the medical facilities and the development of the range of services at their facilities, thus ensuring the economic success of the clinics within their region.

MEDICLIN focuses its offering of medical services on the actual demand and on integrated medical care for patients.

### SUBSCRIBED CAPITAL, SHAREHOLDER STRUCTURE AND COMPANY BODIES

MEDICLIN Aktiengesellschaft (MEDICLIN AG) has its registered office in Offenburg, Baden-Württemberg. The Company is listed in the Prime Standard<sup>1</sup> of the Frankfurt stock exchange. The Group's subscribed capital amounts to EUR 47.5 mill. and is split up in 47,500,000 no-par-value bearer shares. MEDICLIN AG's main shareholders are Asklepios Kliniken GmbH & Co. KGaA with 52.73 % and ERGO Group AG with 35.00 %; 12.27 % of the shares are in free float.

The Supervisory Board acts as the highest controlling and supervisory body and is subject to the provisions of the German Codetermination Act (MitbestG). The members of the Supervisory Board have formed several committees to which the Board delegates advisory functions as well as decision-making authorities to the extent that this is legally admissible.

### GROUP STRUCTURE

MEDICLIN AG is a holding company and the ultimate parent company of the MEDICLIN Group. As a listed company, it meets all the requirements of the capital market and can use the latter for capital procurement.

<sup>1</sup> The Prime Standard is a market segment of the Frankfurt Stock Exchange's regulated market with the highest transparency standards. Companies must comply with the requirements of the Prime Standard to be listed in the DAX, MDAX, TecDAX and SDAX indices.

The medical services are rendered by the medical facilities, who are thus responsible for generating operating business locally. Service functions for these medical facilities, such as finance, accounting, controlling, taxes, internal audit, compliance, human resources and social affairs, payroll, purchasing, construction and technology, quality management, organisation and corporate communication, are bundled by MediClin GmbH & Co. KG, Offenburg.

In order to efficiently allocate resources and achieve cost depression effects (economies of scale), the following subsidiaries perform certain services on behalf of the entire Group:

- MediClin-IT GmbH  
Installation of network technology, user support, training
- MediClin Immobilien Verwaltung GmbH  
Real estate management, investment management, cost and income management in connection with real estate
- MediClin à la Carte GmbH  
Operation of the catering and cafeteria units, quality and hygiene management
- MC Service GmbH  
Maintenance and cleaning services, optimisation of cleaning procedures
- MediClin Energie GmbH  
Power trade, operation and maintenance of power engineering equipment and cable systems, development of power concepts

As of 31 December 2020, MEDICLIN included 35 clinics, seven nursing care facilities and nine medical care centres nationwide. The MediClin Krankenhaus am Crivitzer See GmbH facility in Crivitz was no longer included in the Group on the aforementioned date. The clinic was sold to the administrative district of Ludwigslust-Parchim as of 31 December 2020.

Seven of the 35 clinics are dedicated acute-care hospitals and 28 are post-acute (rehabilitation) clinics. Twelve post-acute clinics provide specific acute services in addition to medical rehabilitation measures.

The nursing care facilities offer full-time and short-term nursing care. These facilities are located at the same sites as the post-acute clinics, and can thus benefit from the latter's infrastructure.

Services offered by the medical care centres mainly pertain to the outpatient acute market.

MEDICLIN has a total capacity of 7,909 beds and 445 nursing places on the balance sheet date. As of the reporting date, this does not include the 80 beds at MediClin Krankenhaus am Crivitzer See. Without this disposal, the number of beds as of the reporting date would have risen by 53 beds compared to the previous year's value.

Bed capacity was continuously increased within the Group over the years. Capacity expansions and adjustments within the facilities are performed on the basis of demand in line with the corporate strategy and the business model.

In the 2020 financial year the average number of full-time employees totalled 7,471 (incl. the average number of full-time employees at MediClin Krankenhaus am Crivitzer See). On 31 December 2020, MEDICLIN's staff count was 10,262 (without the facility in Crivitz).

## SEGMENTS AND BUSINESS AREAS

The reportable operating segments of MEDICLIN are the post-acute, acute and other activities segments. This last segment encompasses the nursing care business area and the service business area. Specific acute services rendered in post-acute clinics are allocated to the post-acute segment, because it is impossible to make a clear business-related distinction between the rehabilitation services that are primarily rendered in the facilities and acute medical services as they jointly use the existing infrastructure. Sales and results of the medical care centres are assigned to the acute segment.

## RANGE OF SERVICES

MEDICLIN's range of medical services is highly professional and certified. Medical focus areas are neurology, psychosomatics and psychiatry. All in all, bed capacity for these indications increased by 146 beds or 4.2 % in 2020. As such, the share of neurology, psychosomatics and psychiatry amounts to 46.2 % (previous year: 44.2 %) of total beds available at the end of the year (not including nursing care). Further focus areas are orthopaedics, oncology, cardiology and geriatrics.

### Number of beds/places<sup>1</sup>

As of 31.12.	2020	2019
<b>Post-acute</b>		
Neurology	1,705	1,643
Psychosomatics	966	950
Orthopaedics	1,471	1,515
Internal medicine	259	572
Cardiology	579	394
Oncology	468	375
Geriatrics	372	339
Other	342	354
<b>Total</b>	<b>6,162</b>	<b>6,142</b>
<b>Acute</b>		
Neurology	370	319
Psychosomatics	273	259
Psychiatry	341	338
Surgery	203	231
Orthopaedics	98	176
Internal medicine	157	197
Other	305	274
<b>Total</b>	<b>1,747</b>	<b>1,794</b>
Nursing care	445	467
<b>Group</b>	<b>8,354</b>	<b>8,403</b>

<sup>1</sup> Without the beds of MediClin Krankenhaus am Crivitzer See GmbH, Crivitz

## DEVELOPMENT OF STAFF FIGURES

The average number of both medical and non-medical employees increased over the previous year. MEDICLIN ensures high-quality treatment by employing well-trained staff as the Group has more than the personnel capacities that are required by the coverage providers based on indication and number of beds.

## EXTERNAL FACTORS THAT COULD INFLUENCE THE BUSINESS PERFORMANCE

In the 2020 reporting year the Group's operating performance was strongly affected by both the direct effects of the coronavirus pandemic and the measures taken by federal and state governments to control its effects. The specific effects on the business performance will be described in the following sections whenever this is relevant.

### General external factors

Besides the factors in connection with the coronavirus pandemic, new or amended legal regulations are external factors that affect the Company's business performance. Legal regulations in the healthcare sector mostly affect the way the services are rendered and the remuneration of services, and usually refer to stricter requirements for organisational resources and staff and/or restrictions regarding the remuneration paid for medical, therapeutic and nursing care services.

The macroeconomic development in Germany has an indirect effect on the Group's business performance, especially with regard to its impact on the labour market. A stable labour market and secure jobs have a positive effect on the demand for medical services, as treatments are not postponed and there is an increased readiness to use rehabilitation and prevention services. Moreover, falling unemployment figures and a high proportion of dependent employees improve the financial situation of the social security and pension funds.

Other external factors affecting the business performance are the demographic development in Germany, progress in medical technology and the personnel situation in the sector, especially with regard to skilled nursing care staff.



**Development of the average number of employees by service  
(without Management Board, managing directors and trainees)<sup>1</sup>**

Shown in full-time employees	2020	2019
Medical	918	898
Nursing care	2,436	2,508
Medical-technical	1,577	1,517
Functional	442	436
<b>Medical services</b>	<b>5,373</b>	<b>5,359</b>
Support functions	1,144	1,154
Technical	146	138
Administration	650	635
Other	36	37
<b>Non-medical services</b>	<b>1,976</b>	<b>1,964</b>

**Development of the average number of employees by service  
(with Management Board, managing directors and trainees)<sup>1</sup>**

Shown in full-time employees	2020	2019
Post-acute	4,022	4,002
Acute	2,207	2,142
Other activities	1,242	1,287
Thereof nursing care business area	197	202
Thereof service business area (including administration)	1,045	1,085
<b>Group</b>	<b>7,471</b>	<b>7,431</b>

<sup>1</sup> Including the average number of full-time employees of MediClin Krankenhaus am Crivitzer See GmbH, Crivitz

**The acute sector is strongly regulated**

The remuneration of acute services is strongly regulated, which is why regulatory provisions play a more important role here than in the downstream sectors.

Services are remunerated in the scope of agreed budgets, mainly via case-based lump sums and, from 2020 onwards, via a combination of case-based lump sums and a remuneration for cost of nursing staff.

If a year-on-year increase in services is agreed during the annual budget negotiations, the hospitals have to grant a discount. This so-called fix cost degression discount is to counteract quantity-related cost advantages (fix cost degression).

Certain indications are subject to minimum nursing staff thresholds. This applies to intensive care, geriatrics, cardiology, trauma surgery, heart surgery, neurology, the neurological stroke unit and neurological early rehabilitation.

Due to the coronavirus pandemic, the application of the Regulation on Nursing Staff Thresholds (PpUGV) was suspended from 1 March 2020 up to and including 1 August 2020 for some of the nursing-care-intensive hospital areas and up to and including 31 December 2020 for others.

**Entrepreneurial thinking is required  
in the rehabilitation sector**

In the rehabilitation sector, the scope of services and the remuneration are agreed individually with the coverage providers.

The legislator has taken the first steps towards regulating the remuneration of medical rehabilitation transparently and logically. It remains yet to be seen how the various regional cost structures will be taken into account.

Here there is no adjustment for deficiency in proceeds if the budget as approved by the coverage providers is not met. Maintaining the required capacities and making changes to the therapeutic range of services is therefore largely at the risk of the hospital operator.

### **In the nursing care sector, the operator is also largely responsible for the business risk**

The nursing care sector comprises inpatient care, patients who receive full-time, part-time or short-term nursing care and outpatient nursing care.

Nursing care services may only be charged to the public nursing care insurances if they are rendered by an approved facility that concluded a supply contract with the nursing care insurance fund. Remuneration premiums on nursing care for medical treatment will generally only be paid for professional nurses.

The risk of creating capacity for these types of services also lies with the operators of nursing care homes.

## **Objectives and strategy**

### **INTEGRATED MEDICAL CARE ACROSS SECTOR LIMITS**

In the context of its integrated medical care concept, the Group strives to link up the locations in the outpatient, inpatient and post-discharge care sectors and, for specific medical indications, achieve close nationwide cooperation with own or other medical facilities. This is to facilitate single-source patient care and to prevent interruptions in the care chain between sectors at regional and national level.

In order to reach this strategic objective, MEDICLIN actively explores the local markets. Potential cooperation partners are hospitals, but also registered physicians or coverage providers. The Group already maintains close networks on the basis of both location and indication.

The Company also aims to increase the efficiency of its medical facilities. The range of services thus places special emphasis on certain indications, focusing on medical fields and therapies that are on the increase due to demographic and lifestyle trends (e.g. neurology, geriatrics, cardiology and psychosomatics).

The consistent pursuit of the strategic objectives secures the future of the facilities and generates organic growth. This is supported by an investment policy that creates additional capacity at locations with high growth potential.

The demand for the medical, therapeutic and nursing care services on offer exists. In order to be able to meet this demand, MEDICLIN will have to grow, first and foremost by means of organic sales growth based on the given opportunities for efficiency enhancements and expansion of the range of services in combination with adequate capital expenditure planning.

## **Corporate management**

### **THE MANAGEMENT BOARD MANAGES THE GROUP ON THE BASIS OF STRATEGIC AND FINANCIAL TARGETS**

The financial control parameter "sales growth" is determined once a year in the scope of Group and segment planning and takes into account the Group's strategic target figure for sustainable sales growth. The operating result (EBIT) and the EBIT margin are further financial target ratios and control parameters that serve to measure the Group's and the segments' earning power.

The financial control parameters for the Group and the segments are summarised in a financial report and monitored on a monthly basis. In addition, the Management Board also uses performance data, such as occupancy and nursing day statistics that are recorded on a weekly basis as well as the monthly DRG reports. This data provides current information on clinic efficiency and helps to coordinate, plan, control and monitor the operating processes.

At Group level, the debt ratio is an important control parameter that also serves banks as a key figure for assessing the creditworthiness before granting a loan (covenant). According to internal requirements, the debt ratio may not exceed 3.5x (adjusted net debt/adjusted EBITDA).

Usually once a year the clinics, in close coordination with the Group's controlling department, draw up planning for the future business development of the Group for the three upcoming financial years (bottom-up approach). During the year MEDICLIN uses the monthly and quarterly results to regularly review the business forecast and to analyse any deviations. If required, the forecast is adjusted to the new business performance and the public is informed accordingly.

In addition to the financial control parameters, the Management Board also uses non-financial performance indicators, such as patient and employee satisfaction, energy and environmental impact to promote the Group's sustainable development.

The key figures are explained on the MEDICLIN website at [www.mediclin.de/en/investor-relations/facts-and-figures/](http://www.mediclin.de/en/investor-relations/facts-and-figures/)

## Sustainability report

As a group within the health sector, MEDICLIN believes it should first and foremost fulfil the needs of patients and employees while treating nature and its resources with due care. In addition to the financial key figures, the Management Board has decided to use also non-financial parameters, such as patient surveys, quality assurance, personnel development, health and safety at work and subjects surrounding energy and the environment to promote the Group's overall sustainable development.

MEDICLIN prepares a non-financial declaration pursuant to Sections 315b and 315c German Commercial Code (HGB). This year's declaration has been updated since the previous year and is included in the sustainability report.

## Non-financial declaration pursuant to Sections 315b and 315c HGB

### INFORMATION ON THE BUSINESS MODEL

Section 315c German Commercial Code (HGB) in conjunction with Section 289c German Commercial Code (HGB) states that the non-financial declaration should include a brief description of the corporation's business model. MEDICLIN's business model strives to interlink outpatient and inpatient medical services in the sectors of acute and post-acute (rehabilitation) treatment and nursing care as defined in the healthcare system. This increases the efficiency of healthcare while guaranteeing a high quality standard along the entire treatment chain (please refer to the summarised management report and Group management report and the section on the Business model of the Group).

MEDICLIN's sustainability reporting and choice of material topics to be covered by the non-financial declaration is based on the standards issued by the Global Reporting Initiative (GRI). MEDICLIN uses the GRI as the framework as per Section 289d German Commercial Code (HGB). GRI 102-46 and GRI 103 were used as framework for the materiality analysis. The description of the management approaches for material issues is also based on GRI 103. MEDICLIN's most important stakeholders are its patients and employees.

PricewaterhouseCoopers GmbH, Frankfurt, was commissioned to conduct a voluntary ISAE 3000 (Revised) audit with limited assurance.

### SUSTAINABILITY MANAGEMENT

An interdisciplinary working group is in charge of coordinating and further developing sustainability-related activities and initiatives at MEDICLIN.

#### Structure and responsibility

This working group consists of employees from the fields of human resources, energy management, finance, procurement, quality management, compliance, marketing, catering, corporate communication and investor relations. The heads of these areas are responsible for implementing specific measures and projects and for bundling and organising the issues relevant to their respective areas of responsibility.



The responsibility of the working group is to support planning, target definition and implementation of sustainability activities and to document the progress made. The working group acts as consultant to all employees and departments in all matters surrounding sustainability. It further collects and analyses information, data and results that meet or could meet sustainability criteria across the entire Group.

## MATERIALITY JUDGEMENT

The first step of the sustainability working group was to use the GRI standards to identify relevant sustainability issues in the respective areas. The departments responsible for the respective GRI standards analysed all the aspects of the GRI standards in pertinent worksheets and evaluated their relevance for MEDICLIN. This evaluation was reviewed in 2020 and did not lead to any changes.

Furthermore, the GRI standards were compared with the statutory requirements as defined in the German Commercial Code (Section 289c HGB). At a meeting of the working group, the members of the group analysed what special significance the issues could have for the Company itself in its capacity as a healthcare service provider on the one hand and society and the environment on the other. In this context, the group also analysed whether these relevant issues could impact the efficiency of MEDICLIN.

MEDICLIN considers the issues patient satisfaction (social factors) and employee satisfaction (employee matters) to be of particular significance. It was reviewed again in 2020 whether there had been or might be any changes to the materiality assessment. This is not the case. The following issues were defined as being material in line with the terminology under German commercial law:

- Social factors (patient satisfaction)
- Employee matters (employee satisfaction)
- Environmental issues (energy, emission reduction)
- Fight against corruption and bribery (compliance)
- Profitability

No material issues were detected in the “respect for human rights” category.

## Material non-financial risks

The working group did not identify any material non-financial risks that are highly probable to have a strong negative impact on the issues that were defined as being material. The same applies to the effects of the coronavirus pandemic. The restrictions in the wake of the pandemic due to additional and extensive protective measures and regulations did not have any noteworthy impact on patient and employee satisfaction, as was also confirmed by the regular surveys that are carried out to evaluate patient satisfaction. The recommendation rate determined by the surveys revealed an increase in patient satisfaction.

This shows that the organisational changes implemented in the facilities to control the risk of infection and to ensure the wellbeing of patients and inhabitants have been accepted.

These changes also protect our employees against infection and therefore address health and safety at work aspects that are relevant to employee satisfaction. All the measures that have been developed and adopted are based on the experience and expertise of an interdisciplinary team of doctors and central hygiene and quality management staff. The measures for the protection of patients, inhabitants and employees apply across the entire Group. The requirements prescribe how to deal with infections or suspected infections, both with regard to patients and inhabitants as well as employees. The central procurement department ensured that sufficient protective and testing equipment is available. In response to the situation and as a precautionary measure, the department set up a central warehouse that has the logistics required for these highly specialised products.

For the business-related effects of the coronavirus pandemic, we refer to the relevant sections in the summarised management report and the Group management report.

## SOCIAL FACTORS

### (PATIENT SATISFACTION)

Patient satisfaction is of particular strategic importance and is backed by a number of supporting measures including capital expenditure to improve the quality of the Group's own medical, therapeutic and nursing care services, for instance investments in furnishing premises, in medical equipment and in further training of employees. Changes in the availability of health care services can have far-reaching consequences for the quality of life in the affected regions and economic and social consequences.

The degree of our patients' satisfaction with the therapy they receive and the success of that therapy reflects their appreciation of our services and the quality of the latter. The same applies to their opinion of the premises themselves and the professional provision of catering services and food and beverages at the clinics and nursing care homes. It is therefore crucial to constantly and systematically measure the services provided to this group of stakeholders.

High patient satisfaction is key to MEDICLIN's economic success.

Also the satisfaction of the inhabitants of our nursing care homes is an important quality parameter.

### Quality management

#### Quality requirements and concept

All our employees' activities at the MEDICLIN clinics and retirement homes focus on providing the best possible service to their patients and inhabitants. The concept of open and transparent feedback and evaluations during and after treatment and with regard to the stay itself are important for sustainably improving the quality of treatment and care.

#### Objectives and measures

The aim is to ensure that patient satisfaction is permanently at a high level. In order to achieve this objective, all clinics regularly conduct extensive patient surveys. Patients are invited to give their general opinion and to evaluate

their medical/therapeutic treatment and care and to provide written feedback on the premises at the facilities. The answers are evaluated by an external institute, which reports back to the clinics on a quarterly basis.

#### Internal clinic benchmarking

In order to improve patient satisfaction within the Group as a whole, the results of the individual clinics are used as a form of internal benchmarking. If a need for action becomes apparent, the corresponding measures are initiated by the management of the clinic and the quality management team and the success is measured systematically by means of targeted surveys. The following quarterly surveys that are routinely conducted then show whether the measure improved the rating. The Management Board is informed regularly of these results.

Key to patient satisfaction in the post-acute clinics is to inform the patients extensively and transparently about their pending therapy and the possible outcome before the treatment commences. MEDICLIN believes that the introduction of a professional expectations management system increases patient satisfaction and has thus initiated its "The informed patient" project. The project was continued in 2020 and MEDICLIN expects to receive the first results for analysis in 2021.

In the 9-month period between January 2020 and September 2020, patient satisfaction in the Group as determined in the manner described above and measured by means of the average recommendation rate was 83.8 % (prior-year period: 82.8 %).

#### External survey by the

#### German pension insurance

In addition, the German pension insurance (DRV) conducts external surveys in our rehabilitation clinics with regard to their specialisations. These are also reflected in the internal benchmarking. The currently available figure for the overall satisfaction rate in our post-acute clinics is from 2018. In 2018 this figure was 70.9 quality points.

### **Transparent approach to treatment-related questions**

In other countries, treatment services have been measured from the patients' view and made publicly available for comparison purposes for years. The perceived improvement in the patients' quality of life is not only considered to be a criterion for differentiating between the services of several providers but an important quality criterion for evaluating the success of the treatment.

Of the approximately 1,900 hospitals in Germany, about 500 facilities (including two of MEDICLIN's acute care hospitals) have partnered up in the association Initiative Qualitätsmedizin e. V. (IQM) in order to measure and increase the quality of treatments.

The quality of the results is not only of significance for hospitals. To date, these medical and rehabilitation-related data are collected by means of different generic measurement instruments by the German pension insurance (Reha-QS) and the public health insurance funds (QS-Reha). For years, these instruments have also included a patient evaluation of results, but a direct comparison is only possible within each of the systems and is not available to the wider public.

Key figures on indication-related treatment quality in medical rehabilitation have meanwhile become public and are available on the website of the transparency initiative by quality clinics ([www.qualitaetskliniken.de](http://www.qualitaetskliniken.de)), of which MEDICLIN is a founding member. This website gives rehabilitation clinics the possibility to transparently present their quality and compare it with other medical facilities. The surveys are conducted by independent institutes that are accredited by Qualitätskliniken.de. The published results cater for the needs of future patients and their relatives. All MEDICLIN's acute facilities are members of this initiative.

### **Catering – MediClin à la Carte**

#### **Quality requirements and concept**

Another factor that influences patient satisfaction is the choice and presentation of food and beverages on offer at the post-acute clinics and retirement homes. In addition to the quality of the offering, it is important to actively and openly respond to suggestions and complaints by patients and inhabitants. A concept of high-quality and attractive catering also includes monitoring the patients' satisfaction with respect to the offering. This is the responsibility of the MediClin à la Carte subsidiary.

#### **Objectives and measures**

The personnel in charge at MediClin à la Carte believes that one crucial element to successfully increasing patient satisfaction is to directly address unsatisfied guests and to suggest solutions. The aim is to achieve patient satisfaction of 85 % and to cut the rate of complaints to less than 10 %.

#### **Guest relations managers – contact persons for immediate feedback**

In order to achieve these targets, MediClin à la Carte is working with the quality management department and the MediClin Academy to train designated guest relations managers.

They are the point of contact for all patients and guests at the facilities' cafeterias and restaurants. Having the guest relations managers, who are easily recognisable by means of a special name tag, available on site helps patients address problems immediately. These relations managers are supported by the heads of their respective clinics and liaise with the quality management department of the clinic in question.

#### **Specific food survey**

In addition to the guest relations managers who actively solicit and receive patient feedback, MediClin à la Carte also uses an anonymous system. On a monitor that is placed in the dining room over a longer period of time, patients can provide feedback on how satisfied they are with the food and beverages on offer. The main advantages of this systematic and detailed means of recording, which is called



FeedbackNow, are the direct and immediate feedback, the ability to trace results in real-time and the fact that the intuitive software delivers analyses that are directly available for further use. On this basis we can take direct measures at the respective facility to increase patient satisfaction with regard to food and beverages.

#### **Measures are taking effect – Satisfaction is increasing**

Thanks to the appointment of the guest relations managers and their work as well as the regular FeedbackNow monitoring, the number of qualified feedback messages (praise, suggestions, complaints) has increased considerably. Suggestions and complaints are classified according to whether they can be implemented directly on site or whether additional further measures have to be taken to address these issues. All in all, this principle of collecting feedback in such a direct manner has decreased complaints overall, although the figures from 2020 are only comparable to a limited degree to figures from previous years due to the effects of the coronavirus pandemic.

### **EMPLOYEE MATTERS (EMPLOYEE SATISFACTION)**

As MEDICLIN is a healthcare provider, its employees work with people and for their benefit. Therefore trust in the skills of the physicians, therapists and nursing care staff is essential. The more trust and esteem the employees experience in their respective areas of responsibility and the more satisfied they are with their working conditions and environment, the more motivated they will be to live up to their skills.

#### **Concept**

Employee satisfaction is a key factor to MEDICLIN's success. In order to achieve this, MEDICLIN strives to offer its employees an attractive workplace in a good and family-friendly working environment as well as superior qualification and/or further training options. Employees are encouraged to identify with the Company by furthering active and dialogue-oriented communication.

### **Objectives and measures**

#### **Family-friendly working conditions**

In addition to employee development, family-friendly working conditions are an important issue for MEDICLIN when it comes to attracting and keeping qualified personnel. The Company offers individual part-time arrangements that are tailored to meet the children's daycare schedules and the families' needs. Almost 50.0 % of our employees work in part-time models. Some MEDICLIN facilities co-operate with local kindergartens, which adjusted their opening times to cover the clinics' shift requirements. MEDICLIN has especially trained staff to offer counselling when it comes to caring for relatives. So-called nursing care guides inform colleagues, who – while continuing to work – are taking care of relatives at home, of the relevant laws and regulations as well as the routine of home care among other things. Employees returning to work after parental leave or after caring for a relative or a prolonged sickness absence receive support to make their return into the job as easy as possible.

#### **Occupational health management**

Occupational health management combines the objectives and measures of health and safety at work and health promotion. Our legally compliant workplace integration management system (BEM) helps employees who wish to return to work after a prolonged sickness absence to do so in keeping with their abilities.

#### **Further training and qualification**

Attractive employers also offer their employees the possibility to receive further qualifications and training. The Management Board and the Group works council agreed in a Group works agreement to support further professional training.

The MediClin Academy supports the competences of employees through systematic personnel development and focused training and skills-enhancement programmes. Offers range from subject-specific topics to seminars imparting core personal qualifications. The majority of events were offered online in 2020 in order to give our employees the possibility to further develop their skills and expertise despite the restrictions imposed by the coronavirus pandemic.

A total of 162 seminars was offered in 2020 (previous year: 154 seminars), 85 of which were either cancelled due to the pandemic or for lack of sufficient participants. A total of 734 persons participated in the remaining 77 events (previous year: 1,189 participants). The fact that there were so many participants despite the cancellation of half the events shows in our view that the further professional training offered by MediClin Academy is still as popular.

MediClin Academy has set itself the goal to obtain a certificate pursuant to DIN EN ISO 9001:2015 by no later than the end of 2022. This serves to document that the Academy offers participants qualified further training measures and that the qualification is embedded in the strategic orientation of the Group.

#### Transparent dialogue-oriented communication

In order to involve its employees in corporate development and strategy issues, the Management Board usually carries out a two-day event twice a year where all executives are informed of the Group's immediate and strategic issues.

In 2020 these events did not take place due to the coronavirus pandemic. Informal communication and discussions with executives were held during regular video conferences and meetings at headquarters.

At the beginning of the coronavirus pandemic, the Management Board and executives discussed the current situation on a daily basis to adopt the appropriate measures. Together with quality management and corporate communication they, for instance, developed checklists on how to deal with infected persons or visitors to the facilities.

## ENVIRONMENTAL ISSUES (ENERGY, EMISSION REDUCTION)

Energy and emission reduction refers to the efficient and sustainable consumption of energy and the reduction of emissions, which we see as part of our corporate policy.

### Concept

The Group aims to cover part of its energy and heat requirements through its own generation facilities. A large variety of constructional and technical measures for reducing energy consumption and emissions are another important aspect in this respect.

### Objectives and measures

The aim of our energy management is to sustainably reduce energy consumption in the entire Group. In November 2017 a target was determined together with the Management Board to reduce primary energy consumption by 5 % within five years (base year 2016) without neglecting economic aspects. The first target achievement analyses will be available in 2023.

### Reducing energy consumption by means of in-house cogeneration units

The largest contribution to reducing energy consumption is made by cogeneration units (CHPs). MEDICLIN operates a total of 34 CHPs at 26 sites and five photovoltaic plants. Additionally, the Group has four biogas plants that provide MEDICLIN facilities with district heat. Primary energy consumption rose moderately in 2019 over the previous year.

### Primary energy consumption

In kWh	2019	2018	2009 <sup>1</sup>
Electricity	61,505,754	62,125,811	103,190,211
Gas	105,912,172	105,554,658	100,212,062
District heat	10,323,884	9,914,765	10,900,875
<b>Total</b>	<b>177,741,810</b>	<b>177,595,234</b>	<b>214,303,148</b>

<sup>1</sup> Base year 2009: construction of the first CHP

### Reducing CO<sub>2</sub> emissions

The highly efficient generation by means of combined power and heat also reduces CO<sub>2</sub> emissions. In 2019 CO<sub>2</sub> emissions thus dropped by 2,221 tons from 28,762 tons to 26,541 tons compared to the previous year. The figures for CO<sub>2</sub> emission reduction in 2020 will not be available until September 2021.

In addition to the aforementioned measures, MEDICLIN also takes various technical and constructional measures to reduce energy consumption, such as using high-performance pumps, modern lighting technology or facade insulation.

CO<sub>2</sub> emissions are calculated on the basis of the quantity procured from each individual energy source and that energy source's specific CO<sub>2</sub> emission factor.

#### CO<sub>2</sub> emission factors 2019

Energy source	CO <sub>2</sub> emission factor
Electricity	295 <sup>1</sup> in g/kWh
Gas	202 in g/kWh
Oil	270 in g/kWh
District heat	20 in g/kWh

<sup>1</sup> CO<sub>2</sub> emission factor of MEDICLIN's own electricity mix

### Quantities are recorded by means of calibrated measurement instruments

Both the electricity acquired and the generated quantities are recorded by means of calibrated measurement instruments. The same applies to the procurement of gas. Gas is converted into heat as follows:

1. The heat that is provided by the CHP is recorded by means of calibrated measurement instruments.
2. The heat that is provided by a boiler is calculated with the factor 0.8 through the gas procurement.

The district heat procured is also recorded by means of calibrated measurement instruments.

### Raising employee awareness for energy consumption

Since mid-2017 all locations are provided with a comprehensive energy report. The introduction of energy management is to enhance awareness for energy as a resource.

Together with the monthly electricity and gas reports, this report is supposed to give those responsible a better overview of their own facility, also in comparison with other facilities.

### ISO 50001 certification

MEDICLIN or its facilities, respectively, are certified in accordance with ISO 50001. The energy management documentation pursuant to DIN EN ISO 50001:2011 defines and stipulates the guidelines and involvement of the Group management. MEDICLIN or its facilities, respectively, were re-certified in 2019.

## FIGHT AGAINST CORRUPTION AND BRIBERY (COMPLIANCE)

### Concept

The responsibility of the compliance department is to ensure that the laws and internal corporate policies, in short: rules, are complied with.

This includes the implementation of compliance processes, the analysis of compliance risks, comprehensive consulting services with regard to compliance-related issues and the corresponding monitoring activities. Further, it includes responsibility for the internal whistleblower system and providing staff training on compliance issues as well as compliance reporting.



### Objectives and measures

Fighting against corruption and bribery is part of MEDICLIN's compliance management system. The Code of Conduct included in the corporate governance declaration serves the Management Board, the Group's executives and employees as a guideline for compliance with all the relevant legal requirements and the principle of ethical and moral integrity.

### New compliance structure

Since April 2020 compliance has become a separate department under the chief compliance officer who reports directly to the Management Board. In order to meet the manifold requirements, the management will restructure and further develop the compliance department.

### Binding requirements enable employees to abide by the rules

MEDICLIN has prepared internal rules of procedure for its employees defining specific requirements for impeccable legal and ethical behaviour. In addition, and due to the statutory requirements in the healthcare sector, the Group issued and implemented binding requirements for employees in individual spheres of responsibility, for instance in connection with handling patient data and company information, cooperation with other partners in the healthcare sector and the industry. Additional rules were prepared with regard to financial benefits in connection with corruption and with regard to data protection compliance. The employees in charge are informed and trained whenever required. MEDICLIN did not become aware of any case of corruption in 2020.

### Whistleblowing

MEDICLIN's employees are protected when they report violations against the law or policies or other misconduct to the Company. This information is passed on to the chief compliance officer confidentially for further examination.

### Training measures and consulting

In 2020 all the commercial directors of the facilities received training in web conferences held for small groups on compliance issues and were informed of all the main risk areas in this respect. As desired, this led to various enquiries for receiving further advice after the training sessions. This training initiative will be further expanded in the future to gradually include additional target groups. Providing training and raising awareness are ideally suited to promoting the preventive nature of compliance.

### Reporting

The head of compliance regularly informs the Management Board in person and by means of a written report of compliance issues. Additionally, the findings and any measures that might be required are compiled in a report and presented to the Management Board and the Supervisory Board.

### PROFITABILITY

MEDICLIN regularly provides information on its economic performance in quarterly reports and its annual report. MEDICLIN's catering and purchasing operations clearly show where and to what extent profitability and sustainability complement each other or are mutually exclusive.

### Catering – MediClin à la Carte

#### Concept

MediClin à la Carte provides all the MEDICLIN facilities across Germany with food and catering services. The production, delivery and presentation of varied and healthy meals, partly meeting specific dietary requirements, are subject to strict hygiene requirements. These requirements are met by the Company, also in view of sustainability issues.

### Objectives and measures

Sustainability means to optimise transport legs and to reduce waste with regard to food and packaging.

### Cost reductions in logistics

A group-wide uniform menu allows MediClin à la Carte to bundle food orders and reduce the number of suppliers to a minimum. Product adjustments further led to a leaner product range and a lower number of deliveries, which means that, on average, only 1/3 of the previous number of deliveries is required.

Suppliers are selected based on their ability to supply nationwide and provide consistent product quality. All of the food suppliers (14 in total), except regional bakeries and beverage suppliers, are either certified according to the International Featured Standards (IFS)<sup>1</sup> or according to ISO 9001. The certification ensures consistent quality levels along the production chain in the food industry. The IFS certification focusses among other things on systems in place for quality and food safety management and manufacturing processes, which means that internal business processes are audited on a regular basis according to international standards and MEDICLIN receives a safe product that complies with the legal requirements (labelling, weight control, requirements regarding nutritional value analysis).

### Certification

MediClin à la Carte is also certified in accordance with ISO 9001:2015. The monitoring audit was successfully completed in 2020 and the objective for 2021 is to successfully complete recertification by November 2021.

### Waste reduction

The introduction of a standardised ordering system, in which the clinic enters the planned number of patients per day and which calculates the corresponding portion sizes, enables the operating locations to pursue strategic procurement strategies and save resources and to avoid incorrect orders and large excess quantities.

In order to further improve the sustainable use of resources and raw materials along the entire value chain, MediClin à la Carte has since 2019 been participating in a comprehensive research project, which is carried out by the University of Stuttgart and funded by the German Federal Ministry of Food and Agriculture and the German project management agency Federal Office for Agriculture and Food. The "ELoFoS – Efficient Lowering of Food Waste in the Out-of-Home Sector" research project investigates efficient measures to reduce food waste in out-of-home catering, which also includes the rehabilitation clinics.

The key objective of this study is to enable the sustainable use of resources and raw materials along the entire food value chain and the efficient avoidance of food waste. MediClin à la Carte accepts its responsibility to act in a sustainable and resource-conserving manner and wants to make an active contribution to the avoidance of food waste.

The researchers have been evaluating the waste monitoring at three operating locations since July 2019, to obtain information on the volume, the composition, the value and the reasons for the disposal of food. The findings are expected to be released in January 2021.

### Central procurement

In the healthcare sector, requirements regarding the quality, safety, hygiene and certification of products and equipment used in healthcare operations are absolutely paramount. They are additionally subject to legal regulations and requirements. Furthermore, budgeting on the part of the coverage providers means that a lot of decisions have to be made based on price. This also means that the requirement to exclusively select suppliers or products that comply with as many sustainability aspects as possible can only be converted into practice to a limited degree.

### Concept

The central procurement department is responsible for ensuring the Group's procurement processes. This includes both the procurement of medical equipment and products and medical and non-medical expendable items. The central

<sup>1</sup> The International Featured Standards (IFS), which was formerly known as the International Food Standard, is a set of "food, product and service standards" designed to ensure that a product or service is produced or rendered in accordance with certain specifications agreed with the customer.

procurement department thus serves as the clinics' point of contact for purchasing medical products and medical-technical devices; expendable medical items are procured by the department on the basis of a standardised procedure. The department is also responsible for additions to the vehicle fleet.

The procurement of medicines is governed by law. According to the German Medicinal Products Act (AMG), a regional supply structure must be guaranteed. This means that medicines must be provided by a local pharmacy or a hospital pharmacy.

Service providers such as laboratories or laundry facilities should also have a nationwide presence and comply with the specific requirements for the healthcare sector. The suppliers are responsible for the logistical supply of the local clinics.

### **Objectives and measures**

The central procurement department has defined three key requirements with regard to suppliers: quality, delivery reliability and profitability, according to which the suppliers are assessed within the Group.

At the moment, MEDICLIN does not actively review or audit its suppliers with regard to ecological sustainability criteria, as the safety and hygiene requirements as well as the corresponding certification are more important factors for the selection of equipment and products in the healthcare sector.

With regard to the procurement of other, non-medicinal products such as office equipment, furniture, electronics etc., the central procurement department is already working together with suppliers who have defined and disclosed their own mandatory environmental policies.

The central procurement department is also responsible for the fleet, comprising 192 vehicles including vehicles for patient transport. The central procurement department checks regularly to what extent electric and/or hybrid vehicles can be used within the Group in an ecologically and economically viable way. Given the usually high mileage of the vehicles that are in use, the transition only made sense and was only implemented for a few vehicles after their contracts had expired.

On the outbreak of the coronavirus pandemic, the central procurement department ensured that sufficient protective and testing equipment was permanently available at clinics and nursing care homes by promptly establishing a central warehouse as a precaution.

## **Research and development**

### **MEDICLIN SUPPORTS SCIENTIFIC PROJECTS**

MEDICLIN supports the ongoing development of medical services and their measurability by participating in scientific projects regarding medical care. In addition to research projects conducted in individual clinics, which are usually financed via third-party funds, some clinics also participate in clinical studies on the evaluation and further development of medical and therapeutic services.



## Report on the economic position

### General statement on results of operations, financial position and net assets

#### EFFECTS OF THE CORONAVIRUS PANDEMIC STRONGLY AFFECTED THE BUSINESS PERFORMANCE IN 2020

The spread of the coronavirus pandemic and the challenges inherent in our industry have heavily impacted the Group's business performance in the 2020 financial year. In the second quarter, above all, the requirements by the German government to hold capacity available for an increasing number of infected persons weighed on Group sales and the operating result.

From mid-March to mid-June MEDICLIN's acute facilities cancelled all non-essential operations and increased ventilator capacity by 40 %. The post-acute clinics, in turn, kept bed capacity free for coronavirus patients at more than half the facilities as agreed with the respective federal state governments to ease the burden on the regional hospitals.

From mid-June 2020 all facilities gradually returned to normal operations while implementing stricter hygiene and protective measures. The gradual return to normal operations with significantly stricter hygiene requirements manifested itself in rising occupancy rates in the third quarter, taking the sales and earnings performance up considerably from the two previous quarters. The positive occupancy trend was weakened slightly in the fourth quarter, firstly due to the seasonal decline in occupancy during the holiday season, but also due to the onset of the second wave of the pandemic in mid-October 2020.

The Group's occupancy rate in the 2020 financial year was 74.0 %, down from 87.7 % in the previous year.

#### GROUP OPERATING RESULT BROKE EVEN IN 2020

In the 2020 financial year MEDICLIN generated Group sales of EUR 659.9 mill. (previous year: EUR 673.1 mill.) and a Group operating result of EUR 0.2 mill. (previous year: EUR 22.4 mill.). Both Group sales and the Group operating

result were thus in line with the forecast published in early November 2020. This was achieved despite the fact that the forecast was subject to the condition that the occupancy rate in the fourth quarter of 2020 remained in line with the level of the third quarter, which was the case in view of the strong increase in patients infected with the coronavirus in all of Germany.

Staff costs in the Group increased by EUR 9.6 mill. or 2.3 % over the previous year, while raw materials and consumables used were below the previous year's value at EUR 8.3 mill. despite the rise in expenses for protective gear.

#### SALES IN THE POST-ACUTE SEGMENT SHOW A CONSIDERABLE DECLINE YEAR-ON-YEAR

Sales in the post-acute segment of EUR 393.7 mill. were EUR 23.0 mill. or 5.5 % lower than in the comparable prior-year period. The sales decrease was caused by declining referrals from acute hospitals where postponable treatments were postponed in order to keep capacity for coronavirus patients available due to the requirements by the federal states in the first wave of the pandemic to provide capacity for coronavirus patients at the acute facilities. Coronavirus patients were also treated at MEDICLIN's post-acute facilities. Sales include payments under the protective shield to manage the coronavirus pandemic and from coverage providers in the amount of EUR 22.4 mill.

The sales of the acute segment of EUR 248.7 mill. increased by EUR 12.1 mill. or 5.1 % compared with the previous year's value. This includes payments totalling EUR 15.0 mill. under the German government's protective shield for freeing capacity. The sales of the nine medical care centres included in the acute segment's sales amounted to EUR 9.4 mill. in the 2020 financial year, down from EUR 9.6 mill. in the previous year.

The post-acute segment generated a result of EUR 4.8 mill. (previous year: EUR 23.0 mill.). The result in the acute segment amounts to EUR –1.5 mill. (previous year: EUR 1.6 mill.).

Sales in the nursing care business area, which is part of the other activities segment, dropped by EUR 0.5 mill. in the year under review to EUR 15.8 mill. (previous year: EUR 15.3 mill.).

## SOUND FINANCIAL STRUCTURE

In addition to cash and cash equivalents of EUR 100.4 mill. (previous year: EUR 37.2 mill.), the Group has access to credit lines in the amount of EUR 74.8 mill. Funding of internal growth is thus guaranteed and will derive primarily from the cash flow, provided the sales growth is in line with the target.

The equity ratio was 19.9 % (31.12.2019: 21.2 %) while the adjusted net financial debt amounted to EUR 50.6 mill. (31.12.2019: EUR 58.4 mill.) on the reporting date. As at 31 December 2020 the debt ratio was 2.0x (31.12.2019: 1.4x), which is still clearly below the maximum target level of 3.5x.

The Management Board rates both the results of operations and the Group's financial position and net assets as sound despite the temporary drop in earnings.

## The macroeconomic and sector-specific environment in the reporting year

### EVENTS IN 2020 WERE DOMINATED BY THE CORONAVIRUS PANDEMIC

The effects of the coronavirus pandemic heavily affected nearly all areas of the German economy in 2020. Following a 10-year growth period, Germany has slipped into recession. According to preliminary calculations by the Federal Statistical Office, the price-adjusted gross domestic product (GDP) was, on annual average, 5.0 % lower in 2020 than in the previous year and therefore considerably lower than the annual average of +1.9 % in the years 2009 to 2019. Adjusted for calendar effects, the GDP slump amounts to 5.3 %.

Compared to 2019, the price-adjusted economic performance shrunk significantly in all areas except for construction. The effects of the pandemic impacted the industrial sector particularly strongly in the first half of the year, especially as supply chains were temporarily interrupted.

The service sectors retail (despite an increase in online business), traffic and hospitality also suffered heavy drops. The coronavirus pandemic had a particularly pronounced effect on demand for goods and services. Private consumer spending went down by 6.0 % (price-adjusted) in 2020, the heaviest decline ever. Public spending, in turn, had a stabilising effect during the coronavirus crisis and rose by 3.4 % (price-adjusted), driven also by the procurement of protective gear and hospital services.

For the first time since 2009, the price-adjusted export and import of goods and services went down in 2020, exports by 9.9 % and imports by 8.6 %. Imported services were hit particularly hard due to their large tourism share, which slumped massively.

Despite the recession, the effects on the labour market were moderate. The number of employees with mandatory social security contributions remained stable. The amended regulations regarding short-time work are bound to have prevented redundancies. Persons with mini jobs and self-employed persons, in turn, were badly affected. According to first calculations by the Federal Statistical Office, the German economic output was generated by an annual average of 44.8 million persons in employment in Germany in 2020 (previous year: 45.3 million persons in employment). The number of employees with mandatory social security contributions rose slightly from 33.5 million to 33.6 million, while the unemployment rate amounted to 5.9 % (previous year: 5.0 %).

According to preliminary calculations, the public households closed 2020 with a financial deficit of EUR 158.2 bill., EUR 98.3 bill. of which are attributable to the federation, EUR 26.1 bill. to the federal states and EUR 2.0 bill. to the municipalities. The preliminary deficit of the social security insurance is EUR 31.8 bill., corresponding to a deficit ratio of 4.8 % and thereby exceeding the 3.0 % reference value under the Stability and Growth Pact and the target for the national ceiling significantly. Due to the coronavirus crisis, the application of the two benchmarks has been suspended for 2020 and 2021.

With regard to the income and expenditure of the social security pension funds and the public health insurance funds, the situation in 2020 was as follows: in its 2020 pension insurance report, the German government forecasts that the social security pension funds will be able to set aside reserves in the amount of approximately EUR 36.3 bill. (previous year: EUR 40.5 bill.) at the end of 2020. According to preliminary calculations, revenue in 2020 totalled about EUR 328.2 bill. (previous year: EUR 326.7 bill.), while expenditure amounted to approximately EUR 332.9 bill. (previous year: EUR 324.8 bill.).

Every year by 15 October, the so-called Schätzerkreis – a group of experts at the Federal Office for Social Security – issues an income and expenditure estimate for the ongoing year and the next year that is calculated on the basis of the expected number of persons obliged to pay social security contributions. According to estimates published by the Schätzerkreis of the Statutory Health Insurance in October 2020, earnings subject to contribution payments of EUR 239.6 bill. (previous year actual: EUR 231.7 bill.; estimated: EUR 231.9 bill.) and calculated expenditure of EUR 258.6 bill. (previous year actual: EUR 247.3 bill.; estimated: EUR 246.0 bill.) are expected for 2020.

#### **THE HEALTHCARE SECTOR MASTERED THE PANDEMIC WELL**

All in all, the German healthcare sector mastered the pandemic relatively well in 2020, although the crisis did pose a massive challenge for each individual market participant, also financially. Despite financial aid from the government and the coverage providers, additional expenses and higher costs were incurred in many areas.

The severe consequences of the pandemic for the financial situation of clinics is underlined by the so-called 2020 hospital barometer survey published by Deutsches Krankenhausinstituts (DKI) at the end of 2020. Among other factors, the survey focused on the occupancy and financial effects of the coronavirus pandemic and revealed that the number of inpatient and outpatient surgery declined by 41 % and 58 % on average during the first wave of the pandemic in March to May 2020. Most clinics failed

to reach the surgery capacity utilisation of 2019. This was caused by the continued reluctance of patients to undergo plannable operations, the required protective measures and hygiene standards as well as the requirement to keep intensive care capacity available for coronavirus patients. The lower occupancy rate at acute hospitals, protective measures and increased hygiene requirements as well as the requirement to keep intensive care capacity available for coronavirus patients also led to lower occupancy rates and higher expenses at the post-acute clinics.

Experts agree that the pandemic has massively driven digitalisation in the healthcare sector as it has shown that digital applications can effectively support the hospital administration and organisation of patient care. The requirements for the supply chains of medical supplies could change considerably if policy-makers decide to favour production in Europe.

#### **THE HEALTHCARE SECTOR IS FACING GREAT CHALLENGES**

The healthcare industry is one of the large sectors of the German economy and is a driver of growth and employment. An ageing population, greater health awareness and medical-technological progress have been boosting demand for medical and rehabilitation services for years. While this acts as a guarantor for growth, it also pushes up expenditures in the healthcare sector.

German healthcare expenditures are mainly financed by the state, private households and companies. According to the Federal Statistical Office, expenditure in 2018 (newer information is not available) amounted to EUR 390.6 bill. The public health insurance funds accounted for 56.9 % of expenditure, making them the largest expense factor in the healthcare sector. Their expenditure amounted to EUR 222.1 bill. The share of expenditure in the gross domestic product was 11.7 %. According to the Federal Statistical Office, this corresponds to an increase by 4.0 % compared to 2017. In 2019 another increase to EUR 407.4 bill. is expected, which corresponds to an increase of 4.3 %. Extrapolating these assumptions of rising costs, the expenditure in 2020 could amount to about EUR 425.0 bill. in 2020.



## MEDICLIN IS ONE OF THE MAJOR PRIVATE HOSPITAL OPERATORS

The market, on which the major private hospital groups are active, mainly comprises three sectors. On the basis of the number of hospital beds, private groups hold an overall market share of 19.1 % (as per 2019). There are only a few major private providers in the acute sector, whereas the providers in the fields of rehabilitation and nursing care are far more heterogeneous in terms of size and range of services. In the rehabilitation sector, MEDICLIN is one of the larger providers.

### Acute sector

The Federal Statistical Office stated in December 2020 that there were 1,914 hospitals in Germany in 2019. 545 hospitals were run by state institutions, 645 by non-profit organisations and 724 by private operators. This means that about 37.8 % of all hospitals are private facilities that account for nearly 19.4 % of beds and treat about 17.7 % of all the patients that are treated in a year. The private facilities employ about 140,000 full-time employees, i.e. more than 15 % of all the full-time employees employed in hospitals. According to the Federal Statistical Office, the average length of stay in the hospitals was 7.2 days in 2019, while the average occupancy rate was 77.2 %.

In terms of beds, MEDICLIN accounted for 1.9 % of the market of private hospital operators in 2019. In 2019 MEDICLIN treated 41,995 inpatients. The average length of stay was 8.1 days and the occupancy rate 76.0 %.

Due to the requirements caused by the coronavirus pandemic, MEDICLIN treated 36,471 inpatients in its hospitals in 2020, which was less than in the previous year. The average length of stay was 8.5 days and the occupancy rate 68.1 %.

### Post-acute sector (rehabilitation)

In 2018 the number of rehabilitation facilities decreased compared to the previous year (more recent figures by the Federal Statistical Office are not available). All in all, there were 1,126 facilities (2017: 1,142 facilities) with a total of 163,688 beds (2017: 164,266 beds). The share of private suppliers in this field is 54.4 % in terms of facilities and

65.6 % in terms of cases and patients. In 2018 the number of patients rose by 0.9 % year-on-year to 1,992,353 patients (2017: 1,974,248 patients), while the number of nursing days increased by 0.3 % from about 50.1 mill. days to about 50.3 mill. days. The average length of stay in 2018 was 25.2 days (2017: 25.4 days). The average occupancy rate was 84.1 % (2017: 83.6 %).

In 2018 MEDICLIN treated 80,596 patients with an average length of stay of 25.5 days. The occupancy rate stood at 91.8 %.

In 2019 the Group treated 80,058 patients with the same average length of stay as in the previous year. The occupancy rate stood at 91.0 %.

Due to the restrictions resulting from the coronavirus pandemic, the Group treated only 66,462 patients in 2020 with an average length of stay of 25.4 days. The occupancy rate stood at 75.0 %.

In terms of beds, MEDICLIN's share of the market of rehabilitation facilities is likely to have increased moderately in the last two years.

### Nursing care sector

The Federal Statistical Office states that the number of persons in need of care increased from 3.4 million to more than 4.1 million persons between 2017 and 2019 (20.9 %). In 2019 80.2 % of all persons in need of care (3.3 million persons) were taken care of in their own homes, of which more than 2.1 million persons received care only from their relatives. 19.8 % or more than 0.8 million persons in need of care live in homes offering full-time nursing care.

In 2019 there were 15,380 nursing care homes with 969,553 places in Germany. 11,317 facilities, i.e. 73.6 % of all nursing homes, offer full-time inpatient nursing care. They provided 886,654 or 91.4 % of places.

Compared to 2017, the number of nursing care homes increased by 6.2 % or 900 facilities. The number of homes run by private operators increased by 403 facilities or 6.5 % to 6,570 homes. In terms of number of facilities, private nursing care homes had a market share of 42.7 %.

This translates into potential for MEDICLIN, although its own market share in this growth market will probably remain below 1.0 % over the next few years.

## Business development

### Results of operation, financial position and net assets

#### RESULTS OF OPERATION

##### Sales development and performance of the Group operating result

Group sales of EUR 659.9 mill. in the 2020 financial year (previous year: EUR 673.1 mill.) were EUR 13.2 mill. or 2.0 % below the previous year's value. Group sales include grants under the German government's protective shield to manage the coronavirus pandemic and grants from the coverage providers totalling EUR 37.6 mill. to expand intensive care and keep bed capacity available for coronavirus patients.

Sales from outpatient healthcare services amounted to EUR 15.9 mill. (previous year: EUR 18.0 mill.); of this amount, EUR 8.1 mill. (previous year: EUR 8.8 mill.) was generated by the medical care centres.

On the back of the sales decline, MEDICLIN reported a Group operating result of EUR 0.2 mill. (previous year: EUR 22.4 mill.). Group EBIT includes a one-off effect of EUR –1.4 mill. from the write-down on the book value in connection with the disposal of MediClin Krankenhaus am Crivitzer See GmbH, Crivitz, on 31 December 2020.

##### Development of expenses

Despite the marked increase in expenses for protective gear, raw materials and consumables used declined by EUR 8.3 mill. or 6.9 % compared to the previous year, now amounting to EUR 112.7 mill. (previous year: EUR 121.0 mill.). The expenses for kitchens/cafeterias, for implants and for external medical staff went down significantly by EUR 3.1 mill., EUR 1.1 mill. and EUR 7.1 mill., respectively.

As is typical of the sector, staff costs are the largest expense item for the Group. Compared to the same period of the previous year, they increased by EUR 9.6 mill. or 2.3 % to EUR 422.2 mill. (previous year: EUR 412.6 mill.).

#### Group sales and Group operating result

In millions of €	2020		2019	
	Group sales	Group EBIT	Group sales	Group EBIT
1st quarter	167.4	–3.9	167.6	1.6
2nd quarter	156.1	–4.9	167.8	4.5
3rd quarter	175.2	10.8	169.3	8.7
4th quarter	161.2	–1.8	168.4	7.6
<b>Year total</b>	<b>659.9</b>	<b>0.2</b>	<b>673.1</b>	<b>22.4</b>

#### Expenses

	2020	2019	Change in %
Raw materials and consumables used in millions of €	112.7	121.0	–6.9
Cost of materials ratio in %	17.1	18.0	
Staff costs in millions of €	422.2	412.6	+2.3
Staff costs ratio in %	64.0	61.3	
Depreciation and amortisation in millions of €	77.3	71.2	+8.7
Other operating expenses in millions of €	58.6	59.3	–1.2

The fact that the rise in staff costs was relatively low compared to previous years is because MEDICLIN only increased its headcount to a limited extent in the reporting year. Short-term work allowances in the amount of EUR 1.9 mill. and, to a limited extent, the temporary suspension of the Regulation on Nursing Staff Thresholds (PpUGV) had a positive effect on staff costs. The expenses for external medical staff included in the raw materials and consumables used item dropped by EUR 7.1 mill.

MEDICLIN assumes that staff costs will rise as in previous years. The expansion of the range of services and legal requirements regarding the number of staff will lead to additional hires. Salaries and wages are also expected to increase in 2021.

Depreciation and amortisation amounted to EUR 77.3 mill. (previous year: EUR 71.2 mill.). Depreciation and amortisation includes EUR 47.4 mill. (previous year: EUR 46.4 mill.) in scheduled depreciation of right-of-use assets. EUR 3.3 mill. refers to amortisation of intangible assets (previous year: EUR 2.6 mill.), while EUR 26.7 mill. refers to depreciation of property, plant and equipment (previous year: EUR 22.2 mill.). The depreciation and amortisation ratio (without depreciation and amortisation of right-of-use assets) amounts to 4.5 % (previous year: 3.7 %).

Other operating expenses decreased slightly by EUR 0.7 mill. to EUR 58.6 mill. (previous year: EUR 59.3 mill.). Expenses for rents and leases amounted to EUR 3.2 mill. (previous year: EUR 3.7 mill.).

### Financial result and tax ratio

The financial result amounted to EUR –10.2 mill. at year-end (previous year: EUR –10.8 mill.). Interest and similar expenses amounted to EUR 10.3 mill. (previous year: EUR 10.9 mill.). This includes interests for liabilities from right-of-use assets amounting to EUR 8.3 mill. (previous year: EUR 8.0 mill.).

The tax ratio in the main Group segments was 15.825 % (corporation tax, solidarity surcharge). A change to the tax rate is not expected.

Tax Income was EUR 1.1 mill. in the year under review (previous year: tax expenses of EUR 1.9 mill.).

### Total consolidated result

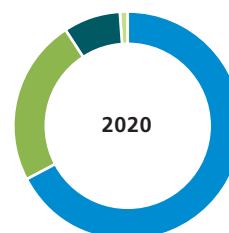
In the 2020 financial year, the consolidated result attributable to shareholders of MEDICLIN AG was EUR –9.0 mill. (previous year: EUR 9.7 mill.).

The consolidated result attributable to shareholders of MediClin AG per share amounts to EUR –0.19 (previous year: EUR 0.20).

### Development of the coverage provider structure

The statutory social security pension fund and the public health insurance fund are the two largest funding agencies for medical rehabilitation. In the acute sector, the public health insurance funds are the main funding agencies. On the whole, the Group generated more than 90 % of sales with these two coverage providers.

Breakdown of sales by coverage provider groups without nursing care in %



	2020	2019
Public health insurance funds	67.9	65.0
Social security pension funds	23.7	26.4
Private health insurance companies	8.2	8.4
Other coverage providers	0.2	0.2

### FINANCIAL POSITION

MEDICLIN covers its capital requirements from operating cash flow, investment subsidies and a syndicated loan.

In November 2019 the Group took out a new syndicated loan in the amount of EUR 90.0 mill. while prematurely repaying the existing syndicated loan for EUR 60.0 mill. The syndicated loan consists of a bullet loan for EUR 50.0 mill. and a revolving working capital facility for EUR 40.0 mill.



On 31 December 2020 (as was the case on 31.12.2019) EUR 75.0 mill. thereof had been drawn. The syndicated loan has a term of five years (2019 to 2024), including two options to renew the loan by another year. One renewal option was exercised in the year under review, extending the term until November 2025. Both loan components are subject to a variable interest rate composed of the EURIBOR for the relevant interest period plus an agreed margin.

In order to be able to respond better to the effects of the coronavirus pandemic, the Group took out three short-term credit framework agreements with a total volume of EUR 50.0 mill. in November 2020 to further secure liquidity and general funding needs.

Non-current liabilities to banks, including the subsidised loan, amount to EUR 71.2 mill. (31.12.2019: EUR 73.0 mill.), while current liabilities to banks amount to EUR 26.8 mill. (31.12.2019: EUR 26.7 mill.).

Financing is complemented by rental agreements for hospitals rented on a long-term basis. Except for one contract, the underlying rental contracts have a term until 31 December 2027. One contract was extended by another 20 years in the 2018 financial year. The contracts provide for an annual adjustment of rents in accordance with changes in the German consumer price index – the maximum, however, is 2 % p.a.

Cash and cash equivalents amount to EUR 100.4 mill. on the balance sheet date (31.12.2019: EUR 37.2 mill.). On 31 December 2020 free credit lines exist in the amount of EUR 74.8 mill.

MEDICLIN has the financial resources to maintain the required liquidity at all times.

MEDICLIN's liquidity management secures the availability of sufficient financing resources and the required degree of financing flexibility. A further measure to cover these risks is the Group-wide liquidity supply through central cash pool management. Available cash and cash equivalents are invested in the form of short-term time deposits.

## EMPLOYEES

The average number of employees in 2020, calculated on the basis of full-time employees, was 7,471 (previous year: 7,431 full-time employees). The number of full-time employees increased by 40 compared to the previous year.

On 31 December 2020, the overall headcount was approximately 10,300 employees. The average number of trainees was 361 in 2020 (previous year: 328 trainees).

## CAPITAL EXPENDITURE

Gross investments in non-current assets total EUR 26.6 mill. in 2020 (previous year: EUR 48.2 mill.). As the capital expenditure is largely financed from the cash flow, the Group postponed some of its investments in the year under review following the coronavirus-induced decline in sales.

### Essential gross additions to non-current assets

In millions of €	2020	2019
Licences, concessions	3.6	3.6
Goodwill	0.0	0.5
Land, buildings	5.4	10.1
Technical equipment, IT	2.1	1.6
Operating and office equipment	8.4	16.3
Payments on account and assets under construction	7.1	16.0
Financial assets	0.0	0.1
<b>Total</b>	<b>26.6</b>	<b>48.2</b>

A gross amount of EUR 3.6 mill. (previous year: EUR 4.1 mill.) was invested in intangible assets.

Gross investments in property, plant and equipment totalled EUR 23.0 mill. (previous year: EUR 44.0 mill.). EUR 4.6 mill. was spent on medical equipment including accessories. Approximately EUR 12.2 mill. was used for the reconstruction and expansion of clinics, while EUR 3.7 mill. was spent on furnishing patient and nurses' rooms and offices for the administration. Investments in the IT infrastructure amounted to EUR 2.0 mill.

EUR 16.1 mill. (previous year: EUR 17.5 mill.) was spent on maintenance and repairs.

## LIQUIDITY

The pronounced increase in cash flow from operating activities is mainly due to savings measures that were initiated and implemented, liquidity received under the protective shield and the suspension of rent payments for two months. A decline in trade receivables, caused by the shorter payment term of five days granted by coverage providers in the acute segment, also had a positive effect.

Future burdens for the operating cash flow are expected to arise in the course of 2021 due to the repayment of funds received under the protective shield and the reversal of the shorter payment terms granted by coverage providers.

The decline in capital expenditure by EUR 27.0 mill. had a positive effect on cash and cash equivalents. The suspension of rent payments for two months in 2020 eased the burden on the cash flow from financing activities by about EUR 7.9 mill.

The cash flow from investing activities totalled EUR –8.6 mill. (previous year: EUR –35.7 mill.). Investment

subsidies received amounted to EUR 10.7 mill. (previous year: EUR 7.6 mill.). The investment subsidies received refer primarily to MediClin Müritzklinik, MediClin Hedon Klinik, MediClin Krankenhaus Plau am See, MediClin Seepark Klinik and MediClin Herzzentrum Coswig. A gross amount of EUR 3.5 mill. (previous year: EUR 3.6 mill.) was spent on intangible assets. Gross investments in property, plant and equipment totalled EUR 22.3 mill. (previous year: EUR 41.3 mill.).

The cash flow from financing activities amounted to EUR –46.5 mill., down from EUR –30.5 mill. in the previous year.

Cash and cash equivalents at the end of the period thus increased by EUR 63.2 mill. (previous year: EUR +3.4 mill.) to EUR 100.4 mill. (previous year: EUR 37.2 mill.).

## NET ASSETS

The balance sheet total decreased by EUR 10.2 mill. since 31 December 2019.

### Consolidated cash flow statement (abridged)

In millions of €	January–December 2020	January–December 2019
Cash flow from operating activities	118.7	69.6
Cash flow from investing activities	–8.6	–35.7
Cash flow from financing activities	–46.5	–30.5
Change in consolidation scopes for financial funds	–0.4	0.0
Cash flow for the period	63.2	3.4
Cash and cash equivalents at the beginning of the period	37.2	33.8
Cash and cash equivalents at the end of the period	100.4	37.2

### Balance sheet structure

In millions of €	31.12.2020	In % of balance sheet total	31.12.2019	In % of balance sheet total
<b>Assets</b>				
Non-current assets	683.6	77.0	731.7	81.5
Current assets	203.9	23.0	166.0	18.5
	<b>887.5</b>	<b>100.0</b>	<b>897.7</b>	<b>100.0</b>
<b>Equity and liabilities</b>				
Equity	176.8	19.9	190.7	21.2
Non-current liabilities	539.3	60.8	561.2	62.5
Current liabilities	171.4	19.3	145.8	16.3
	<b>887.5</b>	<b>100.0</b>	<b>897.7</b>	<b>100.0</b>

While the decline in non-current assets by EUR 48.1 mill. is mainly attributable to a decrease in property, plant and equipment caused by depreciation, the increase in current assets of EUR 37.9 mill. is primarily due to a higher level of cash and cash equivalents as at the reporting date.

On the equity and liabilities side of the balance sheet, non-current liabilities decreased by EUR 21.9 mill., mainly due to lower lease liabilities. Current liabilities, in turn, rose considerably by EUR 25.6 mill. The increase mainly pertains to payment obligations in connection with the

suspension of rent payments (EUR 7.9 mill.) and obligations to repay payments received under the protective shield (EUR 23.6 mill.).

#### Provisions for additional rent payments

Non-current liabilities, in turn, include lease liabilities totalling EUR 334.9 mill. (31.12.2019: EUR 368.3 mill.), while current liabilities include EUR 54.0 mill. in lease liabilities from rental agreements (31.12.2019: EUR 44.1 mill.).

### Sales

In millions of €	2020	2019	Change in %
Post-acute	393.7	416.7	-5.5
Acute	248.7	236.6	+5.1
Other activities and reconciliation	17.5	19.8	-12.0
Thereof nursing care business area	15.8	15.3	+3.5
<b>Group</b>	<b>659.9</b>	<b>673.1</b>	<b>-2.0</b>

### Raw materials and consumables used

	2020	2019	Change in %
<b>Post-acute</b>			
Raw materials and consumables used in millions of €	70.3	79.6	-11.8
Cost of materials ratio in %	17.8	19.1	
<b>Acute</b>			
Raw materials and consumables used in millions of €	62.1	62.0	+0.1
Cost of materials ratio in %	25.0	26.2	

### Staff costs

	2020	2019	Change in %
<b>Post-acute</b>			
Staff costs in millions of €	222.9	220.8	+1.0
Staff costs ratio in %	56.6	53.0	
<b>Acute</b>			
Staff costs in millions of €	147.4	139.3	+5.8
Staff costs ratio in %	59.3	58.9	



The other provisions in the non-current liabilities item include provisions for additional rent payments in the amount of EUR 21.0 mill. This obligation is related to the rent reductions received in 2005 to 2007 in the approximate amount of EUR 21.0 mill. for clinic properties that were pooled in a fund and rented back.

The agreement includes a repayment obligation up to the amount of the rent reductions granted, which is conditional on the achievement of certain economic performance parameters of all the clinics pooled in the fund (debtor warrant). The planning for the upcoming financial years as at the balance sheet date renders it likely that the agreed performance parameters will be reached.

For further explanations regarding the individual balance sheet items, please refer to the corresponding sections in the notes to the consolidated financial statements.

## SEGMENT REPORTING

### Sales

The share of the post-acute segment in Group sales of EUR 659.9 mill. was 59.7 % (previous year: 61.9 %), while the share of the acute segment was 37.7 % (previous year: 35.1 %) and the nursing care business area contributed 2.4 % (previous year: 2.3 %).

Sales in the post-acute segment dropped by EUR 23.0 mill., or 5.5 %, to EUR 393.7 mill. Segment sales include payments under the protective shield to manage the coronavirus pandemic in the amount of EUR 22.4 mill.

### Segment results

In millions of €	2020	2019
Post-acute	4.8	23.0
Acute	-1.5	1.6
Other activities and reconciliation	-3.1	-2.2
<b>Group</b>	<b>0.2</b>	<b>22.4</b>

### Annual average number of employees in the segments

Shown in full-time employees	2020	2019	Change
Post-acute	4,022	4,002	+ 20
Acute	2,207	2,142	+ 65
Other activities	1,242	1,287	- 45
Thereof nursing care business area	197	202	- 5
Thereof service business area (incl. administration)	1,045	1,085	- 40
<b>Total</b>	<b>7,471</b>	<b>7,431</b>	<b>+ 40</b>

### Breakdown of sales by coverage provider groups and segments<sup>1</sup>

In %	Post-acute		Acute	
	2020	2019	2020	2019
Public health insurance funds	44.3	42.0	91.6	91.7
Social security pension funds	47.3	49.2	0.1	0.1
Private health insurance companies	8.2	8.6	8.1	8.1
Other coverage providers	0.2	0.2	0.2	0.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Without nursing care business area

Sales in the acute segment of EUR 248.7 mill. were EUR 12.1 mill. or 5.1 % higher than the previous year's value. For freeing capacity in the acute segment, MEDICLIN received a total of EUR 15.0 mill. under the German government's protective shield to manage the coronavirus pandemic.

The other activities and reconciliation segment recorded sales of EUR 17.5 mill. (previous year: EUR 19.8 mill.) in the 2020 financial year. The nursing care business area generated sales of EUR 15.8 mill. (previous year: EUR 15.3 mill.).

### Expense items

In the post-acute segment, raw materials and supplies in the raw materials and consumables used item rose by EUR 1.4 mill.; this includes additional expenses for protective gear. The cost of purchased services declined by EUR 10.8 mill., largely due to the reduction of external medical staff that accounted for EUR 8.0 mill. thereof.

All in all raw materials and consumables used by the post-acute segment showed a EUR 9.4 mill. or 11.8 % decrease on the previous year.

In the acute segment, raw materials and consumables used of EUR 62.1 mill. were slightly higher than in the previous year despite the increase in sales.

Staff costs in the post-acute segment rose by EUR 2.1 mill. or 1.0 %, respectively. In the acute segment, staff costs rose considerably by EUR 8.1 mill. or 5.8 %, respectively.

In the post-acute segment, the average number of full-time employees was 4,022 (previous year: 4,002 full-time employees) in 2020, while the number of full-time employees in the acute segment was 2,207 (previous year: 2,142 full-time employees).

### Segment results

The sales decline in the post-acute segment led to a segment result of EUR 4.8 mill. (previous year: EUR 23.0 mill.) although the earnings situation improved considerably over the course of the year as operations returned to normal.

The result in the acute segment amounts to EUR –1.5 mill. The segment result is additionally burdened by a one-off effect of EUR –1.4 mill. from the write-down on the book value in connection with the sale of MediClin Krankenhaus am Crivitzer See GmbH, Crivitz on 31 December 2020.

In the other activities and reconciliation segment, which comprises the service business area and the nursing care business area, the segment result was EUR –3.1 mill., down from EUR –2.2 mill. in the previous year.

### Capital expenditure

In 2020 a total of EUR 26.6 mill. (gross amount) was invested in non-current assets. Capital expenditure was distributed among the segments as follows:

In millions of €	2020	2019
Post-acute	8.4	22.7
Acute	7.2	12.9
Other activities and reconciliation	11.0	12.6
<b>Group</b>	<b>26.6</b>	<b>48.2</b>

## Forecast report

### Actual results and target figures for control parameters

The original forecasts for the 2020 financial year for the Group's and the segments' key parameters were cancelled in an announcement published on 23 April 2020. The outbreak of the coronavirus pandemic in the middle of the first quarter of 2020 and the resulting measures required to continuously provide medical care to the German people made it obvious that the targets would not be reached. It was not foreseeable either to what extent the protective shield created by the government and the grants from coverage providers would compensate for the financial burdens actually incurred by the acute hospitals and rehabilitation clinics.

The gradual return to normal operations from mid-2020 with very strict coronavirus-related hygiene and protection measures rendered it possible to issue a new outlook for the 2020 financial year at the beginning of November. The Management Board assumed a decline in Group sales of 2.0 % and a break-even in terms of Group operating result.

In the 2020 financial year Group sales of EUR 659.9 mill. were EUR 13.2 mill. or 2.0 % below the prior-year value and were thus in line with the revised forecast, although the number of infected persons surged again towards the end of the year with the corresponding consequences for the healthcare system as a whole and the individual facilities as well. The Group operating result amounted to EUR 0.2 mill., which was also in line with the revised forecast.

### German government expects the recession to end in 2021

In its annual economic report for 2021, which was published in January 2021, the German government expects that the German economy will grow considerably in 2021. In the current year it anticipates a 3.0 % increase in the price-adjusted gross domestic product (GDP). As was the case at the end of 2020, this will be driven by the export industry.

Whether the private consumption figures will be able to catch up remains to be seen. The German government further expects that the unemployment rate in 2021 will be 5.8 %, which is slightly lower than in 2020.

However, it also points out in its report that the further development in 2021 is fraught with a great degree of uncertainty and depends massively on the further course of the pandemic in Germany as well as the situation worldwide. If extensive restrictions on economic activity like the ones during the first lockdown (March and April 2020) are required again in the course of the year, this could cause a massive economic slump. The German government believes that the economy has chances of a better recovery if a vaccine can be provided nationwide, leading to high vaccination coverage, and if effective medication can be developed against the coronavirus.

### New laws and regulations as well as planned legislation in the healthcare sector

On 18 January 2021 the Federal Ministry of Health (Bundesministerium für Gesundheit – BMG) presented a legislative draft that provides for an extension of the current protective shield for hospitals (Section 21 (1a) Sentence 1 of the Hospital Financing Law (Krankenhausfinanzierungsgesetz – KHG)) and facilities providing preventive care and rehabilitation (Section 111d German Social Security Code V (SGB) and Section 22 KHG) until 28 February 2021. In addition the group of hospitals eligible for compensation payments is supposed to be extended to clinics specialising in lung and heart diseases and hospitals that are experienced in intensive care and the treatment of long-term ventilator patients.

In October 2020 the Act to Strengthen Intensive Care and Rehabilitation (GKV-IPReG) was adopted. It is supposed to strengthen medical rehabilitation and intensive care outside hospitals. The new legislation improves, for example, the care provided to ventilation patients after they have been released from hospital by introducing highly specialised nursing care facilities. Only in exceptional cases, intensive care out of hospital is to be provided in the insured person's home or in other suitable locations.

In the field of rehabilitation, the Act further provides that doctors may prescribe geriatric rehabilitation without prior verification of the medical necessity by the health insurance fund. When insured persons opt for a facility that was not chosen by the health insurance fund, they will only have to cover half of the resulting additional costs in the future. The previously applicable maximum of 20 days for outpatient treatment and three weeks for in-patient treatment will become the regular duration of geriatric rehabilitation. With regard to rehabilitation measures prescribed by accredited physicians, the health insurance funds may only question the medical necessity of the measure if this is supported by an expert report by the Health Insurance Medical Service (MD). The minimum waiting period for another rehabilitation measure that used to apply will be abolished for children and young people. Standardised and binding requirements for care and remuneration contracts are supposed to ensure greater transparency in the rehabilitation sector. The legislation is to oblige health insurance funds and medical service providers to conclude framework recommendations at national level. At the same time, an arbitration proceeding is introduced. The health insurance funds may no longer refuse remuneration in rehabilitation facilities that was agreed by collective wage agreement on the grounds that such remuneration is uneconomic.

Not all the provisions of this Act will apply immediately but after a transition period of 36 months, meaning that the Act will fully come into force on 31 October 2023.

On 29 October 2020 the German Hospital Future Act (KHZG) containing a future programme for hospitals came into force. From 1 January 2021 the federal government and the German states will provide EUR 4.3 bill. for investments under this programme. The key objective of the Act is to promote investments in modern emergency capacities, better digital infrastructure, measures for IT security and cross-sector telemedical network structures.

It is not yet possible to make a reliable estimate whether the new laws and regulations described above will have an impact on MEDICLIN's business performance in the 2021 financial year.

## Summary and outlook

### MEDICLIN SET TO GROW AGAIN IN 2021

As a company that is only active in Germany, the legal regulations and the economy in Germany and the latter's effect on the labour market are of particular significance to MEDICLIN. The forecasts and assessments stated above are currently fraught with a great degree of uncertainty as the effects of a prolonged coronavirus pandemic and the success of nationwide vaccinations with regard to the economy as a whole and the healthcare sector in particular are difficult to estimate.

With regard to its own situation and preventive measures, MEDICLIN is well positioned in terms of staff and organisation despite the pandemic-related restrictions to guarantee optimal care to its patients and nursing home inhabitants while fully utilising the existing capacity.

The Management Board assumes that MEDICLIN will be able to return to its growth targets in 2021 if the pandemic slows down and the economy does not slide into recession again.

### MEDICLIN INTENDS TO INVEST IN EARNINGS POWER

MEDICLIN will again expand capacities in indications with strong demand in 2021 and thereby focus on expanding certain medical, therapeutic and nursing care services and on promoting locations with growth potential. In the scope of this focus policy, the Group might decide to adjust its portfolio of clinics to the corporate strategy. The aim is to create an offer that allows the Group to create a stable earnings situation.

In 2020 investments were reduced due to the coronavirus pandemic. At EUR 26.6 mill. gross capital expenditure was significantly below the level in the three preceding years that had averaged about EUR 48.1 mill. p.a.

A large share of the capital expenditure was channelled into the modernisation and expansion of buildings as well as into medical equipment and accessories. The Company always examines whether the planned construction



measures are eligible for subsidies before making such investments. The Group plans capital expenditure of about EUR 40.0 mill.

Funding of internal growth is guaranteed and will derive primarily from the cash flow, provided the sales growth is in line with the target.

#### **OUTLOOK FOR 2021 CURRENTLY STILL FRAUGHT WITH GREAT DEGREE OF UNCERTAINTY**

Currently the Management Board assumes that the coronavirus pandemic will continue to affect the German economy in 2021, whereby the effects will differ depending on the sector. The effects it will have on healthcare providers are highly varied and difficult to estimate.

One question, for instance, is whether the capacity bottlenecks caused by the pandemic will continue to lead to postponements of elective treatment in 2021, which would have direct consequences for the occupancy rates of rehabilitation clinics. Furthermore, it is currently not foreseeable how potential patients in the acute and the post-acute sector who are not infected with the virus will behave and whether they will continue to postpone treatment for fear of becoming infected. Another unforeseeable factor is how coverage providers will behave with regard to future remuneration and other regulatory requirements due to the uncertain market and pandemic situation.

It is, however, certain that – other than at the beginning of 2020 or during the first wave of the pandemic – government aid in connection with the coronavirus pandemic will be tied to highly differing conditions regarding the admission and treatment of coronavirus patients in 2021. This will probably also influence the decisions of the coverage providers.

The expansion of testing capacity and the growing vaccination coverage in Germany could also have a positive effect on the occupancy, but the development of vaccinations is also expected to slow down due to production and delivery shortfalls. Further aggravating factors when it comes to making forecasts for the current financial year are the frequency with which political decisions are made,

prolonged or amended (nearly every three weeks) and the federal structures and decision-making powers in Germany. Planning safety calls for a more secure basis.

For MEDICLIN this means that the future occupancy of facilities remains hard to estimate given the development of the pandemic and unclear demand, but that the high fixed costs for maintaining capacity will remain in place. Staff costs, in particular, will increase over 2020 due to legal requirements regarding minimum staff thresholds and competition-driven salary increases. At present, the Management Board does not expect additional grants or allowances on the cost side that could benefit MEDICLIN. However, if the pandemic lasts, this cannot be entirely excluded either.

Political decisions, the economy and society continued to be heavily impacted by the pandemic during the first few weeks of 2021. Therefore, the Management Board's assessment of the business development in terms of sales and earnings in 2021 is based on findings from the previous year. The Board anticipates a similar business development in the full year 2021 as in 2020 although this depends on the further effects of the pandemic and, in particular, its duration compared to the 2020 financial year. The sales and earnings performance is also affected by the payments under the protective shield that might well be lower in 2021.

## Risk and opportunity report

The health and well-being of patients and the inhabitants of nursing care facilities are obligations that set high standards for handling risks and ensuring their minimisation. Given its many years of experience as a hospital operator and its leading market position in the rehabilitation sector, MEDICLIN is able to realistically assess operational and entrepreneurial risks. Regarding the exploitation of opportunities, MEDICLIN's integrated medical care business model and the regional concept mean the Company is in a good position to use the various growth possibilities in the healthcare sector.

The risks and opportunities arising in connection with the development of the coronavirus pandemic are explained in more detail in the section on the evaluation and summary of current risks and opportunities.

### Risk and opportunity management

#### OBJECTIVES AND APPROACH

The aim of risk and opportunity management is to identify and control the main risks to which the Group and the individual medical facilities are exposed and to identify opportunities that arise for the Group or individual medical facilities.

In addition to relevant legal risk management requirements, MEDICLIN sees its risk and opportunity management as a tool for optimising risk control. The approach is standardised across the Group and defined in MEDICLIN's risk management manual. The risk inventory is the central tool within Group risk management to identify and assess potential corporate risks. It is described in the guideline for conducting risk inventories. The manual and the guideline both help to systematically detect economic risks and opportunities early on. In addition to the internal monitor-

ing and control systems, they are important elements of the Company's risk management strategy.

In addition to providing a guideline for conducting the risk inventory, the risk management manual also illustrates the design of the risk management system. It contains the Group's main risk policy principles as well as

- all the features and aspects of the risk management system that are specific to MEDICLIN,
- the current allocation of tasks and responsibilities in connection with the risk management process, and
- the legal framework.

The risk management software *copa.ris* is used to help with the risk inventories. The software covers all steps required in the scope of risk management. The twice-yearly risk inventory will in future be performed by the compliance and risk management department. As in the previous years, the first inventory was conducted by the Organisation Development & Quality Management, Internal Audit department in the 2020 financial year, whereas the second inventory was, after the reorganisation of central functions, carried out by the Compliance Management and Risk Management department, which was supported by Organisation Development & Quality Management, Internal Audit.

The risk inventory comprises all acute, rehabilitation and nursing care facilities, the service enterprises and medical care centres as well as the central tasks and departments at corporate headquarters.

The handling of risks and opportunities, as well as the regulations governing the risk inventory workflow management, are obligatory for the employees at corporate headquarters, all facilities and subsidiaries.

In addition to the manual and the guideline, the Group has an internal risk management report that details the results of the last risk inventory. This internal summary report is prepared twice a year and adopted by the Management Board. Its main objectives are to provide information on potential risks within the Group, and to communicate and manage such risks.

It also includes a summary of identified risks and risk assessments as well as the opportunities from the Group's viewpoint and serves to regularly update the Supervisory Board.

MEDICLIN thus sees its internal summary report as an important component of active corporate governance.

## Further risk management instruments

The risk inventory as a central instrument of the MEDICLIN risk management process is supplemented by an array of further instruments for risk identification and risk prevention. In the operational area these include, in particular:

- In relation to patient-oriented risk management:
  - Systematic complaint management
  - Ongoing patient satisfaction polls
  - Software-supported platform for recording critical incidents (CIRS) in defined clinics
  - Group-wide data protection policy
- In relation to employee-oriented risk management:
  - Systematic implementation of vocational safety requirements (MAAS BGW<sup>1</sup>), and the related certification at MEDICLIN's facilities
  - a critical incident reporting system (CIRS), and
  - Systematic employee surveys

- Other instruments for minimising risks:
  - Group guidelines for handling medical devices
  - Disaster and evacuation planning / pandemic planning
  - Group guidelines for the prevention of legionella contamination
  - Systematic error management (in the framework of the internal QMS)
  - Group guidelines for collaboration with other partners in healthcare and in the industry
  - Uniform and process-oriented quality management system
  - Internal controls of central core processes (ICS)
  - Reporting and benchmark systems in the operating business (e.g. half-yearly reports on central rehabilitation quality indicators, capacity utilisation reporting for rehabilitation therapists), reports how long it takes to issue discharge summaries, monitoring of external quality assurance data, etc.)

The central safety objectives for risk management concerning MEDICLIN's IT systems are:

- Safety of patients, users and third parties
- Effectiveness of medical data processing for curative measures
- Data and system security to prevent data/system confidentiality, availability and integrity from being compromised

In order to reach these objectives, MEDICLIN's IT infrastructure is designed to meet the criteria set forth in the IT-Grundschutz Catalogues of the Federal Office for Information Security (BSI). The following instruments, among others, are used to implement the objectives of minimising the number and impact degree of disturbances:

<sup>1</sup> MAAS-BGW: Management requirements on work safety issued by the statutory accident insurance and prevention for the healthcare and welfare sector (Berufsgenossenschaft Gesundheitsdienst und Wohlfahrtspflege – BGW)

- Defining and implementing binding Group-wide IT standards. These are set forth in the "IT Standards for MEDICLIN AG Facilities" and the supplementing documents. The implementation requires the standardisation of working places, applications and processes.
- Concentration of services such as "Central Directory Service", "Archive" and "Financial Accounting" in a central computer centre that provides a high-quality, safe, cost-efficient and largely standardised IT infrastructure.
- Centrally managed and controlled security updates of IT systems (patch management), central processes and policies for user management (directory service) and central access control for the entire network traffic in MEDICLIN's network (firewall protection).

## Risk assessment and risk classification

The main aspects of every risk are documented and assessed in the risk management software copa.ris by the respective risk owner.

Together with the responsible person in central services, the local risk owner assesses the identified risks together with their damage amount and probability of occurrence. They also allocate the risks to risk categories.

Four risk classes have been defined to assess the risk situation and each of these risk classes requires a different response. Risk classes:

- Existential – expected damage of more than EUR 10 mill.
- Action required – expected damage between EUR 5 mill. and EUR 10 mill.
- Monitoring required – expected damage between EUR 1 mill. and EUR 5 mill.
- Acceptable – expected damage of up to EUR 1 mill.

The list below names the risk areas that could pose risks to individual facilities or the Group as a whole:

- Environment and sector risks
  - Legal requirements (politics)
  - Markets (shortage of skilled professionals)
  - Competition
  - Dependency (on referring physicians)
- Strategic risks
  - Reputation
  - Capital expenditure
- Financial risks
  - Liquidity risks
  - Real estate risk
- Operating risks
  - Process risks
  - Quality risks
- Infrastructure risks
  - Information technology
  - Personnel risks (shortage of skilled professionals)
  - Data protection
  - Construction risks
  - Environment

## ENVIRONMENT AND SECTOR RISKS

Since the healthcare sector and its financing are regulated by law, changes in legislation, particularly with respect to the reimbursement of the cost of medical, therapeutic and nursing care services, can impact the business performance. MEDICLIN closely monitors legislative action and, in the context of its risk and opportunity management system, analyses the risks and opportunities this could entail with regard to the Group's results.



Currently, there is a shortage of skilled professionals in the healthcare industry. The lack of qualified staff can negatively impact the medical, therapeutic and nursing care performance and lead to declines in the occupancy rates and sales of individual clinics. In addition, the shortage may lead to rising staff costs. MEDICLIN has managed to establish itself as an attractive employer and will continue to build up this reputation.

The competition environment of individual medical facilities may be influenced by changes in the range of services offered by competitors. It may also be influenced by changes in the cooperation or partnerships with registered physicians. Although some competitors are planning to expand their range of services at individual locations, MEDICLIN does not expect any major effects that would adversely impact its respective sales. The regional concept enables MEDICLIN to react flexibly to regional changes and to successfully and adequately support its locations.

As health insurance funds merge and social security pension funds cooperate more closely, the dependency on individual coverage providers also becomes greater. Additionally, individual coverage providers (e.g. AOK) pursue regional market differentiation strategies that could lead to risks in connection with lower occupancy rates in individual clinics. Regarding the structure of referring physicians and coverage providers, the aim is to maintain a heterogeneous structure in order to limit the dependency on individual coverage providers.

## STRATEGIC RISKS

Risks that could endanger the reputation of MEDICLIN are primarily associated with patient satisfaction. The Group conducts regular patient surveys and actively approaches patients to avoid this risk.

Unplanned maintenance measures that have to be implemented at short notice, investments that do not deliver the desired results, the expansion of existing business areas and tapping into new business areas can pose additional risks, which can be minimised by strict maintenance

and investment management and a detailed analysis of the opportunities and risks associated with new business areas or the expansion of existing business areas.

## FINANCIAL RISKS

Financial risks may arise in connection with default, changes in interest rates and liquidity risks. The Group has receivables vis-à-vis social insurance coverage providers under the Hospital Compensation Act (KHEntgG). The risk exposure from potential bad debts is controlled by means of active claims management. Appropriate impairments were made to counteract potential default risks. Provisions were also set aside for risks resulting from reviews by the Health Insurance Medical Service (MD).

Additional financial risks may result from statutory provisions or regulations leading to a drastic rise in expenses. This refers to the Nursing Staff Strengthening Act (Pflegepersonal-Stärkungs-Gesetz – PpSG) and the Regulation on Nursing Staff Thresholds (Pflegepersonaluntergrenzen-Verordnung – PpUGV).

Financial security is essentially measured using the key figures equity ratio and debt ratio. Components of this key data are the consolidated balance sheet total, the equity recorded in the consolidated balance sheet and loans from banks.

MEDICLIN has rented the majority of real estate in the post-acute segment. Except for one contract, the underlying rental contracts have a term until 31 December 2027. One contract was extended by another 20 years in 2018. The contracts provide for an annual adjustment of rents in accordance with changes in the German consumer pricing index (i.e. a maximum of 2 % p.a.). Strategic measures and measures relating to operating business at the post-acute locations are supposed to lead to sales and earnings improvements at the clinics with the result that the burdens from rents (including rent increases) have no negative impact on the Group.

## OPERATING RISKS

Business risks and process risks result from the provision of services and the corresponding working procedures in the clinics. Business risks are posed primarily by high fixed costs that can only be offset through flexibilisation of internal operating procedures to a certain extent. MEDICLIN has implemented a number of measures which reduce the break-even point of the individual clinics, on the one hand, and increase occupancy rates through new service offers, on the other.

Risks resulting from the operation of clinics and the handling of patients are minimised through structured internal quality management. Internal quality management is an important element in risk prevention and early identification of risks in the field of operation performance.

## INFRASTRUCTURE RISKS

Infrastructure risks mainly focus on the risk fields of information technology and personnel. Information technology risks pertain to the reliability of important systems and data security. The expertise of the Group's subsidiary MediClin-IT GmbH ensures that the Group is protected in both these fields.

The dependency on external personnel (outsourcing) and the loss of key personnel are also considered infrastructure risks. These risks could intensify, because the healthcare market is experiencing a severe shortage of qualified personnel as was already described in the sections on environment and sector risks. This risk is counteracted by active human resource management and the fact that the Company is perceived as an attractive employer.

Data protection is governed by the Group-wide data protection policy and is one of the central responsibilities of MediClin-IT GmbH.

Risks resulting from delays in construction or renovation measures could have a negative impact on the sales and earnings situation. The responsible central departments closely monitor these projects in order to minimise these risks.

Environmental risks do not exist. Please also refer to the non-financial declaration pursuant to Sections 315b and 315c HGB in this respect.

## MACROECONOMIC RISK

Despite the recession, the German economy still boasts a stable labour market indicating, from today's viewpoint, that demand for medical, therapeutic and nursing care services will not massively decrease irrespective of the demographic trend and the effects of the coronavirus pandemic. In addition to the acute treatment of infected patients, the pandemic could result in additional demand for medical and therapeutic treatment in connection with post-COVID-19 symptoms.

## Evaluation and classification of opportunities

MEDICLIN has also defined areas and classes for opportunities in line with the risk approach. The opportunity classes are specified as follows:

- Very high expectations – opportunity expected to be more than EUR 10 mill.
- High expectations – opportunity expected to be between EUR 5 mill. and EUR 10 mill.
- Medium expectations – opportunity expected to be between EUR 1 mill. and EUR 5 mill.
- Low expectations – opportunity expected to be up to EUR 1 mill.

The list below names the opportunity areas that could result in opportunities for individual facilities or the Group as a whole:

- Strategic opportunities
- Opportunities resulting from the environment and the market
- Financial opportunities
- Operational opportunities
- Infrastructural opportunities

In general, however, the realisation of business opportunities also means always taking risks.

## STRATEGIC OPPORTUNITIES

This area comprises all opportunities resulting from long-term global trends and developments, including investment projects, improving the Company's reputation, the use of new treatment methods and tapping into new business areas.

The corporate strategy of MEDICLIN aims to raise Group sales through organic growth and to use appropriate cost structures to secure the earnings power in the long term. This is based on the expansion of capacities in indications with strong demand in the post-acute segment, the optimisation of internal structures in the acute segment and demand-oriented capacity expansions in the nursing care business area.

MEDICLIN enhances the efficiency of patient care by placing a focus on certain indications and by offering integrated medical care across different locations and at a regional and national level. The synergies from the networks and the Group's focus on certain services could yield savings potential.

MEDICLIN continuously reviews opportunities, both in general with a view to the optimal composition of the clinic portfolio and specifically with regard to expanding the existing range of services at certain locations.

## OPPORTUNITIES RESULTING FROM THE ENVIRONMENT AND THE MARKET

This refers to opportunities resulting from political and economic trends and includes also opportunities resulting from changes at competitors.

MEDICLIN assumes that growth in the healthcare market will be primarily driven by demographics. Additionally, due to the general economic condition and the situation on the labour market, the working lifetime will become longer in the next few years. This means that the demand for qualified services in medical rehabilitation which preserve a person's capacity and ability to work will increase.

The Group is adjusting its range of services to these market changes by continuously monitoring the market and the behaviour of competitors and scrutinising them for potential opportunities. Please also refer to the section on strategic opportunities in this respect.

## FINANCIAL OPPORTUNITIES

Through the stock exchange listing the Group can raise funds for reducing debt levels or financing growth on the capital market, allowing it to invest in capacity expansions.

## OPERATIONAL OPPORTUNITIES

The centralisation of certain tasks and services within the Group provides for more efficient cost structures. A co-operation with the Asklepios Group in the field of procurement means that larger orders are placed, leading to savings in raw materials and consumables used. In general, this area refers to all opportunities resulting from the operating business, for instance by improving the quality or processes.

## INFRASTRUCTURAL OPPORTUNITIES

Infrastructural opportunities can have a direct positive impact on the services rendered, but do not constitute operational opportunities. Examples include the introduction of a new IT system.

The personnel policy of MEDICLIN is based on a broad offer of further education and a staff-oriented design of workplaces. This is to promote staff loyalty, while giving the Group a certain degree of independence with regard to shortages on the labour market.

## OTHER OPPORTUNITIES AND RISKS

In the 2014 financial year the Management Board of MEDICLIN AG was presented a legal opinion that had been commissioned by a shareholder and states that the rents paid by MEDICLIN to the OIK-Fonds for the clinics that were pooled in a real estate fund and rented back are considered too high. Furthermore, the legal opinion points out that claims might arise and illustrates the special situation in that the shareholders of the fund simultaneously are or were direct or indirect shareholders of MEDICLIN AG. MEDICLIN filed a suit with the District Court of Offenburg in mid-2016 asserting claims for repayment of rental

payments above the usual market rate. The first oral hearing took place on 16 November 2018 at the District Court (Landgericht) of Offenburg.

MEDICLIN carefully weighed up the opportunities and risks of the suit in view of the fact that the subject matter of the legal dispute is highly complex, especially with regard to the evaluation whether rents conform to usual market rates, and that some of the very difficult questions of law involved have not yet been decided by the highest courts.

## Evaluation and summary of current risks and opportunities

### THE EFFECTS OF THE CORONAVIRUS PANDEMIC ON THE RISK PORTFOLIO

The macroeconomic, sector and operating risks resulting from the nationwide spread of the coronavirus from MEDICLIN's vantage point had an effect on the business performance in the year under review and will continue to affect the Group's sales and earnings situation in 2021 as the pandemic lasts.

With regard to the internal organisation of its protection against infections, the Group took sufficient precautions at all its facilities and at headquarters in 2020 to minimize the potential risk of the infection spreading among patients and employees and in order to ensure that operations could be continued while observing extensive hygiene measures, including quarantine whenever required. These requirements continue to apply.

### GENERAL RISK AND OPPORTUNITY OVERVIEW

MEDICLIN's risk portfolio consists of risks that the Company is unable to control, such as economy, legislation and the budget policy of coverage providers. The situation in these areas is regularly monitored and analysed to be able to react to potential changes. In order to avoid and mitigate risks that can be influenced by the Company, the monitoring and control systems identify them at an early stage. Potential opportunities are also closely investigated on a regular basis.

Potential risks and their effects are known as well as the corresponding measures to be taken. Potential opportunities are analysed and their exploitation is initiated if feasible.

### NO EXISTENTIAL RISK IN FINANCIAL YEAR 2021

The risk inventories conducted in the 2020 financial year did not reveal any existential risks or risks that require action for the forecast period or the 2021 financial year for the Group or the individual facilities, not even if the pandemic situation continues.

From today's point of view, there are thus no risks for the future development of MEDICLIN that could significantly impact the Group's general situation with regard to results of operations, financial position and net assets.

Both the general and the pandemic-specific risk and opportunity situation have been accounted for in the forecast for the sales and earnings performance in the 2021 financial year. In general, the Group is well hedged against both external and internal risks.

Risks that might arise for the Group in the 2021 financial year and that might lead to deviations in the sales and earnings performance are assessed on the basis of the probability of occurrence. The following table links and assesses the risk classes and the risk areas based on the risk monitoring methods implemented in the Group and the established measures for preventing or minimising such risks. The risks to which the Group might be exposed during the forecast period can, at worst, be classified as "monitoring required".



### Assessment of corporate risks

	Effects	Probability of occurrence
<b>Environment and sector risks</b>		
Legal requirements	low	improbable
Dependency (on referring physicians)	medium	probable
<b>Financial risks</b>		
Liquidity risk	medium	improbable
Real estate risk	low	improbable
<b>Operating risks</b>		
Process risks	low	improbable
Quality risks	low	improbable
<b>Infrastructure risks</b>		
Personnel risks (shortage of skilled professionals)	medium	probable
Data protection	low	improbable
Construction risks	low	improbable

## Internal control system and risk management system for the Group accounting process

Under the provisions of Section 91 (2) of the German Stock Corporation Act (AktG), the board of management of a stock corporation has to ensure that appropriate actions are taken, particularly the set-up of a monitoring system, in order to provide for the early detection of developments that could jeopardise the long-term survival of the Company as well as to guarantee short-term solvency. This is the purpose of the internal control system as related to the financial accounting process. On the one hand, it guarantees an efficient financial reporting process, and on the other, it serves to detect and adequately assess the risks which are associated with entrepreneurial activities so as to be able to permit an early response to the risks identified.

An important element of the internal control system is the centralisation of services at the corporate headquarters in Offenburg. Centralised areas include financial accounting, Group controlling, Group accounting, personnel management, payroll processing, quality management, insurance management as well as revenue management.

Uniform financial reporting is ensured through the use of corporate guidelines and a uniform accounts structure applied throughout the Group. The data processing systems used in the financial reporting departments are protected against unauthorised access through appropriate safeguards and security features. The data from the individual companies is centrally consolidated and, among other things, compared in detail with intra-Group balances. The staff involved in financial matters and accounting all possess the necessary qualifications. Functions are separated for tasks where this is relevant. Controls, including IT-based controls, were installed for all the processes that are relevant to financial reporting. The four eyes principle is adhered to. The consolidated financial statements and the separate financial statements are prepared by the Group accounting department.

Invoicing is carried out promptly in a decentralised manner. The claims management, dunning process and liquidity monitoring are carried out centrally.

Through the centralisation of the accounting department at the corporate headquarters in Offenburg, MEDICLIN guarantees that financial reporting in the clinics is uniform, and that it also adheres to legal regulations, the principles of proper accounting, international accounting standards and the Group's internal guidelines. At the same time, the infrastructure of human and material resources for accounting tasks is assured. The financial accounting process provides the public with accurate and reliable information about MEDICLIN AG's and the Group's results of operations, financial position and net assets in the context of financial accounting disclosure requirements.

## Other disclosures

### Disclosures pursuant to Section 315a (1) and Section 289a (1) German Commercial Code (HGB)

The subscribed capital of MEDICLIN Aktiengesellschaft consists of 47,500,000 no-par bearer shares. Restrictions on the voting rights of the shares may arise on the basis of the regulations of the German Stock Corporation Act (AktG). For example, under certain conditions, shareholders are prohibited from voting (Section 136 German Stock Corporation Act – AktG). Furthermore, the Company has no voting rights from its own shares (Section 71b German Stock Corporation Act – AktG). The Management Board is not aware of any contractual restrictions relating to the voting right or transfer of shares. A direct shareholding in MEDICLIN Aktiengesellschaft of more than 10 % is held by Asklepios Kliniken GmbH & Co. KGaA. Indirect shareholdings are held by Asklepios Kliniken Management GmbH as the general partner and Broermann Holding GmbH as the limited partner and by Dr. Bernard große Broermann via the two aforementioned companies. ERGO Group AG (ERGO) and DKV Deutsche Krankenversicherung AG (DKV) also each hold direct holdings of more than 10 %. Another indirect holding is held by Münchener Rückversicherungs-Gesellschaft AG via its subsidiaries ERGO and DKV. Shares with privileges that grant powers of authorisation do not exist. Employees who participate in MEDICLIN's capital exercise their control rights like other shareholders. No resolution to authorise the buy-back of MEDICLIN shares was submitted to the Annual General Meeting in the 2020 financial year. The regulations regarding the appointment and withdrawal of members of the Management Board are in accordance with the statutory regulations. The same applies to the information on amendments to the Articles of Incorporation. There are no material agreements that are contingent on a change in control following a take-over offer except for a termination option under a debt financing agreement. The Company has not concluded any compensation agreements with members of the Management Board or employees.

### Corporate Governance Declaration pursuant to Section 289f and 315d German Commercial Code (HGB)

This declaration contains all the corporate governance disclosures required as per Section 289f and 315d of the German Commercial Code (HGB). The corporate governance declaration is available on the MEDICLIN website at: [www.mediclin.de/corporate-governance](http://www.mediclin.de/corporate-governance)

The Management Board is convinced that good corporate governance is crucial for sustainable business success. Good corporate governance strengthens the trust that investors, business partners and employees place in MEDICLIN.

### Declaration of the Management Board pursuant to Section 312 (3) AktG

"We declare that the Company received appropriate compensation for all legal transactions in the 2020 financial year listed in this report, on relations with affiliated companies according to the circumstances known to the Management Board at the time at which the legal transactions were undertaken. No measures were taken which put the Company at a disadvantage and which would need to be reported here."

## MEDICLIN AG (short version)

The annual financial statements of MEDICLIN Aktiengesellschaft, Offenburg, were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch) and the special provisions of the German Stock Corporation Act (Aktiengesetz) as in the previous year. As a listed company, MEDICLIN AG meets all the requirements of the capital market and can use the latter for capital procurement.

## Development of results of operation

### Consolidated profit and loss account

In thousands of €	2020	2019
Sales	4,170	3,193
Other operating income	43	196
Total operating performance	4,213	3,389
Staff costs	-2,823	-2,241
Other operating expenses	-9,660	-2,481
Result before interest, taxes, depreciation and amortisation/ EBITDA	-8,270	-1,333
Depreciation of fixed assets	-4	-8
Operating result/EBIT	-8,274	-1,341
Financial result	4,242	14,680
Income taxes	-30	-1,280
Profit after tax	-4,062	12,059
Other taxes	-1	0
<b>Net loss/profit</b>	<b>-4,063</b>	<b>12,059</b>

The financial result consists primarily of an advance distribution of a subsidiary's 2020 net profit in the amount of EUR 3.5 mill. In the previous year, an amount of EUR 14.0 mill. had been distributed.

### Sales

In thousands of €	2020	2019
Sales from Group contribution	2,476	2,355
Sales from management services	1,602	784
Other sales	92	54
	<b>4,170</b>	<b>3,193</b>

MEDICLIN AG charged part of its expenses to the subsidiaries in the form of a Group contribution. The increase in management services is mainly attributable to the fact that the expenses for the Managing Directors of MEDICLIN were charged to the subsidiaries over the full financial year 2020.

### Other operating income

In thousands of €	2020	2019
Income from the release of provisions	28	182
Other income	15	14
	<b>43</b>	<b>196</b>

### Other operating expenses

In thousands of €	2020	2019
Auditing and consultancy costs	1,365	1,367
Other administrative expenses	554	470
Thereof remuneration of the Supervisory Board	231	287
Thereof costs of the Annual General Meeting	50	60
Thereof incidental costs of monetary transactions	223	84
Thereof staff recruitment costs	49	39
Advertising and public relations	269	237
Insurance costs	105	107
Other expenses	7,367	299
	<b>9,660</b>	<b>2,481</b>

In the 2020 financial year other operating expenses are burdened mainly by the sale of the shares in MediClin Krankenhaus am Crivitzer See GmbH, Crivitz.

## Development of net assets and the financial position

At EUR 3.4 mill., the balance sheet total as shown in the balance sheet structured according to maturity is slightly lower than on the previous year's reporting date. The decline is attributable to both non-current assets (EUR – 2.2 mill.) and current assets (EUR – 1.2 mill.).

Equity decreased by EUR 4.0 mill. on the back of the reported loss for the year.

On the liabilities side, non-current liabilities decreased (EUR 0.2 mill.), while current liabilities increased by EUR 0.8 mill. This referred, in particular, to other provisions (EUR + 0.7 mill.).

The net loss for the year in the amount of EUR – 4.1 mill. was EUR 16.1 mill. below the previous year's value, which was caused primarily by significantly lower advance distributions from affiliated companies (EUR – 10.5 mill.) and expenses in connection with the sale of MediClin Krankenhaus am Crivitzer See GmbH, Crivitz (EUR – 7.1 mill.).

## Statement on net assets, financial position and results of operations

The Management Board assesses the results of operations of MEDICLIN AG as secure and the financial position and net assets as sound. Sales were within the scope of the planning and the forecast. A letter of comfort was issued

on behalf of several subsidiaries in view of the exemptions set forth in Section 264 (3) German Commercial Code (HGB). It is not expected that this letter of comfort will be drawn on.

On average, the Company employed 9.1 persons during the year (previous year: 4.4 employees). Disclosures concerning the balance sheet and the schedule of fixed assets of MEDICLIN Aktiengesellschaft are provided in the annual financial statements and the notes to the annual financial statements of MEDICLIN Aktiengesellschaft for the 2020 financial year.

## Outlook

As in the previous years, the income structure of MEDICLIN AG in 2021 will continue to depend on the economic development of the subsidiaries and thus also of the Group as a whole. MEDICLIN AG's opportunities and risk situation also depends on the development of the Group.

The Management Board assumes that sales will be at the level of 2020. Net profit/loss in 2021 should be in the same range as in the reporting year, but without the effect from the sale of a facility.

### Balance sheet structure

In millions of €	31.12.2020	in % of balance sheet	31.12.2019	in % of balance sheet
<b>Assets</b>				
Non-current assets	304.6	77.2	306.8	77.1
Current assets	90.0	22.8	91.2	22.9
	<b>394.6</b>	<b>100.0</b>	<b>398.0</b>	<b>100.0</b>
<b>Equity and liabilities</b>				
Equity	295.1	74.8	299.1	75.2
Non-current liabilities	60.4	15.3	60.6	15.2
Current liabilities	39.1	9.9	38.3	9.6
	<b>394.6</b>	<b>100.0</b>	<b>398.0</b>	<b>100.0</b>



## Remuneration report

MEDICLIN's remuneration policy promotes sustainable Company development, compensating Management and Supervisory Board work with performance-oriented remuneration that is composed of fixed and variable components.

The remuneration of the Management Board is disclosed in the 2020 Annual Report in accordance with the statutory requirements and with the Annual General Meeting's opting-out decision of 25 May 2016. According to this decision, the Company is exempted from the obligation to disclose individual Management Board remuneration for financial years 2016 through 2020.

Given the opting-out decision and the currently applicable German Corporate Governance Code that already takes into account the legal requirements under SRD II in its principles and recommendations, the current conformity declaration includes, for merely precautionary reasons, a note whenever the recommendations are not followed.

### Management Board remuneration

Pursuant to the requirements under the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code (DCGK), the remuneration consists of fixed and variable components. It comprises fixed remuneration (the fixed salary) and a variable profit-sharing bonus that consists of a short-term incentive (STI) and a remuneration component that is earned over a longer vesting period, the so-called long-term incentive (LTI). The payment of variable remuneration is calculated on the basis of the audited consolidated financial statements of MEDICLIN pursuant to IFRSs.

The STI is based on the improvement of MEDICLIN's operating result. The calculation of the STI is based on the achievement of a Group EBITDA target margin for the respective financial year, which is determined in accordance with certain criteria and the degree to which the target was achieved. In its first meeting in the new financial year, the General and Personnel Committee of MEDICLIN determines to what degree the criteria for the profit-sharing bonus were achieved in the past financial year. The STI is payable within one month after the annual financial statements of the respective previous year were approved.

The amount of the LTI is calculated in accordance with the equity development in a three- to five-year assessment period. The LTI is payable within one month after it was determined whether the targets for the vesting period were achieved. The incumbent Management Board members will receive a one-off special bonus if they win the corresponding legal dispute. In the event that an employment commences during the course of a financial year, the variable remuneration is paid pro rata temporis.

The annual fixed salary is determined for the entire employment term and paid out in 12 monthly instalments. There are no pension commitments to current members of the Management Board. The members of the Management Board are entitled by contract to ancillary benefits in the form of a car for private and business-related use as well as the employer health insurance contribution. The members of the Management Board must include such benefits in their personal tax returns as non-cash benefits.

The Management Board remuneration amounted to a total of EUR 1.0 mill. in the 2020 financial year (previous year: EUR 1.5 mill.). In the past financial year one member of the Management Board received additional remuneration for a service subject to a defined quality requirement.

As in 2019, loans to members of the Management Board did not exist in the 2020 financial year and no advance payments were made to members of the Management Board.

### Supervisory Board remuneration

Pursuant to Section 113 (1) Sentence 3 of the German Stock Corporation Act (AktG), the remuneration of Supervisory Board members must be in proportion to the work performed and the company's financial situation. In addition to being reimbursed for expenses, the Supervisory Board members receive remuneration consisting of a fixed and a dividend-based variable component. The Chairman of the Supervisory Board receives twice these amounts and the Vice Chairman receives one and a half times the amounts. Supervisory Board members who are part of a committee further receive additional remuneration for their work in such committees. If a member of the Supervisory Board simultaneously holds several committee positions for which increased remuneration is granted, he or she shall only receive the remuneration for the highest-paying position.

The Supervisory Board remuneration amounted to a total of EUR 195 thou. in the 2020 financial year (previous year: EUR 236 thou.). In 2019 a performance-based (variable) remuneration was paid out as the Annual General Meeting on 29 May 2019 resolved to pay out a dividend of 5 cent per share for the 2018 financial year.

In the 2020 financial year, as in 2019, there were no loans to members of the Supervisory Board. No advanced payments were made, nor were the members of the Supervisory Board paid for individual performance, in particular consulting and mediation services, nor were they granted benefits.

**Forward-looking statements**

This report contains forward-looking statements that are based on management's current expectations. Words such as "anticipate", "assume", "believe", "estimate", "expect", "intend", "can/could", "may", "might", "plan", "project", "should" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties that are based on the current assumptions and forecasts of MEDICLIN AG's management. Should any of these risks and uncertainties materialise, or if the assumptions underlying any of the forward-looking statements prove incorrect, then the actual results may be materially different from those expressed or implied by such statements. MEDICLIN AG does not intend or assume any obligation to continuously update these forward-looking statements, so as to adapt them to events or developments that occur after the release of this annual report.



# Consolidated financial statements of MEDICLIN Aktiengesellschaft for the 2020 financial year

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Statements of MEDICLIN Aktiengesellschaft (German version)  
[www.mediclin.de/jahresabschluss2020](http://www.mediclin.de/jahresabschluss2020)



# Consolidated balance sheet as of 31 December 2020

## ASSETS

	Note	31.12.2020 in €	Previous year in €
<b>NON-CURRENT ASSETS</b>			
<b>Goodwill and other intangible assets</b>	(1)		
Concessions, licences		7,897,310	3,353,915
Goodwill		49,253,841	49,253,841
Payments on account		894,782	5,466,147
		<b>58,045,933</b>	<b>58,073,903</b>
<b>Property, plant and equipment</b>	(2)		
Land, land rights and buildings including buildings on third-party land		123,468,597	126,354,182
Right-of-use assets on land, land rights and buildings, including buildings on third-party land		371,099,404	406,406,320
Technical equipment and machines		13,274,913	13,128,773
Operating and office equipment		37,811,777	42,988,448
Right-of-use assets on operating and office equipment		2,643,079	2,326,662
Payments on account and assets under construction		23,740,512	26,285,138
		<b>572,038,282</b>	<b>617,489,523</b>
<b>Financial assets</b>	(3)		
Investment in stock of subsidiaries		90,322	108,322
Reinsurance cover		764,510	760,229
Other financial investments		2,056	2,056
		<b>856,888</b>	<b>870,607</b>
<b>Other assets</b>			
Receivables pursuant to hospital financing law	(4)	41,647,730	46,595,930
		<b>41,647,730</b>	<b>46,595,930</b>
<b>Deferred tax assets</b>	(5)	<b>11,016,452</b>	<b>8,724,156</b>
		<b>683,605,285</b>	<b>731,754,119</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>	(6)	<b>9,341,672</b>	<b>8,080,780</b>
<b>Trade receivables</b>	(7)	<b>76,335,138</b>	<b>101,138,459</b>
<b>Current income tax claims</b>	(8)	<b>2,401,516</b>	<b>1,735,636</b>
<b>Other financial assets</b>			
Other current financial assets	(9)	5,178,148	9,354,304
		<b>5,178,148</b>	<b>9,354,304</b>
<b>Other assets</b>			
Prepaid expenses	(10)	1,311,935	1,341,409
Receivables pursuant to hospital financing law	(11)	8,852,916	7,098,536
		<b>10,164,851</b>	<b>8,439,945</b>
<b>Cash and cash equivalents</b>	(12)	<b>100,437,077</b>	<b>37,249,818</b>
		<b>203,858,402</b>	<b>165,998,942</b>
		<b>887,463,687</b>	<b>897,753,061</b>

## EQUITY AND LIABILITIES

	Note	31.12.2020 in €	Previous year in €
<b>EQUITY</b>			
<b>Shares MEDICLIN Group</b>			
Subscribed capital	(13)	47,500,000	47,500,000
Capital reserve	(14)	129,391,829	129,391,829
Revenue reserve	(15)	16,764,377	-29,568,498
Consolidated balance sheet result	(16)	-16,493,229	43,669,121
		<b>177,162,977</b>	<b>190,992,452</b>
<b>Non-controlling interests</b>	(17)	<b>- 316,812</b>	<b>- 245,990</b>
		<b>176,846,165</b>	<b>190,746,462</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>Financial liabilities</b>			
Liabilities to banks	(18)	71,196,091	72,993,679
		<b>71,196,091</b>	<b>72,993,679</b>
<b>Lease liabilities</b>	(19)	<b>334,874,917</b>	<b>368,318,704</b>
<b>Pensions and similar commitments</b>	(20)	<b>68,324,949</b>	<b>63,659,595</b>
<b>Other provisions</b>	(21)	<b>23,901,156</b>	<b>23,342,354</b>
<b>Other financial liabilities</b>			
Miscellaneous financial liabilities		0	154,265
		<b>0</b>	<b>154,265</b>
<b>Other payables</b>			
Liabilities pursuant to hospital financing law	(22)	38,187,887	30,672,215
Miscellaneous payables	(23)	2,782,611	2,069,004
		<b>40,970,498</b>	<b>32,741,219</b>
		<b>539,267,611</b>	<b>561,209,816</b>
<b>CURRENT LIABILITIES</b>			
<b>Trade payables</b>		<b>11,307,664</b>	<b>17,599,492</b>
<b>Financial liabilities</b>			
Liabilities to banks	(24)	26,781,278	26,707,267
		<b>26,781,278</b>	<b>26,707,267</b>
<b>Lease liabilities</b>	(25)	<b>54,009,475</b>	<b>44,051,053</b>
<b>Other provisions</b>	(26)	<b>15,530,311</b>	<b>12,588,658</b>
<b>Other financial liabilities</b>			
Miscellaneous financial liabilities	(27)	6,298,754	5,652,680
		<b>6,298,754</b>	<b>5,652,680</b>
<b>Other payables</b>			
Liabilities pursuant to hospital financing law	(28)	11,388,381	15,859,141
Miscellaneous payables	(29)	46,034,048	23,338,492
		<b>57,422,429</b>	<b>39,197,633</b>
		<b>171,349,911</b>	<b>145,796,783</b>
		<b>887,463,687</b>	<b>897,753,061</b>

## Consolidated profit and loss account

### for the financial year from 1 January to 31 December 2020

	Note	Jan.–Dec. 2020 in €	Previous year in €
Sales	(30)	659,864,196	673,089,910
Other operating income	(31)	11,130,234	13,349,751
<b>Total operating performance</b>		<b>670,994,430</b>	<b>686,439,661</b>
Raw materials and consumables used	(32)		
a) Cost of raw materials and supplies		–72,737,525	–73,476,886
b) Cost of purchased services		–39,923,207	–47,479,123
		<b>–112,660,732</b>	<b>–120,956,009</b>
Staff costs	(33)		
a) Wages and salaries		–355,887,038	–349,542,375
b) Social security, pension and retirement		–66,307,828	–63,033,053
		<b>–422,194,866</b>	<b>–412,575,428</b>
Other operating expenses	(34)	–58,639,958	–59,324,478
<b>Result before interest, taxes, depreciation and amortisation /EBITDA</b>		<b>77,498,874</b>	<b>93,583,746</b>
Depreciation and amortisation	(35)	–77,348,144	–71,171,487
<b>Operating result/EBIT</b>		<b>150,730</b>	<b>22,412,259</b>
Financial result	(36)		
a) Income from participations		51,000	51,000
b) Interest and similar income		51,289	85,030
c) Interest and similar expenses		–10,341,340	–10,937,549
		<b>–10,239,051</b>	<b>–10,801,519</b>
<b>Result before tax</b>		<b>–10,088,321</b>	<b>11,610,740</b>
Taxes on income	(37)	1,053,555	–1,927,843
<b>Total consolidated result</b>		<b>–9,034,766</b>	<b>9,682,897</b>
Thereof attributable to shareholders of MEDICLIN AG		–8,996,884	9,661,730
Thereof attributable to non-controlling interests		–37,882	21,167
<b>Total consolidated result attributable to shareholders of MEDICLIN AG per share</b>	(38)		
Undiluted in €		–0.19	0.20
Diluted in €		–0.19	0.20

## Consolidated statement of comprehensive income

### for the financial year from 1 January to 31 December 2020

	Note	Jan.–Dec. 2020 in €	Previous year in €
<b>Total consolidated result</b>		<b>–9,034,766</b>	<b>9,682,897</b>
<b>Other comprehensive income</b>	(39)		
Revaluation from defined benefit plans and similar obligations		–5,780,257	–9,463,289
Taxes on income		914,726	1,497,565
<b>Additions to value adjustments that are not reconciled to the total consolidated result</b>		<b>–4,865,531</b>	<b>–7,965,724</b>
Thereof attributable to shareholders of MEDICLIN AG		–4,832,591	–7,901,364
Thereof attributable to non-controlling interests		–32,940	–64,360
<b>Additions to value adjustments that are reconciled to the total consolidated result</b>		<b>0</b>	<b>0</b>
<b>Group comprehensive income</b>		<b>–13,900,297</b>	<b>1,717,173</b>
Thereof attributable to shareholders of MEDICLIN AG		–13,829,475	1,760,366
Thereof attributable to non-controlling interests		–70,822	–43,193



## Consolidated cash flow statement

	Jan. – Dec. 2020 in €	Previous year in €
<b>Total consolidated result</b>	<b>–9,034,766</b>	<b>9,682,897</b>
Result of finance activities	10,239,051	10,801,519
Result of income taxes	–1,053,555	1,927,843
<b>Operating result (EBIT)</b>	<b>150,730</b>	<b>22,412,259</b>
Depreciation of fixed asset items	77,348,144	71,171,487
<b>Result before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>77,498,874</b>	<b>93,583,746</b>
Change in non-current provisions	4,888,745	7,784,530
Change in current provisions	3,561,698	620,609
Result from the disposal of fixed asset items	–187,535	–780,117
Result from other non-cash items	–9,814,102	–12,963,252
Changes in other current assets	22,134,686	–13,401,917
Changes in other non-current liabilities	607,521	–12,197
Changes in other current liabilities	20,678,735	–1,880,854
Payments received from interest	51,165	85,030
Income taxes paid	–729,338	–3,442,278
<b>Cash flow from operating activities</b>	<b>118,690,449</b>	<b>69,593,300</b>
<b>Payments received from the disposal of fixed assets</b>	<b>467,237</b>	<b>1,677,053</b>
From the disposal of property, plant and equipment	467,237	1,677,053
<b>Payments received from investment subsidies</b>	<b>10,692,423</b>	<b>7,649,516</b>
<b>Income from participations</b>	<b>51,000</b>	<b>51,000</b>
<b>Cash used for investments</b>	<b>–25,813,024</b>	<b>–45,018,387</b>
For intangible assets	–3,523,898	–3,644,584
For property, plant and equipment	–22,253,043	–41,284,583
For financial assets	–36,083	–89,220
<b>Proceeds from divestments</b>	<b>6,000,001</b>	<b>0</b>
<b>Cash flow from investing activities</b>	<b>–8,602,363</b>	<b>–35,640,818</b>
Dividend payout to shareholders of MEDICLIN Aktiengesellschaft	0	–2,375,000
Repayment of lease liabilities	–35,869,227	–42,734,175
New financial liabilities	0	86,000,000
Repayment of financial liabilities	–1,951,578	–62,092,658
Interest payments for lease liabilities	–7,457,106	–8,011,307
Other interest payments	–1,225,534	–1,318,610
<b>Cash flow from financing activities</b>	<b>–46,503,445</b>	<b>–30,531,750</b>
Change in consolidation scopes for financial funds	–397,381	0
<b>Cash flow for the period</b>	<b>63,187,259</b>	<b>3,420,732</b>
Cash and cash equivalents at the beginning of the period	37,249,818	33,829,086
<b>Cash and cash equivalents at the end of the period</b>	<b>100,437,077</b>	<b>37,249,818</b>

The cash and cash equivalents at the end of the period correspond to the balance sheet item “cash and cash equivalents” and encompass mainly cash in hand and current bank credit balances.

## Statement of changes in equity

In €	Subscribed capital	Capital reserve	Revenue reserve	Consolidated balance sheet result	Shares MEDICLIN Group	Non-controlling interests	Total equity
As of 01.01.2019	47,500,000	129,391,829	-21,667,134	36,382,391	191,607,086	-202,798	191,404,288
Total consolidated result	-	-	-	9,661,730	9,661,730	21,167	9,682,897
Other comprehensive income	-	-	-7,901,364	-	-7,901,364	-64,359	-7,965,723
<b>Group comprehensive income</b>	-	-	<b>-7,901,364</b>	<b>9,661,730</b>	<b>1,760,366</b>	<b>-43,192</b>	<b>1,717,174</b>
<b>Dividend payout</b>	-	-	-	<b>-2,375,000</b>	<b>-2,375,000</b>	<b>0</b>	<b>-2,375,000</b>
<b>As of 31.12.2019</b>	<b>47,500,000</b>	<b>129,391,829</b>	<b>-29,568,498</b>	<b>43,669,121</b>	<b>190,992,452</b>	<b>-245,990</b>	<b>190,746,462</b>

In €	Subscribed capital	Capital reserve	Revenue reserve	Consolidated balance sheet result	Shares MEDICLIN Group	Non-controlling interests	Total equity
As of 01.01.2020	47,500,000	129,391,829	-29,568,498	43,669,121	190,992,452	-245,990	190,746,462
Total consolidated result	-	-	-	-8,996,884	-8,996,884	-37,882	-9,034,766
Other comprehensive income	-	-	-4,832,591	-	-4,832,591	-32,940	-4,865,531
<b>Group comprehensive income</b>	-	-	<b>-4,832,591</b>	<b>-8,996,884</b>	<b>-13,829,475</b>	<b>-70,822</b>	<b>-13,900,297</b>
<b>Transfer to revenue reserve</b>	-	-	<b>51,165,466</b>	<b>-51,165,466</b>	<b>0</b>	<b>-</b>	<b>0</b>
<b>As of 31.12.2020</b>	<b>47,500,000</b>	<b>129,391,829</b>	<b>16,764,377</b>	<b>-16,493,229</b>	<b>177,162,977</b>	<b>-316,812</b>	<b>176,846,165</b>

## Notes

### Basic information

#### General

MEDICLIN Aktiengesellschaft (MEDICLIN AG) is active as a nationwide hospital operator. With 35 clinics, seven nursing care facilities and nine medical care centres in 11 German federal states, the MEDICLIN Group (MEDICLIN) has an overall capacity of approximately 8,400 beds/nursing care places. The clinics are divided into acute-care hospitals for basic, standard and specialised care, as well as specialist clinics for medical rehabilitation, some of which also offer acute medical services. MEDICLIN operates exclusively on the domestic market.

The Company is registered in Germany and has been listed on the stock exchange since December 2000 (official market/Prime Standard). It is registered in the commercial register at the local court of Freiburg i. Br. under HRB 703905 and has its registered office in Okenstraße 27, 77652 Offenburg. The MEDICLIN Group is included at full consolidation in the consolidated financial statements of Broermann Holding GmbH, Königstein im Taunus. The MEDICLIN Group is further included in the subgroup accounts of Asklepios Kliniken GmbH & Co. KGaA, Hamburg, which holds a 52.73 % stake in MEDICLIN AG.

The present notes were prepared for the consolidated financial statements of MEDICLIN AG for the 2020 financial year. On 8 March 2021 the Management Board prepared the underlying consolidated financial statements. The annual financial statements of MEDICLIN AG, the consolidated financial statements of MEDICLIN AG and the summarised management report and Group management report are published in the German Federal Gazette (Bundesanzeiger).

The consolidated financial statements as of 31 December 2020 were prepared in accordance with Section 315e (1) of the German Commercial Code (HGB), pursuant to the regulations of the International Financial Reporting Standards (IFRSs), the International Accounting Standards Board (IASB), London, and the interpretations of the IFRS Interpretation Committee (IFRS IC) as valid on the cut-off date and adopted by the European Union (EU). The financial statements were prepared on a going-concern basis. Accounting is generally based on amortised cost. The consolidated profit and loss account was prepared on the basis of the total cost method.

The consolidated financial statements are prepared in euros. All amounts are stated in thousands of euros (EUR thou.) unless otherwise specified. Within the individual components of the consolidated financial statements, as well as for data specified in the notes, rounding differences may result due to figures with decimal places. The amount shown is rounded according to standard commercial practice. Unless otherwise stated, the amounts shown for the previous year were calculated using the same accounting and valuation principles in order to ensure the comparability of the disclosed data. One exception is the application of the amendment to IFRS 16 "Leases – COVID-19-Related Rent Concessions", which allows for practical relief in accounting for rent concessions arising as a result of the coronavirus pandemic without having to apply the provisions for a lease modification prescribed by IFRS 16.

## New or amended international standards and legal regulations applicable for the first time in the reporting period

The following new or amended international standards were mandatory for the first time from 1 January 2020.

Standard	Adopted into EU law by Commission Regulation
Amendments to References to the Conceptual Framework in International Financial Reporting Standards	Commission Regulation (EU) No. 2019/2075 of 29 November 2019
Definition of Material (Amendments to IAS 1 and IAS 8)	Commission Regulation (EU) No. 2019/2104 of 29 November 2019
Interest Rate Benchmark Reform, Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7	Commission Regulation (EU) No. 2020/34 of 15 January 2020
Definition of a Business (Amendments to IFRS 3 "Business Combinations")	Commission Regulation (EU) No. 2020/551 of 21 April 2020
COVID-19-Related Rent Concessions (Amendments to IFRS 16 "Leases")	Commission Regulation (EU) No. 2020/1434 of 9 October 2020
Supplement to Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format	Delegated Regulation (EU) 2018/815 of 17 December 2018, Delegated Regulation (EU) 2019/2100 of 30 September 2019

**Commission Regulation (EU) No. 2019/2075** of 29 November 2019 refers to **Amendments to References to the Conceptual Framework in International Financial Reporting Standards** issued by the International Accounting Standards Board (IASB) on 29 March 2018. The objective of the amendments is to update existing references in several standards and interpretations to previous frameworks with references to the revised conceptual framework. They refer to amendments to the International Accounting Standards (IASs) 1, 8, 34, 37, 38, International Financial Reporting Standards (IFRSs) 2, 3, 6, Interpretations of the International Financial Reporting Interpretations Committee (IFRICs) 12, 19, 20, 22 and the Interpretation of the Standing Interpretations Committee (SIC) 32. These amendments must be applied at the latest from the first financial year beginning on or after 1 January 2020. The amendments have no effect on MEDICLIN's net assets, financial position or results of operation.

**Commission Regulation (EU) No. 2019/2104** of 29 November 2019 adopted **Amendment to the Definition of "Material" in IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** issued by the IASB on 31 October 2018 in the framework of its Better Communication in Financial Reporting project into EU law. The amendment clarifies the definition of "material" and standardises the various definitions in the conceptual framework and the standards to make it easier for companies to make materiality judgements and to enhance the relevance of the disclosures in the notes to the financial statements. The amendments to IAS 1 and IAS 8 imply, by way of consequence, amendments to IAS 10 "Events after the Reporting Period", IAS 34 "Interim Financial Reporting" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". According to the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make. The IASB places particular focus on the term "obscuring information".

It specifies five ways of obscuring material information:

- if the language regarding a material item, transaction or other event is vague or unclear;
- if information regarding a material item, transaction or other event is scattered in different places in the financial statements;



- if dissimilar items, transactions or other events are inappropriately aggregated;
- if similar items, transactions or other events are inappropriately disaggregated; or
- if material information is hidden by immaterial information to the extent that it becomes unclear which information is material.

The amendments must be applied as from 1 January 2020. Premature adoption is permitted. In the future MEDICLIN will have to regularly reassess whether information, either individually or in combination with other information, is material. Following this final reassessment, information may be added or deleted if it is classified as immaterial or information may be compiled, itemised or restructured in a new way.

**Commission Regulation (EU) No. 2020/34** of 15 January 2020 adopted **Interest Rate Benchmark Reform** Amendments to **IFRS 9 “Financial Instruments”**, **IAS 39 “Financial Instruments: Recognition and Measurement”** and **IFRS 7 “Financial Instruments: Disclosures”** published by the IASB on 26 September 2019 into EU law. The amendments refer, in particular, to certain expedients in hedge accounting in periods before the replacement of an existing interest rate benchmark with an alternative reference rate and are mandatory for all hedging relationships affected by the interest rate benchmark reform. Further disclosures are required to show to what extent the hedging relationships of entities are affected by the changes. The amendments have no effect on MEDICLIN’s net assets, financial position or results of operation.

**Commission Regulation (EU) No. 2020/551** of 21 April 2020 adopted the amendments to **IFRS 3 “Business Combinations”** into EU law. The amendments clarify whether a business or a group of assets was acquired in the scope of a business combination. To be considered a business, an acquisition must include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of output is narrowed by focusing on goods and services provided to customers and the generation of investment income and other income. As such, yields that consist of cost savings and other economic benefits are in future excluded. Entities may carry out an optional concentration test, which determines whether the entire fair value of the acquired gross assets is basically concentrated in one asset or one group of similar assets. In this case, it is determined that no business was acquired and that no further examination is required. Entities must apply the amendments to IFRS 3 to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The amendments currently have no effect on MEDICLIN’s net assets, financial position or results of operation.

**Commission Regulation (EU) No. 2020/1434** of 9 October 2020 adopted the amendments to **IFRS 16 “Leases – COVID-19-Related Rent Concessions”** issued by the International Accounting Standards Board (IASB) on 28 May 2020 into EU law. The coronavirus pandemic caused an unprecedented external shock to the Union and its economy in 2020, creating a need for measures aimed at alleviating adverse impacts on citizens and companies where possible. Member States and the EU have taken measures to provide financial relief to companies, including payment holidays based on private or public moratoria, to prevent unnecessary bankruptcies and job losses, and to underpin rapid recovery. The amendment to IFRS 16 provides optional, temporary COVID-19 related operational relief for lessees benefitting from lease payments holidays without undermining the relevance and usefulness of financial information reported by companies. The IASB set the effective date of the amendments to IFRS 16 as from 1 June 2020. Therefore, the provisions of this Regulation should apply retroactively to ensure legal certainty for the issuers concerned and consistency with other accounting standards laid down in Regulation (EC) No. 1126/2008. Based on the German “Act to Mitigate the Consequences of the

COVID-19 Pandemic under Germany's Civil, Insolvency and Criminal Procedure Law" adopted by the German Federal Parliament (Bundestag) on 27 March 2020, MEDICLIN made use of the option to defer rent payments for clinic real estate in the months of May and June 2020, thus applying the amendment to IFRS 16. The rent payments that were deferred for two months total EUR 7.9 mill. and refer to the rents for 21 clinics. The default interest pursuant to Section 288 (2) of the German Civil Code (BGB) is 8.12 % p.a. Until the end of the financial year, the accrued default interest amounted to EUR 400 thou.

By publication in the Official Journal of the EU of 29 May 2019, the European Commission issued the **Supplement to Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format** by Delegated Regulation (EU ) 2018/815" of 17 December 2018. The Regulation became effective on 18 June 2019. The Regulation requires issuers whose securities are admitted to trading on a regulated market to make public their annual financial reports for financial years beginning on or after 1 January 2020 in a uniform European electronic reporting format (European Single Electronic Format, ESEF). In the future, issuers must prepare their annual financial reports in the Extensible Hypertext Markup Language (XHTML) format. Consolidated financial statements prepared in XHTML format and in accordance with IFRSs should be marked up using Extensible Business Reporting Language (XBRL) labels. The core taxonomy to be used for the European Single Electronic Format is based on the IFRS Taxonomy of the IFRS Foundation. The IFRS Foundation updates the IFRS Taxonomy every year to reflect the issuing of new IFRSs or the amendments to existing IFRSs, the analysis of disclosures that are usually shown in the reports or general content-related or technical improvements to the IFRS Taxonomy among other developments. The last update was implemented by means of "Commission Delegated Regulation (EU) 2019/2100" of 30 September 2019, published in the Official Journal of the EU of 16 December 2019. From 2020 the primary financial statements in IFRSs consolidated financial statements (balance sheet, profit and loss account and other comprehensive income, statement of changes in equity and cash flow statement) and ten general company disclosures (e.g. name, registered office and legal form) must be presented in the new format as a first step.

Following a transitional phase, the new format must be applied to the entire notes from 2022. It was adopted into German law by means of the **Law to Implement the Amendments to the EU Directive 2013/50/EU with a View to a Uniform Electronic Format for Annual Financial Reports (ESEF)** published in the Federal Law Gazette (Bundesgesetzblatt) on 18 August 2020. Pursuant to the transition provisions in the Introductory Act to the German Commercial Code (EGHGB), the new format requirements under ESEF are to be applied for the first-time in financial years beginning on or after 31 December 2019. It applies to corporations that issue securities as a domestic issuer and do not classify as a corporation within the meaning of Section 327a German Commercial Code (HGB). These corporations must publish their annual financial statements, management report, consolidated financial statements, group management report and the associated statements by their legal representatives in XHTML format and must use XBRL taxonomy for their consolidated financial statements. The auditor must evaluate in the scope of the audit of the financial statements whether the presentation of the financial statements, management reports and statements correspond with the requirements under the disclosure provisions in all material respects. The findings of this evaluation must be reported in a separate section of the auditor's report. Under the new regulation, MEDICLIN has to fulfil additional reporting obligations and will incur higher expenses for preparing, auditing and publishing the consolidated financial statements, the amount of which is currently not yet foreseeable.

## Official publications by the EU Commission that are not yet binding

In the Official Journal of 14 January 2021, the European Union published Commission Regulation (EU) No. 2021/25 of 13 January 2021, thereby adopting **Phase 2 of the LIBOR and other Interest Rate Benchmarks Reform (IBOR reform)** issued by the International Accounting Standards Board (IASB) on 27 August 2020 into EU law. The new provisions refer to amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”.

The objective of the amendments is to address the financial reporting consequences of the actual replacement of existing interest rate benchmarks with alternative reference rates at the time of replacement. The amendments provide for a practical expedient with regard to changes that are required by the IBOR reform. Furthermore, hedge accounting shall be allowed to continue with amended documentation despite the replacement of the interest rate benchmark. The present amendments to the Standards in Phase 2 of the IBOR reform focus on the following issues:

- changes to financial instruments resulting from the IBOR reform,
- hedge accounting, both with regard to recognising and documenting hedging relationships,
- effects of the IBOR reform on IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”,
- disclosures under IFRS 7.

The amendments must be applied for financial years beginning on or after 1 January 2021. Premature adoption is admissible. These practical expedients are of no relevance to MEDICLIN as the interest rate benchmark of the main loans (syndicated loans) is Euribor, which has already been reformed and complies with the requirements under the Benchmark Regulation and the lease rates for the clinic properties are linked to the consumer price index instead of an interest rate benchmark.

## Standards and legal regulations that have been issued by the IASB, but are not yet binding

Standard	Published on
Classification of Liabilities as Current or Non-Current – Deferral of Effective Date (Amendment to IAS 1 “Presentation of Financial Statements”)	23 January 2020/15 July 2020
Annual Improvements to IFRSs 2018–2020 Cycle	14 May 2020
Property, Plant and Equipment – Proceeds before Intended Use (Amendment to IAS 16)	14 May 2020
Reference to the Conceptual Framework (Amendments to IFRS 3 “Business Combinations”)	14 May 2020
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”)	14 May 2020
IFRS 17 “Insurance Contracts”	25 June 2020
Amendments to IFRS 4 “Insurance Contracts”	16 December 2020

On 23 January 2020 the International Accounting Standards Board (IASB) issued amendments to **IAS 1 “Presentation of Financial Statements, Classification of Liabilities as Current or Non-Current”** to clarify how to classify debt and other liabilities as current or non-current. In future, the classification of liabilities as current or non-current can be based only on rights that are in existence at the end of the reporting period. Furthermore, the amendment includes additional guidance for interpreting the criterion “right to defer the liability for at least 12 months” and also includes further information regarding the “settlement” criterion. The amendments are retrospective and should be applicable to financial years beginning on or after 1 January 2022. The amendment on 15 July 2020 deferred the effective date to 1 January 2023. These amendments are not expected to have any effects on the consolidated financial statements of MEDICLIN.

On 14 May 2020 the International Accounting Standards Board issued the following amendments to existing IFRS/IAS:

The **Annual Improvements 2018–2020 Cycle** refers to:

■ **IFRS 1 “First-time Adoption of International Financial Reporting Standards”**

The amendment permits a subsidiary that applies IFRS 1.D16(a) to recognise cumulative translation differences at the amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS.

■ **IFRS 9 “Financial Instruments”**

The amendment clarifies which fees an entity includes when it applies the “10 per cent” test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

■ **IFRS 16 “Leases”**

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

■ **IAS 41 “Agriculture”**

The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

Subject to approval by the EU, the issued amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual reporting periods beginning on or after 1 January 2022. Premature adoption is permitted. The amendment to IFRS 16 only refers to an illustrative example and therefore has no effective date. These amendments are not expected to have any effects on the consolidated financial statements of MEDICLIN.

The amendments to **IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in the operating result. These amendments are not expected to have any effects on the consolidated financial statements of MEDICLIN.



**Reference to the Conceptual Framework (Amendments to IFRS 3 “Business Combinations”)** clarifies that the Standard refers to the 2018 Conceptual Framework instead of the 1989 Framework. The amendments add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies only IAS 37 or IFRIC 21 to identify the liabilities it has assumed in a business combination and that an acquirer does not recognise contingent assets acquired in a business combination. These amendments are not expected to have any effects on the consolidated financial statements of MEDICLIN.

**Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”)** primarily addresses the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). These amendments are not expected to have any effects on the consolidated financial statements of MEDICLIN.

On 25 June 2020 the International Accounting Standards Board (IASB) issued the final amendments to **IFRS 17 “Insurance Contracts”** that address concerns and challenges arising from the implementation under cost-benefit considerations. The effective date for first-time adoption of IFRS 17 and the expiry of the extension of the temporary exemption from applying IFRS 9 are deferred to 1 January 2023 to allow sufficient time for implementing the amendments. The standard is of no relevance to MEDICLIN.

On 16 December 2020 the International Accounting Standards Board (IASB) issued amendments to **IFRS 4 “Insurance Contracts”** that were adopted into EU law by Commission Regulation (EU) No. 2020/2008 of 15 December 2020. The amendments to IFRS 4 address the temporary accounting problems arising from the different effective dates of **IFRS 9 “Financial Instruments”** and the future **IFRS 17 “Insurance Contracts”**. Specifically, this extends the temporary exemption from applying IFRS 9 until 2023 in order to harmonise the effective date of IFRS 9 with the effective date of the new IFRS 17. This regulation is of no relevance to MEDICLIN.

## Consolidation principles

The annual financial statements of the companies included in the consolidated financial statements were prepared in accordance with uniform accounting policies as of the reporting date of the consolidated financial statements. The first-time recognition of acquired subsidiaries is based on the method of acquisition. The cost of the acquisition corresponds to the fair value of the assets given and the liabilities incurred or assumed at the transaction date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date, irrespective of the extent of any non-controlling interests. Intangible assets are recognised separately from goodwill if they are separable or arise from contractual or other legal rights, and are individually disposable. The excess of the cost of the acquisition over the Group's share in the net assets measured at fair value is recognised as goodwill, which is reported in intangible assets. In accordance with IAS 36, existing goodwill is subject to an impairment test at least once a year. The impairment test may lead to a devaluation requirement (impairment-only approach). Within this context, the individual permanent facilities are defined as "cash-generating units" pursuant to IAS 36.

Receivables and liabilities between companies included in the consolidated financial statements, as well as expenses and income from mutual service and supply transactions and intermediate results were eliminated.

Non-controlling interests are shown in equity, but separately from the equity of the owners of the parent company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interests. Comprehensive income is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (IFRS 10 B94).

The non-controlling interests within the MEDICLIN Group refer to 5.199 % (corresponding to 1,201 shares) of shares in Kraichgau-Klinik AG, Bad Rappenau, that are in free float. The profit and loss attributable to non-controlling interests and their share in Group equity are stated directly in the consolidated profit and loss account, the consolidated statement of comprehensive income and the consolidated balance sheet. This is immaterial at Group level.

## Consolidated companies

The listed company MEDICLIN Aktiengesellschaft, Offenburg, is the parent company of the MEDICLIN Group. The consolidated financial statements and the summarised management report and the Group management report for the smallest group of companies are published in the German Federal Gazette (Bundesanzeiger). The Group under the umbrella of MEDICLIN Aktiengesellschaft is included in the consolidated financial statements of Broermann Holding GmbH, Königstein im Taunus, which represents the largest group of companies. Their consolidated financial statements and the Group management report are disclosed in the German Federal Gazette (Bundesanzeiger).

All companies under the control of MEDICLIN Aktiengesellschaft as parent company qualify as subsidiaries of MEDICLIN, i.e. companies where MEDICLIN has the power of disposition for the associated company, bears the risk of the investment's fluctuations in commercial success, has the right to such success and has the possibility of influencing the degree of this success by exercising its power of disposition over the associated company. The power of disposition is deemed to exist if the parent has rights to determine activities of the associated company with a significant impact on

the company's commercial success. Several factors are considered in determining who has the power of disposition, such as existence and effects of potential voting rights that are currently exercisable or convertible and rights to appoint, exchange or remove members of the subsidiary's management.

In accordance with the principles of full consolidation, the consolidated financial statements include, in addition to the parent company, i.e. MEDICLIN Aktiengesellschaft, all subsidiaries where MEDICLIN holds the majority of capital in addition to the aforementioned economic control. Exceptions are KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH (until 31.12.2020), Müritz-Klinikum Service GmbH, Medusplus GmbH i. L. and MediServ GmbH i. L. (the latter two companies are currently being liquidated). These four companies were not consolidated due to their single and common immaterial importance for the Group. The companies Medusplus GmbH i. L. and MediServ GmbH i. L. that are currently being liquidated ceased their business operations in 2017 and 2018, respectively. The interests in these companies continue to be recognised at their acquisition costs. In the scope of the disposal of MediClin Krankenhaus am Crivitzer See GmbH as at 31 December 2020, the shares in KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH were also sold.

The fully consolidated subsidiaries included in the consolidated financial statements are listed together with their respective participation percentage in the "Shareholdings" table. The table also shows to what extent the respective companies have refrained from preparing a management report/notes and from disclosing their annual financial statements pursuant to the options provided in Section 264 (3) German Commercial Code (HGB) and Section 264b HGB. Also listed in a table are companies not included in the consolidated financial statements, together with the most recently disclosed annual results and equity as well as the participation percentage.

The activities of the Group are explained in more detail in the "Segment reporting" section.

Pursuant to Section 264b HGB, the present consolidated financial statements have an exempting effect for all commercial partnerships included in the consolidated group pursuant to Section 264a (1) HGB. Consequently, these commercial partnerships included in the list of shareholdings are exempt from the duty to prepare and publish their annual financial statements in accordance with the provisions defined for corporations and certain commercial partnerships.

MediClin GmbH & Co. KG and MediClin Medizinisches Versorgungszentrum GmbH, Offenburg, concluded a control and profit transfer agreement. Notwithstanding a right of termination for cause, the contract has a term until 31 December 2018. Unless terminated in writing half a year before the expiry date, the contract is renewed automatically by another year each time the expiry date is reached. The agreement was not terminated in 2020, meaning that its term now ends on 31 December 2021. MediClin Medizinisches Versorgungszentrum GmbH, Offenburg, makes use of the option pursuant to Section 264 (3) HGB to refrain from disclosing its annual financial statements.

## Changes in consolidation scopes

The shares in MediClin Krankenhaus am Crivitzer See GmbH, Crivitz, that are allocated to the acute segment were sold as at 31 December 2020. MediClin Krankenhaus am Crivitzer See is a basic and standard care facility with specialisations in orthopaedics/surgery, internal medicine, gynaecology/obstetrics, anaesthesiology/intensive care and radiology, and a total of 80 patient beds in the respective sections and two day clinics with specialisations in geriatrics and chronic pain treatment with six places each. Due to the charitable object and purpose of its articles of association and the associated exemption from corporation, trade, inheritance, gift and real estate taxes, the company is, except for its taxable business activities, subject to a statutory restriction on profit distribution. The sale also includes the 69.231% shareholding of MediClin Krankenhaus am Crivitzer See GmbH in KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH. The shares in MediClin Krankenhaus am Crivitzer See GmbH were bought by the district of Ludwigslust-Parchim. Loans in the amount of EUR 6.0 mill. that had been previously granted were paid back in the scope of the disposal. The disposal price was EUR 1.00. The effect of the deconsolidation of the sold company is as follows:

**Effects of the deconsolidation of MediClin Krankenhaus am Crivitzer See GmbH**

In €	31.12.2020
Non-current assets	3,754,696
Current assets	5,309,656
Cash and cash equivalents	397,381
<b>Assets sold</b>	<b>9,461,733</b>
Non-current liabilities	6,957,655
Current liabilities	1,764,287
<b>Liabilities sold</b>	<b>8,721,942</b>
Net assets sold	739,791
Transaction expenses	700,000
Disposal proceeds	1
<b>Expenses from disposal of subsidiary</b>	<b>1,439,790</b>
<b>Outflow of cash and cash equivalents in connection with the sale</b>	<b>– 397,380</b>

## Affiliated companies

In addition to the Group companies, the aforementioned companies that are not included in the consolidation scopes also belong to the affiliated companies. Since the MEDICLIN Group is included as a subgroup in the consolidated financial statements of the Asklepios Group in accordance with the full consolidation regulations, the group of companies affiliated with MEDICLIN also includes the companies belonging to the Asklepios Group.

### Shareholdings

Affiliated companies included in the consolidated financial statements	Percentage of shares held		Section 264 (3) HGB and/or Section 264b HGB
	31.12.2020	31.12.2019	
MEDICLIN Aktiengesellschaft, Offenburg			
Dr. Hoefer-Janker GmbH & Co. Klinik KG, Bonn	100.000	100.000	yes
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem GmbH & Co. KG, Essen	100.000 <sup>2</sup>	100.000 <sup>2</sup>	yes
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem Verwaltungs-Gesellschaft mit beschränkter Haftung, Essen	100.000 <sup>2</sup>	100.000 <sup>2</sup>	no
Fachklinik Zwieselberg GmbH, Freudenstadt	100.000 <sup>2</sup>	100.000 <sup>2</sup>	no
Herzzentrum Lahr/Baden GmbH & Co. KG, Bad Rappenau	94.801 <sup>3</sup>	94.801 <sup>3</sup>	yes
KB Krankenhausbeteiligungsgesellschaft mbH & Co. KG, Essen	100.000	100.000	yes
KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH, Essen	100.000	100.000	no
Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau	94.801	94.801	no
Kraichgau-Klinik Bad Rappenau GmbH & Co. KG, Bad Rappenau	94.801 <sup>3</sup>	94.801 <sup>3</sup>	yes
MC Kliniken Geschäftsführungs-GmbH, Offenburg	94.801 <sup>3</sup>	94.801 <sup>3</sup>	no
MC Service GmbH, Offenburg	100.000 <sup>2</sup>	100.000 <sup>2</sup>	no
MediClin à la Carte GmbH, Offenburg	100.000 <sup>2</sup>	100.000 <sup>2</sup>	yes
MediClin Betriebs GmbH, Offenburg	100.000 <sup>2</sup>	100.000 <sup>2</sup>	no
MediClin Energie GmbH, Offenburg	100.000 <sup>2</sup>	100.000 <sup>2</sup>	no
MediClin Fachklinik Rhein / Ruhr Therapie & Pflege GmbH, Essen	100.000 <sup>2</sup>	100.000 <sup>2</sup>	no
MediClin Geschäftsführungs-GmbH, Offenburg	100.000	100.000	no
MediClin GmbH & Co. KG, Offenburg	100.000	100.000	yes
MediClin Immobilien Verwaltung GmbH, Offenburg	100.000 <sup>2</sup>	100.000 <sup>2</sup>	no
MediClin Krankenhaus am Crivitzer See GmbH, Crivitz	0.000 <sup>4</sup>	100.000	no
MediClin Medizinisches Versorgungszentrum GmbH, Offenburg	100.000 <sup>2</sup>	100.000 <sup>2</sup>	yes
MediClin MVZ Achern GmbH, Achern	100.000 <sup>2</sup>	100.000 <sup>2</sup>	no
MediClin Pflege GmbH, Offenburg	100.000 <sup>2</sup>	100.000 <sup>2</sup>	yes
MediClin Therapie GmbH, Offenburg	100.000 <sup>2</sup>	100.000 <sup>2</sup>	no
MediClin-IT GmbH, Offenburg	100.000 <sup>1</sup>	100.000 <sup>1</sup>	no
MVZ MediClin Bonn GmbH, Bonn	100.000 <sup>2</sup>	100.000 <sup>2</sup>	no
Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG, Bad Rappenau	94.801 <sup>3</sup>	94.801 <sup>3</sup>	yes

<sup>1</sup> Thereof indirect participation 62.353 %

<sup>2</sup> Indirect participation

<sup>3</sup> Indirect participation, wholly owned by Kraichgau-Klinik AG

<sup>4</sup> Sold as of 31.12.2020



Companies not included in the consolidated financial statements in €	Results		Total equity		Percentage of shares held	
	2019	2018	2019	2018	2019	2018
4QD – Qualitätskliniken.de GmbH, Berlin <sup>1,5,6</sup>	–	–	–	–	5.112 <sup>2</sup>	–
KDC-Krankenhaus- Dienstleistungsgesellschaft Crivitz mbH, Crivitz <sup>1,7</sup>	–29,440.28	1,454.27	26,845.87	56,286.15	69.231 <sup>2</sup>	69.231 <sup>2</sup>
MediServ GmbH i. L., Essen <sup>1,3,6</sup>	–	–88,260.90	–	158,449.79	100.000 <sup>2</sup>	100.000 <sup>2</sup>
Medusplus GmbH i. L., Essen <sup>1,4,6</sup>	–	6,026.54	–	31,026.54	51.000 <sup>2</sup>	51.000 <sup>2</sup>
Müritz-Klinikum Service GmbH, Waren <sup>1</sup>	114,962.57	106,879.32	273,418.71	258,456.14	51.000 <sup>2</sup>	51.000 <sup>2</sup>

<sup>1</sup> 2020 annual financial statements not yet available

<sup>2</sup> Indirect participation

<sup>3</sup> Dissolved as at 31.05.2017

<sup>4</sup> Dissolved as at 31.12.2018

<sup>5</sup> Since September 2019

<sup>6</sup> 2019 annual financial statements not yet available

<sup>7</sup> Sold as of 31.12.2020

## Accounting and valuation principles

The companies included in the consolidated financial statements applied the same consistent accounting and valuation principles in accordance with the provisions of the German Commercial Code (HGB) as in the previous year. These principles are converted to IFRSs principles at Group level.

To the extent that, as a result of specific regulations of the Hospital Accounting Rules (Krankenhausbuchführungsverordnung – KHBV), receivables, liabilities and special or compensating items of consolidated subsidiaries are to be reported in conformity with the hospital financing law (Krankenhausfinanzierungsrecht – KHG), these are eliminated at Group level as far as they do not meet IFRSs.

**Acquisition and manufacturing costs** of assets, inventories, goods and services normally include the non-deductible value added tax, net of acquisition cost deductions. These costs also include the estimated costs for restoration obligations assumed. If property, plant and equipment consist of meaningful, identifiable and significant components, these are accounted for as separate units and depreciated accordingly. Maintenance and repair costs are recognised as an expense.

**Intangible assets with finite useful lives** are recognised at amortised cost and are amortised according to a scheduled time frame of three to five years on a straight-line basis. An impairment is recognised for an intangible asset if there are indications of impairment and the recoverable amount of the asset is less than its carrying amount. If the reason for an impairment recognised in prior years has ceased to exist, a write-up is performed on the respective asset, whereby the increased carrying amount resulting from the write-up may not exceed the amortised cost.

**Intangible assets with indefinite useful lives and goodwill** are tested for impairment annually, and additionally if at other points in time indications exist of a possible decline in value (impairment indicator). If the recoverable amount of an asset or goodwill is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. If the reason for an impairment recognised in the past has ceased to exist, a write-up is performed on the respective asset, whereby the increased carrying amount resulting from the write-up may not exceed the amortised cost.

No write-ups are performed in the case of **goodwill**. Development costs are only capitalised as an intangible asset if an intangible asset that has a future economic benefit can be identified and if the cost of this asset can be determined with certainty (IAS 38.57).

**Property, plant and equipment** is recognised at amortised costs. Scheduled depreciation related to technical equipment and machines, as well as operating and office equipment, is based on the useful life expectancy under application of the straight-line method. Contrary to this method, designated medical technology equipment and machines are depreciated to a minimal extent using the declining balance method if this better represents the anticipated future utility.

**Financial instruments** encompass, first and foremost, cash and cash equivalents, receivables and financial liabilities. Receivables are generally recognised at settlement amount and are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet date. Receivables which mature in more than 12 months are recognised as non-current assets. The carrying amounts of the current financial assets and the current liabilities essentially correspond to their fair values. Foreign currency transactions are negligible and there are no foreign exchange risks.

Pursuant to IFRS 9, **financial assets** must be classified into the following measurement categories: measurement at amortised cost (AC), measurement at fair value through other comprehensive income (FVTOCI) and measurement at fair value through profit or loss (FVTPL). In doing so, the financial assets must be classified on the basis of the business model that is used to manage the financial assets and the characteristics of the contractual cash flows. In the scope of the cash flow criterion, it must be determined whether the contractual cash flows exclusively constitute repayment and interest payments on the capital amount outstanding. The business model condition refers to how financial assets are used to generate income, distinguishing between the collection of contractual cash flows (hold to collect) and the sale of the financial asset (sell). As a third option, a combination of holding and selling is possible (hold to collect and sell). In the MEDICLIN Group, the financial assets pursuant to IFRS 9 refer to trade receivables, cash and cash equivalents, investments in stock of subsidiaries, other financial investments and other current financial assets. Considering all the relevant and available information, the management determines the business model and ensures that it is implemented at operating level.

The **reinsurance policies** cover risks from pension commitments. Claims from reinsurance policies that are pledged to the beneficiaries of pensions are offset directly against the pension obligations. They are classified as qualifying insurance policies as defined in IAS 19. Reinsurance policies that have not been pledged are recognised when calculating the amount of pension obligations. Reinsurance policies are measured at fair value; this corresponds with the asset value that is determined by the insurance companies.

**Investments in stock of subsidiaries** are measured at fair value through profit or loss.

**Foreign currency** transactions are valued at the exchange rate at the time of initial recognition. Monetary assets and debts in foreign currency are valued on the reporting date at the rate valid at such date. Gains and losses from currency fluctuations up to the balance sheet date are generally recognised through profit or loss.

**Depreciation** of property, plant and equipment is calculated on the basis of the following useful lives: buildings 25 to 50 years, technical equipment and machines 6 to 30 years, and operating and office equipment 3 to 15 years.

In addition to scheduled depreciation, the carrying amounts of property, plant and equipment and intangible assets are reviewed at least once per year for indications of impairment (**impairment indicator**). If such indications are identified, the recoverable amount of the asset will be estimated in order to determine the size of any impairment loss. If the recoverable amount cannot be determined for the individual asset (for instance an intangible asset), an estimate is made instead for the recoverable amount at the level of the cash-generating unit (CGU) to which the asset belongs. If the valuation at CGU level reveals that the carrying amount is higher than the recoverable amount, the impairment is distributed among the individual assets in relation to their carrying amounts. CGUs are regularly defined as operating locations (clinics/facilities) that use a separate company code. If the reason for a non-scheduled depreciation recognised in prior years has ceased to exist, a write-up is performed, whereby the increased carrying amount resulting from the write-up may not exceed the amortised cost. Upon sale or retirement, the acquisition or manufacturing costs and related accumulated depreciation of the asset are written off the balance sheet and any profit or loss is recognised in income or expenses.

In the case of impairment losses related to CGUs that carry goodwill, the carrying amount of any goodwill allocated to the CGU is reduced first. If the amount of impairment losses exceeds the carrying amount of goodwill, the difference is generally allocated proportionally to the remaining non-current assets of the CGUs to reduce their carrying amounts accordingly. If, following recognition of an impairment loss, the recoverable amount of the asset or the CGU increases at a later time, the value is written up again with the maximum being the recoverable amount. The reversal of the impairment may not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. Any write-ups to be performed are recognised as income. However, impairment losses of goodwill may not be reversed and are therefore not reversed by MEDICLIN.

When determining the **value in use**, the estimated future cash flows are discounted using the pre-tax market interest rate. As a general principle, the expected earnings values from the latest management planning are used as a basis of this process, adjusted for assumptions on the development of the earnings performance and discounted with the capital costs of the unit, allowing for an alternative interest charge. This detailed planning that is always carried out for a period of three years is based on past experience as well as on expectations concerning future market developments. The perpetuity is calculated on the basis of the plan figures for the third year, pricing in an appropriate discount if required. The discount rate is determined on the basis of the weighted average cost of capital after tax (WACC after tax), taking the following variables into account: a risk-free interest rate, a market risk premium (multiplied by a beta coefficient), a growth discount in the perpetuity, borrowing costs after tax and the capital structure, which is determined on the basis of a peer-group analysis. The first-time adoption of IFRS 16 in the 2019 financial year has an effect on the cost of capital because the financing structure of the peer group takes account of leases. Indications of impairment in value are taken into account by recording respective non-scheduled depreciation on the carrying amount of the CGU/asset up to the recoverable amount. For its planning, the Company assumes moderate rates of change regarding the earnings expectations and considers these assumptions to be reasonable. Alternative scenarios will only be calculated should concrete signs of changes occur.

The selection concerning the measurement of the **fair value** underlying the net disposal price is based on a value hierarchy with three levels and depends on the available data (inputs (IFRS 13.72–90)).

The option of using the revaluation method for intangible assets and for property, plant and equipment is not exercised in the MEDICLIN Group.

**Public grants** mainly relate to grants received in accordance with the hospital financing law (Krankenhausfinanzierungsgesetz – KHG) and under respective state hospital regulations. They are recognised as receivables pursuant to the hospital financing law at fair value if it can be reasonably assumed that the grants will be awarded. This is generally recognised at the time the subsidy grant notification is received. Grants which have not yet been adequately used are recognised as current or non-current liabilities in other payables. If the subsidies are not disbursed in one lump sum, but rather through annual payments the disbursements of which vary in schedule, the entitlement to the aid is not established until the notification of subsidy for the respective financial year is received. Therefore only the amount of the annual payment is recognised in receivables pursuant to the hospital financing law.

**Subsidies for investments** are deducted directly from acquisition costs. In accordance with the reduction of acquisition costs of the subsidised property, plant and equipment, the depreciations are limited to the amount of utility depletion of the non-subsidised non-current assets. Off-period netting, for example from the refinancing of formerly self-financed capital expenditure from previous years, is not netted with depreciation in the consolidated profit and loss account, but disclosed under other operating income. **Subsidies for running costs** and investment incentives in the form of debt service support are recognised on an accrual basis.

Since 1 January 2019 the Group applies **IFRS 16 "Leases"**. This standard requires that the entity assesses at inception of a contract whether the contract is, or contains, a lease. A contract is, or contains, a lease if the lessee is entitled to control the use of an identified asset for a period of time in exchange for consideration. As the lessee, the Group recognises and measures all leases in accordance with the right-of-use model. Right-of-use assets for lease objects and liabilities for the corresponding payment obligations are recognised at present value in the balance sheet.

The Group has exercised the option to recognise the lease payments for short-term leases (term  $\leq 12$  months) directly as an expense. Leases for low-value assets (IFRS 16.5(b) in conjunction with 16.B3 ff.) are not subject to the right-of-use model either; they are further on recognised as expenses. The value threshold is based on the threshold defined in "IFRS 16 Basis for Conclusions BC100" which is "USD 5,000 or less". Moreover, the provisions are not applied to leases for other intangible assets (IFRS 16.4) or intra-Group leases. The option to account for the lease components of the contract and the associated non-lease components as a single lease component pursuant to IFRS 16.15 is exercised.

The **right-of-use** asset is measured on the basis of the cost incurred including, in addition to the present value of the lease payments, other direct costs associated with the lease contract. In the scope of subsequent measurement, the right-of-use asset is depreciated on the basis of the straight-line basis to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term. If there are indications of impairment, an impairment test in accordance with IAS 36 for the right-of-use asset is carried out.

The **lease liability** is recognised at the present value of the lease payments to be paid during the expected lease term, including both fixed and index-related payments. Payments to be received under lease incentives must be deducted. In this context, residual value guarantees, early repayment penalties and call option premiums are also considered if the lessee is reasonably certain to exercise that option. The incremental borrowing rate as at the commencement date of the lease is used to calculate the present value of the lease payments, because the underlying interest rate of the lease cannot be easily determined. If the lease is modified because the term and/or the lease payments change (e.g. because the lease payments are linked to an index or if the interest rate is changed after the term changes) or if the assessment of a purchase option changes, the carrying amount of the lease liability is remeasured.

Leases for which the Group is classified as the lessor and that do not transfer basically all the risks and opportunities incident to ownership of an asset are classified as operating leases. The lease income from such leases is recognised as other operating income on a straight-line basis over the term of the lease.

As the MEDICLIN Group is a provider of healthcare services, **inventories** are only of minor importance and are only subject to slight changes in their value and composition. These are recognised according to the average cost method at acquisition costs and do not include borrowing costs.



**Borrowing costs** which are directly connected with the purchase, construction or production of a qualified asset must be capitalised as part of the acquisition or manufacturing costs of this asset. As in previous years, there were no borrowing costs which were connected with construction measures in the 2020 financial year. The costs are not capitalised if the investment is subsidised by means of debt service support and the interest payments for the loans taken out in order to finance the project are subsidised. All other borrowing costs are recognised as expenses for the period in which they accrue.

**Trade receivables** are initially recognised at fair value and thereafter measured at amortised cost due to their short-term nature and the fact that they do not bear interest. Furthermore, a risk provision for expected default losses is set aside pursuant to IFRS 9 as soon as the receivables are recognised; unrecoverable receivables are written off. A simplified approach is to be applied to the impairment of trade receivables. Given their short terms (<12 months), the expected loss in the next 12 months equals the loss over the residual term of the receivable. MEDICLIN divides risks from payment default that are based on the debtor's creditworthiness into two classes that are, by their very nature and irrespective of how long the receivables have been overdue, exposed to different creditworthiness risks. The first group comprises the statutory health and pension insurance providers. Their creditworthiness risks are assessed on the basis of the CDS spread for Germany. The second group refers to self-paying patients. Their creditworthiness risks were assessed and adjusted on the basis of historical default rates as of 31 December 2020. The expected loss over the residual term is determined depending on how long they have been overdue and by determining how probable it is that they will pass from one level of overdue receivables to another. Receivables that have been overdue for 360 days and receivables that have been overdue for shorter periods but have a significantly increased default risk are written off entirely. Pursuant to IFRS 9, an impairment needs to be recognised as soon as a receivable is recognised, meaning that losses are recognised at an earlier stage as both incurred and expected losses are booked. This approach does not record the change in default risk; instead, an impairment that represents all the credit losses expected during the entire term is recognised on each balance sheet date.

**Cash and cash equivalents** encompass cash, sight deposits, other short-term, highly liquid financial assets with original terms of no more than three months, and current account balances. Current account credits drawn upon are disclosed in current financial liabilities as liabilities to banks. Cash and cash equivalents are measured at amortised cost and a risk provision is set aside for expected default losses in accordance with the three-step model under IFRS 9 (general approach). Under the three-step model, debt instruments that are measured at amortised cost are classified as level 1 upon initial recognition. The expected loss equals the amount that could arise from potential defaults over the next 12 months after the balance sheet date. If a significant increase in the default risk of the counterparty has been identified since initial recognition, the financial asset is reclassified from level 1 to level 2. Among other factors, the default risk is deemed to have increased significantly if the debtor no longer honours its payment obligations in the short term or if there are indications that the business performance of the debtor has deteriorated or might deteriorate. The default risk is then determined in accordance with the probability of default over the entire residual term. The impairment equals the amount that might arise from potential default during the residual term of the financial asset. The financial asset must be reclassified from level 1 to level 2 at the latest when the contractual payments have been overdue for more than 30 days. If there are objective indications that a financial asset might be impaired, it must be transferred to level 3. Whenever payments have been overdue for more than 90 days, it is assumed that the debtor has significant financial problems and it is deemed that there are objective indications for a default. The financial asset must be transferred to level 3.

**Current and non-current financial liabilities** are initially recognised at fair value less transaction cost on the liabilities side and stated at amortised cost using the effective interest method in the following periods. Amortised cost equal the amount at which a financial liability is measured at initial recognition:

- less repayment
- plus or less premium or discount, as applicable
- applying the effective interest method

Loans are initially recognised at their acquisition costs which correspond to the fair value of the consideration received less the cost incurred in taking out the loan. Current liabilities are recognised at fair value, which corresponds approximately to the repayment amount. As far as the discharge of a debt or repayments will occur within 12 months after the balance sheet date, the corresponding amounts are reclassified as current liabilities.

The MEDICLIN Group has both defined benefit plans and defined contribution plans.

The **pension obligations** mainly result from the **defined benefit plans** and are stated using the projected unit credit method in consideration of future salary and pension developments, as well as using current biometric probabilities in accordance with IAS 19. The service period components (service cost and past service cost, effects from amendments, curtailments and settlements) are shown in staff costs. (Net) interest expense/income relating to the net liabilities recognised in the balance sheet is recognised in the financial result. Remeasurements are recognised in other comprehensive income (OCI), i.e. without an effect on net profit or loss. They encompass all the actuarial profits and losses of the pension obligations and plan assets accrued within a year that were not taken into account in the interest component, less any deferred taxes attributable thereto. They are shown in equity in the revenue reserve. The interest rate used for discounting is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds with fixed interest rates.

Payments for **defined contribution plans** are recognised as expense as they fall due and are shown in staff costs. Due to the low-interest situation on the capital markets in recent years, some of these defined contribution plans incurred underinsurance because interest surpluses were no longer available to fund the guaranteed annual adjustment of 1.0 % of the benefits. This risk is covered by means of a provision in the amount of EUR 0.2 mill. (previous year: EUR 0.2 mill.) (please refer to item (20) Pensions and similar commitments for further details). Given this underinsurance, these commitments are also classified as defined benefit plans in the future. Payments for government pension plans are treated like payments for defined contribution plans.

In accordance with IAS 37, **remaining provisions** are recognised to the extent that present obligations from past events exist vis-à-vis third parties which will probably lead to an outflow of funds and which can be reliably estimated. In case of legal disputes, the management has to exercise judgement in order to assess whether a past event entails a current obligation as at the reporting date, whether a future outflow of funds is probable and whether the amount of such obligation can be reliably estimated. Judgement is also needed to assess whether a provision for an ongoing proceeding due to new circumstances is required or the amount of an existing provision has to be adjusted. Usually external lawyers are called in to help with such judgement. Provisions are recognised for discernible risks and contingent liabilities in the amount of their probable occurrence. They are not offset against recourse claims. The settlement value also includes

the cost increases to be accounted for as of the balance sheet date. Discounts are applied if the respective interest effect is significant. Provisions are reversed when the outflow of funds that is associated with an economic benefit is no longer probable. This is reviewed on every balance sheet date. Income from the reversal of provisions that are not (or no longer) needed is offset against the expense item from which the addition originates.

Prepayments received from customers and deferred income items are disclosed in other payables.

**Deferred tax assets and deferred tax liabilities** are determined using the balance sheet liability method in accordance with IAS 12. Accordingly, all differences between the carrying amounts of assets and liabilities as recognised in the consolidated financial statements and the amounts used for taxation purposes are recognised as probable future tax reliefs and charges in the balance sheet. The deferred tax assets also include tax deduction claims resulting from the expected utilisation of existing losses carried forward in subsequent years, but only where it is sufficiently probable that the taxable income will be available in the future to enable the tax loss carryforwards to be utilised. As far as issues which result in a change of deferred tax are taken directly to equity, the change of deferred tax is also recognised in equity. The tax rate applied for deferred tax assets and tax liabilities was unchanged at 15.825 % for the main Group segments (corporation tax, solidarity surcharge). Deferred taxes are netted in accordance with IAS 12.74. This resulted in a deferred tax asset surplus.

**Contingent liabilities** are possible obligations to third parties or existing obligations that are unlikely, but not unable, to lead to an outflow of funds or the amount of which cannot be measured with certainty. Contingent liabilities are not recognised in the balance sheet unless they are assumed in connection with a business combination; instead they are disclosed in the notes.

**Income** from rendered services and the sale of goods is recognised at the fair value of the consideration received. Hospital services are recognised in accordance with the stage of performance relative to the service already provided and the overall service to be provided in the financial year in which the services are provided. Services agreed with the coverage providers are, at the acute-care hospitals, largely remunerated by billing so-called case-based lump sums (Diagnostic-related groups – DRG) pursuant to the Hospital Compensation Act (KHEntgG) and, at the psychiatric and psychosomatic facilities, by billing the lump sums for psychiatry and psychosomatics (PEPP) under the Federal Directive on Nursing Care Rates (BPfIV). Under the Nursing Staff Strengthening Act (Pflegepersonal-Stärkungs-Gesetz – PpSG), the nursing staff costs for direct patient care at inpatient wards are no longer settled as part of the DRG system. The nursing staff costs for patient care are now remunerated by means of the hospital's individual nursing care budget. In the scope of the agreed budgets, hospital services are subject to maximum limits. More services than agreed (budget overruns) are offset against less services than agreed (budget shortfalls) in the scope of the statutory regulations. Budget-limiting regulations may also apply in the field of outpatient care.

Most of the **sales** of MEDICLIN are subject to legally standardised compensation regulations such as the Hospital Compensation Act (KHEntgG) and the Federal Directive on Nursing Care Rates (BPfIV) for inpatient hospital services or Book Nine of the German Social Security Code (SGB IX) for rehabilitation services. All services are compensated prospectively by the social insurance agencies via budget agreements. Often the underlying budget negotiations are only concluded in the course of the year or even after the close of the budget year, leading to uncertainties regarding the agreed service volumes and/or compensation to be paid for such services. Sales encompass the fair value received for the sale of merchandise and services excluding value added tax, rebates and price deductions, and after elimination of intra-Group sales. Sales resulting from the sale of services are recognised in accordance with the stage of performance relative to the service already provided and the overall service to be provided in the financial year in which the services are provided. As a general rule, sales are realised when the respective service is provided. Sales from flat-rate payments are recognised in keeping with the stage of performance.

**Contract assets** constitute MEDICLIN's conditional rights to the receipt of cash and cash equivalents and refer to services rendered by MEDICLIN that could not be billed before the balance sheet date. Mainly, this refers to claims under the Hospital Compensation Act (KHEntG) or the Federal Directive on Nursing Care Rates (BPfIV) arising from patient treatment not yet completed on the balance sheet date. These patients are measured by multiplying the respective base rate at state level with the case mix index (CMI) attributable to the individual patients present on the balance sheet date; the CMI share for the main treatment is allocated to the year, in which the service was actually rendered. The remaining share is allocated to financial years depending on the number of days spent in the hospital. Contract assets are reclassified to trade receivables as soon as the Group's claims have become unconditional, usually in the following financial year. The revenue, however, is realised as soon as the contract assets are capitalised in the balance sheet. Allowances for credit-worthiness risks associated with contract assets are recognised in accordance with the accounting principles for trade receivables. Contract liabilities are created through payments on account the Group receives in the form of cash and cash equivalents up until the balance sheet date. On first recognition, the fair value of the consideration received is entered in the balance sheet because third parties acquired a claim to performance fulfilment. Usually, this takes place at the same time as the revenue is realised in the following financial year.

The amount of **contract liabilities** for self-paying patients is negligible in the post-acute sector.

**Receivables from services not yet invoiced** are reliably estimated via the output method pursuant to IFRS 15.B15. Sales are recognised on the basis of the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The services are charged either on the basis of daily rates or case-based lump sums, which can be translated into fictitious daily rates.

**Operating expenses** are charged to expenditure at the time the service is rendered or caused. As basically no pre-tax deduction is applied, the expenses mainly include the statutory value added tax.

Write-ups, gains from the disposal of non-current assets and other off-period income are disclosed in **other operating income**.

Non-scheduled depreciation, losses from the disposal of non-current assets and other expenses unrelated to the accounting period are recognised in **other operating expenses**.

## Exercise of judgement and options in applying accounting and valuation principles

The recognition and measurement of assets and liabilities are partly based on the exercise of judgement by the management as shown in the following. All the assumptions are made in good faith in order to give a true and fair view of the net assets, liabilities, financial position and profit or loss. Any differences between the actual circumstances and the assumptions will have an effect on the recognition and measurement of assets and liabilities. Depending on the situation, such differences might also have an effect on the result. This is particularly the case in the following circumstances:

- With respect to assets that are to be sold, it must be determined whether the assets can be sold in their present condition and whether their sale is highly probable. If both these conditions apply, the assets and any associated liabilities are recognised and measured as "assets or liabilities held for sale".

- The impairment test for goodwill is carried out on the assumption that the time frame used for the calculation (detailed planning for three years; calculation of perpetuity on the basis of the figures for the third year, pricing in an appropriate discount if required) is adequate to determine the value in use. Further assumptions are stable occupancy rates as well as a commensurate development of personnel expenses across the Group. Special assumptions must be made regarding the development of state base rates as well as the prospective budget development and, in the post-acute segment, regarding the prospective development of the main occupancy providers and the future remuneration development. The management also exercises judgement in defining the scope of cash-generating units.
- The lease term within the meaning of IFRS 16 is defined as the non-cancellable period of a lease and option periods that are reasonably certain to be exercised. In determining the lease term, the lessee must consider any periods covered by options to extend or terminate the lease if the lessee is reasonably certain to exercise such option (IFRS 16.18). A unilateral right on the part of the lessor to terminate the lease (IFRS 16.BC128) is not relevant for determining the lease term and therefore it is irrelevant from the lessee's perspective. Such option periods that are reasonably certain to be exercised must be considered in the lease term from the beginning of the lease. A lease is no longer binding when both the lessee and the lessor can terminate the lease without the consent of the respective other contracting party.
- Practical expedients are available for leases for low-value assets and for short-term leases (less than 12 months). The quantitative threshold pursuant to IFRS 16 BC100 is USD 5,000.
- Pursuant to IFRS 16.15 there is an option to account for non-lease components and lease components as a single lease component.

Based on the German "Act to Mitigate the Consequences of the COVID-19 Pandemic under Germany's Civil, Insolvency and Criminal Procedure Law" adopted by the German Federal Parliament (Bundestag) on 27 March 2020, MEDICLIN made use of the option to defer rent payments for clinic real estate in the months of May and June 2020, thus applying the amendment to IFRS 16. The rent payments that were deferred for two months total EUR 7.9 mill. and refer to the rents for 21 clinics. On 1 January 2020 amendments to IAS 1 and IAS 8 came into force that contain a new definition and standardisation of "material" and are intended to increase the relevance of disclosures in the notes to the financial statements. According to the new definition, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make".

The question whether the decisions of primary users may be influenced must be based on "reasonable expectations". The group of users to be considered with regard to materiality issues is limited to potential investors like financiers and investors. As such, the management must decide which information, either individually or in combination with other information, is material and best serves the primary users' interest in information. Following this final reassessment, information may be added or deleted if it is classified as immaterial or information may be compiled, itemised or re-structured in a new way.



## Estimates and assessments made by management

The application of accounting policies and valuation methods prescribed by IFRSs and the IFRS IC requires estimates and assumptions to be made about the future which, as a matter of course, may differ from actual events. All underlying estimates and assumptions made in the context of the accounting and valuation are re-examined on a regular basis and are either based on historical experiences and/or on expectations regarding the occurrence of future events, which appear reasonable from a commercial viewpoint under the given circumstances.

These assumptions and estimates relate to, among other things, the accounting and valuation of provisions and liabilities. Tax risks may arise if the opinions of the German federal tax authorities and MEDICLIN regarding the legal situation differs. At present there are no risks from circumstances resulting in a potential back payment. In addition to the pension trend and the probability of death, the discount rate represents a significant estimation factor for provisions for pensions and similar commitments. The discount rate for pension obligations is determined on the basis of yields on high-quality, fixed-rate corporate bonds on the financial markets as of the balance sheet date. A rise in the discount rate results in a reduction in the present value of the pension obligations and thereby an increase in equity, whereas a reduction in the discount rate leads to the reverse effects. Thus, an increase in the discount rate by 0.5 percentage points from 0.4 % to 0.9 % lowers the present value of the defined benefit obligation (DBO) by EUR 5.9 mill., or 8.5 %. A reduction in the discount rate by 0.5 percentage points from 0.4 % to –0.1 %, in turn, increases the DBO by EUR 6.8 mill., or 9.7 %. However, following deduction of deferred taxes, this would be reflected in other comprehensive income.

In order to determine whether the goodwill of a certain cash-generating unit (CGU) has been impaired, the value in use of the unit must be measured. To determine the value in use, the estimated future cash flows from the CGU are discounted to present value using an adequate discount rate, whereby the assumptions utilised for this process are uniformly determined for all CGUs carrying goodwill.

Following the introduction of IFRS 15, the measurement, recognition and disclosure of sales is subject to even more judgement and estimates on the part of MEDICLIN than before. This is particularly true of:

- Identification of the contract(s) with a customer
- Identification of the separate performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the individual performance obligations in the contract
- Revenue recognition when a performance obligation is satisfied

Revenue recognition is based mainly on a comparison of performance and consideration under a contract (asset-liability approach): a performance rendered creates an asset, whereas consideration received creates a liability. This point in time or time period may but does not have to coincide with the time the risks and rewards related to such assets are passed. Treatment contracts between hospitals or rehabilitation facilities and patients or their health insurance funds are classified as service contracts pursuant to Section 630a ff. of the German Civil Code (BGB). Irrespective of who will bear future payments, the patient is generally regarded as the customer. The scope of performance obligations of hospital treatments is defined primarily by legal provisions. The prices to be charged to coverage providers are governed by numerous laws and regulations. The amount of the nursing rate in the field of rehabilitation is agreed separately in nursing rate negotiations for each facility between the (leading) rehabilitation coverage provider and the operator of the facility. The patient receives and utilises the benefit at the time the performance is rendered. As such, control is passed, and revenue

is recognised over time as the performance is rendered in accordance with the progress towards satisfaction of the performance obligation. Corrections with regard to revenue, for instance following a review by the German Health Insurance Medical Service (MD), are already performed on the basis of various parameters. At MEDICLIN, control is passed, and revenue is recognised over time.

Most of MEDICLIN's sales from inpatient hospital services and rehabilitation services are based on budget negotiations that are regularly held in the course of the respective financial year and are partially concluded after the close of the financial year. In the acute sector, the hospital compares the billed services (amount and type of service) with the budget the hospital negotiated with the health insurance funds. This may result in higher or lower proceeds that can in principle be equalised by means of a defined proceeds equalisation procedure. In the scope of this equalisation procedure, pre-defined lump sums are remunerated or deducted for higher or lower than expected variable costs. The resulting receivables (contract assets) or liabilities (contract liabilities) are recognised in the consolidated balance sheet, while sales are adjusted accordingly. Therefore, the agreed service volumes and/or the compensation to be paid for the services are subject to uncertainty. Here, the management makes reasonable estimates.

Furthermore, the assessment of the recoverability of receivables, including the receivables pursuant to the hospital financing law, as well as the assessment of the recoverability of deferred tax liabilities and assets – here, in particular, for losses carried forward – are based on adequate assumptions and estimates by management and were determined using the latest available and reliable information. This includes quantitative and qualitative information based on the Group's previous experience, credit risk assessments and forward-looking information (including macroeconomic factors).

Assets held for sale and disposal groups are valued at the lower of carrying amount or fair value less costs of disposal. In determining the fair value less costs of disposal the management also exercised judgement regarding recoverability.

Some subsidiaries of the MEDICLIN Group are involved in legal disputes. The management regularly analyses the current findings in these legal disputes and sets aside provisions for obligations that are likely to arise and the estimated legal costs. Lawyers advise the management in forming its judgement. When deciding whether it is necessary to set aside provisions, the management considers the likelihood of an adverse outcome of the dispute and its ability to estimate the amount of the obligation to a reasonably reliable degree. The fact that an action is brought forward against a MEDICLIN company or that claims are formally asserted does not necessarily mean that provisions must be set aside for the corresponding risk.

The useful lives of depreciable assets are determined on the basis of the asset's anticipated usability for the Company. This is estimated based on empirical values for comparable assets. The application of IFRS 16 also requires a larger scope of judgement and estimates, referring in particular to:

- determining the lease term, thereby considering any options to terminate or to extend the lease that might exist,
- determining the incremental borrowing rate, and
- reassessing the lease liability when the lease is modified.

In 2005 to 2007, rent deductions totalling approximately EUR 21.0 mill. were received from the landlord for a portion of the leased real estate. In conjunction with this rent reduction, a performance-related repayment until 31 December 2027 was agreed, which is dependent upon the achievement of economic performance criteria by the clinics included in the fund. This agreement constitutes a waiver of claims with a debtor warrant, which in accordance with IFRSs regulations (IFRS 9.3.3.2) is treated as a repayment of the original debt and the recognition of a new financial liability. The recognition of such a liability is based on anticipated future discounted payments for the debtor warrant. Based on the present planning, the probability that these performance criteria will be reached is regarded as high. Accounting provisions thus require that a provision is set aside for future liabilities in the amount of EUR 21.0 mill. (previous year: EUR 21.0 mill.). If the assessment of probability of occurrence for the aforementioned performance criteria changes in the future, the provision will be adjusted accordingly. At the end of May 2016 MEDICLIN initiated civil proceedings at the district court of Offenburg to review the appropriateness of the rents on which the reductions with debtor warrant were granted.

All assumptions and estimates are based on the conditions and assessments as of the balance sheet date. Moreover, assumptions concerning the future business performance are based on the assumed future development of the economic environment in the healthcare sector and in the regions in which the Group operates as is realistic at the time the assumptions are made. The development of these general underlying conditions may deviate from the assumptions made, and this may lead to actual amounts not being consistent with the estimated values. In such cases, the assumptions and, if necessary, the carrying amounts of the assets and liabilities concerned will be adjusted accordingly. At the time of preparation of the consolidated financial statements, no significant changes respecting the underlying assumptions and estimates were expected. Accordingly, from the present point of view, no significant adjustment to the carrying amounts of reported assets and liabilities is to be expected for the 2021 financial year.

## Notes to the consolidated cash flow statement

The consolidated cash flow statement was prepared in accordance with IAS 7, and broken down into three sections: operating, investing and financing activities. The definition of cash and cash equivalents is limited to those means of payment (cash, sight deposits at banks and fixed-interest securities) that correspond to the cash and cash equivalents item disclosed on the balance sheet. The cash flow from operating activities is derived using the indirect method. The cash flow from investing activities is stated using the gross method.

The cash flow from operating activities increased by EUR 49.1 mill., from EUR 69.6 mill. to EUR 118.7 mill. This is mainly due to savings measures that were initiated and implemented, and liquidity received under the protective shield to manage the coronavirus pandemic. The EUR 18.4 mill. decline in trade receivables, caused primarily by the shorter payment term of five days granted by coverage providers in the acute segment, is particularly noteworthy in this respect. Future burdens will result from the protective shield because, as of 31 December 2020, approximately EUR 23.6 mill. will presumably have to be repaid in 2021. The return to the usual payment terms granted by coverage providers in 2021 will also weigh on liquidity. Tax payments amounted to EUR 0.7 mill. net of tax refunds (previous year: EUR 3.4 mill.).

The decline in capital expenditure by EUR 27.0 mill. had a positive effect on liquidity. A gross amount of EUR 3.5 mill. (previous year: EUR 3.6 mill.) was spent on intangible assets. Gross investments in property, plant and equipment totalled EUR 22.3 mill. (previous year: EUR 41.3 mill.). Investment subsidies received amounted to EUR 10.7 mill. (previous year: EUR 7.6 mill.). The investment subsidies received refer primarily to MediClin Müritzklinikum, MediClin Hedon Klinik, MediClin Krankenhaus Plau am See, MediClin Seepark Klinik and MediClin Herzzentrum Coswig. The payments from divestments in the amount of EUR 6.0 mill. pertain to the disposal of shares in MediClin Krankenhaus am Crivitzer See GmbH, Crivitz. This results in a cash flow from investing activities totalling EUR –8.6 mill. (previous year: EUR –35.6 mill.).

The cash flow from financing activities amounted to EUR –46.5 mill., down from EUR –30.5 mill. in the previous year. In the previous year, cash and cash equivalents amounting to nearly EUR 24 mill. had been taken out and had a positive effect on the cash flow from financing activities. In 2020, in turn, loan liabilities of just under EUR 2 mill. were repaid. No further loans were taken out in 2020. Based on the German “Act to Mitigate the Consequences of the COVID-19 Pandemic under Germany’s Civil, Insolvency and Criminal Procedure Law”, MEDICLIN made use of the option to defer rent payments for 21 clinic properties over two months. This reduced the repayments under leases compared to the previous year. The deferred rents amount to EUR 7.9 mill. Expenses for short-term and low-value leases that are not recognised in accordance with IFRS 16 are still shown in the operating cash flow.

Other payments for interest amounted to EUR 1.2 mill. (previous year: EUR 1.3 mill.). The change in consolidation scopes for financial funds item is associated with the sale of shares in MediClin Krankenhaus am Crivitzer See GmbH as of 31 December 2020.

Cash and cash equivalents at the end of the period thus increased by EUR 63.2 mill. to EUR 100.4 mill.

The changes in liabilities from financing activities break down as follows:

In thousands of €	As of 01.01.2020	Cash items	Non-cash items		As of 31.12.2020
			Interest accrual	Other changes	
Current liabilities to banks	26,707	90	-16	0	26,781
Non-current liabilities to banks	72,994	-1,798	0	0	71,196
Current lease liabilities	44,051	-3,856	-801	14,615	54,009
Non-current lease liabilities	368,319	-32,014	0	-1,430	334,875
Current other financial liabilities	207	-58	0	0	149
Non-current other financial liabilities	154	-154	0	0	0
	<b>512,432</b>	<b>-37,790</b>	<b>-817</b>	<b>13,185</b>	<b>487,010</b>

In thousands of €	As of 01.01.2019	Cash items	Non-cash items		As of 31.12.2019
			Interest accrual	Other changes	
Current liabilities to banks	20,831	5,927	-51	0	26,707
Non-current liabilities to banks	54,853	18,141	0	0	72,994
Current lease liabilities	0	550	0	43,501	44,051
Non-current lease liabilities	0	-43,284	0	411,603	368,319
Current other financial liabilities	204	3	0	0	207
Non-current other financial liabilities	318	-164	0	0	154
	<b>76,206</b>	<b>-18,827</b>	<b>-51</b>	<b>455,104</b>	<b>512,432</b>



## Segment reporting

The reportable operating segments of the MEDICLIN Group are the post-acute, acute and other activities segments. Apart from the sale of MediClin Krankenhaus am Crivitzer See GmbH as at 31 December 2020, which belonged to the acute segment, no other changes were made with regard to segments or the allocation of individual clinics to segments in the 2020 financial year. The division into operating segments corresponds to that used for the internal controlling and reporting of the Group. MEDICLIN does not break down its business activities into regional segments as MEDICLIN only operates in Germany and regional characteristics are deemed to be irrelevant for the management of the Company.

In its **post-acute segment**, MEDICLIN offers services in the fields of subsequent nursing treatment and curative procedures. Subsequent nursing treatment includes all medical measures required to facilitate the healing process and return the patient to a functioning state immediately after acute care treatment. Curative treatment includes prophylactic measures against the occurrence of (possible) illnesses or reoccurrence of illnesses. Some of the post-acute hospitals also offer services in acute neurology and acute psychosomatics.

The **acute segment** encompasses medical offerings with a focus on neurology and neurological early rehabilitation as well as psychosomatic medicine, psychiatry and orthopaedics and internal medicine. Furthermore, at certain locations, special expertise is offered in the areas of cardiology, oncology and ENT. The services of the medical care centres primarily encompass acute outpatient services and are included in this segment.

The **other activities segment** consists of the nursing care and service business areas, which are disclosed together due to non-fulfilment of quantitative thresholds pursuant to an IFRS ("IFRS 8.16 Quantitative Thresholds"). MEDICLIN offers full-time and short-term nursing care in the nursing care facilities of MediClin Pflege GmbH. The service business area consists of the central services. Altogether, the following companies belong to the service business area: MediClin GmbH & Co. KG (Offenburg branch office), MediClin Geschäftsführungs-GmbH, MediClin-IT GmbH, MediClin à la Carte GmbH, MC Service GmbH, MediClin Therapie GmbH, MediClin Immobilien Verwaltung GmbH, Kraichgau-Klinik Aktiengesellschaft, MC Kliniken Geschäftsführungs-GmbH and MediClin Energie GmbH.

As the management holding company, MEDICLIN Aktiengesellschaft, only generates internal sales. It is disclosed within the reconciliation column, in which the Group's cross-segment intra-Group sales are also neutralised. The reconciliation column primarily includes income and expense eliminations for the individual items of the profit and loss account, as well as operational assets and liabilities of the parent company MEDICLIN AG and consolidation items.

Intra-Group sales are also disclosed within the segment reporting. Clinics that offer services of both segments are assigned to the post-acute segment. The carrying amounts of goodwill are assigned to eight cash-generating units (operating locations) that all belong to the acute segment.

All business transactions between segments are conducted at the normal market conditions which customarily apply among third parties, with euros as the functional currency. Segment data was calculated in accordance with the financial accounting standards uniformly applied in the consolidated financial statements.

Segment assets and segment liabilities include all assets and liabilities that are attributable to operations – excluding financial assets, financial liabilities and income taxes. The segment assets item also includes goodwill.

After reconciliation, the result accords with the operating result in the profit and loss account as part of the consolidated statement of comprehensive income.

Gross capital expenditure refers to gross additions to non-current assets.

Pursuant to IFRSs (IFRS 8.34 “Information about major customers”), an entity is required to disclose information on the degree of dependency on major customers. As the MEDICLIN Group is a nationwide operator of hospitals, statutory social security pension funds and public health insurance funds account for around 90 % of the total service demand. Sales generated with coverage providers are monitored and controlled on a monthly basis. The public health insurance funds make up 44.3 % (previous year: 42.0 %) of the demand for services in the post-acute segment, while the social security pension funds make up 47.3 % (previous year: 49.2 %) of the demand for services in this segment. In the acute segment, 91.6 % (previous year: 91.7 %) of the services demanded are attributable to the public health insurance funds.

## Sectoral segmenting

In millions of €	January – December 2020					
	Post-acute	Acute	Other activities	Subtotal	Reconciliation	Total
<b>Sales</b>	393.7	248.7	69.7	<b>712.1</b>	–52.2	<b>659.9</b>
Total sales	399.7	252.1	73.6	<b>725.4</b>	0.0	<b>725.4</b>
Internal sales	–6.0	–3.4	–3.9	<b>–13.3</b>	–52.2	<b>–65.5</b>
Raw materials and consumables used	–70.3	–62.1	–28.4	<b>–160.8</b>	48.1	<b>–112.7</b>
Staff costs	–222.9	–147.4	–50.1	<b>–420.4</b>	–1.8	<b>–422.2</b>
Other operating expenses	–43.1	–33.3	–6.7	<b>–83.1</b>	24.5	<b>–58.6</b>
<b>Segment result</b>	<b>4.8</b>	<b>–1.5</b>	<b>5.1</b>	<b>8.4</b>	<b>–8.2</b>	<b>0.2</b>
Thereof non-cash items:						
Scheduled depreciations/write-ups	–62.2	–18.1	–5.4	<b>–85.7</b>	0.0	<b>–85.7</b>
of which depreciation from right-of-use assets (IFRS 16)	–43.2	–2.9	–1.3	<b>–47.4</b>	0.0	<b>–47.4</b>
Non-scheduled depreciations/write-ups	0.0	0.0	0.0	<b>0.0</b>	0.0	<b>0.0</b>
Release of special item	1.3	7.1	0.0	<b>8.4</b>	0.0	<b>8.4</b>
Allowances	–0.5	–0.9	0.0	<b>–1.4</b>	0.0	<b>–1.4</b>
Allocation of provisions/liabilities	13.0	16.8	8.8	<b>38.6</b>	0.8	<b>39.4</b>
Release of provisions/liabilities	–3.0	–2.8	–0.1	<b>–5.9</b>	0.0	<b>–5.9</b>
Financial revenues	0.4	0.1	0.5	<b>1.0</b>	–0.9	<b>0.1</b>
Financial costs	–8.4	–1.5	–1.3	<b>–11.2</b>	0.9	<b>–10.3</b>
Of which financial costs from lease liabilities	–7.8	–0.4	–0.1	<b>–8.3</b>	0.0	<b>–8.3</b>
<b>Financial result</b>	<b>–8.0</b>	<b>–1.4</b>	<b>–0.8</b>	<b>–10.2</b>	<b>0.0</b>	<b>–10.2</b>
<b>Taxes on income</b>	<b>0.5</b>	<b>0.1</b>	<b>0.4</b>	<b>1.0</b>	<b>0.0</b>	<b>1.0</b>
<b>Assets</b>	<b>537.8</b>	<b>187.2</b>	<b>48.2</b>	<b>773.2</b>	<b>114.3</b>	<b>887.5</b>
<b>Liabilities</b>	<b>438.9</b>	<b>58.0</b>	<b>113.6</b>	<b>610.5</b>	<b>100.1</b>	<b>710.6</b>
Gross capital expenditure	20.7	7.9	11.8	<b>40.4</b>	0.0	<b>40.4</b>
Gross capital expenditure excl. IFRS 16	8.4	7.2	11.0	<b>26.6</b>	0.0	<b>26.6</b>

In millions of €	January–December 2019					
	Post-acute	Acute	Other activities	Subtotal	Reconciliation	Total
<b>Sales</b>	416.7	236.6	74.4	<b>727.7</b>	–54.6	<b>673.1</b>
Total sales	422.1	239.5	78.7	<b>740.3</b>	0.0	<b>740.3</b>
Internal sales	5.4	2.9	4.3	<b>12.6</b>	54.6	<b>67.2</b>
Raw materials and consumables used	–79.6	–62.0	–29.9	<b>–171.5</b>	50.6	<b>–120.9</b>
Staff costs	–220.8	–139.3	–51.5	<b>–411.6</b>	–0.9	<b>–412.5</b>
Other operating expenses	–45.9	–29.6	–13.9	<b>–89.4</b>	30.1	<b>–59.3</b>
<b>Segment result</b>	<b>23.0</b>	<b>1.6</b>	<b>–0.9</b>	<b>23.7</b>	<b>–1.3</b>	<b>22.4</b>
Thereof non-cash items:						
Scheduled depreciations/write-ups	–57.1	–18.6	–4.3	<b>–80.0</b>	0.0	<b>–80.0</b>
of which depreciation from right-of-use assets (IFRS 16)	–42.4	–2.8	–1.2	<b>–46.4</b>	0.0	<b>–46.4</b>
Non-scheduled depreciations/write-ups	0.0	0.0	0.0	<b>0.0</b>	0.0	<b>0.0</b>
Release of special item	1.2	7.6	0.0	<b>8.8</b>	0.0	<b>8.8</b>
Allowances	–0.2	0.0	0.0	<b>–0.2</b>	0.0	<b>–0.2</b>
Allocation of provisions/liabilities	–12.6	–11.1	–10.4	<b>–34.1</b>	–1.1	<b>–35.2</b>
Release of provisions/liabilities	1.3	1.1	0.3	<b>2.7</b>	0.2	<b>2.9</b>
Financial revenues	0.4	0.1	0.5	<b>1.0</b>	–0.9	<b>0.1</b>
Financial costs	–8.8	–1.5	–2.9	<b>–13.2</b>	2.3	<b>–10.9</b>
Of which financial costs from lease liabilities	–7.6	–0.3	–0.1	<b>–8.0</b>	0.0	<b>–8.0</b>
<b>Financial result</b>	<b>–8.4</b>	<b>–1.4</b>	<b>–2.4</b>	<b>–12.2</b>	<b>1.4</b>	<b>–10.8</b>
<b>Taxes on income</b>	<b>0.5</b>	<b>–0.1</b>	<b>–1.0</b>	<b>–0.6</b>	<b>–1.3</b>	<b>–1.9</b>
<b>Assets</b>	<b>591.4</b>	<b>216.6</b>	<b>41.5</b>	<b>849.5</b>	<b>48.2</b>	<b>897.7</b>
<b>Liabilities</b>	<b>438.3</b>	<b>58.6</b>	<b>108.7</b>	<b>605.6</b>	<b>101.4</b>	<b>707.0</b>
Gross capital expenditure	447.7	36.6	19.1	<b>503.4</b>	0.0	<b>503.4</b>
Gross capital expenditure excl. IFRS 16	22.7	12.9	12.6	<b>48.2</b>	0.0	<b>48.2</b>

## Notes to the consolidated balance sheet

### Non-current assets

#### (1) GOODWILL AND OTHER INTANGIBLE ASSETS

In thousands of €	Concessions, licences	Goodwill	Payments on account	Total
Acquisition costs as at 01.01.2019	27,168	75,071	4,008	<b>106,247</b>
Additions	1,804	485	1,755	<b>4,044</b>
Reclassifications	297	0	-297	<b>0</b>
Disposals	-73	-722	0	<b>-795</b>
<b>Acquisition costs as at 31.12.2019</b>	<b>29,196</b>	<b>74,834</b>	<b>5,466</b>	<b>109,496</b>
Cumulated depreciation as at 01.01.2019	23,371	26,241	0	<b>49,612</b>
Scheduled depreciation	2,539	0	0	<b>2,539</b>
Non-scheduled depreciation	0	61	0	<b>61</b>
Reclassifications	0	0	0	<b>0</b>
Disposals	-68	-722	0	<b>-790</b>
<b>Cumulated depreciation as at 31.12.2019</b>	<b>25,842</b>	<b>25,580</b>	<b>0</b>	<b>51,422</b>
<b>Balance sheet value 31.12.2019</b>	<b>3,354</b>	<b>49,254</b>	<b>5,466</b>	<b>58,074</b>
Acquisition costs as at 01.01.2020	29,196	74,834	5,466	<b>109,496</b>
Additions	3,181	0	88	<b>3,269</b>
Reclassifications	4,648	0	-4,648	<b>0</b>
Disposals	-22	-110	0	<b>-132</b>
Disposal of previously fully consolidated companies	-276	0	-11	<b>-287</b>
<b>Acquisition costs as at 31.12.2020</b>	<b>36,727</b>	<b>74,724</b>	<b>895</b>	<b>112,346</b>
Cumulated depreciation as at 01.01.2020	25,842	25,580	0	<b>51,422</b>
Scheduled depreciation	3,265	0	0	<b>3,265</b>
Reclassifications	0	0	0	<b>0</b>
Disposals	-22	-110	0	<b>-132</b>
Disposal of previously fully consolidated companies	-255	0	0	<b>-255</b>
<b>Cumulated depreciation as at 31.12.2020</b>	<b>28,830</b>	<b>25,470</b>	<b>0</b>	<b>54,300</b>
<b>Balance sheet value 31.12.2020</b>	<b>7,897</b>	<b>49,254</b>	<b>895</b>	<b>58,046</b>



Capitalised, internally developed intangible assets do not exist. Licences and concessions pertain nearly exclusively to software.

Of the goodwill disclosed, a total of EUR 45.0 mill. (previous year: EUR 45.0 mill.) refers to differences from capital consolidation.

The goodwill is attributable to eight cash-generating units (CGUs) and refers entirely to the acute segment. The medical care centres are each summarised with the CGUs on a location basis if physically separate facilities exist at one location. In the 2019 financial year a medical care centre with a rehabilitation facility and a rehabilitation facility were each summarised with a CGU at their respective locations.

As in the previous year, the mandatory annual impairment test for goodwill revealed no impairment loss in the reporting year, because the recoverable amounts (according to the plan parameter) exceeded the carrying amounts. Goodwill amounted to EUR 49.3 mill. on 31 December 2020 (31.12.2019: EUR 49.3 mill.). The carrying amounts of the CGUs totalled EUR 180.3 mill. (31.12.2019: EUR 198.2 mill.). This breaks down to CGU as follows:

In millions of €	Interest rate before tax	Goodwill	in %	Carrying amount	in %
CGU location 1	4.40 %	23.5	47.6	38.6	21.4
CGU location 2	4.35 %	7.9	16.0	17.2	9.5
CGU location 3	4.13 %	7.2	14.6	41.0	22.8
CGU location 4	4.33 %	6.5	13.2	48.0	26.6
CGU location 5	4.43 %	2.2	4.4	7.4	4.1
CGU location 6	3.99 %	1.8	3.7	20.9	11.6
Others	–	0.2	0.5	7.2	4.0
		<b>49.3</b>	<b>100.0</b>	<b>180.3</b>	<b>100.0</b>

The recoverable amount of a CGU is determined by calculating the value in use with the discounted cash flow method (DCF) using the same assumptions for all CGUs carrying goodwill. The calculations are based on EBIT forecasts from the bottom-up annual planning as adopted and approved by the Management Board of MEDICLIN AG. The Company's three-year detailed planning is based on the management's experience with regard to the respective unit and takes into account the legal framework for the healthcare sector. The perpetuity is calculated on the basis of the plan figures for the third year, pricing in an appropriate discount if required. To calculate the present value of perpetuity, an equity risk premium of 0.25 % is factored in.

The cost of capital after tax amounts to 4.52 % (previous year: 3.93 %) in the year under review. Accounting for IFRS 16 and thus the leases in the financing structure of the peer group in the 2020 financial year, the cost of capital after tax amounts to 3.77 % (previous year: 3.35 %). The capital structure was adjusted and the present value of the operating lease liabilities was accounted for. The resulting capital structure (equity/borrowed capital) is 44.53/55.47. The beta coefficient is 0.87. All other parameters remain unchanged. The interest rate before tax is calculated by means of iteration on the basis of after-tax parameters from external information sources.

In %	31.12.2020 Pre-IFRS 16	31.12.2020 IFRS 16	31.12.2019 Pre-IFRS 16	31.12.2019 IFRS 16
Risk-free interest rate	0.00	0.00	0.10	0.10
Market risk premium	7.50	7.50	6.75	6.75
Beta coefficient (on the basis of a peer-group analysis)	0.81	0.87	0.72	0.72
Growth discount to the perpetuity	0.25	0.25	0.25	0.25
Borrowing costs (before taxes)	1.87	1.87	2.06	2.06
Tax shield	0.30	0.30	0.33	0.33
Capital structure (equity/borrowed capital) (on the basis of a peer-group analysis)	64.96/35.04	44.53/55.47	67.65/32.35	49.84/50.16

In millions of €			Change in discount rate				
			0.00 %	0.50 %	1.00 %	–0.50 %	–1.00 %
Change in EBIT	0.00 %	CGU location 3	0.0	0.0	–5.5	0.0	0.0
Change in EBIT	0.00 %	CGU location 6	0.0	–2.7	–5.8	0.0	0.0
<b>Change in EBIT</b>	<b>0.00 %</b>	<b>Total</b>	<b>0.0</b>	<b>–2.7</b>	<b>–11.3</b>	<b>0.0</b>	<b>0.0</b>
Change in EBIT	5.00 %	CGU location 3	0.0	0.0	–4.4	0.0	0.0
Change in EBIT	5.00 %	CGU location 6	0.0	–2.4	–5.6	0.0	0.0
<b>Change in EBIT</b>	<b>5.00 %</b>	<b>Total</b>	<b>0.0</b>	<b>–2.4</b>	<b>–10.0</b>	<b>0.0</b>	<b>0.0</b>
Change in EBIT	10.00 %	CGU location 3	0.0	0.0	–3.4	0.0	0.0
Change in EBIT	10.00 %	CGU location 6	0.0	–2.1	–5.3	0.0	0.0
<b>Change in EBIT</b>	<b>10.00 %</b>	<b>Total</b>	<b>0.0</b>	<b>–2.1</b>	<b>–8.7</b>	<b>0.0</b>	<b>0.0</b>
Change in EBIT	–5.00 %	CGU location 3	0.0	–0.4	–6.5	0.0	0.0
Change in EBIT	–5.00 %	CGU location 6	0.0	–3.0	–6.1	0.0	0.0
<b>Change in EBIT</b>	<b>–5.00 %</b>	<b>Total</b>	<b>0.0</b>	<b>–3.4</b>	<b>–12.6</b>	<b>0.0</b>	<b>0.0</b>
Change in EBIT	–10.00 %	CGU location 3	0.0	–1.5	–7.5	0.0	0.0
Change in EBIT	–10.00 %	CGU location 6	0.0	–3.3	–6.4	0.0	0.0
<b>Change in EBIT</b>	<b>–10.00 %</b>	<b>Total</b>	<b>0.0</b>	<b>–4.8</b>	<b>–13.9</b>	<b>0.0</b>	<b>0.0</b>

In the context of the impairment test, an additional sensitivity analysis was conducted, which primarily examined the effects of change in the underlying EBIT (+/–5 %; +/–10 %) and the discount rate (+/–0.5 %; +/–1.0 %).

The analysis revealed a need for write-downs totalling a maximum of EUR 13.9 mill. within the context of the parameter changes, which corresponds to 7.69 % of the carrying amount. CGU location 6 has the lowest headroom of EUR 1.5 mill. with considerable goodwill.

As no deterioration is expected with regard to the growth rate, it was not included in the sensitivity analysis.

## (2) PROPERTY, PLANT AND EQUIPMENT

In thousands of €	Land, land rights and buildings incl. buildings on third-party land	Right-of-use assets on land, land rights and buildings, incl. buildings on third-party land	Technical equipment and machines
Acquisition and manufacturing costs as at 01.01.2019	260,676	0	42,057
Additions	9,795	451,640	1,504
Reclassifications	11,848	0	739
Disposals	-1,428	0	-443
<b>Acquisition and manufacturing costs as at 31.12.2019</b>	<b>280,891</b>	<b>451,640</b>	<b>43,857</b>
Cumulated depreciation as at 01.01.2019	146,949	0	28,952
Scheduled depreciation	8,477	45,234	2,185
Disposals	-889	0	-409
<b>Cumulated depreciation as at 31.12.2019</b>	<b>154,537</b>	<b>45,234</b>	<b>30,728</b>
<b>Balance sheet value 31.12.2019</b>	<b>126,354</b>	<b>406,406</b>	<b>13,129</b>
Acquisition and manufacturing costs as at 01.01.2020	280,891	451,640	43,857
Additions	4,338	11,963	1,842
Reclassifications	8,242	0	1,003
Disposals	-82	-804	-1,297
Disposal of previously fully consolidated companies	-4,184	-709	-708
<b>Acquisition and manufacturing costs as at 31.12.2020</b>	<b>289,205</b>	<b>462,090</b>	<b>44,697</b>
Cumulated depreciation as at 01.01.2020	154,537	45,234	30,728
Scheduled depreciation	12,644	46,016	2,535
Disposals	-43	-202	-1,293
Disposal of previously fully consolidated companies	-1,401	-57	-548
<b>Cumulated depreciation as at 31.12.2020</b>	<b>165,737</b>	<b>90,991</b>	<b>31,422</b>
<b>Balance sheet value 31.12.2020</b>	<b>123,468</b>	<b>371,099</b>	<b>13,275</b>

	Operating and office equipment	Right-of-use assets on operating and office equipment	Payments on account and assets under construction	Total
	184,434	0	25,134	<b>512,301</b>
	11,368	3,574	14,502	<b>492,383</b>
	755	0	-13,342	<b>0</b>
	-8,583	-138	-9	<b>-10,601</b>
	<b>187,974</b>	<b>3,436</b>	<b>26,285</b>	<b>994,083</b>
	141,844	0	0	<b>317,745</b>
	11,538	1,138	0	<b>68,572</b>
	-8,397	-29	0	<b>-9,724</b>
	<b>144,985</b>	<b>1,109</b>	<b>0</b>	<b>376,593</b>
	<b>42,989</b>	<b>2,327</b>	<b>26,285</b>	<b>617,490</b>
	187,974	3,436	26,285	<b>994,083</b>
	5,725	1,851	7,623	<b>33,342</b>
	809	0	-10,054	<b>0</b>
	-13,837	-593	-12	<b>-16,625</b>
	-1,445	-53	-101	<b>-7,200</b>
	<b>179,226</b>	<b>4,641</b>	<b>23,741</b>	<b>1,003,600</b>
	144,985	1,109	0	<b>376,593</b>
	11,489	1,400	0	<b>74,084</b>
	-13,686	-476	0	<b>-15,700</b>
	-1,374	-35	0	<b>-3,415</b>
	<b>141,414</b>	<b>1,998</b>	<b>0</b>	<b>431,562</b>
	<b>37,812</b>	<b>2,643</b>	<b>23,741</b>	<b>572,038</b>



Gross additions to property, plant and equipment before deduction of special items totalled EUR 36.8 mill. in the 2020 financial year (previous year: EUR 499.2 mill.). EUR 13.8 mill. thereof are attributable to additions of right-of-use assets. The right-of-use assets developed as follows in the 2020 financial year:

In thousands of €	Clinic real estate	Other real estate	Vehicles	Other operating and office equipment	Total
Opening balance	396,932	9,475	1,425	901	408,733
Additions in 2020	6,060	5,903	1,375	476	13,814
Disposals/corrections of depreciation 2020	0	-1,254	-99	-37	-1,389
of which deconsolidation Crivitz	0	-653	-18	0	-671
Depreciation 2020	-43,804	-2,212	-987	-412	-47,415
<b>Residual book values as of 31.12.2020</b>	<b>359,188</b>	<b>11,912</b>	<b>1,714</b>	<b>929</b>	<b>373,743</b>

Approximately EUR 12.2 mill. was used for the reconstruction and expansion of clinics. EUR 6.8 mill. thereof pertain to newly built retirement homes, while EUR 3.7 mill. was spent on converting patient and nurses' rooms and offices.

Capital expenditure for IT infrastructure amounted to EUR 2.0 mill., EUR 4.6 mill. was invested in medical devices including accessories. Subsidies and grants for financing investments are deducted directly from the acquisition or manufacturing costs of the subsidised assets pursuant to IAS 20 and thus reduce the basis of assessment for the ongoing depreciation expense. This item mainly refers to adequately used subsidies pursuant to hospital financing law with an amortised amount of EUR 54.9 mill. (previous year: EUR 66.6 mill.). The additions of subsidised assets amount to EUR 3.8 mill. (previous year: EUR 6.9 mill.). Depreciation and amortisation was reduced by the deduction of subsidies totalling EUR 8.3 mill. (previous year: EUR 8.8 mill.) from the acquisition or manufacturing costs. There were no circumstances that would give rise to a repayment of subsidies.

### (3) FINANCIAL ASSETS

Financial assets refer primarily to reinsurance policies for pension obligations totalling EUR 765 thou. (previous year: EUR 760 thou.). Gains and losses from reinsurance policies that have not been pledged are posted in staff costs. They are of only minor importance to MEDICLIN.

The investments in stock of subsidiaries relate to shareholdings in 4QD – Qualitätskliniken.de GmbH (EUR 46 thou.), Müritzklinikum Service GmbH (EUR 13 thou.), Medusplus GmbH i. L. (EUR 13 thou.), MediServ GmbH i. L. (EUR 13 thou.) and Kur und Tourismus GmbH Bad Peterstal-Griesbach (EUR 6 thou.).

**(4 + 11) RECEIVABLES PURSUANT TO HOSPITAL FINANCING LAW (KHG)**

In thousands of €	Non-current	Current	Total 31.12.2020	Non-current	Current	Total 31.12.2019
<b>Receivables pursuant to KHG</b>	<b>41,648</b>	<b>2,565</b>	<b>44,213</b>	<b>46,596</b>	<b>1,048</b>	<b>47,644</b>
Thereof individual subsidies	41,648	2,418	44,066	46,596	1,048	47,644
Thereof lump-sum subsidies	0	147	147	0	0	0
<b>Receivables under income compensation pursuant to KHEntgG/BPflV</b>	<b>0</b>	<b>6,288</b>	<b>6,288</b>	<b>0</b>	<b>6,050</b>	<b>6,050</b>
	<b>41,648</b>	<b>8,853</b>	<b>50,501</b>	<b>46,596</b>	<b>7,098</b>	<b>53,694</b>

The receivables pursuant to hospital financing law totalling EUR 50.5 mill. on the balance sheet date (previous year: EUR 53.7 mill.) refer to the subsidies for the construction of new clinics at three locations. EUR 22.5 mill. thereof (previous year: EUR 23.5 mill.) pertain to the construction of a new clinic for neurology, neurointensive care and neurophysiology at the location of MediClin Hedon Klinik in Lingen, which is being subsidised by the federal state of Niedersachsen under the hospital financing law with a contribution of EUR 20.0 mill., plus the interest for debt service. Another EUR 13.5 mill. (previous year: EUR 14.1 mill.) refer to subsidies for a new clinic for child and youth psychiatry at MediClin Müritz-Klinikum in Röbel granted by the federal state of Mecklenburg-Vorpommern. The subsidies for this project total EUR 14.5 mill. EUR 8.1 mill. (previous year: EUR 10.0 mill.) pertain to subsidies for a new building at the location of MediClin Seepark Klinik in Bad Bodenteich. The balance sheet recognition of receivables pursuant to hospital financing law refers to promised subsidies that have not yet been used. The receivables as a whole are not delinquent, and there is no information at hand that indicates that the parties liable to pay will not satisfy their obligations.

**(5) DEFERRED TAX ASSETS**

Deferred tax assets result from temporary differences between the balance sheet values according to IASs and the tax values applied for the assets and liabilities. Pursuant to IAS 12.53, deferred tax assets are not to be discounted. A relevant tax rate of 15.825 % (corporation tax, solidarity surcharge) was generally applied.

In thousands of €	Difference		Tax	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
<b>Deferred tax assets</b>				
Lease liabilities	380,604	412,370	60,231	65,258
Pension obligations	63,200	58,414	10,001	9,244
Provision for additional rent payments	21,041	21,041	3,330	3,330
Tax loss carried forward	5,712	4,568	904	723
Anniversary obligations/provisions for partial retirement	1,119	856	177	135
Others	8,330	3,521	1,318	557
			<b>75,961</b>	<b>79,247</b>
<b>Deferred tax liabilities</b>				
Right-of-use asset (IFRS 16)	373,742	408,733	59,145	64,682
Intangible assets	18,747	18,507	2,967	2,929
Property, plant and equipment	17,334	17,605	2,743	2,786
Others	568	797	90	126
			<b>64,945</b>	<b>70,523</b>
<b>Balance sheet recognition</b>			<b>11,016</b>	<b>8,724</b>

Due to IFRS 16, deferred tax assets were recognised for lease liabilities, while deferred tax liabilities were recognised for right-of-use assets. The Others item includes EUR 370 thou. (previous year: EUR 293 thou.) in deferred tax assets from the difference between the valuations of allowances under tax law and commercial law. MEDICLIN recognises deferred taxes for tax losses carried forward if the Group assumes that sufficient positive taxable income will be available in the next five years for realising the deferred tax assets due to the restructuring measures already performed or to be performed in the future. For loss carryforwards amounting to EUR 14.0 mill. (previous year: EUR 10.8 mill.), no deferred tax assets were recognised.

## Current assets

### (6) INVENTORIES

Inventories are only of minor importance for MEDICLIN as a service corporation, and are largely composed as follows:

In thousands of €	31.12.2020	31.12.2019
Medical supplies	7,163	5,811
Operating supplies	1,915	1,982
Administrative supplies	264	288
	<b>9,342</b>	<b>8,081</b>

### (7) TRADE RECEIVABLES

In thousands of €	31.12.2020	31.12.2019
Receivables stock	79,354	105,470
Allowance and Health Insurance Medical Service (MD)	–3,019	–4,332
<b>Disclosure</b>	<b>76,335</b>	<b>101,138</b>
Receivables not yet invoiced	27,935	35,637
Invoiced trade receivables	48,400	65,501

The residual terms of the receivables are less than one year. Trade receivables are non-interest bearing and are measured at amortised costs, which correspond to the nominal value less an adequate estimated amount for bad debts. The use of a provision matrix is also admissible under IFRS 9 (simplified approach). MEDICLIN divides its trade receivables into two classes that are, by their very nature and irrespective of how long the receivables have been overdue, exposed to different creditworthiness risks. The first group comprises mainly the statutory health insurance providers and the social security pension funds. As in the previous year, their creditworthiness risks were assessed on the basis of the CDS spread for Germany as of 31 December 2020. The second group refers to self-paying patients. Their creditworthiness risks were assessed and adjusted on the basis of historical default rates as of 31 December 2020. The expected loss over the residual term is determined depending on how long they have been overdue and by determining how probable it is that they will pass from one level of overdue receivables to another. Specific bad debt allowances are made for receivables that have been overdue for 360 days and receivables that have been overdue for shorter periods but have a significantly increased default risk. Given the different creditworthiness risks of the two types of receivables, the model had to be adjusted; now it also accounts for macroeconomic factors. Write-ups (reinstatement of original values) are recorded when the reason for the individual value adjustment no longer applies. Given the short-term nature of the trade receivables, their carrying amount corresponds approximately to their fair value. Receivables not yet invoiced relate to work in process on patients whose treatment was not yet invoiced on the balance sheet date (contract assets). EUR 16.4 mill. of the receivables not yet invoiced refer to patient treatment not yet completed on the balance sheet date (patients who remain in hospital beyond the cut-off date).

**Invoiced trade receivables (without MD<sup>1</sup> and bad debts, for which specific bad debt allowances have been made) and identified default risk (impairment matrix)**

In thousands of €	31.12.2020	not yet due	less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
Receivables from public health and pension insurance institutions	29,708	22,430	4,640	1,105	250	595	688	0
Default risk in %		0.03	0.03	0.03	0.03	0.03	0.03	0
<b>Expected default losses</b>	<b>- 8</b>	<b>- 6</b>	<b>- 2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other trade receivables	3,685	2,114	1,087	175	56	145	108	0
Default risk in %		0.28	0.73	4.44	22 <sup>2</sup>	25 <sup>2</sup>	50 <sup>2</sup>	0
<b>Expected default losses</b>	<b>-124</b>	<b>- 6</b>	<b>- 8</b>	<b>- 8</b>	<b>-12</b>	<b>- 36</b>	<b>- 54</b>	<b>0</b>
Invoiced trade receivables (without MD and specific bad debt allowances)	33,393	24,544	5,727	1,280	306	740	796	0
<b>Total expected default losses</b>	<b>-132</b>	<b>-12</b>	<b>-10</b>	<b>- 8</b>	<b>-12</b>	<b>- 36</b>	<b>- 54</b>	<b>0</b>

In thousands of €	31.12.2019	not yet due	less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
Receivables from public health and pension insurance institutions	44,388	35,890	6,400	1,338	286	231	243	0
Default risk in %		0.02	0.02	0.02	0.02	0.02	0.02	0
<b>Expected default losses</b>	<b>- 7</b>	<b>- 6</b>	<b>- 1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other trade receivables	3,637	2,541	535	126	60	129	246	0
Default risk in %		0.36	1.58	5.78	15 <sup>2</sup>	25 <sup>2</sup>	50 <sup>2</sup>	0
<b>Expected default losses</b>	<b>-189</b>	<b>- 9</b>	<b>- 9</b>	<b>- 7</b>	<b>- 9</b>	<b>- 32</b>	<b>-123</b>	<b>0</b>
Invoiced trade receivables (without MD and specific bad debt allowances)	48,025	38,431	6,935	1,464	346	360	489	0
<b>Total expected default losses</b>	<b>-196</b>	<b>-15</b>	<b>-10</b>	<b>- 7</b>	<b>- 9</b>	<b>- 32</b>	<b>-123</b>	<b>0</b>

<sup>1</sup> MD = Health Insurance Medical Service

<sup>2</sup> Specific bad debt allowances in per cent

Allowances for expected default losses are made on the basis of the age structure and taking into account various discount rates. Specific bad debt allowances are made for specific foreseeable default risks.



Invoiced trade receivables without MD<sup>1</sup> for which specific bad debt allowances have been made for the full amount:

In thousands of €	31.12.2020	not yet due	less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
Receivables from public health and pension insurance institutions	1,045	0	0	0	0	0	0	1,045
Other trade receivables	1,842	0	0	17	23	74	85	1,643
<b>Specific bad debt allowances</b>	<b>- 2,887</b>	<b>0</b>	<b>0</b>	<b>-17</b>	<b>-23</b>	<b>- 74</b>	<b>- 85</b>	<b>- 2,688</b>

In thousands of €	31.12.2019	not yet due	less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
Receivables from public health and pension insurance institutions	621	0	0	0	0	0	0	621
Other trade receivables	1,698	0	0	7	15	61	217	1,398
<b>Specific bad debt allowances</b>	<b>- 2,469</b>	<b>0</b>	<b>0</b>	<b>-7</b>	<b>-15</b>	<b>- 61</b>	<b>-217</b>	<b>- 2,169</b>

<sup>1</sup> MD = Health Insurance Medical Service

The bad debt allowances for trade receivables developed as follows:

In thousands of €	2020	2019
<b>Allowances as of 01.01.</b>	4,332	5,096
Additions to allowances	575	1,776
Consumption	-1,564	-1,411
Liquidation	-324	-1,129
<b>Allowances as of 31.12.</b>	<b>3,019</b>	<b>4,332</b>

The balance from expenses resulting from allowances and/or the full write-off of receivables and income from allowances and/or the recovery of written-off receivables resulted in expenses totalling EUR 1.5 mill. during the 2020 financial year (previous year: expenses totalling EUR 0.2 mill.).

In thousands of €	2020	2019
Expenses for bad debt allowances/full write-off of receivables	-1,662	-1,396
Recoveries of bad debt allowances/written-off receivables	200	1,208
	<b>-1,462</b>	<b>-188</b>

**(8) CURRENT INCOME TAX CLAIMS**

The current income tax claims on the balance sheet date on 31 December 2020 amount to EUR 2.4 mill. and are attributable to income tax prepayments that were too high in the 2020 financial year (31.12.2019: EUR 1.7 mill.).

**(9) OTHER CURRENT FINANCIAL ASSETS**

In thousands of €	31.12.2020	31.12.2019
Receivables stock	5,178	9,354

This item discloses financial assets which are recognised at amortised cost. Impairments for expected default losses pursuant to IFRS 9 are immaterial. The residual terms of the receivables are less than one year. The amounts reported are approximately equal to the fair value. The receivables are not delinquent, and there is no information at hand that indicates that the parties liable to pay will not satisfy their obligations.

**(10) PREPAID EXPENSES**

This item refers to prepaid expenses including insurance accruals.

**(12) CASH AND CASH EQUIVALENTS**

In the reporting year, cash and cash equivalents include cash and bank credit balances. They were recognised at amortised cost in the financial statements as of 31 December 2020. Furthermore, a risk provision was set aside for expected default losses pursuant to IFRS 9. Reclassifications to level 2 were not carried out as the Group uses only banks with investment grade ratings.

## Additional information on financial instruments

IFRS 9 “Financial Instruments” aims to improve the financial reporting of financial instruments by moving to a more forward-looking model for the recognition of expected losses on financial assets. This way the users of financial statements can better assess the amounts, timing and uncertainty of an entity’s future cash flows.

Except for the investments in stock of subsidiaries, current and non-current assets are recognised at amortised cost. Current financial assets include mainly trade receivables and cash and cash equivalents. A simplified approach is to be applied to the impairment of trade receivables. Detailed explanations on this are available in the section on accounting principles.

Value adjustments to cash and cash equivalents due to impairment were conducted on the basis of the corresponding bank ratings and the associated default risk. The amount thus determined is about EUR 82 thou. (previous year: EUR 21 thou.) and therefore considered very low. The bank balances can be called at any time.

The impairment of other current financial assets is immaterial. All other current financial assets that are to be classified in accordance with the impairment model under IFRS 9 are classified as level 1 as historical figures do not imply any significant increase in the default risk.

All the current and non-current financial liabilities are recognised at amortised cost. Liabilities to banks are accounted for using the effective interest method. Amortised cost equals the gross carrying amount of the liability less repayments made and less transaction cost.

The fair value of non-current financial liabilities amounting to EUR 71.2 mill. is EUR 68.4 mill. The future cash flows are discounted by means of the risk-adjusted interest rate. The fair value of current financial liabilities equals their amortised cost.

Liabilities from rent and lease agreements are measured at the present value of the minimum lease rates when the leased property is capitalised and, depending on the term of the lease, are recognised in non-current or current liabilities.

### Net gain/loss from financial instruments

In thousands of €	From interest and dividends	From subsequent measurement		From disposal	Net result	
		At fair value	Impairment		2020	2019
Amortised cost (assets)	–	–	–1,524	–	–1,524	–192
Amortised cost (liabilities)	–1,037	–	–	–	–1,037	–802
At fair value through profit or loss	–	0	–	0	0	–
	<b>–1,037</b>	<b>0</b>	<b>–1,524</b>	<b>0</b>	<b>–2,561</b>	<b>–994</b>

## Financial instruments by category in accordance with IFRS 9

In thousands of €	Category in accordance with IFRS 9	Level	31.12.2020	
			Carrying amount	Fair value
ASSETS				
Non-current assets				
Investment in stock of subsidiaries	at fair value through profit or loss	3	90	90
Other financial investments	at amortised cost	3	2	2
Current assets				
Trade receivables	at amortised cost	–	76,335	–
Other current financial assets	at amortised cost	–	5,178	–
Cash and cash equivalents	at amortised cost	–	100,437	–
EQUITY AND LIABILITIES				
Non-current liabilities				
Liabilities to banks	at amortised cost	2	71,196	68,401
Lease liabilities	n/a	–	334,875	–
Miscellaneous financial liabilities	at amortised cost	3	0	0
Current liabilities				
Trade payables	at amortised cost	–	11,308	–
Liabilities to banks	at amortised cost	–	26,781	–
Lease liabilities	n/a	–	54,009	–
Miscellaneous financial liabilities	at amortised cost	–	6,299	–
AGGREGATED BY CATEGORY IN ACCORDANCE WITH IFRS 9				
Financial assets	Total	at amortised cost	181,952	2
Financial assets	Total	at fair value through profit or loss	90	90
Financial liabilities	Total	at amortised cost	115,584	68,401

In thousands of €	Category in accordance with IFRS 9	Level	31.12.2019	
			Carrying amount	Fair value
ASSETS				
Non-current assets				
Investment in stock of subsidiaries	at fair value through profit or loss	3	108	108
Other financial investments	at amortised cost	3	2	2
Current assets				
Trade receivables	at amortised cost	–	101,138	–
Other current financial assets	at amortised cost	–	9,354	–
Cash and cash equivalents	at amortised cost	–	37,250	–
EQUITY AND LIABILITIES				
Non-current liabilities				
Liabilities to banks	at amortised cost	2	72,994	71,985
Lease liabilities	n/a	–	368,319	–
Miscellaneous financial liabilities	at amortised cost	3	154	106
Current liabilities				
Trade payables	at amortised cost	–	17,599	–
Liabilities to banks	at amortised cost	–	26,707	–
Lease liabilities	n/a	–	44,051	–
Miscellaneous financial liabilities	at amortised cost	–	5,653	–
AGGREGATED BY CATEGORY IN ACCORDANCE WITH IFRS 9				
Financial assets	Total	at amortised cost	147,744	2
Financial assets	Total	at fair value through profit or loss	108	108
Financial liabilities	Total	at amortised cost	123,107	72,091



## Equity

### CAPITAL MANAGEMENT

The primary objective of the capital management of MEDICLIN is to ensure that the Group's ability to pay back its debts and its financial substance are preserved in future, and that the capital structure continues to adequately meet the business risk. MEDICLIN Aktiengesellschaft is not subject to any external capital requirements or capital requirements as per the Articles of Association except the minimum capital requirements pursuant to the German Stock Corporation Act (AktG). Financial security is essentially measured using the key figures equity ratio and debt ratio. Components of these key figures are the balance sheet total in the consolidated financial statements, the equity recorded in the consolidated balance sheet and loans from banks in the form of a syndicated loan that serves to fund capital expenditure at various clinic locations (please refer also to items (18) + (24) Liabilities to banks "Syndicated loan"). The capital structure is managed by way of the dividend disbursement policy, the issuance of new shares, liquidity optimisation as well as the option of acquiring treasury shares if authorised by the Annual General Meeting.

At the virtual Annual General Meeting on 24 September 2020, the Management Board was authorised by resolution to, subject to the consent of the Supervisory Board, increase the Company's subscribed capital once or in partial amounts by up to a total of EUR 23,750,000.00 by issuing new no-par shares against cash and/or contribution in kind (Authorised Capital 2020) until 23 September 2025. The new shares are entitled to participate in the Company's profit from the beginning of the year, in which they are issued. In deviation therefrom and from Section 60 (2) German Stock Corporation Act (AktG), the Management Board may, subject to the consent of the Supervisory Board, resolve as far as this is permitted by law that the new shares shall participate in the profit from the beginning of a financial year that has already past and for which the Annual General Meeting has not yet passed a resolution on the appropriation of net profit at the time the shares are issued. The shares may also be taken over by one or several banks or companies within the meaning of Section 186 (5) Sentence 1 German Stock Corporation Act (AktG) determined by the Management Board subject to the condition that they are offered only to shareholders for subscription (indirect subscription right). The Management Board is authorised, subject to the consent of the Supervisory Board, to exclude the shareholders' subscription right if certain conditions are met. In this case, the number of shares issued against cash and/or contribution in kind for which the shareholders' subscription right is excluded may not exceed a total of 10 % of the subscribed capital during the term of Authorised Capital 2020.

### Capital management key figures

In thousands of €	31.12.2020	31.12.2019
Equity	176,846	190,746
Non-current liabilities	539,268	561,210
Current liabilities incl. tax liabilities	171,350	145,797
Balance sheet total	887,464	897,753
Net financial debt	-2,460	62,451
Equity ratio in %	19.9	21.2
Debt ratio in %	80.1	78.8

Remeasurements from the calculation of pension obligations pursuant to IAS 19 "Employee Benefits" in the amount of EUR -4.9 mill. that are recognised directly in equity and the total consolidated result in the amount of EUR -9.0 mill. reduced equity by EUR -13.9 mill. The return on equity after tax is -5.1 % (previous year: 5.1 %).

The balance sheet total decreased only moderately by EUR 10.3 mill. or 1.1 % since the previous reporting date. Non-current liabilities decreased by EUR 21.9 mill., which is mainly attributable to lower lease liabilities, whereas current liabilities increased by EUR 25.6 mill. This increase is mainly attributable to the obligation to repay benefits received under the protective shield to manage the coronavirus pandemic recognised as of 31 December 2020.

### (13) SUBSCRIBED CAPITAL

In thousands of €	31.12.2020	31.12.2019
Subscribed capital	47,500	47,500

The subscribed capital (capital stock) of the parent company, MEDICLIN Aktiengesellschaft, is split up into 47,500,000 (previous year: 47,500,000) no-par-value bearer shares and is paid up in full. MEDICLIN is not subject to any external minimum capital requirements.

### (14) CAPITAL RESERVE

In thousands of €	31.12.2020	31.12.2019
Capital reserve pursuant to Sec. 272 (2) No. 1 HGB and Sec. 150 AktG	127,708	127,708
Reserve pursuant to IFRS 2	48	48
Gains from the sale of treasury stock	1,636	1,636
	<b>129,392</b>	<b>129,392</b>

The capital reserve pursuant to Section 272 (2) No. 1 of the German Commercial Code (HGB) and Section 150 of the German Stock Corporation Act (AktG) contains amounts which were achieved above the nominal value of the issued shares.

### (15) REVENUE RESERVE

The consolidated revenue reserve is structured as follows:

In thousands of €	31.12.2020	31.12.2019
Legal reserve pursuant to Sec. 150 AktG	2,045	2,045
Result of the first IFRS consolidation	-1,742	-1,742
Negative non-controlling interests Kraichgau-Klinik AG	-270	-270
Reserve pursuant to IAS 19	-34,434	-29,601
Transfer to revenue reserve	51,165	0
	<b>16,764</b>	<b>-29,568</b>

The legal reserve was added to MEDICLIN AG in 1999 and equalled 10 % of the subscribed capital at that time.

Due to the insolvency of the companies, the initial consolidation of the Kraichgau-Klinik Group resulted in a negative share of non-controlling interests, which in accordance with IAS 27.35 (2008) was offset against the consolidated revenue reserve. A charge or credit to the consolidated statement of comprehensive income through the reporting of a non-controlling interest did not occur unless a positive minority interest would come about, which would then be presented separately in the consolidated balance sheet within equity.

Pursuant to IAS 27.28 (revised 2009), non-controlling interests must be disclosed within the equity, but separately from the equity of the shareholders of MEDICLIN Aktiengesellschaft from the 2010 financial year onwards. The result allocations also have to be performed if this results in the non-controlling interests having a deficit balance. Due to a transitional regulation (IAS 27.45 (a) revised 2009), a company may not adjust profit or loss allocations for reporting periods which occurred before the application of IAS 27 (revised 2009).

Since 2012 the actuarial losses/gains from calculating the pension provisions in accordance with IAS 19, shown in the other comprehensive income, are reported in the revenue reserve.

## (16) CONSOLIDATED BALANCE SHEET RESULT

The consolidated balance sheet result is structured as follows:

In thousands of €	31.12.2020	31.12.2019
Profit carryforward	43,669	36,382
Result attributable to shareholders of MEDICLIN AG	-8,997	9,662
Dividend payout	0	-2,375
Transfer to revenue reserve	-51,165	0
	<b>-16,493</b>	<b>43,669</b>

## APPROPRIATION OF THE ANNUAL RESULT OF MEDICLIN AKTIENGESELLSCHAFT

In the virtual Annual General Meeting of 24 September 2020, the Group resolved to transfer net profit as of 31 December 2019 in the amount of EUR 51,165,466.01 as recognised in the separate financial statements of MEDICLIN Aktiengesellschaft prepared in accordance with the German Commercial Code (HGB) to revenue reserve.

## (17) NON-CONTROLLING INTERESTS

The disclosed amount concerns the pro rata result allocation for the shares of the existing shareholders of Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau, (31.12.2020: 5.199 %/31.12.2019: 5.199 %). In the consolidated statement of comprehensive income, the result is recorded as a prorated figure in the item "Comprehensive income – thereof attributable to the non-controlling interests".

## Liabilities

### (18 + 24) LIABILITIES TO BANKS

This section refers to both current and non-current liabilities to banks. Current liabilities consist of repayments that are expected to fall due within the next 12 months as well as interest accruals.

In thousands of €	Non-current	Current	Total 31.12.2020	Non-current	Current	Total 31.12.2019
Syndicated loan	49,867	24,950	74,817	49,833	24,919	74,752
Other bank loans	4,014	1,164	5,178	5,179	1,135	6,314
Subsided investment loan	17,315	667	17,982	17,982	653	18,635
	<b>71,196</b>	<b>26,781</b>	<b>97,977</b>	<b>72,994</b>	<b>26,707</b>	<b>99,701</b>

## SYNDICATED LOAN

In order to repay an existing syndicated loan totalling EUR 60.0 mill. and to finance investments at several clinic locations, the Group concluded a contract for a new syndicated loan in the amount of EUR 90.0 mill. with a syndicate of banks at the end of November 2019.

The new loan agreement consists of two facilities (A, B). Facility A is a EUR 50.0 mill. bullet loan and Facility B was granted as a revolving facility of up to EUR 40.0 mill. Since 29 November 2019 EUR 50.0 mill. of Facility A and a partial amount of EUR 25.0 mill. of Facility B have been drawn. Given its short-term nature, Facility B is shown in current liabilities (please refer also to item (24) "Liabilities to banks").

Originally, the syndicated loan had a term of five years, including two options to renew the loan by another year. The first renewal option was exercised in October 2020 prolonging the contract until the end of November 2025. Being a bullet loan, Facility A must be repaid at the end of the agreed term. Facility B is repaid at the end of every six-month interest period. Until the end of the agreed term, any amounts drawn at the end of an interest period may also be rolled over. Any amounts repaid at the end of an interest period may be drawn again as required.

The interest rate consists of a margin and a reference rate. The reference rate is the EURIBOR for the respective interest period. If the reference rate is negative, a value of 0 % is assumed. Interest totalling EUR 0.8 mill. was paid for the syndicated loans in the reporting year (previous year: EUR 0.6 mill.). This corresponds to an average interest rate of 1.2 % p.a. (previous year: 1.1 %). Given the term of six years, the effective interest rate is 1.3 % p.a. (previous year: 1.2 % p.a. based on a term of five years).

The following table shows future interest payments as well as repayments and write-ups associated with the syndicated loans:

In thousands of €	2020	Total	1 year or less	1 to 5 years	More than 5 years
Interest		4,856	989	3,867	0
Repayment/additions (–) <sup>1</sup>		74,817	24,950	49,867	0
In thousands of €	2019	Total	1 year or less	1 to 5 years	More than 5 years
Interest		3,175	813	2,362	0
Repayment/additions (–) <sup>1</sup>		74,752	24,919	49,833	0

<sup>1</sup> The loan is initially recognised at fair value less transaction costs. In order to ensure that the repayment amount is shown at the end of the loan term, the effective interest is continually added to the amount booked to revenue. The amount shown includes a repayment amount of EUR 75,000 thou. (previous year: EUR 75,000 thou.) and the pro-rated write-up.

## OTHER BANK LOANS

Of the other bank loans, EUR 5.2 mill. (previous year: EUR 6.3 mill.) is secured through real property liens (carrying amount: EUR 16.6 mill.; previous year: EUR 17.7 mill.). All in all, the average interest rate for the other bank loans is 3.3 % p.a. (previous year: 3.2 % p.a.).

The future loan repayments and interest payments for the other bank loans are as follows:

In thousands of €	2020	Total	1 year or less	1 to 5 years	More than 5 years
Interest		482	159	317	6
Repayment		5,178	1,164	3,620	394
In thousands of €	2019	Total	1 year or less	1 to 5 years	More than 5 years
Interest		672	190	442	40
Repayment		6,314	1,135	4,122	1,057

The ten-year fixed-interest period for one loan will expire on 30 July 2021 (residual value of EUR 3.1 mill., residual term of five years). The annual repayments and interest rate for this loan will then be renegotiated on the basis of the current market interest rates. This expected change in terms and conditions is not included in the overview, but will presumably lead to lower interest expenses going forward.

## SUBSIDISED INVESTMENT LOAN

In financial year 2018, the Group took out an annuity loan amounting to EUR 20.0 mill. for the construction of a clinic for neurology, neurointensive care and neurophysiology. The construction project is subsidised under the hospital financing law and is to receive a fixed amount of EUR 20.0 mill. in the form of debt service support, plus the interest for debt service. The loan has a term until 2042 and the interest and capital repayments totalling EUR 1,048 thou. per year are payable every quarter. The subsidies stated in the corresponding subsidy grant notification were assigned to the lender as collateral for the loan, i.e. the fixed subsidy amount of EUR 20.0 mill. plus the interest for debt services. On the assets side of the balance sheet, the corresponding receivable for the subsidies was capitalised (item (4 + 11)). The interest expenses for the loan are offset in the income statement against the corresponding interest subsidies received.

The future loan repayments and interest payments for this investment loan are as follows:

In thousands of €	2020	Total	1 year or less	1 to 5 years	More than 5 years
Interest		4,514	381	1,377	2,756
Repayment		17,982	667	2,816	14,499
In thousands of €	2019	Total	1 year or less	1 to 5 years	More than 5 years
Interest		4,909	395	1,437	3,077
Repayment		18,635	653	2,756	15,226



## (19 + 25) LEASE LIABILITIES

The 21 rented hospital properties have a significant impact on the future net assets, financial position and results of MEDICLIN. They account for approximately 96 % of the capitalised right-of-use assets. Of these 21 clinic properties, 20 refer to the post-acute segment and one to the acute segment. In addition, the Group has long-term leases for other properties, vehicles and printers and, to a very small extent, medical devices.

With the exception of one contract, the rental agreements for the 21 clinics expire in 2027. One contract was extended by another 20 years in the 2018 financial year and has a term until 2047. The contracts provide for an annual adjustment of rents in accordance with changes in the German consumer pricing index as published by the Federal Statistical Office for the corresponding previous year (up to a maximum of 2 % p.a.). Due to the indexed rents, the lease liability and the underlying right-of-use asset are redetermined every year in line with the rent increases. This, however, does not affect the underlying interest rate. Until they actually become effective, these potential changes in the rents are not recognised in the lease liability. As soon as the changes of an index or interest rate have an effect on the lease rates, the lease liability and the right-of-use asset are adjusted accordingly. Options to extend the lease or residual value guarantees do not exist in this context.

The rent will be reduced by 0.284 % in 2021 (2020: +1.536 %). Extrapolated to the end of the lease term, the lease liability and the right-of-use asset would increase by EUR 1.0 mill. as of 1 January 2021. In addition to the indexed lease payment, the land tax and the expenses for real estate management are also considered when calculating the lease liability. The calculation of the lease liability is based on interest rates with matching maturities. For real estate, these amount to 1.728 % (residual term of 7 years) and 2.589 % (residual term of 27 years).

The Group has exercised the option to recognise the lease payments for short-term leases (term  $\leq 12$  months) directly as an expense. In the 2020 financial year these lease payments amounted to EUR 1.6 mill. (previous year: EUR 2.3 mill). Leases for low-value assets (IFRS 16.5(b) in conjunction with 16.B3 ff.) are not subject to the right-of-use model, either; they are still recognised as expenses. The value threshold is based on the threshold defined in "IFRS 16 Basis for Conclusions BC100" (USD 5,000 or less). In the 2020 financial year these lease payments amounted to EUR 0.7 mill. (previous year: EUR 0.7 mill). The option to account for the lease components of the contract and the associated non-lease components as a single lease component pursuant to IFRS 16.15 will be exercised.

The increase in the current lease liability for clinic real estate is caused by the deferral of rent payments for the months of May and June 2020 amounting to EUR 7.9 mill. The deferral was based on the Act to Mitigate the Consequences of the COVID-19 Pandemic under Germany's Civil, Insolvency and Criminal Procedure Law of 27 March 2020. With respect to accounting for the rent reduction, MEDICLIN applies the amendment to IFRS 16 "Leases – COVID-19-Related Rent Concessions" published by the IASB on 28 May 2020. This provides for practical relief in accounting of allowances like deferral of rent payments and rent reductions granted directly in connection with the outbreak of the coronavirus pandemic. MEDICLIN further exercised its option to prematurely apply the amendments to IFRS 16 in the financial year from 1 January to 31 December 2020. The rents that were deferred for two months amount to EUR 7.9 mill. and refer to the rents for 21 clinics. The default interest is 8.12 % p.a. in accordance with Section 288 (2) of the German Civil Code (BGB).

Non-current lease liabilities are as follows on 31 December 2020:

In thousands of €	Non-current	Current	Total 31.12.2020	Non-current	Current	Total 31.12.2019
Clinic real estate	323,543	50,667	374,210	359,657	40,847	400,504
Other real estate	9,846	2,175	12,021	7,388	2,146	9,534
Vehicles	884	835	1,719	712	715	1,427
Other movables	602	332	934	562	343	905
	<b>334,875</b>	<b>54,009</b>	<b>388,884</b>	<b>368,319</b>	<b>44,051</b>	<b>412,370</b>

Lease liabilities recognised on the reporting date are due as follows:

In thousands of €	31.12.2020	31.12.2019
Due in 1 year or less	54,009	44,051
Due in 1 to 5 years	182,332	174,685
Due in more than 5 years	152,543	193,634
	<b>388,884</b>	<b>412,370</b>

Outgoing cash flows for leases (IFRS 16.53(g)):

In thousands of €	2020	2019
Clinic real estate	40,271	47,434
Other real estate	2,319	2,165
Vehicles	991	805
Other equipment	418	341
	<b>43,999</b>	<b>50,745</b>

## (20) PENSIONS AND SIMILAR COMMITMENTS

In thousands of €	31.12.2020	31.12.2019
Mitarbeiterunterstützungskasse der Vereinigten Klinikbetriebe (MAUK) and three individual commitments (previous year: four)	56,047	51,843
Kraichgau-Klinik Group	12,067	11,647
MediClin Unterstützungskasse (MUK)	211	170
	<b>68,325</b>	<b>63,660</b>

The Group promised part of its employees the payment of regular pension benefits after the end of their employment in the scope of the occupational pension scheme; these are defined benefit and defined contributions-based commitments for old age, invalidity and surviving dependants' pensions. The fund assets of Mitarbeiterunterstützungskasse der vereinigten Klinikbetriebe (MAUK) and one reinsurance policy (previous year: one policy) that is pledged to the insurance beneficiaries are considered in the recognition of the defined benefit obligations as plan assets. Since the 2019 financial year the MediClin relief fund (MUK) is also recognised as a defined benefit obligation and its fund assets are classified as plan assets.

**DEFINED BENEFIT OBLIGATIONS****MAUK AND KRAICHGAU-KLINIK GROUP**

The defined benefit obligations concern two pension plans which are meanwhile closed, MAUK and the pension schemes of the Kraichgau-Klinik Group pension plan. They further refer to three (previous year: four) individual benefit commitments. Both pension plans are closed, which means that in principle no new benefit obligations will be added. The number of persons covered by these plans who are entitled to or in receipt of benefits developed as follows:

	31.12.2020	31.12.2019
Active employees	1,101	1,177
Departed employees with vested rights	803	809
Pensioners	957	905
	<b>2,861</b>	<b>2,891</b>

In the year under review, the share of persons entitled to pensions amounts to 66.6 % (previous year: 68.7 %) and the share of recipients of pensions to 33.4 % (previous year: 31.3 %).

**MAUK** is a relief fund into which lump sum endowments are paid for appropriation as tax-exempt special assets to cover employee benefit entitlements. MAUK is an incorporated pension fund with no legal redress to the benefits provided for by the benefit plan. These benefits are financed through the contributions of MEDICLIN to MAUK. At the MEDICLIN level, the benefits constitute, depending on certain conditions and to a limited extent, deductible business expenses (Section 4d German Income Tax Act – EStG). As a social institution pursuant to Section 5 (1) No. 3 Letter e Corporation Tax Act (KStG) and Section 6 (6) Corporation Tax Act (KStG), the relief fund is exempt from taxation. Section 4d Income Tax Act restricts this tax exemption to the assets permissible under tax regulations. If the amount of the assets permissible under tax regulations is exceeded by more than 25 %, the relief fund must pay tax on that part of the excess amount. The assets permissible under tax regulations are derived by multiplying eightfold the permissible contributions for relevant beneficiaries and the premium reserve for the current benefits pursuant to Annex 1 Income Tax Act. The assets permissible under tax regulations thus amount to approximately two annual pensions per beneficiary. The assets permissible under tax regulations of MAUK as of 31 December 2020 amounted to EUR 11.8 mill. (31.12.2019: EUR 11.7 mill.). No minimum endowment obligation exists.

MAUK was closed for admissions as of 31 December 2001. The retirement benefits of the active employees accumulated at MAUK up to that time were in effect frozen. Under the terms of the benefit plan, lifelong or time-limited benefits are paid out in the form of a retirement pension, a premature retirement pension or a disability pension. The pension amounts to between EUR 5.00 and EUR 10.00 per month per eligible service year depending on the average working time per week. In the case of premature use (i.e. before completion of the 65th year), the vested entitlement is reduced by 0.5 % for each month of premature use of the retirement pension. The current pension payments, with the exception of one individual obligation, are made from the assets of MAUK. MAUK receives sufficient funds from MEDICLIN AG for this purpose. The assets of MAUK are made up of voluntary contributions from MEDICLIN as well as income from investing the assets.

Pursuant to Section 12 of the constitution of MAUK, the assets of the association are to be invested profitably and may only be used for the purposes of the association and administration costs. The granting of loans may be permitted to the sponsoring company at an appropriate interest rate; however, no use is made of this possibility.

The pension provisions of the **Kraichgau-Klinik Group** result from the acquisition of the majority of shares in Kraichgau-Klinik AG in 2008. The pension benefits paid in accordance with the pension statute of Kraichgau-Klinik AG are a retirement pension or premature retirement pension and a deferred disability pension. The monthly retirement pension amounts to 0.5 % per year of service – but no more than 12 % – of the average monthly salary received in the last 12 months prior to the insured event. In the event of premature retirement, the pension thus calculated is lowered by 0.5 % per month of the premature retirement commenced before the retirement age is reached. In the event of premature retirement due to invalidity, a deferred invalidity pension is paid until the retirement age is reached. The calculation of this amount is based on the retirement pension, but with account only taken of the employee's years of service until the invalidity event. The age limit for employees who commenced employment on or before 31 December 1994 is 60 years for women and 65 years for men. For employees who commenced employment after 31 December 1994, the age limit is 65 years for women and for men. Since August 1997 no new beneficiaries have been added to this scheme.

In addition, an individual obligation exists to a former executive staff member of Kraichgau-Klinik AG. This person's claim to retirement benefit is made up of a basic claim of 32.55 % and linear increases of 0.9 % of the annual pensionable salary. Increases have only been taken into account from 1 April 2000. The maximum claim is 48.75 % of the pensionable salary. This person's entitlement to invalidity benefit is 100 % of the retirement pension entitlement. In the event of the beneficiary's death, the surviving wife receives a widows' pension of 60 % of the pension to which the beneficiary was entitled or would have been entitled at the time of his death if he had become an invalid. The age limit of 65 years was reached in 2018 and this individual benefit commitment has thus reached the payment stage.

The pension obligations are recognised in full and were revalued for the purpose of preparing the IFRSs balance sheet. The Group's obligations encompass both current pensions as well as future pension entitlements. Pension provisions are subject to actuarial assessment using the projected unit credit method in accordance with IAS 19, taking future developments into account. The current service expense is computed using the projected unit credit method and is calculated at the beginning of the financial year, bearing interest until the end of the financial year. The defined benefit obligation (DBO) at the balance sheet date is the present value of the benefits vested in preceding accounting periods calculated by means of the projected unit credit method. For assigning the benefits to the periods of service, the same method must be used as for determining the current service expenses. Pursuant to IAS 19, remeasurements carried out in the financial year resulting from actuarial gains and losses are recognised in other comprehensive income. The amounts reported in other comprehensive income are items which in future will not be reclassified in the profit and loss account (IAS 19.122).

The essential parameters which are decided at the beginning of the financial year and which determine the part of the pension costs to be taken into account in the profit and loss account are shown in the following table:

In %	MAUK 2020	MAUK 2019	Kraichgau- Klinik Group 2020	Kraichgau- Klinik Group 2019
Discount rate	0.40	0.90	0.40	0.90
Salary trend <sup>1</sup>	–	–	2.50	2.50
Pension trend	1.00	1.00	2.00	2.00

<sup>1</sup> only Kraichgau-Klinik Group

No salary trend has been determined for MAUK, as the pension amount is fixed, based on the eligible service years and average working week, and not based on salary-related criteria. Pursuant to Section 16 (3) Item 1 of the German Occupational Pensions Act (BetrAVG), the employer undertook in 2013 to adjust MAUK pensions by 1 % p.a. starting from 2002. For the biometric calculations, the mortality tables of Klaus Heubeck (Richttafel 2018 G) were used.

A discount rate of 0.40 % (previous year: 0.90 %) was applied to the pension obligations. In accordance with IAS 19.83, the discount rate is to be determined by reference to market yields at the end of the reporting period on high-quality corporate bonds with fixed interest rates. The reference yields used to determine the discount rate were based on at least AA-rated corporate bonds.

A change in the main actuarial parameters used leads to the following changes to the present value of the DBO:

In thousands of €	-0.50 %	-0.25 %	+0.25 %	+0.50 %
Discount rate (0.40 %)	+6,783	+3,278	-3,068	-5,943
Salary trend <sup>1</sup> (2.50 %)	-29	-14	+15	+29
Pension trend <sup>1</sup> (2.00 %)	-737	-377	+394	+805

<sup>1</sup> only Kraichgau-Klinik Group

The sensitivities were calculated on the basis of the same principles that were applied to determine the present value of the defined benefit obligations at the end of the financial year. In doing so, only one calculation figure is changed at a time while the others remain unchanged. Dependencies between the individual calculation figures are not considered.

As noted above, the MAUK pension is not based on salary and takes into account a fixed pension trend of 1 %, which is why these factors have no impact on MAUK. Besides, a change in the underlying mortality rates or life expectancies is conceivable. In order to estimate the longevity risk, the underlying mortality tables were adjusted and mortality was reduced by 10 %. At the end of the financial year, these longer life expectancies would have led to a EUR 8.1 mill. increase (previous year: EUR 7.3 mill.) in pension obligations.

According to the regulations of IAS 19, the entire defined benefit obligation (DBO) must be shown in the balance sheet minus external plan assets. For the plan assets, instead of recognising the expected return including possible value increases in the profit and loss account, a standard rate of interest is used based on the same interest rate as that used for the calculation of the pension obligations.

The expense is broken down into the components service cost, net interest and remeasurement. In the profit and loss account, the service cost is recognised under staff costs and the net interest in the financial result. Remeasurement is directly recognised in equity and in other comprehensive income. Valuation changes to be accounted for in other comprehensive income result from experience-based demographic adjustments, from the definition of an asset ceiling, from changes in the financial assumptions (i.e. the discount rate) or demographic assumptions (biometry) and from the deviation of the actual income of the plan assets from the returns calculated using the discount rate. The net pension obligation of the financial year amounts to EUR 68.1 mill. (previous year: EUR 63.5 mill.) with plan assets of EUR 1.6 mill. (previous year: EUR 1.5 mill.). Corporate transaction refers to the cancellation of an individual benefit commitment due to the disposal of MediClin Krankenhaus am Crivitzer See GmbH.

The values recognised in the balance sheet show the following development:

In thousands of €	31.12.2020	31.12.2019
<b>Development of recognition in the balance sheet</b>		
Present value of the DBO	69,712	64,993
Fair value of plan assets	-1,598	-1,503
<b>Net defined benefit liability at the end of the financial year</b>	<b>68,114</b>	<b>63,490</b>
<b>Reconciliation of the carrying amount</b>		
Net defined benefit liability at the end of the preceding financial year	63,490	54,707
Service cost	78	92
Net interest expense on the reported net liability	563	1,027
Remeasurements recognised in other comprehensive income	5,764	9,421
Employer contributions	-1,200	-1,204
Benefits paid directly by the employer	-513	-553
Corporate transaction	-67	0
<b>Carrying amount: net defined benefit liability at the end of the financial year</b>	<b>68,114</b>	<b>63,490</b>

The present value of the DBO showed the following development:

In thousands of €	31.12.2020	31.12.2019
DBO at the end of the preceding financial year	64,993	56,128
Current service cost	78	70
Interest expense on DBO	577	1,051
Actuarial gain (-)/ loss (+) due to experience-based adjustment to the obligation	-174	-883
Actuarial gain (-)/ loss (+) due to change in financial assumptions	5,943	10,299
Benefits paid from plan assets	-1,125	-1,141
Benefits paid directly by the employer	-513	-553
Past service costs	0	22
Corporate transaction	-67	0
<b>Pension obligations at the end of the financial year</b>	<b>69,712</b>	<b>64,993</b>



Break-down of pension obligations by participants in the pension scheme:

In thousands of €	31.12.2020	31.12.2019
Active employees	25,100	23,895
Departed employees with vested rights	17,390	15,999
Pensioners	27,222	25,099
<b>Pension obligations at the end of the financial year</b>	<b>69,712</b>	<b>64,993</b>

The fair value of the plan assets thereby developed as follows:

In thousands of €	31.12.2020	31.12.2019
Fair value of plan assets at the end of the preceding financial year	1,503	1,421
Income from plan assets calculated with the discount rate	14	24
Amount by which the actual income of the plan assets in the current financial year exceeds/falls short of the income calculated with the discount rate	6	-5
Employer contributions	1,200	1,204
Benefits	-1,125	-1,141
<b>Fair value of plan assets at the end of the financial year</b>	<b>1,598</b>	<b>1,503</b>

The following table shows the plan assets on the balance sheet date:

In %	31.12.2020	31.12.2019
Bond funds		
With generally mixed maturities	8.3	8.7
With generally short-term maturities	5.8	6.2
Fixed interest securities	9.4	10.0
Cash and cash equivalents	53.4	50.0
Reinsurance policies	23.1	25.1
	<b>100.0</b>	<b>100.0</b>

With the exception of the reinsurance policies, the plan assets relate to MAUK. The shares in the bond funds are listed and can be sold at any time. The reinsurance policies are measured at fair value, which corresponds with their tax-related asset value and thus amortised cost. Market prices on an active market are available for all assets except for the reinsurance policies.

Total pension costs of the defined benefit obligations during the reporting year amount to EUR 6.4 mill. (previous year: EUR 10.5 mill.), of which EUR 0.6 mill. (previous year: EUR 1.1 mill.) is recognised in profit and loss and EUR 5.8 mill. (previous year: EUR 9.4 mill.) is recognised in other comprehensive income.

The development of the pension cost is illustrated in the table below:

In thousands of €	2020	2019
<b>Consolidated profit and loss account</b>		
Current service cost	78	70
Past service costs due to plan amendments	0	22
Net interest expense (/income) on the reported net defined benefit liabilities (/assets)	563	1,027
<b>Pension costs, recognised in consolidated profit and loss account</b>	<b>641</b>	<b>1,119</b>
<b>Other comprehensive income</b>		
Actuarial gain (-)/ loss (+) due to experience-based adjustment to the obligation	-174	-883
Actuarial gain (-)/ loss (+) due to change in actuarial assumptions (on the obligation side)	5,943	10,299
<b>Actuarial gain (-)/ loss (+) accrued in the course of the financial year</b>	<b>5,769</b>	<b>9,416</b>
Amount by which the actual income of the plan assets in the current financial year exceeds/falls short of the income calculated with the discount rate	-6	5
<b>Remeasurements recognised in other comprehensive income</b>	<b>5,763</b>	<b>9,421</b>
<b>Total pension costs</b>	<b>6,404</b>	<b>10,540</b>

The expected benefits for the coming year are forecast at EUR 1.7 mill. (previous year: EUR 1.6 mill.), while the current service expenses for the expected pension obligations are estimated at EUR 0.1 mill. and net interest expense at EUR 0.3 mill.

For the year 2021 employer contributions to the plan assets are expected at EUR 1.2 mill. (previous year: EUR 1.2 mill.), benefits paid directly by the employer at EUR 0.6 mill. (previous year: EUR 0.6 mill.) and benefits to be paid from the plan assets at EUR 1.1 mill. (previous year: EUR 1.0 mill.).

The following benefit payments are forecast for the coming years:

In thousands of €	
Expected benefit payments for the year 2021	1,691
Expected benefit payments for the year 2022	1,742
Expected benefit payments for the year 2023	1,828
Expected benefit payments for the year 2024	1,894
Expected benefit payments for the year 2025	1,968
Expected benefit payments for the years 2026 to 2030	10,840

The following figure of 18.0 years (previous year: 18.0 years) represents the Macaulay duration of the entire pension portfolio and describes the weighted (in terms of payment and interest) average term to maturity of the pension obligations.

## MEDICLIN UNTERSTÜTZUNGSKASSE (MUK)

From 1 January 2002 until 31 December 2018 retirement plans were provided by **MediClin Unterstützungskasse e. V. (MUK e. V.)**.

The association MUK e. V. is a welfare organisation of the MEDICLIN AG hospital operating carriers and administrative units that used this relief fund to fully or partly carry out their "MediClin-Rent" pension scheme. The exclusive and unalterable purpose of this association is to operate this relief fund. The association must observe the provisions in Sections 1 to 3 Corporation Tax Implementing Regulations (KStDV) as amended. To this end, the association concludes reinsurance policies as per the benefit plan on the lives of the beneficiaries in order to guarantee financing of the agreed benefits. The rights under the reinsurance cover taken out by the association may not be used as security or lien and may not be assigned. The beneficiaries have no legal claim to the benefits paid out by the association. All payments are voluntary and may be revoked at any time.

The specifics concerning the eligibility of beneficiaries, type and scope of benefits, conditions for eligibility, amount and maturity of benefits, etc. are governed by two retirement plans. According to these, MEDICLIN pays an annual contribution (2020: EUR 245.85) into MediClin-Rent as a pension insurance scheme (employer-financed basic care) for its active employees up to the age of 65 who have served the Company for at least five years (cut-off date: 31.12 of the respective year) and who are at least 28. The amount is adjusted to meet the rising cost of living (by an annual maximum of 1.5 %). The basic care is paid out as a monthly pension or, alternatively, a one-time lump sum payment. The pension automatically increases by 1.00 % annually and is guaranteed for at least ten years. Furthermore, MediClin-Rent offers eligible employees the possibility to build up private pension by deferring a portion of their gross salary (employee-financed supplementary pension). MEDICLIN promotes this deferred compensation plan by increasing the employees' own contribution by 20 %, but by a minimum of EUR 50 and up to a maximum of EUR 100, provided the contributions are exempt from social security insurance (employer-financed retirement allowance). MEDICLIN transfers these amounts directly to MediClin Unterstützungskasse e. V. (MUK e. V.). MUK e. V. has been closed for new admissions since 31 December 2018 with the exception of employees who had not yet completed their five-year waiting period on 31 December 2018.

Since the 2019 financial year, MUK e. V. is classified as a defined benefit obligation.

MUK e. V. is designed as a reinsured relief fund and was classified as a defined contribution plan and recognised accordingly until 2018, because its benefit commitment is secured by a corresponding reinsurance contract with an insurer. MUK e. V. fulfilled its obligation pursuant to Section 16 German Occupational Pensions Act (BetrAVG) to review whether adjustments are required by promising a guaranteed annual 1.0 % adjustment (Section 16 (3) Sentence 1 German Occupational Pensions Act (BetrAVG)). When taking out the reinsurance contract upon inception on 1 January 2002, the guaranteed 1.00 % adjustment was not insured, thereby increasing the maturity benefit, as it was assumed that the 1.00 % adjustment could easily be generated by means of the insurance company's surpluses.

In the course of the low-interest situation on the capital markets, it has become obvious that, in particular, reinsurance contracts with a high guaranteed interest rate see hardly any allocations of surpluses and that the insurers can therefore not guarantee that the benefits will be adjusted in the guaranteed amount. Nevertheless, the commitments were adjusted by 1.00 % as agreed. The adjustment is financed in retrospect by making annual one-off payments to the insurance company. As such, this constitutes a systematic underinsurance, the future amount of which will be shown in the balance sheet by means of the closest possible estimate. This means that these commitments are henceforth classified and recognised as defined benefit plans (IAS 19.46).

The reinsurance cover of the MUK benefits has meanwhile been changed; new pension commitments are no longer subject to underinsurance from adjustment obligations as the 1.00 % adjustment guarantee was included in the cover. The amount of the underinsurance was determined using an actuarial expert report, which calculates the present value of the future underinsurance on the basis of the vested benefit claims. The discount rate that was used to calculate the underinsurance is 0.40 % (previous year: 0.90 %), while a figure of 2.75 % p.a. was used to show the insurance company's overall interest burden (previous year: 2.75 %). Further, the calculation is based on the assumption that the share of persons entitled to benefits that will receive ongoing pension payments rather than a one-off payment will continue to amount to 5 %.

The underinsurance resulting from these calculations amounts to EUR 211 thou. (previous year: EUR 170 thou.), while the reinsurance cover has an asset value of EUR 15.1 mill. (previous year: EUR 14.5 mill.), meaning that underinsurance is 1.4 % (previous year: 1.2 %) of the reinsurance value.

The values recognised in the balance sheet show the following development:

In thousands of €	31.12.2020	31.12.2019
<b>Development of recognition in the balance sheet</b>		
Present value of the DBO	15,324	14,691
Fair value of plan assets	-15,113	-14,521
<b>Net defined benefit liability at the end of the financial year</b>	<b>211</b>	<b>170</b>
Net defined benefit liability at the end of the preceding financial year	170	0
Service cost	757	758
Net interest expense on the reported net obligation	2	2
Remeasurements recognised in other comprehensive income	43	42
Employer contributions	-750	-753
Benefits paid directly by the employer	-7	-5
Past service costs	0	125
<b>Carrying amount: net defined benefit liability at the end of the financial year</b>	<b>211</b>	<b>170</b>

The net obligation breaks down to beneficiaries as follows:

	31.12.2020	31.12.2019
Active employees	109	93
Departed employees with vested rights	25	21
Pensioners	77	56
<b>Net defined benefit liability at the end of the financial year</b>	<b>211</b>	<b>170</b>

The present value of the DBO showed the following development:

In thousands of €	31.12.2020	31.12.2019
DBO at the end of the preceding financial year	14,691	13,899
Current service cost	757	758
Interest expense on DBO	129	266
Actuarial gain (-)/ loss (+) due to experience-based adjustment to the obligation	262	210
Actuarial gain (-)/ loss (+) due to change in demographic assumptions	0	0
Actuarial gain (-)/ loss (+) due to change in financial assumptions	24	37
Benefits paid from plan assets	-532	-600
Benefits paid directly by the employer	-7	-4
Past service costs	0	125
<b>Pension obligations at the end of the financial year</b>	<b>15,324</b>	<b>14,691</b>

The fair value of the plan assets hereby developed as follows:

In thousands of €	31.12.2020	31.12.2019
Fair value of plan assets at the end of the preceding financial year	14,521	13,899
Income from plan assets calculated with the discount rate	131	264
Amount by which the actual income of the plan assets in the current financial year exceeds/falls short of the income calculated with the discount rate	243	205
Employer contributions	750	753
Benefits	-532	-600
<b>Fair value of plan assets at the end of the financial year</b>	<b>15,113</b>	<b>14,521</b>

98.6 % of the pension obligation (previous year: 98.8 %) is covered by the fair value of plan assets.

The total pension cost of this pension commitment amounts to EUR 798 thou. (previous year: EUR 927 thou.), of which EUR 755 thou. (previous year: EUR 885 thou.) is recognised in profit and loss and EUR 43 thou. (previous year: EUR 42 thou.) is recognised in other comprehensive income.

The pension cost developed as follows:

In thousands of €	2020	2019
<b>Consolidated profit and loss account</b>		
Current service cost	757	758
Past service costs due to plan amendments	0	125
Net interest expense (/income) on the reported net defined benefit liabilities (/assets)	-2	2
<b>Pension costs, recognised in consolidated profit and loss account</b>	<b>755</b>	<b>885</b>
<b>Other comprehensive income</b>		
Actuarial gain (-)/ loss (+) due to experience-based adjustment to the obligation	262	210
Actuarial gain (-)/ loss (+) due to change in actuarial assumptions (on the obligation side)	24	37
<b>Actuarial gain (-)/ loss (+) accrued in the course of the financial year</b>	<b>286</b>	<b>247</b>
Amount by which the actual income of the plan assets in the current financial year exceeds/falls short of the income calculated with the discount rate	-243	-205
<b>Remeasurements recognised in other comprehensive income</b>	<b>43</b>	<b>42</b>
<b>Total pension costs</b>	<b>798</b>	<b>927</b>

The expected benefits for the coming year are forecast at EUR 544 thou., while the current service expenses for the expected pension obligations are estimated at EUR 756 thou. and net interest expense at EUR 60 thou.

For the year 2021 employer contributions to the plan assets are expected to amount to EUR 750 thou., benefits to be paid from the plan assets to EUR 532 thou. and income from plan assets to EUR 60 thou.

The following benefit payments are forecast for the coming years:

In thousands of €	
Expected benefit payments for the year 2021	11
Expected benefit payments for the year 2022	19
Expected benefit payments for the year 2023	27
Expected benefit payments for the year 2024	35
Expected benefit payments for the year 2025	44
Expected benefit payments for the years 2026 to 2030	370

The following figure of 25.0 years (previous year: 25.0 years) represents the Macaulay duration of the entire pension portfolio and describes the weighted (in terms of payment and interest) average term to maturity of the pension obligations. MEDICLIN terminated the works agreement underlying this pension plan as of 31 December 2018. However, employees who joined a MEDICLIN carrier company before 31 December 2018 and have not received an employer-financed pension commitment will continue to receive employer-financed basic care under the MediClin-Rent scheme. Employees with ongoing vesting periods will also receive entitlements under the MediClin-Rent scheme. The existing MediClin-Rent contracts, including both employer-financed basic care and contracts financed by the employees themselves by means of deferred compensation, will be continued without limitations in accordance with the applicable defined contribution plans.



Due to the fact that in the above-mentioned pension plans no new beneficiaries are added to the schemes, meaning that only the existing benefit claims are to be settled from these obligations, no additional risks can be identified at the moment which would result in a future risk concentration. Appropriate provisions were set aside for the systematic underinsurance of MUK e. V. No other risk concentrations can be identified in connection with the investment of the plan assets since most of the investments of the plan assets of MAUK are short term. More than 98 % of MUK e. V.'s plan assets are reinsurance policies.

## DEFINED CONTRIBUTION PLANS

The Group concluded a new works agreement regarding occupational pensions on 1 October 2020, which came into force on 1 January 2020. According to this agreement, employees that have joined a MEDICLIN company since 1 January 2019 and employees who joined a MEDICLIN company before 1 January 2019 and have not yet received an employer-financed pension commitment are eligible for such commitment. This new occupational pension scheme is no longer purely employer-financed; instead, the beneficiaries contribute to financing their pensions.

MEDICLIN AG concluded a group insurance contract with **KlinikRente Versorgungswerk** on the new occupational pension scheme. This occupational pension scheme is a defined contribution plan in the form of direct insurance that is partly financed by deferring gross compensation (mixed financing). In this context, MEDICLIN grants every eligible employee a pension allowance subject to the condition that the employee also makes a contribution. The employer allowance amounts to EUR 40.00 per month and is subject to the following conditions:

- The employee concludes a deferred compensation agreement under the group insurance contract with KlinikRente for at least 1.00 % of the sum total of all his or her fixed monthly salary components (employee contribution). The payment of the full employer allowance of EUR 40.00 is furthermore conditional on the employee waiving any claims to employer contributions to capital formation (vermögenswirksame Leistungen) that the employee might have. Otherwise, any employer contributions to capital formation that might be paid will be offset against the claim to the employer allowance to the occupational pension scheme.
- The employee has been with the company for at least six months and the employment relationship has not been terminated. A fixed-term employment contract does not affect the entitlement to this benefit.
- The employer allowance to the occupational pension scheme will only be paid for contracts under the KlinikRente group insurance contract and after the employee has applied for such allowance in writing.

In addition to the EUR 40 allowance per month, MEDICLIN pays 15.0 % of the deferred compensation as employer contribution into the direct insurance plan, provided MEDICLIN saves social security contributions in connection with the deferred compensation. If an employee leaves the employment before the benefits become due, such employee retains a partial entitlement to benefits under the plan, even if the statutory vesting periods have not yet been met at this stage.

The employer contribution is increased by 1.0 % every year on 1 July. The first increase will come into effect on 1 July 2021. The 1.0 % clause for the employee contribution that is the precondition for the employer allowance will also be reviewed on 1 July of every year. If the review reveals that the employee contribution must be increased by at least EUR 5.00 in order to meet the 1.0 % clause, the amount of deferred compensation must be increased. The pension payments commence on the first of the month following the employee's 67th birthday. Early retirement benefits can be claimed after an employee has turned 62. Payments may be deferred until an employee turns 72. The death benefit that is agreed under this scheme after commencement of pension payments is a benefit amounting to 20 times the guaranteed annual pension after commencement of pension payments less any guaranteed pensions already paid since commencement of pension payments. In the scope of a Group works agreement, employee contributions worth EUR 6 thou. were paid in the 2020 financial year.

Due to collective bargaining agreements, employer-financed relief fund benefit plans exist at three hospitals for part of the employees; these relief funds are **Unterstützungskasse für Krankenhäuser in Mecklenburg-Vorpommern e. V. (UMVK)**, **Unterstützungskasse zur Förderung der betrieblichen Altersversorgung e. V. (ufba)** and **Rheinische Zusatzversorgungskasse (RZVK)**. EUR 0.8 mill. (previous year: EUR 0.8 mill.) was spent on this in the reporting year. Current contribution payments are recognised as pension provision expenses in the operating result for the respective years.

RZVK is a multi-employer plan. The information available for this plan is not sufficient to recognise it as a defined benefit obligation. EUR 0.8 mill. (previous year: EUR 0.7 mill.) of the entire expenses for defined contribution obligations are attributable to this plan. The contributions expected next year amount to EUR 0.8 mill. (previous year: EUR 0.7 mill.).

Furthermore, a defined contribution plan within the scope of the statutory social security pension fund is in place for all employees. The employer is obliged to pay 9.3 % of the salary that is subject to pension contributions into this scheme (employer contribution); the contribution rate of 9.3 % has not changed since the previous year. The employer contributions amount to EUR 23.1 mill. (previous year: EUR 22.4 mill.) in the year under review.

## (21) OTHER PROVISIONS

In thousands of €	31.12.2020	31.12.2019
Provisions for renewal of lease agreements	174	174
Provisions for archival storage	1,849	1,293
Provisions for insurance	837	834
Provisions for additional rent payments	21,041	21,041
	<b>23,901</b>	<b>23,342</b>

The provision for the renewal of lease agreements relates to future reinstatement costs in connection with the lease of the MediClin medical care centre in Leipzig. The provisions for archival storage cover accrued costs for external archiving pursuant to the legal obligation to retain business records. The provisions for insurances are related to the risks under liability insurance (KSA Kommunalen Schadensausgleich) for one hospital.

The provisions for additional rent payments are related to the rent reductions received in 2005 to 2007 in the approximate amount of EUR 21.0 mill. for ten of the 21 clinic properties that were pooled in OIK-Immobilienfonds and rented back. The agreement on the rent reduction includes a repayment obligation up to the amount of the rent reductions granted, which is conditional on the achievement of certain economic performance parameters of all the clinics pooled in the fund (debtor warrant). The planning for the upcoming financial years as at the balance sheet date renders it likely that the agreed performance parameters will be reached.

It is not anticipated that the provisions for the renewal of lease agreements recognised as of 31 December 2020 will be consumed in the coming year.

The following overview shows the development of provisions in the reporting year:

In thousands of €	As of 01.01.2020	Additions	Interest	Consumption	Reversal	As of 31.12.2020
Provisions for renewal of lease agreements	174	0	0	0	0	174
Provisions for archival storage	1,293	579	213	188	48	1,849
Provisions for insurance	834	365	0	153	209	837
Provisions for additional rent payments	21,041	0	0	0	0	21,041
	<b>23,342</b>	<b>944</b>	<b>213</b>	<b>341</b>	<b>257</b>	<b>23,901</b>

**(22 + 28) LIABILITIES PURSUANT TO HOSPITAL FINANCING LAW (KHG)**

In thousands of €	Non-current	Current	Total 31.12.2020	Non-current	Current	Total 31.12.2019
Subsidy liabilities pursuant to KHG	38,188	8,564	46,752	30,672	14,645	45,317
Thereof individual subsidies	38,188	6,400	44,588	30,672	14,476	45,148
Thereof lump-sum subsidies	0	2,164	2,164	0	169	169
Liabilities under income compensation pursuant to KHEntgG/BPflV	0	2,824	2,824	0	1,214	1,214
	<b>38,188</b>	<b>11,388</b>	<b>49,576</b>	<b>30,672</b>	<b>15,859</b>	<b>46,531</b>

The liabilities pursuant to hospital financing law totalling EUR 49.6 mill. on the balance sheet date 31 December 2020 (31.12.2019: EUR 46.5 mill.) mainly refer to subsidies for the construction of new clinics at three locations. EUR 22.3 mill. thereof (previous year: EUR 22.8 mill.) pertain to a new clinic for neurology, neurointensive care and neurophysiology at the location of MediClin Hedon Klinik in Lingen, which is receiving subsidies totalling EUR 20.0 mill. from the federal state of Niedersachsen. EUR 14.5 mill. (previous year: EUR 14.5 mill.) refer to subsidies for a new clinic for child and youth psychiatry at MediClin Müritzklinikum in Röbel granted by the federal state of Mecklenburg-Vorpommern. The subsidies for this project total EUR 14.5 mill. Another EUR 7.3 mill. (previous year: EUR 7.6 mill.) pertain to subsidies for a new building at the location of MediClin Seepark Klinik in Bad Bodenteich. The balance sheet item shows the individual subsidies for these construction measures that have not yet been used in accordance with their designated purpose. Further, the item relates to lump-sum subsidies pursuant to state law provisions on hospital financing that were not yet used in accordance with their designated purpose, as well as compensation obligations pursuant to the National Ordinance on Hospital Rates or the Hospital Compensation Act.

**(23) MISCELLANEOUS PAYABLES**

In thousands of €	31.12.2020	31.12.2019
Anniversary obligations	2,122	1,980
Partial retirement obligations	77	89
Other non-current liabilities	584	0
	<b>2,783</b>	<b>2,069</b>

The provisions for anniversary obligations concern other non-current payable benefits pursuant to IAS 19. The provisions have been calculated according to the projected unit credit method taking as a basis an interest rate of 0.17 % (previous year: 0.60 %). If the interest rate increases or decreases by 0.50 or 0.25 percentage points, provisions change as follows:

In thousands of €	-0.50 %	-0.25 %	+0.25 %	+0.50 %
Discount rate (0.17 %)	+71	+35	-34	-67

Of the provisions for anniversary obligations, an estimated EUR 238 thou. will be used in the 2021 financial year, and EUR 1,884 thou. in the subsequent years. The interest component totalled EUR 11 thou. in the 2020 reporting year (previous year: EUR 32 thou.).

The top-up amounts relating to provisions for partial retirement are recognised in liabilities at the time of the agreement in the amount of their utilisation. The amounts claimed within the scope of the block model are accrued during the employment phase and carried as a liability in the amount of the discounted amount not yet paid out. At the reporting date, one (previous year: one) part-time arrangement with a term until 2022 is still in force (block-time model).

## (26) OTHER PROVISIONS

In thousands of €	31.12.2020	31.12.2019
Provisions for billing risks/reimbursements	8,565	7,102
Provisions for Supervisory Board	35	73
Remaining provisions	6,930	5,414
	<b>15,530</b>	<b>12,589</b>

The provisions for billing risks refer to the Health Insurance Medical Service (Medizinischer Dienst der Krankenversicherung – MD) review of hospital services rendered pursuant to Section 275 of the German Social Security Code V (SGB V). If the MD determines during this review that services rendered were not invoiced correctly, the invoice is adjusted. In principle, there is a claim to remuneration for all treatments, but reimbursements may be claimed after the review by the MD. When the financial statements are prepared, the risk of potential MD adjustments is assessed and accounted for by means of provisions (reimbursement liability). Sales are thus reduced by the reimbursed amount. The amount of the provisions in 2020 is due to the fact that the entire risk was recognised as a provision and no offsetting with open receivables was carried out. The remaining provisions include provisions for litigation risks, other warranties and potential additional reimbursement claims.

The following overview shows the development of provisions in the reporting year:

In thousands of €	As of 01.01.2020	Additions	Consumption	Reversal	As of 31.12.2020
Provisions for billing risks/reimbursements	7,102	3,476	1,672	341	8,565
Provisions for Supervisory Board	73	35	72	1	35
Remaining provisions	5,414	6,587	1,925	3,146	6,930
	<b>12,589</b>	<b>10,098</b>	<b>3,669</b>	<b>3,488</b>	<b>15,530</b>

**(27) MISCELLANEOUS FINANCIAL LIABILITIES**

Miscellaneous financial liabilities pertain to the following circumstances:

In thousands of €	31.12.2020	31.12.2019
Costs of annual financial statement	1,323	975
Other procurement of materials	784	574
Legal and consultancy costs	647	905
Liabilities from third-party funds	355	359
Liabilities to health insurance funds and other public coverage providers	151	254
Charges and fees	107	93
Liabilities from doctors' invoices	197	290
Energy and water supply	349	254
Other loans	106	139
Miscellaneous	2,280	1,785
	<b>6,299</b>	<b>5,628</b>

**(29) MISCELLANEOUS PAYABLES**

In thousands of €	31.12.2020	31.12.2019
Staff costs	16,904	17,604
Benefits under the protective shield to manage the pandemic	23,638	0
Payroll tax to be paid	5,052	5,106
Value added tax to be paid	47	258
Payments received	256	188
Deferred income	137	182
	<b>46,034</b>	<b>23,338</b>

Miscellaneous payables from staff costs mainly consist of the following:

In thousands of €	31.12.2020	31.12.2019
Vacation and flexitime entitlements	6,110	6,828
Profit-sharing bonus payments	5,720	5,741
Wage supplements	2,301	2,243
Bonus payments	710	755
Severance payments	381	172
Contributions to statutory accident insurance and prevention	963	891
Other staff costs	719	974
	<b>16,904</b>	<b>17,604</b>

## Notes to the consolidated profit and loss account

### (30) SALES

All sales of the Group were generated domestically. They are distributed as follows:

In millions of €	2020	2019
Post-acute	288.4	324.7
Acute	280.4	286.8
Nursing care	15.7	15.3
Benefits under the protective shield to manage the pandemic	37.6	0.0
Other sales	37.8	46.3
<b>Sales</b>	<b>659.9</b>	<b>673.1</b>

Benefits under the protective shield to manage the pandemic include the following compensation payments:

In millions of €	2020
Compensation for keeping bed capacity available pursuant to Section 21 KHG	22.0
Compensation for keeping bed capacity available pursuant to Section 111d SGB V	4.8
Reimbursements under SodEG to meet the medical service guarantee	10.5
Coronavirus reimbursement pursuant to Section 150 (2) SGB XI Nursing Care Insurance and health insurer compensation payments	0.3
<b>Sales</b>	<b>37.6</b>

Sales in the 2020 financial year were impacted by the clinics' preparations in connection with combating the coronavirus pandemic. Sales in the post-acute segment (rehabilitation) were significantly below the prior-year figure as there were fewer transfers from the acute clinics and legislation required that rehabilitation clinics hold capacity free for potential patient transfers from acute clinics due to the coronavirus pandemic. Facilities that offer preventive measures and rehabilitation under the social security pension fund received a monthly allowance of 75 % of the average monthly payments over the last 12 months for every bed that could not be occupied due to the coronavirus pandemic (EUR 4.8 mill.). Facilities that offer preventive measures and rehabilitation in the scope of medical rehabilitation provided by health insurance funds received a daily lump sum of 60 % of the average payment per bed agreed with the health insurance funds (EUR 10.5 mill.). These provisions applied from 16 March 2020 until 30 September 2020.

Additional payments under the protective shield to manage the coronavirus pandemic totalling EUR 22.0 mill. were paid to the acute segment for freed capacity. For every bed that was not occupied between 16 March and 30 September 2020 and for every inpatient less treated compared to the previous year, hospitals received a lump sum of EUR 560 per day. With the adoption of the ordinance to amend COVID-19 compensation payments on 13 July 2020, the previously uniform payment of EUR 560 was replaced by a lump sum between EUR 360 and EUR 760 depending on the respective scope of services. Psychiatric and psychosomatic hospitals received a daily lump sum allowance of EUR 280.

Another EUR 5.0 mill. in the post-acute segment and EUR 1.1 mill. in the acute segment were paid as compensation for the expenses associated with adhering to higher hygiene standards (protective clothing, disinfectant, etc.) in the form of the so-called "lump sum compensation for additional costs".



In order to further ease the burden of acute-care hospitals during the pandemic and to efficiently distribute hospital capacity, the federal states may authorise rehabilitation clinics to treat mild courses of diseases that nevertheless require full-time inpatient treatment. The post-acute segment received EUR 1.9 mill. under this coronavirus service guarantee concept.

From 2020 onwards, the hospitals' nursing staff costs are no longer part of the case-based DRG rates; instead, they are financed at the cost price in parallel to the case-based DRG rates in the scope of nursing care budgets that are agreed individually for each hospital. Due to the coronavirus pandemic, the preliminary nursing compensation value (Pflegeentgeltwert) was increased by EUR 38 to EUR 185 per day in order to further raise the hospitals' liquidity. If this proves to have resulted in an overpayment of nursing staff costs at the end of the 2020 financial year, the funds may nevertheless be retained by the hospitals.

However, this rule only applies to the 2020 financial year. The hospitals may request that shortfalls are covered in retrospect. The development of sales is presented in the summarised management report and Group management report.

Other sales include revenues from outpatient services, which total EUR 15.9 mill. (previous year: EUR 18.0 mill.). Furthermore, in addition to service revenues, other sales include revenues from the sale of pharmacy merchandise totalling EUR 4.6 mill. (previous year: EUR 4.5 mill.), from private accommodation totalling EUR 1.8 mill. (previous year: EUR 3.6 mill.) and from cafeterias, kiosks and meals totalling EUR 4.4 mill. (previous year: EUR 7.6 mill.).

### (31) OTHER OPERATING INCOME

Other operating income in the consolidated financial statements is structured as follows:

In millions of €	2020	2019
Subsidies	1.7	1.6
Rental income	0.8	0.9
Services to staff	0.6	0.4
Other sales	8.0	10.4
<b>Other operating income</b>	<b>11.1</b>	<b>13.3</b>

Since the 2013 financial year, income from the release of provisions and liabilities is offset against the expenses for which the provisions were set aside. In 2020 this amounts to EUR 5.9 mill. (previous year: EUR 2.8 mill.).

### (32) RAW MATERIALS AND CONSUMABLES USED

Despite disproportionately high expenses for protective gear, but due to the low occupancy rates, raw materials and consumables used declined by EUR 8.3 mill. in the wake of the coronavirus pandemic to EUR 112.7 mill. (previous year: EUR 121.0 mill.). The cost of raw materials and supplies declined by EUR 0.7 mill., while the cost of purchased services went down by EUR 7.6 mill., mainly due to less external medical staff. The cost of materials ratio amounts to 17.1 % (previous year: 18.0 %).

In millions of €	2020	2019
Operating supplies	19.3	22.4
Medical supplies	54.0	51.5
Other raw materials and supplies incl. price deductions/bonuses/cash discounts	-0.5	-0.4
<b>Raw materials and supplies</b>	<b>72.8</b>	<b>73.5</b>
Energy/water/sewage	11.3	11.8
Third-party housekeeping and facility services	9.5	9.7
External medical services	13.4	12.5
Other third-party services	2.0	2.7
External medical staff	3.7	10.8
<b>Purchased services</b>	<b>39.9</b>	<b>47.5</b>
<b>Raw materials and consumables used</b>	<b>112.7</b>	<b>121.0</b>

### (33) STAFF COSTS

Staff costs of EUR 422.2 mill. were 2.3 % higher than in the previous year (previous year: EUR 412.6 mill.). The staff costs ratio for the 2020 financial year was 64.0 % (previous year: 61.3 %).

In thousands of €	2020	2019
Wages and salaries	355,887	349,542
Social security, pension and retirement	66,308	63,033
Thereof pension costs	1,857	1,810
<b>Staff costs</b>	<b>422,195</b>	<b>412,575</b>

Pension expenses incurred in addition to those for statutory pension insurance, including contribution payments to external pensions facilities, totalled EUR 1.9 mill. (previous year: EUR 1.8 mill.). They concern the following:

In thousands of €	2020	2019
Contributions to		
Defined benefit plans	874	861
Defined contribution plans	839	830
Other pension-related expenses	144	119
	<b>1,857</b>	<b>1,810</b>

EUR 839 thou. of the expenses for defined benefit plans (previous year: EUR 878 thou.) is attributable to MUK e. V., while EUR 35 thou. (previous year: EUR –17 thou.) refers to MAUK and Kraichgau-Kliniken. The large MUK e. V. share is due to the fact that more than 98 % of its benefit commitments are covered by a reinsurance contract. The expenses mainly refer to payments made by MEDICLIN to the insurance coverage provider. The defined benefit plans of MAUK and Kraichgau-Kliniken, in turn, are mainly financed by setting aside a corresponding provision (please refer to note 20). As, when calculating pension provisions, the interest share accounts for approximately 87.9 % (previous year: 91.8 %) of the pension costs to be reported in the consolidated profit and loss account and shown in the financial result, contributions to the defined benefit plans are correspondingly low. The payments into defined contribution plans refer to allocations to three supplementary pension funds. EUR 141 thou. (previous year: EUR 116 thou.) of the other pension-related expenses are payments to the insolvency insurance.

### (34) OTHER OPERATING EXPENSES

Other operating expenses decreased by EUR 0.7 mill. to EUR 58.6 mill. (previous year: EUR 59.3 mill.) as especially maintenance/repairs fell EUR 1.4 mill. and travel expenses EUR 1.1 mill. short of the previous year's value in the wake of the pandemic. Other miscellaneous expenses include, for instance, expenses in connection with the disposal of a subsidiary in the amount of EUR 1.4 mill.

The expenses for short-term rents and leases that are not recognised applying IFRS 16 amount to EUR 1.6 mill. (previous year: EUR 2.3 mill.) on the reporting date 31 December 2020. Low-value rents and leases that are long-term but not recognised applying IFRS 16 incurred expenses amounting to EUR 0.7 mill. (previous year: EUR 0.7 mill.) as of the balance sheet date. Value added tax remains in the rental and lease expenses item as it is not recognised in accordance with IFRS 16.

In millions of €	2020	2019
Rents and leases	3.2	3.7
Maintenance and repairs	16.1	17.5
IT and organisation	6.2	5.9
Legal and consultancy costs	4.3	5.5
Insurance costs	5.3	4.7
Contributions, fees, levies	1.9	1.9
Other miscellaneous expenses	21.6	20.1
<b>Other operating expenses</b>	<b>58.6</b>	<b>59.3</b>

### (35) DEPRECIATION AND AMORTISATION

In the 2020 financial year depreciation and amortisation totals EUR 77.3 mill. (previous year: EUR 71.2 mill.). EUR 47.4 mill. thereof (previous year: EUR 46.4 mill.) pertains to depreciation of right-of-use assets. Another EUR 3.3 mill. pertains to intangible assets (previous year: EUR 2.6 mill.) and EUR 26.7 mill. (previous year: EUR 22.2 mill.) to property, plant and equipment.

**(36) FINANCIAL RESULT**

The financial result is structured as follows:

In thousands of €	2020	2019
Income from participations	51	51
Interest and similar income	51	85
Interest and similar expenses	-10,341	-10,938
<b>Financial result</b>	<b>-10,239</b>	<b>-10,802</b>

The 2020 interest and similar expenses items contains EUR 8.3 mill. (previous year: EUR 8.0 mill.) in interests from lease liabilities.

**Interest and similar income**

In thousands of €	2020	2019
Interest income from receivables	49	50
Other interest-related income	2	35
<b>Interest and similar income</b>	<b>51</b>	<b>85</b>

**Interest and similar expenses**

In thousands of €	2020	2019
Interest on current account	4	20
Interest on loans	1,033	782
Interest on pension provision	565	1,030
Interest from lease liabilities (IFRS 16)	8,258	8,010
Other interest-related expenses	481	1,096
<b>Interest and similar expenses</b>	<b>10,341</b>	<b>10,938</b>

Other interest-related expenses include interest in the amount of EUR 0.2 mill. from discounting provisions. An overview of future interest expenses is presented in the section on non-current liabilities.

**(37) TAXES ON INCOME**

The taxes on income are structured as follows:

In thousands of €	2020	2019
Actual taxes on income	324	2,678
Deferred taxes on income	-1,378	-750
	<b>-1,054</b>	<b>1,928</b>

Reconciliation of earnings before taxes to income tax expenses is as follows:

In thousands of €	2020	2019
Consolidated result before tax	-10,088	11,611
Resultant calculational tax charge (15.825 %)	-1,596	1,837
Tax effect on profit / loss from		
Profits that can be offset against tax losses carried forward	-45	0
Non-capitalisable losses in the financial year	0	290
Valuation differences provisions / depreciation tax balance sheet	578	-308
Trade tax expenses in the financial year	87	39
Non-deductible expenses	20	25
Others	-82	45
<b>Actual tax expense</b>	<b>-1,054</b>	<b>1,928</b>

**(38) TOTAL CONSOLIDATED RESULT PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF MEDICLIN AG**

The undiluted earnings per share are calculated by dividing the profit or loss attributable to equity holders by the average number of shares outstanding during the financial year, with the exception of any treasury stock held by the Company.

	2020	2019
Result after tax attributable to shareholders of MEDICLIN AG in thousands of €	-8,997	9,662
Average number of shares outstanding in thousands	47,500	47,500
Undiluted earnings per share in €	-0.19	0.20

**(39) OTHER COMPREHENSIVE INCOME**

The amounts recognised in other comprehensive income are remeasurements pursuant to IAS 19 resulting from a change in parameters used for the valuation of pension provisions at the end of the reporting period, such as discount rate and salary or pension trends, compared to the parameters assumed at the beginning of the reporting period. The resulting amount is then offset directly against equity or the revenue reserve in consideration of the respective deferred taxes. It is not possible to reclassify these to the profit and loss account at a later date.

## Other disclosures

### Number of employees by area of activity

The average number of employees, on the basis of full-time employees and excluding the Management Board, managing directors and trainees, is as follows:

Shown in full-time employees	2020	2019	Change
Medical	918	898	+20
Nursing care	2,436	2,508	-72
Medical-technical	1,577	1,517	+60
Functional	442	436	+6
<b>Medical services</b>	<b>5,373</b>	<b>5,359</b>	<b>+14</b>
Support functions	1,144	1,154	-10
Technical	146	138	+8
Administration	650	635	+15
Other	36	37	-1
<b>Non-medical services</b>	<b>1,976</b>	<b>1,964</b>	<b>+12</b>
	<b>7,349</b>	<b>7,323</b>	<b>+26</b>

### Contingencies and other financial obligations

Due to their contractual design, the 21 long-term lease contracts qualified as operating leases pursuant to IAS 17 up to and including 2018. The underlying rental contracts have a term until 31 December 2027. An extension of the term until 31 December 2047 was agreed for one of the contracts in the 2018 financial year. The contracts provide for an annual adjustment of rents in accordance with changes in the German consumer pricing index (up to a maximum of 2 % p.a.). The Group further has obligations under the real estate management agreements concluded together with the rental contracts.

From 2005 to 2007, rental reductions of EUR 7.0 mill. p.a. were granted for ten of the leased properties. In connection with these rent reductions, performance-based repayment (rental allowance) was agreed upon, which is contingent on achieving certain economic performance parameters on the part of the clinics included in the fund. The performance parameter is the sum total of audited operating results before interest and tax (EBIT) of all 21 rented clinics during a financial year. The amount of the rental allowance is 50 % of the amount by which the EBIT total of the respective financial year exceeds a critical value. In all, the maximum potential rental allowance is limited to rent reductions of about EUR 21 mill.

Planning in 2017 revealed a high probability that these performance criteria will be reached, which is why provisions in the amount of EUR 20.1 mill. were set aside for future liabilities. The planning for the upcoming financial years as at the balance sheet date (31 December 2020) renders it likely that the agreed performance parameters will be reached. As of 31 December 2020 the provision amounts to EUR 21.0 mill. (31.12.2019: EUR 21.0 mill.).



The following obligations exist in connection with operating and office equipment:

In millions of €	Nominal value 31.12.2020	Nominal value 31.12.2019
Remaining term up to 1 year	0.2	0.6
Remaining term 1–5 years	1.0	1.2
Remaining term more than 5 years	0.0	0.0
	<b>1.2</b>	<b>1.8</b>

MEDICLIN will expand its hospital information system (HIS) over the next few years and ensure that the future-proof HIS is available to all types of clinics, including the outpatient units at the sites, as prescribed by law. In order to realise this plan, MEDICLIN concluded longer-term project and development agreements with a total volume of EUR 5.7 mill. The majority of this capital expenditure must be capitalised. To this, the cost for adjusting the infrastructure and procuring the required hardware and software must be added.

The costs resulting from the maintenance contracts concluded in 2016 are expected to become due as follows:

In millions of €	Nominal value 31.12.2020	Nominal value 31.12.2019
Remaining term up to 1 year	1.0	1.0
Remaining term 1–5 years	1.0	2.1
Remaining term more than 5 years	0.0	0.0
	<b>2.0</b>	<b>3.1</b>

Furthermore, the individual clinics have customary obligations from laboratory, pharmaceutical, cleaning and catering contracts, as well as from contracts for medicine and sterile products supply, for laundry service and supply, for energy, heating and air-conditioning, and other maintenance agreements.

As of 31 December 2020, the contractual obligations in connection with the acquisition of property, plant and equipment amounted to approximately EUR 3.3 mill. (previous year: approximately EUR 4.9 mill.). There were no other significant contingencies or financial obligations as of the cut-off date.

## Declarations of surety

MEDICLIN AG issued a payment guarantee vis-à-vis the acquirer and lessor concerning the rental payments plus operating costs relating to 21 real estate properties under long-term leases.

In order to finance the loan for the acquisition of MediClin Rose Klinik, a joint and several surety was entered into by MEDICLIN AG in the amount of EUR 7.6 mill.

MEDICLIN AG assumed direct liability for the liabilities under the loan agreement in connection with the EUR 20.0 mill. investment loan in order to finance the new construction at the MediClin Hedon Klinik location in Lingen.

To authorise a medical care centre in the form of a legal entity under private law, one condition is that the partners submit directly liable suretyships for receivables of the associations of statutory health insurance physicians and health insurance funds to the medical care centre for services performed by statutory health service physicians. MediClin GmbH & Co. KG submitted the required suretyships for the medical care centres it operates.

In order to exercise the option pursuant to Section 264 (3) German Commercial Code (HGB) for several subsidiaries (please refer to "List of shareholdings"), MEDICLIN declared its willingness to guarantee for the obligations entered into by these subsidiaries until the reporting date on 31 December 2020, such guarantee being valid for the subsequent year.

## Financial risk management

Within the framework of its business activities, the Group is primarily exposed to a credit risk, as well as to liquidity and refinancing risks. A credit risk means the risk of a contracting partner's inability to pay, or deterioration of the contracting party's credit standing. As MEDICLIN generates almost all of its sales (approximately 98 %) with social security pension funds as well as with public and private health insurance funds, this risk is considered to be low. The liquidity risk relates to the risk of MEDICLIN not being able to meet its current or future payment obligations to the full extent or within the time stipulated. A refinancing risk is a special form of the liquidity risk, which arises when the liquidity required cannot be provided at the expected terms and conditions. Prudent liquidity management comprises maintaining sufficient resources of liquid assets in addition to an adequate volume of approved lines of credit, as well as, in the medium term, the ability to issue securities on the market. Sufficient liquid assets are available to strengthen the liquidity position as well as provide sufficient financing resources for organic growth. As the business environment in which the Group operates has seen increased dynamics in the past years, management aims to retain the required flexibility in financing capacity through an adequate volume of unused lines of credit. A further measure to cover these risks is the Group-wide liquidity supply through central cash pool management. In addition, there exists an interest rate risk due to the potential changes in market interest rates. Given the current low interest rate level, a new risk might arise from the fact that banks are paying hardly any interest on deposits; instead, more and more banks are passing on any punitive interests imposed on sight deposits by the ECB to their customers in the form of "negative interests on deposits". MEDICLIN counters this risk by checking sight deposits at banks on a daily basis to prevent excessively high deposits with banks incurring negative interests. In this context, a risk provision for expected default losses as per IFRS 9 was set aside (EUR 82 thou.; previous year: EUR 21 thou.).

The **maximum exposure to default risk** is represented by the carrying amount of each financial asset as reported in the balance sheet. Because the counterparties to the receivables are prime financial institutions, the Group expects them to meet their obligations. Consequently, the Group considers that its maximum exposure to default risk is reflected by the amount of trade receivables and other current assets, net of valuation adjustments recognised as of the balance sheet date.

## Syndicated loan

At the end of November 2019, the previous syndicated loan totalling EUR 60.0 mill., consisting of a EUR 30.0 mill. bullet loan and a EUR 30.0 mill. revolving working capital facility, was repaid prematurely by means of a new syndicated loan. The new syndicated loan has a total volume of EUR 90.0 mill. and consists of a bullet loan for EUR 50.0 mill. (Facility A) and a revolving working capital facility for EUR 40.0 mill. (Facility B). Drawdowns on Facility B must amount to at least EUR 3.0 mill., whereby any other integer multiple of EUR 1.0 mill. exceeding such amount is also possible. On 31 December 2020, the full amount of Facility A and a partial amount of EUR 25.0 mill. of Facility B had been drawn. Moreover, the parties agreed on an option to increase the loan by up to EUR 20.0 mill. The Group can make a maximum of two requests to increase the loan, of which no more than EUR 10.0 mill. may refer to Facility B. Such request must amount to at least EUR 10.0 mill. or any other integer multiple of EUR 1.0 mill. The credit facility was increased to finance investments at several clinic locations. The initial term of the loan is five years after signing the loan agreement with two options to extend the loan by one year each. The first renewal option was exercised in October 2020 prolonging the contract until the end of November 2025. Being a bullet loan, Facility A must be repaid at the end of the agreed term. Facility B is repaid at the end of every six-month interest period. Until the end of the agreed term, any amounts drawn at the end of an interest period may also be rolled over. Any amounts repaid at the end of an interest period may be drawn again as required. The interest rate consists of a margin and a reference rate. The reference rate is the EURIBOR for the respective interest period. If the reference rate is zero or below zero, the interest rate is zero. The margins of both facilities each depend on the adjusted net debt key figure (net debt on the basis of average debt, adjusted for effects from lease financing) as reported in the four most recent quarterly reports of the MEDICLIN Group. The commitment fee for loan commitments not yet drawn amounts to 35 % of the respective margin. Furthermore, a utilisation fee is charged for Facility B depending on the amount drawn. In the 2020 financial year interest for the syndicated loan totalled EUR 839 thou. (previous year: EUR 554 thou.). As the 6-month EURIBOR was negative over the entire year, it was set to 0 % in the interest calculation. The annual average was  $-0.367\%$  (previous year:  $-0.302\%$ ).

At the annual average of  $-0.367\%$ , a change in the 6-month EURIBOR in the range between  $\pm 100$  basis points would have led to the following changes in the financial result:

In thousands of €	Basis points	Financial result
Change in 6-month EURIBOR	+100	-483
Change in 6-month EURIBOR	+ 50	-292
Change in 6-month EURIBOR	+ 25	-102
Change in 6-month EURIBOR	+10	+/-0 <sup>1</sup>
Change in 6-month EURIBOR	-10	+/-0 <sup>1</sup>
Change in 6-month EURIBOR	-25	+/-0 <sup>1</sup>
Change in 6-month EURIBOR	-50	+/-0 <sup>1</sup>
Change in 6-month EURIBOR	-100	+/-0 <sup>1</sup>

<sup>1</sup> No effect as EURIBOR is negative

## Lines of credit

In addition to the unused credit line under Facility B amounting to EUR 15 mill., other agreements with free credit lines totalling EUR 10 mill. are in place.

In order to be able to respond better to the effects of the coronavirus pandemic, the Group took out three additional short-term credit framework agreements from three banks with a total volume of EUR 50 mill. in November 2020 to further secure liquidity and general funding needs. The term of the credits is one year and can be extended by up to two times for another six months each. The cost is comprised of a commitment fee for the credit lines and interest on current account overdrafts. The interest is based on an interest rate that is updated daily (Euribor or euro short-term rate (€STR)) plus a margin and is due on a monthly or quarterly basis. The cost (interest plus commitment fee) for the first 12 months (November 2020 until November 2021), depending on the utilisation, is as follows:

Utilisation in millions of €	0.0	10.0	20.0	30.0	40.0	50.0
Cost in 12 months in thousands of €	327.0	428.4	507.5	608.8	718.1	835.2

## Supervisory Board in the 2020 financial year

**Dr. Jan Liersch** (Chairman), Düsseldorf

Managing Director of Broermann Holding GmbH, Königstein im Taunus

Managing Director of RKG Reha-Kliniken GmbH, Königstein im Taunus

Supervisory Board mandates and memberships in comparable domestic and foreign bodies:

Chairman of the Supervisory Board of

- RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt an der Saale (since 3 June 2020, Chairman since 19 August 2020)

Chairman of the Board of Directors

- Hotel Montreux Palace SA, Montreux, Schweiz
- Hotel Suisse Majestic SA, Montreux, Schweiz

**Hans Hilpert**<sup>1</sup> (Vice Chairman), Kinkel

Sports Therapist, MediClin GmbH & Co. KG, Blieskastel branch

**Michael Bock**, Leverkusen

Managing Director of REALKAPITAL Vermögensmanagement GmbH, Leverkusen

Supervisory Board mandates and memberships in comparable domestic and foreign bodies:

Member of the Supervisory Board of

- TTL Beteiligungs- und Grundbesitz-AG, München

**Dr. Bernard große Broermann**, Königstein-Falkenstein (until 30 June 2020)

Entrepreneur

<sup>1</sup> Employee representative on the Supervisory Board

**Barbara Brosius**, Kronberg im Taunus

Management consultant

Supervisory Board mandates and memberships in comparable domestic and foreign bodies:

Member of the Supervisory Board of

- Asklepios Kliniken GmbH & Co. KGaA, Hamburg

**Dr. Julia Dannath-Schuh**, Merchweiler

Vice President for Personnel Development and Leadership of Eidgenössische Technische Hochschule Zürich

Supervisory Board mandates and memberships in comparable domestic and foreign bodies:

Member of the Supervisory Board of

- Asklepios Kliniken GmbH & Co. KGaA, Hamburg
- RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt an der Saale (since 3 June 2020)

Member of the Board of Directors

- Alsia & Partners AG, Hünenberg/Zug (since 13 October 2020)

**Walburga Erichsmeier<sup>1</sup>**, Blomberg

Deputy District Manager at ver.di trade union for the district of Ostwestfalen-Lippe

**Kai Hankeln**, Bad Bramstedt

Chief Executive Officer (CEO) of Asklepios Kliniken Group

Chairman of the Management Board of Asklepios Kliniken GmbH & Co. KGaA, Hamburg

Managing Director of Asklepios Kliniken Management GmbH, Hamburg (until April 2020)

Managing Director of Blumenburg Holding GmbH (until July 2020)

Supervisory Board mandates and memberships in comparable domestic and foreign bodies:

Chairman of the Supervisory Board of

- Asklepios Klinik Stadtroda GmbH, Stadtroda

Member of the Supervisory Board of

- Asklepios Kliniken Hamburg GmbH, Hamburg (until 27 April 2020)
- RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt an der Saale (since 19 August 2020)

**Rainer Laufs**, Kronberg im Taunus

Independent Business Consultant

Supervisory Board mandates and memberships in comparable domestic and foreign bodies:

Member of the Supervisory Board of

- Asklepios Kliniken GmbH & Co. KGaA, Hamburg

Non-Executive Board Member

- REG Overseas Holding B.V., Amsterdam
- REG International Trading & Commodities B.V., Amsterdam

**Thomas Müller<sup>1</sup>**, Neunkirchen

ver.di Union Representative for the Saar-Trier district

<sup>1</sup> Employee representative on the Supervisory Board

**Daniela Sternberg-Kinzel**<sup>1</sup>, Zinnowitz (since 26 May 2020)

Head of Patient Administration, MediClin GmbH & Co. KG, Trassenheide branch

**Elke Schwan**<sup>1</sup>, Bad Soden

Masseuse and Medical Pool Attendant, MediClin GmbH & Co. KG, Bad Orb branch

**Frauke Schwedt**<sup>1</sup>, Hamburg

Psychologist / Psychological Psychotherapist, MediClin GmbH & Co. KG, Soltau branch

**Eleonore Seigel**<sup>1</sup>, Offenburg (until 26 May 2020)

Secretary, MediClin GmbH & Co. KG, Durbach branch

**Marco Walker**, Hamburg (since 24 September 2020)

COO of Asklepios Kliniken GmbH & Co. KGaA, Hamburg

Managing Director of Asklepios Kliniken Management GmbH, Königstein im Taunus

Managing Director of Fürstenberg Institut GmbH, Hamburg

Managing Director of Poly Z Med GmbH; Königstein im Taunus

Supervisory Board mandates and memberships in comparable domestic and foreign bodies:

Member of the Supervisory Board of

- Asklepios Kliniken Langen-Seligenstadt GmbH, Langen
- Asklepios Schwalm-Eder-Kliniken GmbH, Schwalmstadt
- Meierhofer AG, München

**Matthias H. Werner**<sup>1</sup>, Biberach (Baden)

Social Pedagogue (BA)/Adventure Pedagogue, MediClin GmbH & Co. KG, Offenburg branch

**Dr. med. Thomas Witt**<sup>1</sup>, Königsfeld

Chief Physician, MediClin GmbH & Co. KG, Königsfeld branch

**Cornelia Wolf**, Immenstaad

Head of Group division Audit and Risk Management of Asklepios Kliniken GmbH & Co. KGaA, Hamburg

<sup>1</sup> Employee representative on the Supervisory Board



## Supervisory Board Committees

The Supervisory Board meeting on 25 March 2020 resolved to form a special COVID-19 Committee responsible for discussing current information on the coronavirus crisis with the Boards and, if relevant, sharing information on the findings. In the 2020 financial year, the committees consisted of the following members:

### General and Personnel Committee

Dr. Jan Liersch (Chairman)  
Hans Hilpert (Vice Chairman)  
Dr. Bernard große Broermann (until 30 June 2020)  
Kai Hankeln (since 24 September 2020)  
Rainer Laufs  
Thomas Müller  
Dr. Thomas Witt

### Audit Committee

Michael Bock (Chairman)  
Frauke Schwedt  
Matthias H. Werner  
Cornelia Wolf

### Nomination Committee

Dr. Jan Liersch (Chairman)  
Michael Bock  
Cornelia Wolf

### Mediation Committee pursuant to Section 27 MitbestG

Dr. Jan Liersch (Chairman)  
Hans Hilpert (Vice Chairman)  
Frauke Schwedt  
Cornelia Wolf

### Special COVID-19 Committee (since 25 March 2020)

Dr. Jan Liersch (Chairman)  
Michael Bock  
Hans Hilpert  
Dr. Bernard große Broermann (until 30 June 2020)  
Kai Hankeln (since 24 September 2020)  
Rainer Laufs  
Thomas Müller  
Dr. Thomas Witt

## Management Board

**Volker Hippler**, Chairman of the Management Board, with business address in Offenburg

**Tino Fritz**, Chief Financial Officer, with business address in Offenburg

## Management remuneration

Total remuneration granted to the Management Board in the period under review for board activities totalled EUR 1,026 thou. (previous year: EUR 1,537 thou.). It is comprised of amounts due in the short term (fixed remuneration) in the amount of EUR 793 thou. (previous year: EUR 831 thou.) and a one-year variable remuneration component in the amount of EUR 193 thou. (previous year: EUR 667 thou.). The remuneration due in the short term includes ancillary benefits amounting to EUR 44 thou. (previous year: EUR 51 thou.) that refer to payments in kind for the provision of company cars and health and nursing care insurance contributions paid by the employer. Other remuneration due in the long term (variable remuneration component for several years) amounts to EUR 40 thou. (previous year: EUR 40 thou.).

The total remuneration for the Supervisory Board in the reporting year totals EUR 195 thou. (previous year: EUR 236 thou.). This breaks down as follows:

In thousands of €	2020	2019
Basic remuneration	173	159
Attendance fees	3	22
Committee work remuneration	19	19
Dividend bonus	0	36
	<b>195</b>	<b>236</b>

The Annual General Meeting for the 2019 financial year resolved that no dividend was to be paid out for the 2019 financial year. The remuneration of the employee representatives in the Supervisory Board refers only to the remuneration they receive for their role on the Board. In the 2020 financial year, as in 2019, there were no loans to members of the Supervisory Board.

Disclosures pursuant to Section 314 (1) No. 6a of the German Commercial Code (HGB) and further disclosures on remuneration paid to members of governing bodies as well as the structure of the remuneration system are presented in the summarised management report and Group management report of MEDICLIN Aktiengesellschaft in the section "Remuneration Report". The remuneration of the Management Board is disclosed in accordance with the statutory requirements and in accordance with the Annual General Meeting's opting-out decision of 25 May 2016. Here, the Annual General Meeting of the Company resolved to exercise the option as per Section 286 (5), Section 314 (3) Sentence 1, Section 315a (1) of the German Commercial Code (HGB) to refrain from disclosing individual Board remuneration amounts. Therefore, the Company will not publish the information required as per Section 285 No. 9 (a) Sentences 5 to 8 and Section 314 (1) No. 6 (a) Sentences 5 to 8, Section 315a (1) of the German Commercial Code (HGB) in the annual and consolidated financial statements for the financial years 2016 until 2020. After the introduction of the Act on Control and Transparency in Business (KonTraG) such an opt-out decision will no longer be possible in the future.

## Report concerning related parties pursuant to IAS 24

Related parties are defined as individuals or legal entities which either control or can exert a substantial influence over MEDICLIN AG as a reporting entity, or one of its subsidiaries. Moreover, related parties include individuals or legal entities which are either controlled by MEDICLIN AG or one of its subsidiaries, or upon which MEDICLIN AG or one of its subsidiaries can exert substantial influence, either directly or indirectly. This also includes the remunerations of the Management Board and the Supervisory Board.

## Related parties (individuals)

Individuals and legal entities, which either control or can exert a substantial influence over the MEDICLIN Group or are controlled or substantially influenced by the Group are deemed related parties of the MEDICLIN Group as defined in IAS 24. This includes active members of the Management and Supervisory Boards of MEDICLIN AG and its majority shareholder, Asklepios Kliniken GmbH & Co. KGaA, Hamburg.

In the 2020 financial year, the Management Board of MEDICLIN AG consisted of Volker Hippler, the Chairman of the Management Board, and Tino Fritz, the Chief Financial Officer.

Several members of the Supervisory Board of MEDICLIN AG have or had executive functions within the Asklepios Group in the 2020 financial year. Their various functions and tasks are listed in the "Supervisory Board in the 2020 financial year" section. Payments made to the Management Board and the Supervisory Board are shown as "Remuneration for key management personnel" in the following table. The payments include the remuneration for activities on the Management Board and the Supervisory Board as well as summarised salary payments for the employee representatives on the Supervisory Board.

## Related parties (companies)

Asklepios Kliniken GmbH & Co. KGaA, Hamburg, holds 52.73 % of MEDICLIN AG's share capital. Since the MEDICLIN Group is included as a subgroup in the consolidated financial statements of the Asklepios Group, the subsidiaries of Broermann Holding GmbH and the other entities in which Dr. Bernard große Broermann holds a controlling interest also classify as related parties in addition to MEDICLIN's own subsidiaries. Since the 2017 financial year RHÖN-KLINIKUM AG and its subsidiaries have also been classified as related parties.

The companies of ERGO Group AG (ERGO), the second-largest shareholder of MEDICLIN AG with a share of 35.0 %, are also defined as related parties. ERGO is a subgroup of Münchener Rückversicherungs-Gesellschaft AG (Munich RE).

Furthermore, the special real estate asset OIK-Fonds MediClin is included in related parties as this special asset is controlled by ERGO in terms of IFRS 10 and included in the latter's consolidated financial statements. MEDICLIN and OIK-Fonds concluded comprehensive lease transactions and two associated contracts concerning real estate management. In addition to lease payments, MEDICLIN also has repayment claims vis-à-vis the fund from the advance financing of clinic expansions and other construction measures in the scope of these contracts.

In addition to business relationships with fully consolidated companies included in the consolidated financial statements, relationships exist with companies of MEDICLIN AG which, in line with the materiality principle, are not included in the consolidated financial statements of MEDICLIN AG. These companies are local service enterprises, which were founded by clinics to outsource specific services such as catering, cleaning and administration tasks, as well as medical services.

On 31 December 2020 two of these companies were still being liquidated and had discontinued their operations. The company VR-LEASING ABYDOS GmbH & Co. Immobilien KG, which was a party to a finance lease agreement between 2008 and 2018, was dissolved without a liquidation procedure in 2019 after the land and buildings of Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG were bought back in November 2018. After the disposal of MediClin Krankenhaus am Crivitzer See, Crivitz as of 31 December 2020, the service enterprise KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH is also no longer a related party.

Within the scope of its normal business activities, MEDICLIN has had business relationships with Vanguard AG, Berlin, for several years. Dr. Ulrich Wandschneider is a member of the Supervisory Board of Vanguard AG. Therefore this company belonged to the related parties until Dr. Wandschneider left the Supervisory Board of MEDICLIN AG in November 2019.

Pursuant to IAS 24.9 (b) (v), a related party is an entity that is related to the reporting entity if the entity has a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. This definition applies to Mitarbeiterunterstützungskasse der Vereinigten Klinikbetriebe (MAUK). MAUK is an incorporated pension facility providing pension benefits to entitled former employees. These benefits are financed through the contributions of MEDICLIN to MAUK. Please find a detailed description of MAUK in the notes on item (20) "Pensions and similar commitments".

## Business relations to related parties amount to the following:

In millions of €	2020	2019
<b>Income</b>		
Sales from post-acute, acute and nursing care services	2.9	2.8
Real estate management income	0.5	0.5
Pension payments of MAUK	1.1	1.0
Sales from service contracts	1.0	1.0
<b>Expenses</b>		
Lease expenses	46.3	45.7
Default interest	0.4	0.0
Real estate management costs	0.9	0.9
Insurance premiums	2.0	2.0
Service contracts	3.4	3.4
Remuneration for key management personnel	1.7	2.1
Payments to MAUK	1.2	1.2
IT services	2.9	3.7
Other purchased goods and services	0.0	0.2
<b>In millions of €</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Receivables</b>		
Repayment claims from preliminary financing of clinic expansion and building measures	0.3	0.1
Receivables from post-acute, acute and nursing care services	0.2	0.4
<b>Liabilities</b>		
Rent deferral in May and June 2020 plus interest	8.3	0.0
Service contracts	0.2	0.4
IT services	0.1	0.2
Provisions for insurance benefits	0.1	0.0
Provisions for remuneration for key management personnel	0.8	0.8

Sales in the post-acute, acute and nursing care segments refer to three private health insurance companies which are part of ERGO. These sales represent less than 0.5 % (previous year: <0.5 %) of sales.

1.0 % of the annual rent is paid for the real estate management of the special real estate asset OIK-Fonds MediClin.

The pension payments of MAUK are reflected by the corresponding payments to MAUK on the expenses side. The balance of pension payments made and received is, in turn, reflected in an increase or decrease of MAUK's fund assets.

Sales from service contracts consist primarily of remuneration for the payroll accounting of several Asklepios facilities performed by MediClin GmbH & Co. KG.

Lease expenses refer to rent payments to OIK-Immobilienfonds for renting 21 clinics. Since the application of IFRS 16 in 2019, lease expenses are no longer recognised in the profit and loss account in the other operating expenses item, but as depreciation of right-of-use assets (EUR 39.2 mill.; previous year: EUR 38.6 mill.) and in interest expenses (EUR 7.3 mill.; previous year: EUR 7.9 mill.). Due to the linear presentation of the payments, the presentation deviates from the actual cash flow of current rent payments. Due to the breakdown of expenses into an interest and a depreciation component, the expenses in the first years are thus higher than if they were distributed on a straight-line basis; the expenses, however, decline over the following years and lead to lower expenses in later years ("frontloading effect").

Default interest is calculated on the basis of Section 288 German Civil Code (BGB) and refers to two monthly rent payments to OIK-Immobilienfonds that were deferred.

The cost of real estate management amounts to 2.0 % of annual rents paid to OIK-Immobilienfonds.

Insurance premiums refer to payments resulting from various insurance agreements with subsidiaries of ERGO (2020: EUR 1.2 mill; 2019: EUR 1.1 mill.). MediClin Unterstützungskasse e. V. (MUK e. V.) has further contracted a reinsurance policy with Victoria Lebensversicherung AG, a wholly owned subsidiary of ERGO, Düsseldorf, as part of a Group reinsurance contract to cover the occupational pension scheme of MEDICLIN, MediClin-Rent. The contributions for this totalled EUR 0.8 mill. in 2020 (previous year: EUR 0.9 mill.).

Expenses from service contracts consist of:

In millions of €	2020	2019
Supply of sterile goods (Vanguard AG)	0.0	0.1
Pharmacy sales, laboratory services, others (Asklepios)	1.0	1.0
Services from non-consolidated MEDICLIN service enterprises	2.4	2.3
	<b>3.4</b>	<b>3.4</b>

Remuneration for key management personnel refers to payments made to the Management Board and the Supervisory Board. The payments include the remuneration for activities in the Management Board and the Supervisory Board as well as a summary of the salary payments for the employee representatives on the Supervisory Board. The provisions for remuneration for key management personnel recognised in the liabilities item are due within the time frame of one year, with the exception of EUR 102 thou. (previous year: EUR 63 thou.).

The contributions to MAUK serve to refinance pensions paid by MAUK.

IT services mainly consist of service and software maintenance fees and project and development services rendered by the Meierhofer Group. Other purchased goods and services in the previous year pertain primarily to hotel and seminar costs of Broermann Health & Heritage Hotels GmbH.

## OIK-Immobilienfonds

In mid-2016 MEDICLIN filed a suit with the District Court of Offenburg claiming repayment of payments above the usual market rate. The Company assumes that the rents paid for the period 2005 to 2015 were higher than the usual market rents.

The suit was filed against current and former shareholders of the Company, who hold shares of the real estate fund into which the hospitals acquired and rented back between 1999 and 2001 were incorporated. The first oral hearing took place on 16 November 2018 before the District Court (Landgericht) of Offenburg.

MEDICLIN carefully weighed up the opportunities and risks of the suit in view of the fact that the subject matter of the legal dispute is highly complex, especially with regard to the evaluation whether rents conform to usual market rates, and that some of the very difficult questions of law involved have not yet been decided by the highest courts.

Therefore the Management Board is of the opinion that no changes to the balance sheet are required in this respect. If the case is won, the tax-related qualification would lead to financial consequences in the form of an outflow of funds (contingent liability); in this case, the outflow of funds would be related to an inflow of funds if the case is won and would depend on the amount of the inflow of funds.

## Conformity declaration concerning the German Corporate Governance Code in accordance with Section 161 AktG

The conformity declaration of MEDICLIN Aktiengesellschaft, pursuant to Section 161 German Stock Corporation Act (AktG), has been, and continues to remain, accessible on a permanent basis in the respective updated version on the Company's website. The conformity declaration is also included in the corporate governance declaration, pursuant to Section 289f German Commercial Code (HGB), which is likewise accessible on the Company's website.

## Auditor's fees

The total fee invoiced by the Group Auditor for the financial year consists of the following amounts:

In thousands of € excluding VAT	2020	2019
Audit of financial statements	353	357
Other attestation services	140	18
Tax advisory services	6	10
Other services	0	20
	<b>499</b>	<b>405</b>

The fees for the audit refer to the audit of the consolidated financial statements, the mandatory statutory audits of the annual financial statements of MEDICLIN Aktiengesellschaft and its affiliated companies as well as reviews. The fees for other attestation services refer to the audit of financial covenants to evidence compliance with the requirements under loan agreements. The tax advisory services pertain to fees for preparing tax returns.



## Subsequent events

Since 1 January 2021 there have been no occurrences or events of particular significance which MEDICLIN believes could have a material impact on the Group's net assets, financial position and results of operations.

At its meeting on 11 January 2021, the Supervisory Board of MEDICLIN Aktiengesellschaft appointed Dr. York Dhein as a member of the MEDICLIN AG Management Board.

For the consequences of the coronavirus pandemic please refer to the "Summary and outlook" section in the summarised management report and Group management report.

Offenburg, 8 March 2021

Volker Hippler  
Chairman of the Management Board

Tino Fritz  
Chief Financial Officer

# INDEPENDENT AUDITOR'S REPORT

To MEDICLIN Aktiengesellschaft, Offenburg

## 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 MEDICLIN Aktiengesellschaft, Offenburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 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 MEDICLIN Aktiengesellschaft, which is combined with the Company's management report, for the financial year from January 1 to December 31, 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 December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 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 January 1 to December 31, 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:

1. Recoverability of goodwill
2. Accounting for pension obligations
3. Accounting treatment of deferred taxes
4. Recognition of revenue generated from hospital services provided and revenue settlement (Erlösausgleiche)

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:

### 1. Recoverability of goodwill

1. In the Company's consolidated financial statements goodwill amounting in total to EUR 49.3 million (5.5% of total assets or 27.9% of equity) 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 impairment test is carried out at the level of the cash-generating units to which the relevant goodwill is allocated. 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 generally determined using the value in use. The present value of the future cash flows from the respective cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated 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 business plan also includes model-based assumptions and estimates by the executive directors with respect to the prolongation of real estate leases and reinvestments in real estate following the expiration of a portfolio of real estate leases as of December 31, 2027. The discount rate used is the weighted average cost of capital for the respective cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation 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 methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term 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 discussed and examined supplementary adjustments to the medium-term business plan for the purposes of the impairment test with the executive directors, including in respect of the executive directors' assumptions and estimates on prolongation of real estate leases and reinvestments in real estate. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. This related in particular to the capital structure taking into account the present value of obligations under operating leases in connection with the application of IFRS 16. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future net cash flows. Overall, the valuation parameters 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 relating to the impairment test and the "Goodwill and other intangible assets" balance sheet item are contained in the sections entitled "Accounting policies", "Exercise of judgment and options in applying accounting policies", "Estimates and assessments by management" and number 1 of the notes to the financial statements.

## 2. Accounting for pension obligations

1. In the consolidated financial statements of the Company a total amount of EUR 68.3 million (7.7% of consolidated total assets) is reported under the "Pensions and similar obligations" balance sheet item. The pension provisions comprise obligations from defined benefit pension plans amounting to EUR 85.0 million and plan assets of EUR 16.7 million. MediClin-Unterstützungskasse e.V. (MUK) is a reinsurance-funded pension plan and was reported as a defined benefit plan. To date, the pension adjustment committed to but not covered by the insurance tariff under the reinsurance policy had been financed from reinsurance surpluses. Since the current low interest rates mean that the surpluses are no longer sufficient to finance the pension adjustment, the plan has been classified as a defined benefit plan in 2019. Obligations under defined benefit plans are measured using the projected unit credit method. This requires assumptions to be made in particular about long-term rates of growth in salaries and pensions, average life expectancy and staff turnover. The discount rate must be determined by reference to market yields on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, since sufficient long-term corporate bonds do not exist. In derogation from this, the reinsured portion of the MUK plan is recognized in the amount of the existing plan assets, based on IAS 19.115. The plan assets are measured at fair value, which in turn involves estimation uncertainties.

From our point of view, these matters were of particular significance in the context of our audit because the recognition and measurement of this significant item in terms of its amount are based to a large extent on estimates and assumptions made by the Company's executive directors.

2. As part of our audit we evaluated the actuarial expert reports obtained and the professional qualifications of the external experts. We also examined the specific features of the actuarial calculations and assessed the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with the standard and appropriateness, in addition to other procedures. In addition, we analyzed the development of the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and assessed their plausibility. For the purposes of our audit of the fair value of plan assets, we worked with our internal actuaries to assess the respective information in the actuarial expert reports and the valuation parameters applied. We also reviewed the classification of pension commitments as defined benefit and defined contribution commitments and the classification of existing assets as plan assets. For this purpose we inspected the benefit plans and the respective pension fund statutes.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

3. The Company's disclosures relating to pension provisions are contained in the sections entitled "Accounting policies" and "Estimates and assessments by management" as well as number 21 of the notes to the financial statements.

### **3. Accounting treatment of deferred taxes**

1. In the consolidated financial statements of the Company deferred tax assets amounting to EUR 11.0 million after netting are reported. Deferred tax assets amounting to EUR 76.0 million were recognized before netting with matching deferred tax liabilities. Both deferred tax assets and liabilities were recognized in respect of the right-of-use assets and lease liabilities in accordance with IFRS 16, since the assets and liabilities both resulted from a single transaction and on initial recognition were offset by the same amount. These items were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences and unused tax losses to be utilized. For this purpose, insofar as sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the adopted business plan. No deferred tax assets were recognized in respect of unused tax losses amounting in total to EUR 14.0 million since it is not probable that they will be utilized for tax purposes by means of offset against taxable profits.

From our point of view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties.

2. As part of our audit, we assessed, among other things, the internal processes and controls for recording tax matters as well as the methodology used for the determination, accounting treatment and measurement of deferred taxes. In addition, we verified the calculation of deferred taxes in respect of right-of-use assets and lease liabilities, and their subsequent measurement as of the balance sheet date. We also assessed the recoverability of the deferred tax assets relating to deductible temporary differences and unused tax losses on the basis of the Company's internal forecasts of its future earnings situation, and the appropriateness of the underlying estimates and assumptions.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

3. The Company's disclosures relating to deferred taxes are contained in number 5 of the notes to the financial statements.

#### **4. Recognition of revenue generated from hospital services provided and revenue settlement (Erlösausgleiche)**

1. The revenue amounting to EUR 659.9 recognized in the Company's consolidated financial statements relates primarily to hospital services and are therefore largely subject to the statutory fee regulations for the healthcare sector. For the purposes of settling the acute primary, secondary and specialized 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. In the area of post-acute services (medical rehabilitation), the rehabilitation providers enter into individual contracts with the rehabilitation facilities in accordance with § 111 Abs. 2 SGB V [Sozialgesetzbuch V: Book V of the German Social Code], § 15 Abs. 2 S. 1 SGB VI in conjunction with § 38 SGB IX and § 34 SGB VII on the execution of the services.

The basis for acute hospital services is the measurement of the general hospital services within the health care mandate of the respective hospital on the basis of the revenue budget agreed with the contracting parties pursuant to § 18 Abs. 2 KHG. 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 company 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 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 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.

Rehabilitation services are mainly reimbursed by means of facility-specific, fully flat-rate daily rates contractually agreed with the payers and by means of per-case flat rates.

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 March 16, 2020 to September 30, 2020, and compensation payments pursuant to § 21 Abs. 1a and Abs. 2a KHG for the period from November 18, 2020 to February 28, 2021. In addition, there are claims for compensation payments under § 111d SGB V, as well as under the SodEG [Sozialdienstleister-Einsatzgesetz: Social Service Providers Deployment Act] for the provision of services to address the effects of the coronavirus SARS-CoV-2 crisis in the post-acute setting (medical rehabilitation). 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 payers and the respective hospital 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 as well as the settlements of the daily rates with the pension and statutory health insurance funds and via flat rates per case. 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 acute primary, secondary and specialized services that hospitals provide as well as the post-acute (medical rehabilitation) services provided 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 underpinning 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 acute primary, secondary and specialized services that hospitals provide as well as the post-acute (medical rehabilitation) 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 the sections entitled "Accounting policies", "Estimates and assessments by management" and number 30 of the notes to the 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 the "other information" section
- the non-financial statement pursuant to §§ 315b, 315c HGB included in section "non-financial statement" of the group management report

The other information comprises further the remaining parts of the annual report, which we obtained prior to the date of our auditor's report, – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our 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 control.
- 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**

#### **Audit Opinion**

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 MEDICLIN\_AG\_KA+LB\_ESEF-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 January 1 to December 31, 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) 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 September 24, 2020. We were engaged by the supervisory board on November 4, 2020. We have been the group auditor of MEDICLIN Aktiengesellschaft, Offenburg, without interruption since the financial year 2019.

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 Michael Ey.

Frankfurt am Main, March 8, 2021

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Michael Ey	ppa. Dennis Kaufholz
German Public Auditor	German Public Auditor
(Wirtschaftsprüfer)	(Wirtschaftsprüfer)





## Further information

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## Responsibility statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements of MEDICLIN Aktiengesellschaft give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report and Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Offenburg, 8 March 2021

Volker Hippler  
Chairman of the  
Management Board

Tino Fritz  
Chief Financial Officer

**DR. JAN LIERSCH**

CHAIRMAN OF THE SUPERVISORY BOARD

## Report of the Supervisory Board

Dear Shareholders,

In the 2020 financial year the Supervisory Board of MEDICLIN Aktiengesellschaft (MEDICLIN) exercised the required care in carrying out its duties completely and as mandated by law, the Articles of Incorporation and the Rules of Procedure.

The Supervisory Board regularly provided counsel to the Management Board and consistently supported and monitored its management of the Company. We have convinced ourselves of the legality, expediency and regularity of corporate management as well as the efficiency and profitability of the organisation. The Supervisory Board further obtained information on the current status of the measures under the coronavirus pandemic and its effects on the Company. For this purpose, it set up a special committee that discussed current issues in connection with the pandemic and its effects with the Management Board and informed the full Supervisory Board when required.

The Management Board reported regularly, promptly and comprehensively to the Supervisory Board, both verbally and in writing, on company planning, the economic situation and the development of the Group as well as on key business transactions. It also informed us on all relevant issues in connection with the corporate strategy, the risk situation, risk

management and compliance. In the scope of the reporting by the Management Board, the Supervisory Board discussed the current business development of the Group, the segments and individual selected facilities in detail and intensively in all Supervisory Board meetings. Upcoming or currently implemented investment or divestments projects were also considered against the backdrop of the Group's cash flow performance. Following careful review, the Supervisory Board approved the investments in new construction and expansions requiring its approval and all the other legal transactions and measures requiring its approval as presented by the Management Board in the corresponding meetings. Any deviations in business compared to the planning were discussed between the Management Board and the Supervisory Board. Overall, the Supervisory Board was directly and promptly involved in all decisions of material importance. With regard to the status of the legal action taken by MEDICLIN in 2016 before the District Court (Landgericht) Offenburg to claim repayment of excessive rent payments for the period 2005 to 2015 in connection with the rent levels of the clinics bound by the rental agreements, the Supervisory Board continued to obtain regular reports from the Management Board and from a lawyer entrusted with the case. The Supervisory Board will continue to ensure that it is constantly informed of the progress of the proceedings.

Following careful review and consultations, the Supervisory Board approved the Management Board's proposals for resolutions. The Supervisory Board did not exercise the option of using its inspection right according to Section 111 (2) of the German Stock Corporation Act (AktG), as the reporting of the Management Board gave no reason to do so.

Outside of the meetings, the Management Board kept us informed in writing and verbally about significant events. Moreover, important topics and upcoming decisions were dealt with in regular discussions between the Chairman of the Management Board and the Chairman of the Supervisory Board. The Chairman of the Management Board regularly informed the Chairman of the Supervisory Board about significant events outside of the meetings.

In the Supervisory Board meetings, the chairpersons of the committees regularly provided the Supervisory Board with detailed information on the work in their respective committees.

### **Changes in the Supervisory Board and the Management Board**

On the shareholders' side, Dr. Bernard große Broermann resigned from office as of 30 June 2020. At the Annual General Meeting on 24 September 2020 that was held virtually, Mr. Marco Walker was voted onto the Supervisory Board. On the employees' side, Ms. Daniela Sternberg-Kinzel will replace Ms. Eleonora Seigel as a Supervisory Board member from 26 May 2020.

There were no changes to the Management Board in the year under review.

## Corporate governance

The Management Board and the Supervisory Board issued a conformity declaration in November 2020 that is permanently available to shareholders on MEDICLIN's website. Together with the Management Board, the Supervisory Board reports on corporate governance in the corporate governance report. This report is published on the MEDICLIN website.

The remuneration report, which provides information on how the remuneration of the Management Board and Supervisory Board is structured, can be found on pages 74 ff. of the 2020 Annual Report. The remuneration of the Management Board is disclosed in accordance with the statutory requirements and in accordance with the Annual General Meeting's opting-out decision of 25 May 2016. According to the latter, the Company may, pursuant to Section 286 (5) Sentence 1 and Section 314 (3) Sentence 1 of the German Commercial Code (HGB) (in the version applicable pursuant to Art. 83 (1) of the Introductory Act to the German Commercial Code (EGHGB)), refrain from disclosing individual Management Board remuneration amounts in the annual and consolidated financial statements of the Company to be prepared for financial years 2016 up to and including 2020. In line with the Management Board remuneration, Supervisory Board remuneration is also disclosed as a sum total. The conformity declaration includes additional notes and explanations on the remuneration agreements.

## Meetings and resolutions of the Supervisory Board

In the reporting year, the Supervisory Board held five rotational meetings as conference call or video conference. With the exceptions stated below, all members of the Supervisory Board took part in all meetings. Dr. Bernard große Broermann (25 March 2020, 26 May 2020) and Ms. Elke Schwan (26 May 2020) did not attend all meetings. The members presented excuses for not attending and participated in the resolutions by written vote.

The Supervisory Board adopted additional resolutions through circulation. Two circulation procedures dealt with taking out loans (4 June 2020, 4 November 2020), while the third circulation (7 August 2020) passed the resolution to hold a virtual Annual General Meeting and to propose to the Annual General Meeting to elect Mr. Marco Walker as the successor to Dr. Bernard große Broermann.

On 25 March 2020, the Supervisory Board discussed the annual financial statements and the consolidated financial statements for 2019, which had already been reviewed by the Audit Committee, as well as the non-financial declaration reviewed by the auditor in accordance with ISAE 3000, with the Management Board and the auditor, and subsequently approved them. In so doing, it followed the corresponding recommendation of the Audit Committee. The auditor attended the consultations, reported on the material findings of the audit and answered questions. The annual financial statements were

thereby approved. The annual financial statements, the consolidated financial statements and the summarised management report and the Group management report were approved for publication. Following careful review of the Management Board's proposal not to pay a dividend for the 2019 financial year, the Supervisory Board approved the proposal, which had previously already been approved by the Audit Committee. Given the current situation, it agreed with the proposal by the Management Board to transfer the entire profit for the 2019 financial year to the other revenue reserve in order to strengthen the internal financing power. The entire Board discussed and approved the updated conformity declaration and the report by the Supervisory Board for the 2019 financial year. It also decided in future to update the conformity declaration at the Board meeting in November. In addition, the Supervisory Board adopted the agenda for the Annual General Meeting and the proposals for resolution, which also included creating Authorised Capital 2020 of up to a total of EUR 23,750,000.00 or 50 % of MEDICLIN AG's subscribed capital and the corresponding amendments to the Articles of Association. With regard to the Annual General Meeting and the date of that meeting, the Supervisory Board instructed the Management Board to set a date and determined in accordance with the relevant legal provisions that a resolution must be passed to hold a virtual Annual General Meeting. Moreover, the Supervisory Board also approved transactions requiring its approval as presented by the Management Board. These were mainly related to preliminary or interim financing of subsidised new construction projects or their completion. The Supervisory Board further followed the Audit Committee's recommendation to propose to the Annual General Meeting that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main be elected as auditor and Group auditor for the 2020 financial year; the statement of independence from the intended auditor had been received. The Supervisory Board also followed the recommendation of the General and Personnel Committee with respect to the allocations regarding the variable remuneration component and bonuses of the Management Board.

At the Supervisory Board meeting on 26 May 2020, the Supervisory Board dealt with the current business development of the Group in the first quarter of 2020 using the Management Board's and the Audit Committee's reporting as a basis. The Management Board explained the main earnings and financial key figures for MEDICLIN's business performance, while providing information on the current effects of the coronavirus pandemic and the measures that have been taken. The date for the Annual General Meeting was set for 24 September 2020.

In the Supervisory Board meeting on 24 September 2020 that directly followed the Annual General Meeting on the same date, the Management Board informed the Supervisory Board about the business development in the first half-year of 2020. In addition, the Supervisory Board received the comments of the Audit Committee with regard to half-year reporting. The Supervisory Board agreed to carry out an efficiency audit (self-assessment) in 2021 and instructed the General and Personnel Committee to review the changes in legal provisions resulting from SRD II with regard to the Management Board's remuneration system.



In the meeting on 26 November 2020, the Management Board explained the business performance of MEDICLIN in the first nine months of the 2020 financial year; here, too, the Audit Committee rendered additional comments. The Supervisory Board extensively discussed the measures and results presented in the compliance report as well as the measures and results of the risk report and the internal audit. It discussed and adopted an updated conformity declaration that was published on the Company website.

At the meeting on 22 December 2020, the Supervisory Board requested the Management Board to report on the current status of infections at the clinics and potential vaccination strategies. The Management Board also pointed out that there were no indications at present that the policymakers would adopt new state aid measures under the protective shield. Furthermore, the Management Board briefly presented the developments within the scope of the corporate strategy and the business planning 2021–2023 and the associated framework conditions and measures. Following careful deliberation, the Supervisory Board finally acknowledged and approved the planning, assumptions and target figures presented and the accompanying explanations of the Management Board.

The Supervisory Board continuously examines questions of possible conflicts of interest of the Management Board and Supervisory Board members during the financial year. No possible conflicts of interest arose for the members of the Management Board or Supervisory Board in the reporting year.

### **Work in the committees of the Supervisory Board**

In order to perform its tasks, the Supervisory Board set up a total of four committees, i.e. the Audit Committee, General and Personnel Committee, Nomination Committee and Mediation Committee, which effectively support the work of the full Board. In 2020 a COVID-19 Committee was added to discuss current issues surrounding the pandemic and its effects with the Management Board and to provide information to the full Supervisory Board whenever required. In particular, the committees prepared the resolutions of the Supervisory Board. In individual cases, the decision authorities of the Supervisory Board can be transferred to the committees if this is permitted by law. This division of responsibilities promotes the efficiency of the Supervisory Board's work and has proved to be effective in practice. With the exception of the Audit Committee, the Chairman of the Supervisory Board presides over all the committees.

The Audit Committee convened for five meetings during the reporting year. All committee members attended all the meetings and the conference call.

In the meeting on 26 February 2020, the Audit Committee discussed the preliminary financial statements for 2019, the preliminary consolidated financial statements for 2019 and the preliminary figures for 2019 with the Management Board and the auditor.

In the meeting on 25 March 2020, the auditor reported to the Audit Committee on its audit of the annual financial statements including the audit of the internal control system and the system for early risk identification. The Audit Committee intensively conferred with the Management Board and the auditor about the final annual financial statements for 2019, the consolidated financial statements for 2019, the summarised management report and the Group management report, and resolved to recommend approving the annual financial statements to the Supervisory Board. Following its own review of the matter, the Audit Committee also resolved to approve the Management Board's proposal for the allocation of unappropriated profit and to recommend to the Supervisory Board to follow that proposal. The Management Board also discussed the Company's current situation in connection with the coronavirus.

In the meetings on 4 May 2020 and on 30 July 2020, the Audit Committee had extensive discussions with the Management Board regarding the business performance in the corresponding reporting period.

In its meeting on 1 November 2020, the Audit Committee discussed the business performance in the reporting period and the focus areas for the audit of the 2020 financial statements with the auditor, who attended the meeting, and gave its approval. The auditor was engaged to audit the annual financial statements. The Audit Committee carefully attended to the presented compliance report, the findings of the risk report and the internal audit.

The General and Personnel Committee convened for two meetings during the reporting year. Five out of the six members of the General and Personnel Committee attended the first meeting on 25 March 2020, while Dr. Bernard große Broermann was excused and submitted his vote in writing. The main topic at the meeting was the remuneration of the Management Board. The Committee further resolved to propose to the full Supervisory Board to set up a special committee that regularly discusses pandemic-related issues with the Management Board and, if required, informs the full Supervisory Board of effects and measures in connection therewith.

All members attended the meeting of the General and Personnel Committee on 22 December 2020. The committee dealt with the appointment of another Management Board member. In another meeting in January 2021, the Committee resolved to submit a corresponding proposal to the full Supervisory Board. The Supervisory Board followed the General and Personnel Committee's proposal and, on 11 January 2021, appointed Dr. York Dhein as a member of the Management Board of MEDICLIN AG as at 1 April 2021.

The Nomination Committee convened twice in the reporting year and both meetings were attended by all the members of the committee. The Nomination Committee resolved during these meetings to propose to the Annual General Meeting on 24 September 2020 that, following his court appointment, Dr. Jan Liersch and, due to Dr. Bernard große Broermann leaving, Marco Walker be elected as members of the Supervisory Board.

The Mediation Committee did not convene in the 2020 reporting year.

## **Annual financial statements and consolidated financial statements 2020**

The annual financial statements of MEDICLIN AG and the consolidated financial statements for the 2020 financial year, including the accounting records and the summarised management report and the Group management report of the Company as prepared by the Management Board, were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The Group auditor was elected as auditor of the annual financial statements and the consolidated financial statements for the 2020 financial year at the Annual General Meeting on 24 September 2020, and commissioned with the audit by the Supervisory Board. The Supervisory Board had also commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to audit the non-financial declaration for 2020 included in the summarised management report and the Group management report of MEDICLIN AG in accordance with the ISAE 3000 audit standard. The auditor of the annual financial statements and consolidated financial statements issued an unqualified auditor's report on the 2020 annual financial statements of MEDICLIN AG and the 2020 consolidated financial statements, as well as on the summarised management report and Group management report. The consolidated financial statements and the summarised management report and Group management report were prepared in accordance with the International Financial Reporting Standards (IFRSs), as valid in the EU, as well as the commercial law provisions that are additionally applicable pursuant to Section 315a (1) of the German Commercial Code (HGB). The audit documents and the reports of the auditor of the annual financial statements and consolidated financial statements and the Management Board's proposal for the appropriation of the net profit were presented to all the members of the Supervisory Board for inspection in a timely manner.

In its meeting on 25 March 2021, the Supervisory Board intensively discussed and examined the annual financial statements of MEDICLIN AG, the consolidated financial statements and the summarised management report and Group management report issued by the Management Board, under consideration of the results of the Audit Committee. The representatives of the auditor attesting to the report as signatories attended the Supervisory Board meeting and reported on significant audit findings and confirmed that there were no weaknesses in the internal control system or the risk management system. They were available for questions and supplementary information. On the basis of their own examination, the Audit Committee and the Supervisory Board concurred with the results of the audit issued by the auditor of the annual financial statements and consolidated financial statements, with respect to the annual financial statements of MEDICLIN AG and the consolidated statements. They did not raise any objections on the basis of the final result of their own examination. The Supervisory Board endorsed the individual and consolidated financial statements, the summarised management report and the Group management report prepared by the Management Board. The annual financial statements are thereby approved.

In addition, the Supervisory Board also discussed the report of the Supervisory Board, the corporate governance declaration, the remuneration system and the non-financial declaration, and adopted its proposed resolutions on the agenda items for the 2021 Annual General Meeting.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, also examined the report prepared by the Management Board in accordance with Section 312 of the German Stock Corporation Act (AktG) on relationships with affiliated companies ("dependency report"). The auditor of the annual financial statements and consolidated financial statements reported on the results of the audit and issued the following unrestricted audit opinion:

"Following the completion of our obligatory audit, we confirm that:

1. the information contained in this report is correct, and
2. the compensation paid by the Company with respect to the transactions listed in the report was not inappropriately high."

The dependency report and the audit report prepared by the auditor of the annual financial statements and consolidated financial statements were provided to the Supervisory Board in good time. The Supervisory Board examined in detail the dependency report and the audit report in its meeting on 25 March 2021. It did not raise any objections against the concluding declaration of the Management Board contained in the dependency report or against the result of the audit conducted by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main.

The Supervisory Board would like to thank the Management Board and all MEDICLIN employees for the work they performed and their great personal commitment.

Falkenstein, 25 March 2021

On behalf of the Supervisory Board

A handwritten signature in black ink, appearing to read 'Jan Liersch', written in a cursive style.

Dr. Jan Liersch

Chairman of the Supervisory Board

# Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting<sup>1</sup>

## To Mediclin AG, Offenburg

We have performed a limited assurance engagement on the non-financial group statement pursuant to § (Article) 315b (paragraph) Abs. 1 HGB ("Handelsgesetzbuch": "German Commercial Code") contained in section "non-financial declaration pursuant to Sections 315b and 315c HGB" of the group management report of Mediclin AG, Offenburg, (hereinafter the "Company") for the period from 1 January to 31 December 2020 (hereinafter the "Non-financial Statement").

## Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Statement 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 Statement 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 Statement 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 Statement.

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 Statement 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.

<sup>1</sup> PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the non-financial group statement 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.

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 personnel involved in the preparation of the Non-financial Statement regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Statement
- Identification of the likely risks of material misstatement of the Non-financial Statement
- Analytical evaluation of selected disclosures in the Non-financial Statement
- 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 Statement 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 am Main, 8<sup>th</sup> March 2021

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke	ppa. Claudia Niendorf-Senger
Wirtschaftsprüfer	Wirtschaftsprüferin
[German public auditor]	[German public auditor]



# Financial calendar

**26 February 2021**

Disclosure of the preliminary figures for the 2020 financial year

**26 March 2021**

Annual press and analysts' conference for the 2020 financial year

**3 May 2021**

Publication of the interim report from 1 January 2021 to 31 March 2021

**26 May 2021**

Annual General Meeting

**30 July 2021**

Publication of the interim report from 1 January 2021 to 30 June 2021

**2 November 2021**

Publication of the interim report from 1 January 2021 to 30 September 2021

## Addresses and imprint

### **MEDICLIN Aktiengesellschaft**

Okenstrasse 27  
77652 Offenburg  
Germany  
Phone +49(0)781/4 88-0  
Fax +49(0)781/4 88-133  
E-mail [info@mediclin.de](mailto:info@mediclin.de)  
[www.mediclin.de](http://www.mediclin.de)

### **Public Relations**

Gabriele Eberle  
Phone +49(0)781/4 88-180  
Fax +49(0)781/4 88-184  
E-mail [gabriele.eberle@mediclin.de](mailto:gabriele.eberle@mediclin.de)

### **Investor Relations**

Alexandra Mühr  
Phone +49(0)781/4 88-326  
Fax +49(0)781/4 88-184  
E-mail [alexandra.muehr@mediclin.de](mailto:alexandra.muehr@mediclin.de)

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MEDICLIN Aktiengesellschaft,  
Offenburg

This Annual Report is also available  
in German.

Dieser Geschäftsbericht liegt auch  
in deutscher Sprache vor.

This is a translation of the German Annual  
Report. In case of divergence from the  
German version, the German version shall  
prevail.

Editorial office  
Jelina Schulz, Corporate Communications  
Gerda Schwarz, Corporate Communications

Coordination  
Susann Tröbitz, Corporate Communications  
Dr. Friedemann Hahn, Corporate Communications

Photo/Film  
Schüle Filme / Valentin Schüle, Schöenberg

Illustration  
Lara Hies, Frankfurt

Concept, design and media design  
Designerwerk / Janine Weise, Kronberg im Taunus



## About MEDICLIN

MEDICLIN owns 35 clinics, seven nursing care facilities and nine medical care centres. The Group has nearly 8,400 beds/nursing places and a headcount of about 10,300.

With its strong network, MEDICLIN can offer its patients integrated care from the first visit to the doctor to surgery, post-operative rehabilitation and follow-up care at home. Doctors, therapists and nurses work together closely to achieve the best results. MEDICLIN plans the care of persons in need in accordance with their individual requirements and personal needs.