SCHOEN CLINIC

2020

Annual report Schön Klinik SE

Content

Legal notice

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For design reasons, some tables have not been placed directly at the relevant text passage. In such cases, a remark has been added in the document in italics.

2020 Group management report of Schön Klinik SE, Prien am Chiemsee

Business model

Overview

Schoen Clinic is Germany's largest family-run hospital group with a regional focus on Bavaria, Hamburg, Hesse, North Rhine-Westphalia, Schleswig-Holstein and the UK. Its portfolio includes both comprehensive care providers and highly specialized hospitals and clinics in the fields of neurology and orthopedics. Moreover, with its psychosomatic clinics, the Group is a leading provider in Germany, providing one in five beds across the country for the treatment of patients with depression, anxiety, obsessive-compulsive disorders and eating disorders. In 2020, 10,900 employees provided treatment to around 275,000 patients at 28 inpatient and outpatient facilities in Germany and in the UK. With a total operating performance of around EUR 960m in 2020, Schoen Clinic is one of Germany's five largest operators of privately managed hospitals.

All hospitals within our Group are united by a shared framework of values, comprising quality, transparency, an open error management culture and willingness to embrace change. We are guided by the aspiration to provide excellent medical quality for the wellbeing of our patients. We are convinced that high medical quality and efficiency go hand in hand, as economic stability serves as the foundation for financing high medical quality. Schoen Clinic's hospitals stand for highly skilled patient care with high-quality medical outcomes, which are ensured by means of continuous quality management and published regularly in the Group's quality report.

For years, the high quality of treatment at Schoen Clinic's hospitals has been regularly and publicly reported on by the German magazine "FOCUS Health", which surveys resident consultants among others and analyzes a variety of data on treatment quality for its lists of consultants and hospitals. The survey testifies to the particular expertise of Schoen Clinic's specialists when it comes to the treatment of eating disorders, depression, anxiety and obsessive-compulsive disorders, and in the fields of knee and spinal surgery, endoprosthetics and pathologies such as Parkinson's disease or weight loss surgery. The medical care provided by Schoen Clinic's hospitals is aimed at treating individual pathologies, and depending on the clinical pattern of these pathologies, covers the entire chain of treatment from outpatient treatment through to intensive care and rehabilitation. The focus of care is on acute inpatient care. Schoen Clinic's hospitals mainly draw patients regionally due to its medical specialization and expertise; however, they also attract patients nationally and internationally on account of their unique range of treatments offered in some areas. As part of the healthcare mandate, we provide treatment both to patients with statutory insurance and to privately insured patients at our inpatient and outpatient facilities. In the UK, we also cooperated with the state-run National Health Service (NHS) and treated NHS patients at our UK hospitals in the course of the coronavirus pandemic.

Structure

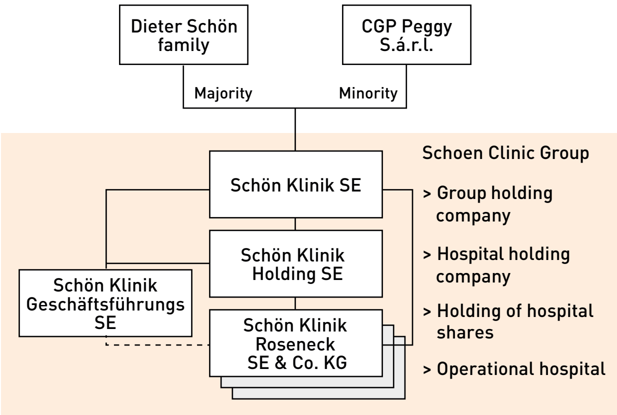
The Schoen Clinic Group is a privately owned hospital operator, and as a family-owned company the majority of its shares are held by the family of Dieter Schön. Schön Klinik SE's minority shareholder is the Carlyle Group via CGP Peggy S.à.r.l. This global financial partner has extensive international experience in the hospital sector.

Effective 1 March 2020, Daniel Kunzi was appointed as the Executive Director and CFO of Schön Klinik SE, rounding off the Executive Management comprising CEO Dr. Mate Ivančić and COO Christopher Schön, both of whom are Executive Directors.

Effective 1 August 2020, the Group performed a partial business transfer at each facility as well as a spin-off of employment relationships with non-medical staff from individual hospitals into Schön Klinik Holding SE. With the new structure, the Group aims to strengthen the group-wide collaboration of non-medical areas and draw on group-wide expertise in these areas for the benefit of all Schoen Clinic facilities. Non-medical areas comprise procurement, IT management, quality management, patient management, HR, technology and construction, medical controlling, service and catering as well as financial management. Another advantage of the new structure, which retained all jobs as well as the existing conditions of all employment contracts, is that the services in these areas are also offered as fee-based services to external hospitals that do not belong to the network of the Schoen Clinic Group. With the restructuring, the Schoen Clinic Group created the necessary basis for pursuing a growth trajectory that, among other things, could create more jobs in the future.

At the same time, we rely on the individual strengths and features of each facility. Each hospital within our Group operates as an independent entity according to its regional and professional expertise, striving to position itself as the first port of call for referring practitioners, patients and employees. In their efforts, our Hospital Directors can focus entirely on the medical profiling and expansion of the medical services of their hospitals in close cooperation with the chief physicians and nursing management, as the non-medical areas within the Group are managed by Schön Klinik Holding SE.

Simplified organizational chart of the Schoen Clinic Group



Schön Klinik SE, based in Prien am Chiemsee, is the Group's parent company. It provides commercial services for the hospitals as well as specialist expertise for certain functional areas. Together with Schön Klinik Holding SE, it also holds and manages the shares in the individual hospitals. Schön Klinik Geschäftsführungs SE manages the hospitals' operating activities as the general partner.

Strategy

By systematically expanding the range of services offered by the hospitals with the aim of covering the entire chain of treatment as well as by placing a stronger focus on comprehensive care providers, Schoen Clinic hopes to expand its market position in Germany. At the same time, Schoen Clinic intends to network with other service providers, including those in other sectors, in order to provide treatment to a consistently excellent medical standard. To this end, Schoen Clinic has established medical treatment centers at selected locations in order to provide graduated care and to link inpatient and outpatient care, and has promoted the development of digital treatment services. Schoen Clinic is also planning to expand its range of telemedical treatments next year.

The start-up company MindDoc, founded in 2017, is currently the leading and only provider with a fully integrated range of digital treatments for mental health disorders. Since 2019, the MindDoc app (previously on the market as MoodPath) has been supplementing the offering for pathologies such as depression, eating disorders, anxiety and obsessive-compulsive disorders. Insights gained from using the app can subsequently be validated with the help of licensed psychotherapists and treated with online therapy via minddoc.de. So far, complete outpatient psychotherapy via one-to-one video sessions is a unique concept on the German market. To date, MindDoc has reached almost 5,000 patients across all regions of Germany and beyond.

The Schoen Clinic Group's goal is for its hospitals to operate at a high level of capacity utilization in a way that is economically stable and sustainable. Schoen Clinic is constantly developing its existing facilities by means of an extensive program of investment. By building and extending operating theaters and wards, and continuing to invest in medical technology and infrastructure as well as innovative treatment methods, such as for post-COVID-19 rehabilitation, the Group is creating a framework for excellent medicine and optimized procedures. This enables Schoen Clinic to meet the needs of its patients and employees as well as the growing demand for treatment in its hospitals.

In the future, the Schoen Clinic Group's domestic focus will be on achieving organic growth by increasing capacity. This growth will be supplemented by the targeted acquisition and integration of individual hospitals. Schoen Clinic is particularly interested in hospitals or groups of hospitals that provide access to new markets and regions and that also represent a useful addition to the existing portfolio. In addition to domestic growth, Schoen Clinic's hospitals also want to promote further growth in other European countries – either by setting up new hospitals

Economic report

Market and competition

Dealing with the coronavirus pandemic has posed unprecedented challenges for governments, economies and healthcare systems, both across the world and in Germany. The reduced social contact and temporary closures of entire economic sectors required to stop the spread of the virus combined with a significant increase in government debt has impacted the macroeconomic situation in Germany. Experts anticipate the worst recession in the history of the Federal Republic of Germany. The report on overall economic development by the German Council of Economic Experts ["Sachverständigenrat"] forecasts that GDP in Germany will decline by 5.1 per cent in 2020 compared to the prior year due to the coronavirus crisis and the resulting economic effects of the extensive healthcare measures. It is estimated that catch-up effects and a statistical overhang could cause GDP to increase again by 3.7 per cent in 2021.

Never before in the history of the Federal Republic of Germany was so much political, public and patient focus placed on the healthcare system and, in particular, the hospital sector with its revenue of EUR 100b. Compared to both the rest of the world and other countries in Europe, the German healthcare system scored points with the quality of its hospitals and the supply of ICU beds. Both during the first wave in March/April and during the second wave at the beginning of winter, hospitals were able to provide adequate medical treatment to COVID-19 patients nationwide, even in times of temporary local restrictions due to the high number of coronavirus cases.

To tackle the coronavirus pandemic, the German Federal Ministry of Health and some ministries of the federal states issued orders in March 2020 to postpone any non-urgent elective surgery in order to reserve sufficient ICU capacity. In Germany, more than 908,000 operations were canceled overall; at 851,000, elective surgery accounted for the largest share[1]. At the same time, hospitals were instructed to significantly expand their ICU capacity. To compensate for their loss of revenue and additional costs, hospitals initially received a lump sum of EUR 560 per day for each empty bed; each newly added ICU bed was subsidized with EUR 50,000. Hospitals also received a subsidy for increased non-personnel costs, in particular those in connection with higher purchase prices for PPE. The lump sums for capacity reservation moved to a new staggered payment schedule at the start of the second half of 2020, which were more strongly based on the actual revenue losses incurred by the hospitals. In addition, the number of hospitals entitled to compensation payments based on levels of emergency was reduced to ensure that the treatment of coronavirus patients was concentrated in a few specific hospitals in each district, while the remaining hospitals helped relieve the burden by largely maintaining the regular operation of hospitals and surgery for all non-coronavirus patients.

The Hospital Rating Report ["Krankenhaus Rating Report"] of the RWI Leibniz Institute for Economic Research and the Institute for Health Care Business concluded that many hospitals experienced a rather successful 2020 in economic terms thanks to the financial support of up to EUR 10b provided to them by the German Federal Government[2]. At the same time, the authors warned that more hospitals will become insolvent from 2022 onwards if the structural problems faced by this sector are not addressed. According to the authors, the various support measures under the COVID-19-Krankenhausentlastungsgesetz ["Gesetz zum Ausgleich COVID-19 bedingter finanzieller Belastungen der Krankenhäuser und weiterer Gesundheitseinrichtungen": German Law to Equalize COVID-19-related Financial Burdens on Hospitals and other Healthcare Providers] will lead to a positive net effect for the hospital sector which is, however, expected to disappear for the most part again in 2021, causing it to return to the "normal" level by 2022 at the latest. However, the effect could vary considerably for individual hospitals. According to the forecast, hospitals run by charities or private organizations will perform much better in terms of their rating and financial performance than public hospitals. Large hospitals typically achieve better results than small hospitals. According to the report, additional benefits include a high degree of specialization and belonging to a chain, except for public hospitals.

Previously identified challenges in the healthcare sector still include attracting consultants and nurses in the face of a shortage of specialists, and increased government regulatory measures, which are having an increasingly negative impact on operators in the healthcare market. In the field of mental health, particularly the directive related to staffing in psychiatric and psychosomatic hospitals and clinics will have an effect on the financial performance of hospitals from 2022 onwards, as the failure to fulfill specific personnel requirements will result in reduced compensation.

The pandemic has also led to considerable economic losses and a high number of coronavirus cases among the population in the UK. In spring, the country fell into the deepest recession in its history with a decline in GDP of almost 10 per cent, which it started to recover from in summer. However, the outbreak of the second coronavirus wave is pushing the UK to the brink of a double-dip recession. As government debt also reached a record high, the government announced "tough decisions" to remedy its deficit situation. The NHS will also be impacted by the "radical restructuring" announced by the government. It is not yet clear exactly how this will impact the hospital sector if the issues surrounding the long waiting lists for NHS treatments persist. Against this backdrop, it can be assumed that the willingness of the population to utilize self-funded services will continue. Tackling the pandemic has also shown that the NHS made greater use of the capacities at private acute hospitals, a trend that will continue in the coming year.

Business performance

Due to the global coronavirus pandemic, fiscal year 2020 presented many challenges for our hospital group. In particular, the ban on performing non-urgent elective surgery for a period of 10 weeks as well as the slow restart of regular hospital operation led to budget deviations for revenue. Moreover, non-personnel costs for medical supplies increased at an extraordinary pace in 2020 on account of the substantial rise in the price of medical consumables (in particular protective masks and gowns) and purchased medical services (in particular, coronavirus tests for patients and employees).

We nevertheless enhanced our facilities in medical terms. For example, we expanded our emergency care by opening the 24/7 cardiac catheter laboratory at Schön Klinik Düsseldorf and Schön Klinik Hamburg Eilbek, introduced new service areas such as electrophysiological examinations, launched interventional neuroradiology at Schön Klinik Neustadt and developed new cross-location post-COVID rehabilitation at our hospitals in Berchtesgadener Land, Bad Aibling and Vogtareuth.

In June, Schön Klinik Lorsch decided to no longer pursue its plans to construct a new building, which had been in place for several years, for cost reasons. Instead, the existing facility is being enhanced as an orthopedic specialist hospital through modernization measures.

[1] Source: https://www.birmingham.ac.uk/news/latest/2020/05/covid-disruption-28-million-surgeries-cancelled.aspx
[2] Source: https://www.rwi-essen.de/presse/mitteilung/400/

Schön Klinik Nürnberg Fürth discontinued the operation of its hospital as of 1 October 2020. The facility was taken over by Schoen Clinic in 2013. The subsequent restructuring included the further development of what was originally a purely private hospital for patients covered by statutory health insurance. Due to the high regional density of hospitals and the increasing cost pressure, it was a great challenge to maintain cost-effective running of the hospital comprising 180 beds overall. This was exacerbated by the ban on elective surgery from mid-March 2020, as a result of which there was no real prospect of extending the rental agreement for the property at the end of 2021, and closure became unavoidable.

Compared to the prior year, demand from international patients for medical services virtually came to a complete standstill due to the global travel restrictions in connection with the coronavirus pandemic and could only be resumed at a very low level toward the end of the year.

Total operating performance rose by 7.6 per cent on the prior year in line with expectations (forecast: increase of 6.6 per cent). Revenue development was shaped by the effects of the COVID-19 pandemic in the past fiscal year, which were more than compensated for by opposing effects. We refer to the corresponding disclosures in the IFRS notes to the consolidated financial statements regarding the effects of the COVID-19 pandemic.

The prior-year forecast regarding a disproportionately low increase in personnel and non-personnel expenses as well as a significant rise in earnings before interest, taxes, depreciation and amortization was achieved in 2020.

Overall, Schoen Clinic experienced a year filled with major economic challenges and structural changes. The Executive Directors firmly believe that the measures introduced have laid the groundwork for sustainable future success and also provide the necessary foundation for a successful fiscal year in 2021.

Assets, liabilities, financial position and financial performance

Change in accounting standards

Up to and including fiscal year 2019, Schoen Clinic prepared its consolidated financial statements in accordance with the HGB ["Handelsgesetzbuch": German Commercial Code]. In fiscal year 2020, the accounting was adjusted to comply with International Financial Reporting Standards (IFRSs). Therefore, comparison between the consolidated financial statements for fiscal year 2020, including the comparative period 2019, and the HGB consolidated financial statements published for 2019 is limited. This relates to the following analyses of the Group's assets, liabilities, financial position and financial performance. Please refer to the explanations in the notes to the consolidated financial statements for information on the differences between the HGB and IFRSs as well as on relevant reconciliations.

Financial performance

In 2020, total operating performance (revenue plus other operating income) increased by EUR 67.6m (up 7.6 per cent) to EUR 960.0m. Hospital services, including changes in inventories, rose by 9.8 per cent to EUR 830.6m, making up the largest share of the Group's total operating performance (86.5 per cent, prior year: 84.7 per cent). This includes compensation payments and reimbursements in Germany and abroad totaling EUR 128.1m. Elective services, which account for 7.5 per cent (prior year: 9.1 per cent) of total operating performance at EUR 72.0m (prior year: EUR 81.2m), decreased in fiscal year 2020 due to the pandemic. Outpatient services as a percentage of total operating performance also decreased by 0.2 percentage points; as in the prior year, the absolute increase in revenue is primarily attributable to the acquisition of more registered doctors.

Personnel expenses rose by EUR 7.3m or 1.3 per cent on the prior year to EUR 583.3m (prior year: EUR 576.0m). The ratio of personnel expenses to total operating performance came to 60.8 per cent for 2020 (prior year: 64.5 per cent). Among other things, this development is due to the personnel measures implemented in fiscal years 2019 and 2020 as well as the closure of our hospital in Nuremberg-Fürth. Non-personnel expenses, comprising cost of materials and other operating expenses, increased by EUR 28.9m to EUR 281.1m (11.4 per cent). This is primarily attributable to higher impairment losses, losses from the disposal of non-current assets and an increase in expenses for protective equipment as a result of the COVID-19 pandemic. Losses from the disposal of non-current assets partly result from abandoning plans for the construction of the new hospital at the Lorsch location. In this context, the ratio of non-personnel costs to total operating performance increased by 1 percentage point to 29.3 per cent.

Considering the overall development of revenue and expenses, earnings from ordinary activities increased from EUR 16.6m in the prior year to EUR 8.6m. Due to the revenue increase in 2020, the higher personnel and non-personnel expenses were more than offset. Moreover, in the prior year earnings were negatively influenced by restructuring expenses (personnel expenses) of EUR 16.1m. The EUR 2.2m increase in amortization, depreciation and impairment is attributable to the closure of Schön Klinik Nürnberg Fürth SE & Co. KG.

Consolidated income statement in EUR m	2020	2019
Total operating performance	**960,0**	**892,4**
Cost of materials	-177,5	-170,7
Personnel expenses	-583,3	-576,0
Other operating expenses	-103,6	-81,5
Amortization, depreciation and impairment of intangible assets, property, plant and equipment and ROU assets	-64,2	-60,5
Financial result	-24,4	-44,9
Earnings from ordinary activities before taxes (EBT)	**8,6**	**-16,6**
Taxes	-1,2	-3,6
Consolidated profit/loss	**7,4**	**-20,2**

As in the prior year, there were long-term foreign currency loans in Swiss francs (CHF) for four of our hospitals as of 31 December 2020. These have been hedged in full with respect to currency and interest risks until the respective agreements expire. As in the prior year, no currency effects from this were recognized in the reporting year. Other currency effects of EUR -0.1m (prior year: EUR 2.3m) largely relate to financing the companies in the UK. These are recognized in the financial result on account of their occurrence in connection with financial instruments.

Assets and liabilities

The total assets of the Schoen Clinic Group amounted to EUR 1,936.6m on 31 December 2020. This is EUR 35.4m or 1.8 per cent below the figure for 31 December 2019 (EUR 1,971.9m).

The ratio of non-current assets to total assets decreased slightly from 89.9 per cent to 89.2 per cent during the fiscal year. Amortization, depreciation and impairment for the reporting year includes an impairment loss of EUR 2.2m on the right of use for the hospital real estate in Nuremberg-Fürth as a result of discontinuing business operations. Among other things, assets under construction at Schön Klinik Lorsch were adjusted for commissioned planning services in the reporting year, as the construction of the new hospital is no longer being realized. The mandatory annual impairment test of recognized goodwill pursuant to IAS 36 did not result in a need to recognize impairment losses for the reporting year.

Net investment in property, plant and equipment as well as maintenance and servicing expenses for property, plant and equipment amounted to EUR 35.8m (prior year: EUR 71.1m) and EUR 28.3m (prior year: EUR 28.1m) respectively in the fiscal year. Investment was high at 3.7 per cent (prior year: 8.0 per cent) of total operating performance, or 6.7 per cent (prior year: 11.1 per cent) including maintenance and servicing. The net investment ratio (net investment in property, plant and equipment/depreciation of property, plant and equipment) amounted to 60.7 per cent in 2020 (prior year: 127.1 per cent), or 108.7 per cent (prior year: 177.4 per cent) including maintenance and servicing.

Much of this investment went toward expanding capacity and optimizing productivity. Constructions investments were also made in 2020 despite the pandemic. These mainly include the renovation and expansion of Schön Klinik München Schwabing, the expansion of the surgery department at Schön Klinik Düsseldorf as well as the expansion of Schön Klinik Roseneck, including the construction of new buildings. Much of the planned investment will be financed using funds from operating activities.

Current assets increased by a total of EUR 8.3m (4.3 per cent) to EUR 200.7m (prior year: EUR 192.3m). While trade receivables decreased by EUR 18.5m, receivables pursuant to the KHG ["Krankenhausfinanzierungsgesetz": German Hospital Financing Act] (budget area) increased considerably by EUR 22.7m to EUR 28.7m, which is primarily attributable to the hospitals in Vogtareuth, Hamburg and Munich Harlaching and relates to the COVID-19 pandemic. The decrease in trade receivables is attributable to a drop in gross receivables as a result of a temporarily reduced payment period put in place by the legislator for health insurers, more efficient debt collection as well as to higher impairment losses.

Non-current assets held for sale, which are recognized under current assets, decreased by EUR 2.7m in fiscal year 2020. While this item included real estate of Schön Klinik Harthausen as of the prior-year reporting period, it relates to a certain building of Schön Klinik SE held for sale and operating facilities as of 31 December 2020. The real estate of Schön Klinik Harthausen was disposed in 2020, as scheduled. No extraordinary adjustments were made to the fair value of non-current assets held for sale in the reporting year or in the prior year.

Other smaller changes in other current assets, which were partly compensated for, led to the total change referred to above.

Financial position

Capital structure

As of 31 December 2020, group equity amounted to EUR 866.1m, following EUR 858.6m as of the prior year's reporting date. The increase of EUR 7.5m or 0.9 per cent can largely be attributed to the consolidated profit of EUR 7.4m for 2020, while the changes in other reserves and equity items only contributed EUR 0.1m to the total change. The equity ratio stands at 44.7 per cent (prior year: 43.5 per cent) of total assets, representing an improvement by 1.2 percentage points compared to 31 December 2019.

Non-current liabilities decreased by EUR 33.1m or 4.3 per cent in comparison to the prior year's reporting date, from EUR 778.8m to EUR 745.7m. This development is primarily attributable to the reduction and refinancing of bank loans as promissory note loans (totaling EUR -12.5m), the reduction of non-current lease liabilities (EUR -9.0m) and to EUR 4.2m lower negative market values of derivative financial instruments. In addition, deferred tax liabilities decreased by EUR 8.5m or 8.2 per cent.

Current liabilities amounted to EUR 324.8m as of 31 December 2020, compared with EUR 334.6m as of 31 December 2019. This development is based on a number of individual, small changes, which largely offset each other. Of the material individual effects, EUR -58.2m results from the reduction in current liabilities to banks and EUR -9.7m from the repayment of shareholder loans, countered by EUR 20.8m from higher liabilities pursuant to the KHG. The latter change relates to liabilities from subsidies received but not yet utilized of EUR 8.2m as well as liabilities in the budget area (KHEntgG ["Krankenhausentgeltgesetz": German Hospital Fees Act] and BPflV ["Bundespflegesatzverordnung": German Federal Healthcare Tariff Law]) of EUR 12.6m.

Liquidity
In fiscal year 2020, Schoen Clinic generated positive cash flow from operating activities amounting to EUR 98.3m (prior year: EUR 78.5m). The main drivers were the improved earnings before taxes in 2020 (EUR 8.6m: prior year: EUR -16.6m) as well as the associated increase in income tax payments (EUR 11.9m; prior year: EUR 1.1m). In addition to these effects, the development of operating cash flow was due to the changes in working capital, provisions and other non-cash expenses and income.

Cash flow from investing activities amounts to EUR -23.4m in the reporting year (prior year: EUR -58.4m). The significant reduction in cash outflow compared to the prior year relates to the processing and completion of larger construction projects in 2019, which are not counterbalanced by matters on a corresponding scale in 2020.

Cash flow from financing activities amounted to EUR -74.1m in fiscal year 2020 (prior year: EUR -21.8m). The significant change is mainly due to a factoring program used from mid-2019 to mid-2020. Of the total change in cash flow from financing activities (EUR -52.3m), EUR -41.0m is attributable to incoming and outgoing payments in the context of this program. Moreover, cash flow from financing activities is characterized by the repayment of bank loans in 2020, which are counterbalanced by short-term bank financing and promissory note loans on a similar scale.

As of 31 December 2020, the Group had access to working capital and money market trading lines totaling EUR 160.0m (prior year: EUR 142.0m), some of which can also be utilized in the form of a bank guarantee. A dedicated bank guarantee amounting to EUR 4.0m (prior year: EUR 4.0m) is also available. EUR 2.5m of these lines of credit (prior year: EUR 5.6m) had been utilized in the form of bank guarantees. The Schoen Clinic Group has undertaken an obligation to lenders to comply with financial covenants that are customary for the market in debt transactions. These relate to the earnings before interest, taxes, depreciation and amortization, equity ratio and net debt ratio of the Schoen Clinic Group. Based on the current forecast, the Executive Directors expect to have sufficient leeway in order to also comply with the financial covenants in subsequent periods.

The Group was in a position to meet its financial obligations at all times in the fiscal year.

Overall statement concerning the development of business and position of the Group
Fiscal year 2020 was characterized by increased costs that were more than offset by higher income, resulting in an improvement of net profit. In addition to these positive effects from the restructuring carried out in 2019, particularly the effects and measures in connection with the COVID-19 pandemic were decisive for the net income for 2020.

With a 2.4 per cent decrease in fixed assets and other non-current and current assets that have risen slightly (up 4.0 per cent), the composition of assets has not changed significantly overall. At EUR 866.1m, the capital structure reflects an increase in equity of EUR 7.5m, while liabilities decreased by EUR 42.9m or 3.9 per cent compared to the prior year's reporting date. The change in cash and cash equivalents amounted to EUR 0.7m (prior year: EUR -1.7m). Operating cash flow was clearly positive in 2020, as in the prior year.

Non-financial indicators

Schoen Clinic also uses non-financial in addition to financial indicators. These non-financial indicators are established KPIs that are used for both controlling and planning processes. Most non-financial indicators are recorded on a case-by-case basis, aggregated by department, hospital, region and segment for management purposes, and provided to managers each month.

Valuation ratios and case numbers
In the German DRG (Diagnosis Related Groups) system, the sum of the valuation ratios is an established KPI for determining performance. The valuation ratio indicates the economic severity of a medical case. Multiplying this by the state base rate gives the income per DRG, also at the department or hospital level. The sum of the valuation ratios is a good indicator for measuring economic performance before pricing effects, and therefore also for assessing medical and commercial quality.

In addition to the sum of the valuation ratios, the number of inpatients and cases is also recorded. Dividing the sum of the valuation ratios by the number of inpatient cases gives the case mix index (CMI). This figure represents the average case severity, and correlates with a department's performance capacity during a particular period.

In order to measure psychiatric and psychosomatic hospital services in Germany, services received are recorded on the basis of PEPP, days in attendance, and the number of patients and cases. The day mix index (DMI) is calculated in the same way as for somatic therapy. In the UK healthcare market, only case numbers and patient days are analyzed.

Schoen Clinic's valuation ratios and case numbers

Germany	**2020**	**2019**
Sum of valuation ratios (CM)	**99.405**	**126.820**
Sum of valuation ratios for care (PCM)	**515.008**	**0**
Discharged cases (inpatient)	87.870	110.910
Day mix	449.017	581.594
United Kingdom	**2020**	**2019**
Discharged cases (inpatient)	1.236	952
Days of hospitalization (inpatient)	17.725	17.578

With the PpSG ["Pflegepersonal-Stärkungsgesetz": Nursing Staff Support Act] dated 11 December 2018, it was decided to withdraw a large share of the nursing staff costs previously reimbursed via DRG from the DRG system and to rearrange the hospital reimbursement from 2020 onwards to a combination of fees per case and reimbursement of nursing staff costs. This resulted in a decrease in the valuation ratios in 2020. It also led to new challenges for the Schoen Clinic Group with regard to budget and remuneration negotiations.

Patient satisfaction
At Schoen Clinic's hospitals, our patients are always at the center of everything we do. The satisfaction of our patients is absolutely crucial because it guides our Group. We therefore derive measures from this valuable feedback that in turn strive to increase patient recommendations and patient satisfaction as part of continuous improvement.

In 2020, we went a step further. We digitized our survey on patient satisfaction, which had been carried out using pen and paper in previous years, and also included relatives in the survey. Many of our patients, in particular in the field of neurology, are to some extent largely dependent on the support and visits of their relatives in order to gradually return to everyday life following serious illness. Relatives also see the care we give to their loved ones as well as the compassion we show toward our patients. They get first-hand experience of what we do. Therefore, their feedback is equally important.

Our somatic facilities received floor and wall systems as part of the digitalization project, which were placed at selected locations within the hospitals. Patients and their relatives are firstly briefly asked about their overall satisfaction and are then guided through a few concise questions on key issues. If low scores are given on approval ratings from 1 to 5, patients and their relatives can include important information in response to short detail questions that provides us with specific action points.

We not only refined our survey on patient satisfaction in this regard, we also changed the focus. Instead of focusing purely on response rates, we now receive daily and instant feedback data. This approach provides a highly targeted opportunity to respond in terms of our quality DNA.

As a result of the COVID-19 pandemic and the associated heavy workload in our hospitals, limited visits and, in some cases, isolated patients, the use of feedback cannot be compared with normal conditions in the day-to-day operation of hospitals. The current feedback is positive and demonstrates a high degree of user acceptance despite the pandemic situation. 75 per cent of our patients and their relatives are very satisfied with our service (scores of between 4 and 5 on the approval ratings) and respond to our questions with an average score of 4.1 out of 5. We recorded more than 1,200 data sets at Schoen Clinic.

In line with our aspiration for continuous improvement, we will continue to improve patient satisfaction and increase the virtual presence of our recently digitized survey on patient satisfaction in our hospitals.

Employee satisfaction
In addition to patient satisfaction, the satisfaction of the Company's employees is another important indicator for measuring the Company's success. In this context, Schoen Clinic has been using the services of the Great Place to Work Institute (GPTW) for several years now. GPTW's comprehensive surveys provide important findings and insights on credibility, fairness, respect, team spirit and pride at work, and also facilitate benchmarking between facilities and competitors. The results are published openly, both internally and externally.

Four hospitals received multiple honors for the quality of their HR work and management culture in 2020 (basis: 2019 survey results): Schön Klinik Bad Arolsen, Schön Klinik Bad Bramstedt and Schön Klinik München Schwabing received the awards "Germany's Best Employer 2020" and "Germany's Best Employer, Health & Social". The latter category was also awarded to Schön Klinik Roseneck. In addition, the following hospitals also won state competitions: Schön Klinik Bad Arolsen ("Hesse's Best Employer 2020") as well as Schön Klinik München Schwabing and Schön Klinik Roseneck ("Bavaria's Best Employer 2020").

Moreover, the Schoen Clinic Group received the "Germany's Best Employer" award for all of its hospitals based on a survey conducted by the German news magazine "Stern" and the market research company Statista in 2020. The ranking aims to show which employers were viewed in an extremely positive light by their employees, especially in the year of the coronavirus pandemic.

Forecast

Market observation and outlook
The healthcare market continues to grow at an above-average rate. According to the latest figures of the German Federal Statistical Office, EUR 390.6b was spent on health care in Germany in 2018. This corresponds to an increase of 4.0 per cent compared to 2017. Based on existing figures that have already been extrapolated, 2019 is expected to have seen another increase to EUR 407.4b, which is 4.3 per cent higher than in 2018. In terms of economic performance, Germany therefore once again had the highest running healthcare costs among the EU member states[3]. Although no official figures are available yet, it can be assumed that health expenditure will have continued to rise substantially in 2020, the year of the pandemic.

The economic situation of Germany's hospital operators has deteriorated further. According to the RWI Leibniz Institute for Economic Research, 13 per cent of all German hospitals were already classified as companies with a raised risk of insolvency in 2018[4]. The deteriorated economic situation is primarily attributable to an ongoing shortage of specialists, an increase in outpatient services and more intensive reviews performed by the MDK ["Medizinischer Dienst der Krankenkassen": Medical Review Board of the Statutory Health Insurance Funds]. The resulting fall in the number of inpatient cases can only be partly compensated for by cost savings[5]. The situation was exacerbated in 2020 due to postponing non-urgent surgery, reserving beds, a decrease in overall capacity utilization, missing revenue from elective services and higher expenses for PPE as a result of the pandemic. The various support measures under the German Law to Equalize COVID-19-related Financial Burdens on Hospitals and other Healthcare Providers can only partly offset these losses and will largely cease to apply in 2021.

The psychosomatic divisions have to disclose staffing levels and costs for therapeutic personnel to health insurers for the first time in 2020. These costs are compared with the budget. If there is a difference, the contractual parties are requested to negotiate it. Possible deviations were taken into account when preparing the consolidated financial statements.

The shortage of specialists, in particular healthcare professionals, was once again brought to the fore as a result of the pandemic. According to the BIBB ["Bundesinstitut für Berufsbildung": German Federal Institute for Vocational Education and Training], the nominal shortage of healthcare specialists continues to rise year on year[6]. In 2025, there will be a shortage of around 152,000 healthcare professionals to treat patients at inpatient hospitals. The shortage of intensive care specialists is especially critical for the current crisis situation in hospitals. As a result of the PpSG ["Pflegepersonal-Stärkungsgesetz": Nursing Staff Support Act] and due to the fact that ensuring occupational health and safety in the healthcare sector is likely to play a greater role during and following the COVID-19 pandemic, the shortage of personnel and nursing staff in hospitals is expected to be alleviated for a short period of time. In the long term, however, challenges associated with the shortage of new healthcare professionals and personnel will remain.

MDK's legal reform introduced extensive changes to auditing. The audit rate established for each hospital depends on the number of correct invoices. A high number of correct invoices therefore reduces the audit rate. Thus, the strategic relevance of medical financial controllers and coding specialists continues to rise and, as a result, further increases the pressure on the shortage of specialists.

In addition to medical progress, the revision of the "outpatient surgery" catalog initiated by MDK's legal reform as well as potential cross-sector remuneration models in the future are likely to contribute toward an increase in outpatient care. Although the number of cases in Germany is expected to increase by around 4 per cent by 2025 for demographic reasons, a significant increase in the number of inpatient cases is highly unlikely in the next 10 years due to the rise in outpatient services and the reduction in length of stay[7].

Digitalization pressure was further increased by the pandemic. According to a hospital survey, more thought was given to new digital offerings, such as video consultations or digital remote monitoring, in 2020. Especially the rapid rise in digital health platforms, including MindDoc, is seen as a game changer in the healthcare market. A study by Roland Berger assumes that spending on digital healthcare products and services will increase to 8 per cent of the overall health expenditure by 2025 and that healthcare systems will undergo a radical transformation. Digital technologies not only tap into new markets and treatment plans, they also change the role of those active in the healthcare market. It is safe to assume that large tech companies, such as Apple, Amazon and Google, will become established on the healthcare market in the coming years[8][9]. The KHZG ["Krankenhauszukunftsgesetz": German Hospital Future Act], which came into force in October 2020, will accelerate this trend further. The funds provided by the newly created hospital future fund of up to EUR 4.3b can be requested for investments in IT equipment for accident and emergency departments, digital infrastructure and IT security. The narrowly defined funding guidelines of the German Federal Government and the federal states apply. In addition, from January 2025 onwards, sanctions will be imposed for all hospitals that do not offer the necessary digital services pursuant to the KHSFV ["Krankenhausstrukturfonds-Verordnung": German Hospital Structure Fund Ordinance]. This could exacerbate the already tense economic situation of many hospitals and exert additional economic pressure[10].

UK
According to the latest figures, running healthcare costs in the UK came to GBP 214.4b in 2018. This accounts for around 10 per cent of the UK's GDP[11]. With annual growth rates of 3.2 per cent, the healthcare market is a key industry in the UK. With expenditure of GBP 34.5b in 2018 and growth rates of 6 per cent, the private healthcare segment is a particularly attractive market, which offers services to self-paying patients or patients with private health insurance independent of the NHS[12]. It is expected that both the healthcare market and the private healthcare segment will continue to grow in the coming years[13].

Outlook for Schoen Clinic
Schoen Clinic is still pursuing the goal of providing excellent medical care in its hospitals while retaining its performance level, and continuing to reinforce its market position at its various facilities. The focus of our growth activities is on expanding inpatient emergency care in our core areas, as well as increased connectivity with related stages of care.

The primary goal is to achieve internal growth and to continue to develop the hospitals by means of past and current investment measures, systematic communication of the offerings to the market, and tailoring the treatments on offer to clinical patterns and therefore to the patients' needs. Further increases in income will be achieved by consistently focusing on excellent medicine, combined with the high utilization of capacities and stricter cost management. In addition, the possibilities of further acquisitions are reviewed continuously and selectively in Germany and abroad. Furthermore, growth is targeted by establishing specialized hospitals outside Germany.

The Executive Directors believe that Schoen Clinic is following a good strategy and has successfully positioned itself on the market. For fiscal year 2021, a moderate increase is expected in total operating performance due to price and quantity-related effects. As a result, the Executive Management anticipates a moderate rise in earnings before interest, taxes, depreciation and amortization.

Overall, this forecast is based on the assumption that the market environment will stabilize. Actual trends may differ from the forecast on account of the opportunities and risks described below, or if the assumptions mentioned prove inaccurate.

One the one hand, the second wave of the coronavirus pandemic will continue to have a negative impact on our occupancy and thus our performance in 2021. On the other hand, there is hope that the restrictions on public life and the associated reluctance of patients will gradually decrease by autumn on account of the vaccination programs under way and the increasing number of highly efficient vaccines produced by various manufacturers, as a result of which postponed operations can be performed. However, this development could once again be restricted by the increasing number of mutations of the coronavirus, against which the current vaccines may not be effective. The extent to which the effects of the pandemic on occupancy can be compensated by financial support from the Federal Government in 2021 beyond the current support measures running until the end of March 2021 is currently being negotiated between the Federal Ministry of Health and hospital owners.

Risk and opportunities report
Risk management system

Objective
The purpose of the risk management system is to protect Schoen Clinic against events or developments that could jeopardize the Company's ability to continue as a going concern. Schoen Clinic's risk management activities are based on the Company's goals and designed as an integrated risk management system that covers all of the Company's divisions and hospitals. The responsibilities of the various divisions and departments within the hospitals are preserved.

As part of a structured process throughout the Group, risks are identified and evaluated in terms of their likelihood and potential severity, measures are implemented to avoid or mitigate them, and both risks and the measures are monitored. In the field of clinical risk management, this is done by means of the CIRS (Critical Incident Reporting System) implemented at all of our hospitals, systematic case analyses, and the processing of incidents. The Healthcare Failure Mode and Effect Analysis (HFMEA) of the VA National Center for Patient Safety (NCPS) is used to quantify this in terms of harm to patients, employees, reputation, image, monetary losses and legal risks. At the same time, corresponding countermeasures are implemented.

[3] https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/05/PD20_164_23611.html
[4] https://www.rwi-essen.de/presse/mitteilung/400/
[5] https://www.nordlb.de/die-nordlb/research-floor-research/download/3144/direct/
[6] https://www.bibb.de/de/pressemitteilung_545.php
[7] https://www.rwi-essen.de/presse/mitteilung/400/
[8] https://www.rolandberger.com/publications/publication_pdf/roland_berger_krankenhausstudie_covid.pdf
[9] Roland Berger (2019): Future of Health

[10] https://www.oberender.com/2020/11/krankenhauszukunftsgesetz-digitales-update-fuer-krankenhaeuser/
[11] https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthcaresystem/bulletins/ukhealthaccounts/2018
[12] https://www.statista.com/statistics/317868/private-healthcare-expenditure-in-the-united-kingdom-by-sector/
[13] https://www.laingbuisson.com/shop/private-healthcare-self-pay-uk-market-report/

This process is carried out every six months. The focus is on the ongoing monitoring and management of the countermeasures in order to prevent or at least mitigate the negative consequences of the identified risks if possible. All departments must work together closely on the basis of trust in order to ensure this. That is why enhancing Schoen Clinic's error management culture is crucial in this regard. Specifically, risk management at Schoen Clinic means:

- The greatest possible degree of patient safety during medical care
- Optimizing employee safety
- Protecting facilities and other material assets
- Safeguarding long-term commercial success

Structure

Risk management is an essential element of the specific tasks of every specialist department, which is why there are already both central and decentralized structures in place with primary responsibility for reporting and evaluating risks. The Law, Risk Management and HR department is responsible for monitoring reported risks and activities, coordinating all operating risk management activities, advising the heads of departments and hospitals, analyzing risk-related activities and reporting to the Executive Management.

Avoiding and mitigating risk

Insurance has been taken out to cover potential liability risks and claims in order to ensure that risks arising during ongoing operations are limited and prevent consequences from claims that could jeopardize the Company's ability to continue as a going concern. Based on experience of the insurance industry during the coronavirus crisis, it is safe to assume that pandemic risks can only be hedged by loss-of-profits insurance to a very limited extent in the future. In terms of finances, the risk management goals and methods are defined by Schoen Clinic's financial risk policy. The goal of financial management with respect to the monitoring and management of market price risks is to conclude suitable financing and hedging instruments to offset these risks.

Financial risks are covered by means of professional financial management and treasury activities. Schoen Clinic demonstrates its financial stability by means of the sustainable and conservative structuring of financial instruments as well as an annual company rating from Euler Hermes. Interest fluctuation and market price risks are evaluated centrally for the entire Group. The main instruments used to limit interest rate fluctuation risks are interest rate swaps (which convert variable interest flows into fixed interest flows) and currency and cross-currency swaps (which mitigate unfavorable exchange rate trends in the relevant foreign currencies).

Integrated planning and reporting systems are used to calculate the relevant indicators. This is used as the foundation for internal management and internal and external reporting to our financing partners.

Market-related risks

Regulatory risks

The German hospital market faced fundamental structural problems in the healthcare sector in the past fiscal year, in which a demographically induced increase in demand and ongoing medical progress came up against limited and increasingly tight public budgets for health services. Schoen Clinic is largely active in the field of acute care and provides treatment to all patients with statutory and private insurance as part of the statutory healthcare mandate. The Group sees regulatory risks arising in particular with respect to statutory changes in the compensation paid for hospital services, structural requirements (including implicit and explicit personnel requirements), case documentation requirements or settlement processes. These affect all hospitals in Germany with a public healthcare mandate. There are signs of the tightening and increasing uncertainty of regulations, particularly as a result of the KHSG ["Krankenhausstrukturgesetz": German Hospital Structure Act], the PpSG and the PpUGV ["Pflegepersonaluntergrenzen-Verordnung": Nursing Staff Minimum Ratio Directive in Germany]. On account of its specialization, Schoen Clinic is above all affected by the introduction of minimum staffing ratios in the field of intensive care at present. Efforts to recruit nursing personnel were and will be ramped up considerably in order to ensure that the minimum staffing ratios are complied with and the planned services can be provided. If the minimum staffing ratios are extended to other areas of nursing, given the tight situation on the employment market for nurses, Schoen Clinic could find it increasingly difficult to meet the requirements in the long term.

Economic environment

Like any other company, Schoen Clinic is dependent on general economic conditions such as the rate of inflation, unemployment, population growth and the appeal of location factors in a regional, national and international comparison. The risks posed by general economic conditions are reduced, however, because Schoen Clinic operates in the healthcare sector, which is fundamentally resistant to economic factors. Nevertheless, a lasting economic crisis, a deterioration in the government debt crisis in Europe or macro-political shifts in the relationship with the Arab gulf states could change patients' behavior patterns and their preferences for healthcare and insurance services.

Competition

The environment in which Schoen Clinic operates is characterized by intense competition. It is competing with other private, public and charitable hospitals, both with respect to the treatment offered to patients and to attracting and retaining specialists.

Risks to the Company

Management of growth

Schoen Clinic intends to grow organically in the future with its existing hospitals and in addition through selective acquisitions in Germany and abroad, and by establishing facilities in other countries. Both organic growth and growth through acquisition always entail risks to the Company, which Schoen Clinic manages by means of systematic planning and implementation processes at every stage of growth.

Liability, legal and reputation risks

Healthcare institutions regularly face lawsuits relating to breaches of the duty of care, errors in treatment or other claims, for example in connection with viral or bacterial infections. Irrespective of their outcome, legal proceedings tie up the Company's resources, and can entail substantial claims for damages and legal costs as well as damage to the Company's reputation. Provisions for ongoing and pending litigation are calculated based on a realistic estimate of cash outflow according to the information available. Depending on the outcome of these proceedings, claims may arise against Schoen Clinic that are not or only partially covered by provisions or insurance benefits. These risks are addressed by means of quality management and clinical risk management, as well as the active management of insurance claims.

Attracting and retaining employees

The shortage of qualified managers and employees, and nursing and medical staff in particular, is fueling competition for specialist personnel. This situation has the potential to raise personnel costs or temporarily impact treatment capacities. By offering compensation that is in line with the market, and implementing broad personnel development and retention measures, Schoen Clinic is constantly endeavoring to attract new employees and retain existing staff.

Infrastructural risks

The implementation of necessary infrastructure measures may entail substantial investment on the part of Schoen Clinic. While most of the hospitals that have belonged to Schoen Clinic for some time are free from deficits in this regard, newly acquired hospitals and properties in particular may require more measures at first, which requires corresponding investment.

Financial risks

The financial risks faced by Schoen Clinic mainly consist of financing and market price risks. Financing risks are determined by trends on the money and capital markets and by the Company's own credit rating as a requirement for taking out finance. The central financial management function is in charge of the strategic alignment of the Group's financing and the management of its short-term and long-term liquidity and financing risks.

With respect to market price risks, Schoen Clinic is above all exposed to potential negative trends in interest and currency exchange rates. The interest rate risks mainly stem from the financing of a small number of hospital buildings using variable-rate loans. In order to reduce these risks, Schoen Clinic has concluded contracts for derivative interest rate hedging instruments (payer interest rate swaps) that are adequate in terms of their term and amount. This means that the interest rate risks arising from the variable-rate loans are limited by offsetting effects from the hedging transactions. Currency risks stem from liabilities in foreign currencies as well as Schoen Clinic's business activities in the UK.

Foreign currency loans denominated in Swiss francs, and the bond issued in 2019, are hedged in full with respect to currency and interest rate risks until the end of their terms. The hospitals in the UK are now financed by means of equity contributions issued by Schön Klinik SE to the holding company in the UK.

The underlying and hedging transactions are combined to form hedge units that are not recorded for accounting purposes due to the application of the "net method". This only applies for as long and insofar as effective hedging relationships are in place.

For trade receivables that were neither impaired nor overdue, there were no indications that defaults will occur that could lead to a reduction in Schoen Clinic's assets. Overdue financial instruments are always impaired at portfolio level for the losses incurred in the portfolios in question. If there are any indications of anticipated, significant delays in payment, overdue financial instruments are assessed individually for any additional necessary impairment losses, which are recognized accordingly.

IT risks

Schoen Clinic's business activities depend on the smooth functioning of the IT system and Enterprise Resource Planning (ERP) system. In addition to constant maintenance, this requires the ongoing refinement of these systems. Disruptions to the maintenance of existing systems, updates of running programs or restrictions on the capacity of IT service providers have the potential to negatively impact ongoing operations and incur additional costs. At the same time, opportunities are seen to improve processes and procedures, and make them more secure, by making intelligent use of IT infrastructure.

Overall assessment of the risk situation

The Executive Directors do not currently see any risks that could jeopardize the Company's ability to continue as a going concern. In the opinion of the Executive Directors, the risk management system that is in place ensures that all identified risks are managed.

Market-related opportunities

The healthcare market is expected to continue growing in the years ahead due to demographic trends. The financing provided by statutory insurance funds will remain under pressure, which could result in the emergence of alternative systems of compensation as it has in other European countries. In this environment, Schoen Clinic is focusing on high-growth indications with its core areas of mental health disorders, neurology and orthopedics. Schoen Clinic uses its competitive advantages, such as high case volumes for certain clinical patterns and the development of innovative therapy and treatment methods, to gain advantages in terms of costs and differentiation.

Schoen Clinic seeks to become actively involved in all specialist committees and bodies that it considers to be relevant in order to be able to participate in regulatory changes. This presents an opportunity to identify new developments at an early stage and respond accordingly.

Company-related opportunities

Schoen Clinic offers state-of-the-art medical care while remaining highly profitable at an operating level (earnings before interest, taxes, depreciation and amortization). One of our core strengths is our ability to achieve medical quality and profitability thanks to our experience and intelligent management. This gives rise to opportunities for growth both in Germany and internationally.

The Company will continue to invest in expanding its infrastructure in order to support internal opportunities for growth in the years ahead. By optimizing its hospitals' internal procedures, Schoen Clinic is increasing its capacities to provide treatment in its core areas of medicine. Schoen Clinic does not consider growth to be an end in itself, however, and it is only achieved on the basis of a solid economic foundation. Integrating and supporting acquired hospitals is just as important as the constant and ongoing development of hospitals already belonging to the Group.

Continuous improvement processes and a culture of quality are integral components of the Company's everyday activities that are put into practice locally by its employees. The network of hospitals is also an effective foundation for making further improvements to efficiency by means of the targeted transfer of know-how and the bundling of activities.

In order to combat the shortage of specialists, Schoen Clinic has developed and implemented targeted measures such as participation in the Great Place to Work competitions, the "Employee-Led Recruitment" campaign and systematic recruitment in other countries. This is an issue that will become even more important in the future, and therefore the subject of ongoing development.

As a robust provider with strong operations (earnings before interest, taxes, depreciation and amortization), we believe that Schoen Clinic is in a good position to achieve further targeted growth as a specialized hospital group at both a national and an international level, and to prevail on the market as an independent company in the long term.

Prien am Chiemsee, 15 March 2021

The Executive Directors

Mate Ivančić
Dr. Mate Ivančić

Daniel K
Daniel Kunzi

Christopher Schön
Christopher Schön

Consolidated financial statement 2020

Consolidated income statement of Schön Klinik SE, Prien am Chiemsee

EUR k	Note	2020	2019
Revenue	4.1	932,003	865,727
Other operating income	4.2	28,026	26,720
Total operating performance		**960,029**	**892,447**
Cost of materials	4.3	-177,483	-170,720
Personnel expenses	4.4	-583,327	-576,023
Other operating expenses	4.5	-103,626	-81,516
Amortization, depreciation and impairment of intangible assets, property, plant and equipment and ROU assets	6.1/6.2	-64,181	-60,488
Finance income	4.6	1,532	24,529
Finance costs	4.6	-24,391	-44,860
Earnings before taxes		**8,553**	**-16,631**
Income taxes	4.7	-1,153	-3,617
Consolidated net income/loss for the year		**7,400**	**-20,248**
thereof attributable to			
shareholders of Schön Klinik SE		7,400	-20,248
other shareholders		0	0

Consolidated statement of comprehensive income of Schön Klinik SE, Prien am Chiemsee

EUR k	Note	2020	2019
Consolidated net income/loss for the year		**7.400**	**-20.248**
Remeasurement of defined benefit pension plans	4.7/6.8/6.9	-152	-8.504
thereof: effects of income taxes		79	2.117
Total changes in value not reclassified to profit or loss		**-152**	**-8.504**
Exchange differences		-3.249	-2.948
Fair value changes of derivative financial instruments / cash flow hedge	4.7/6.8	3.516	2.753
thereof: effects of income taxes		-1.110	-1.249
Total changes in value reclassified to profit or loss		**267**	**-195**
Other comprehensive income after taxes		**115**	**-8.699**
Total comprehensive income of the Group		**7.515**	**-28.947**
thereof attributable to			
shareholders of Schön Klinik SE		7.515	-28.947
other shareholders		0	0

Consolidated statement of financial position of Schön Klinik SE, Prien am Chiemsee

EUR k		**31 Dec 2020**	**31 Dec 2019**	**1 Jan 2019**
Assets	**Note**			
Goodwill	6.1	391.905	391.551	380.182
Intangible assets	6.1	29.134	31.840	31.358
Property, plant and equipment	6.2	1.308.043	1.348.947	1.335.285
Shares in affiliates		906	981	939
Other non-current financial assets	6.3	5.901	6.284	24.115
Deferred tax assets	4.7	1	0	1.971
Non-current assets		**1.735.890**	**1.779.603**	**1.773.850**
Inventories	6.4	14.130	11.678	9.951
Trade receivables	6.5	119.409	137.932	147.096
Receivables from income tax assets		4.736	2.201	15.870
Other current financial assets	6.6	41.760	19.872	36.291
Other assets	6.6	8.486	6.448	3.579
Cash and bank balances	5	7.021	6.402	7.972
Current assets		**195.542**	**184.533**	**220.759**
Assets held for sale	6.7	5.123	7.807	0
Total assets		**1.936.555**	**1.971.943**	**1.994.609**

EUR k		**31 Dec 2020**	**31 Dec 2019**	**1 Jan 2019**
Equity and liabilities	**Note**			
Issued capital	6.8	144	144	144
Capital reserves	6.8	707.695	707.695	707.695
Revenue reserves	6.8	185.849	178.449	198.577
Other reserves	6.8	-27.555	-27.670	-18.971
Equity attributable to equity holders of the parent		**866.133**	**858.618**	**887.445**
Non-controlling interests		0	0	56
Equity		**866.133**	**858.618**	**887.501**
Non-current financial liabilities	6.11	570.206	596.173	575.326
Pensions and similar obligations	6.9	64.321	64.190	53.040
Other non-current provisions	6.10	16.081	14.835	12.951
Deferred tax liabilities	4.7	95.050	103.565	106.537
Non-current liabilities		**745.658**	**778.763**	**747.854**
Current financial liabilities	6.11	203.536	212.775	246.702
Trade payables		17.207	17.704	14.386
Liabilities from income taxes		2.862	1.565	12.665
Other current provisions	6.10	18.029	18.281	14.541
Other current liabilities and deferred income	6.12	83.130	84.237	70.960
Current liabilities		**324.764**	**334.562**	**359.254**
Total equity and liabilities		**1.936.555**	**1.971.943**	**1.994.609**

Consolidated statement of changes in equity of Schön Klinik SE, Prien am Chiemsee

EUR k	**Issued capital**	**Capital reserves**	**Revenue reserves**	**Other reserves**	**Equity attributable to the owners of Schön Klinik SE**	**Non-controlling interests**	**Group equity**
Equity as of 1 January 2019	**144**	**707.695**	**198.577**	**-18.971**	**887.445**	**56**	**887.501**
Net income/loss of the Group for 2019	0	0	-20.048	0	-20.048	0	-20.048
Other comprehensive income for 2019	0	0	0	-5.751	-5.751	0	-5.751
Transactions with non-controlling interests	0	0	0	0	0	-56	-56
Other equity transactions	0	0	-80	0	-80	0	-80
Currency translation	0	0	0	-2.948	-2.948	0	-2.948
Equity as of 31 December 2019	**144**	**707.695**	**178.449**	**-27.670**	**858.618**	**0**	**858.618**
Net income/loss of the Group for 2020	0	0	7.400	0	7.400	0	7.400
Other comprehensive income for 2020	0	0	0	3.364	3.364	0	3.364
Currency translation	0	0	0	-3.249	-3.249	0	-3.249
Equity as of 31 December 2020	**144**	**707.695**	**185.849**	**-27.555**	**866.133**	**0**	**866.133**

We also refer to the comments under section 6.8 in the notes to the consolidated financial statements with regard to equity and its development.

Consolidated statement of cash flows of Schön Klinik SE, Prien am Chiemsee

EUR k	Note.	2020	2019
Earnings before taxes		8.553	-16.631
[+] Net finance income	4.6	22.870	20.331
[+] Amortization, depreciation and impairment	6.1/6.2	64.181	60.488
[+/-] Other non-cash expenses/income		14.209	-12.242
[+/-] Loss/gain on the disposal of non-current assets		4.426	-41
[+] Increase in pension provisions	6.9	132	11.150
[+] Increase in other provisions	6.10	1.461	5.266
[-/+] Increase / decrease in working capital		-5.633	11.281
[-] Income tax payments	4.7	-11.989	-16.918
[+] Income tax refunds	4.7	54	15.805
Cash flow from operating activities		**98.264**	**78.489**
[-] Cash paid for investments in property, plant and equipment		-37.861	-71.475
[+] Cash received from disposals of property, plant and equipment		1.495	813
[-] Cash paid for investments in intangible assets		-4.053	-6.706
[+] Cash received from disposals of intangible assets		22	130
[-] Cash paid for investments in fixed financial assets		0	-475
[+] Cash received from disposals of fixed financial assets		184	118
[-] Cash paid for additions to the basis of consolidation		0	-3.858
[+] Cash inflows from investment subsidies		16.516	22.264
[+] Interest received		218	761
[+] Dividends received		64	0
Cash flow from investing activities		**-23.415**	**-58.428**
[+] Cash inflows from bonds		0	70.081
[-] Cash outflows from bonds		0	-81.900
[+] Cash inflows from bank loans and promissory note loans		61.830	69.398
[+] Cash outflows from bank loans and promissory note loans		-95.199	-26.251
[-] Cash outflows from other financial borrowings		-13.043	-332
[+/-] Cash inflows/outflows from current liabilities to banks		4.162	-21.179
[-] Repayment of lease liabilities		-9.750	-8.672
[-] Interest paid		-22.071	-22.862
Cash flow from financing activities		**-74.071**	**-21.717**
Change in cash and cash equivalents		**778**	**-1.656**
Changes in cash and cash equivalents due to changes in the basis of consolidation		0	-82
Changes in cash and cash equivalents due to exchange rates and valuation		-159	168
Cash and cash equivalents at the beginning of the period		**6.402**	**7.972**
Cash and cash equivalents at the end of the period		**7.021**	**6.402**

Notes to the consolidated financial statements

1. Corporate information

These consolidated financial statements relate to Schön Klinik SE with its registered offices in Prien am Chiemsee, Germany, and its subsidiaries ("the Group" or "Schoen Clinic"). Schön Klinik SE is entered in the commercial register B of Traunstein Local Court under HRB no. 26811.

Schoen Clinic is Germany's largest family-run hospital group specializing in mental health, neurology, orthopedics, surgery and internal medicine. Schoen Clinic and its subsidiaries operate primarily on the German market and mainly in the clinical acute-care sector. The Group's only locations abroad are in the UK.

Schön Klinik SE, Prien am Chiemsee, prepares consolidated financial statements for the smallest group of companies. The Schön Klinik SE Group is included in the consolidated financial statements of Apollon SE, Elsbethen, Austria, which prepares the consolidated financial statements for the largest group of companies. The consolidated financial statements of Apollon SE, Elsbethen, Austria, are filed electronically with the Austrian commercial register.

2. Accounting policies

2.1 Rules applied

Exercising the option in Sec. 315e (3) HGB ["Handelsgesetzbuch": German Commercial Code], Schoen Clinic has for the first time prepared these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB. All standards and interpretations effective for the 2020 reporting period have been observed. See the comments in 2.5 for information on the first-time adoption of IFRSs.

The consolidated financial statements are prepared in euro, which is the functional and reporting currency of the Group. All values are rounded to the nearest thousand (EUR k), unless otherwise indicated. Due to rounding, it is possible that some figures do not add up precisely to the sums stated.

The consolidated financial statements are based on the historical cost principle, except for items reported at fair value, in particular financial instruments for hedging interest and currency risks. The consolidated financial statements were prepared in accordance with the going concern assumption.

2.2 New standards

2.2.1 New and amended standards and interpretations

The Schoen Clinic Group applied all standards and amendments deemed effective by the standard-setting body for annual reporting periods beginning on or after 1 January 2020. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Because the IFRS consolidated financial statements of Schön Klinik SE as of 31 December 2020 were prepared in accordance with IFRSs for the first time, all standards and amendments effective for annual reporting periods beginning on or after 1 January 2020 are applied as if they had always been effective. See also the comments in 2.5 First-time adoption of IFRSs.

Standard/interpretation	Endorsed by the EU	Effective for all annual reporting periods beginning on or after
IFRS 17 Insurance Contracts	Open	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies	Open	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	Open	1 January 2023
Amendments to IFRS 3: Reference to the Conceptual Framework	Open	1 January 2022
Amendments to IAS 16: Proceeds before Intended Use	Open	1 January 2022
Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	Open	1 January 2022
Amendment to IFRS 1: Subsidiary as a First-time Adopter	Open	1 January 2022
Amendment to IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	Open	1 January 2021
Amendment to IAS 41: Taxation in Fair Value Measurements	Open	1 January 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (IBOR) (Phase 2)	Issued	1 January 2021

2.2.2 Standards issued but not yet effective

The International Accounting Standards Board (IASB) issued the following standards, interpretations and amendments to existing standards before the date on which the consolidated financial statements were published. However, their adoption is not yet mandatory. The Schoen Clinic Group intends to adopt these new and amended standards and interpretations when they become effective/mandatory. In cases where there is no official translation of new standards or interpretations, we use the original English title of the new pronouncement. The Group examines the effects of the new standards on the consolidated financial statements on an ongoing basis *(see table above)*.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts, issued by the IASB in May 2017, establishes principles for the recognition, measurement and presentation of insurance contracts and replaces IFRS 4. The standard is intended for insurers. The scope of IFRS 17 covers all types of insurance contracts (including life assurance and property insurance as well as direct insurance and reinsurance) as well as certain guarantees and financial instruments with discretionary participation features. Within the scope, certain exceptions are defined in the standard.

IFRS 4 was informed by the idea of ensuring that existing local accounting rules could continue to be used. IFRS 17 represents a departure from this approach, introducing a comprehensive model for insurance contracts that covers all relevant accounting aspects.

Comparative information must be provided when adopting IFRS 17 for the first time. Early adoption is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies

With the publication of adjustments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements, the IASB has tightened the rules for classification of liabilities as current and non-current.

The amendments to IAS 1 comprise the following clarifications:
1. The right to defer settlement of a liability is explained.
2. The right to defer must exist at the end of the reporting period.
3. Classification is unaffected by the likelihood that an entity will exercise its deferral right.
4. Only if an embedded derivative in a convertible liability is itself an equity instrument that must be recognized separately do the terms of a liability not impact its classification.

The amendments from the adjustment of IAS 1 must be applied retrospectively. The Schoen Clinic Group is assessing the impact the amendments will have on the consolidated financial statements and whether existing loan agreements may require adjustment.

With the amendment to IAS 1 Disclosure of Accounting Policies, the standard-setting body regulates that only the "material" accounting policies will be disclosed in the notes to the financial statements in the future. It clarified that material accounting policies must relate to material transactions or other events that need to be disclosed. For instance, this may be the case when the policy was changed, it relates to an option, the policy is complex or requires significant judgment or was developed in accordance with IAS 8.10 et seq. The aim is to ensure that the future focus is on entity-specific explanations instead of standardized information.

The introduction in Practice Statement 2 was adjusted accordingly.

The amendments are not expected to have a material impact on the consolidated financial statements of the Schoen Clinic Group.

Amendments to IAS 8:
Definition of Accounting Estimates
The adjustment to IAS 8 clarifies how entities can better distinguish between accounting policies and accounting estimates. In addition, it defines that an accounting estimate is always based on monetary amounts in financial statements that are subject to measurement uncertainty. An entity uses measurement techniques in addition to input parameters to develop an estimate. These may be estimation or measurement techniques.

The amendments are not expected to have a material impact on the consolidated financial statements of the Schoen Clinic Group.

Amendments to IFRS 3:
Reference to the Conceptual Framework
The amendments to IFRS 3 specify that all references refer exclusively to the current 2018 Conceptual Framework for Financial Reporting. No material changes were made to the other existing rules in IFRS 3.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

With the amendments, the standard-setting body added a specific clarification to IFRS 3 that an acquirer is prohibited from recognizing contingent assets acquired in a business combination. The amendments must be applied prospectively.

Amendments to IAS 16:
Proceeds before Intended Use
The amendments to IAS 16 Property, Plant and Equipment now specifically prohibit the deduction of proceeds from the cost of an item of property, plant and equipment. If items are produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management, the entity must recognize the proceeds from selling such items, and the cost of producing those items, through profit or loss in accordance with the respective relevant standards. IAS 2 is used to measure the cost of producing the item.

The amendments are not expected to have a material impact on the consolidated financial statements of the Schoen Clinic Group.

Amendments to IAS 37:
Onerous Contracts – Cost of Fulfilling a Contract
With the amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the IASB has specified which costs an entity should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

According to the amendments, the cost of fulfilling a contract comprises all costs that relate directly to the contract. These can either be incremental costs of fulfilling that contract (e.g., direct labor, materials) or an allocation of other costs that relate directly to fulfilling the contract (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling several contracts).

The Schoen Clinic Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards.

The details of this amendment relate to cumulative translation differences. On the date of first-time adoption of IFRSs, subsidiaries are permitted to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs.

Early adoption is permitted, but the Schoen Clinic Group has chosen not to early adopt this amendment.

Amendment to IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9.

The amendment clarifies that when a borrower applies the '10 per cent' test, it includes only fees paid or received between it (the borrower) and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. Cash flows paid to or received from parties other than the borrower or the lender are not included.

The amendments are not expected to have a material impact on the consolidated financial statements of the Schoen Clinic Group.

Amendment to IAS 41:
Taxation in Fair Value Measurements
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IAS 41 Agriculture.

These amendments are not relevant for the Schoen Clinic Group.

Interest Rate Benchmark Reform (IBOR) (Phase 2)
The amendments as part of the IBOR II to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 aim to mitigate the effects on financial reporting resulting from replacing an existing refinancing rate with an alternative interest rate. It allows a practical expedient relating to modifications required by the IBOR. In addition, it should be possible for hedge accounting to continue with adjusted documentation despite the replacement of the refinancing rate. The transitional arrangements also provide for certain previously discontinued hedging relationships to be reinstated.

Early adoption is permitted, but the Schoen Clinic Group has chosen not to early adopt this amendment. At present, it is not yet possible to determine the exact impact on the Group due to the current variability of the interest rates. However, the impact on the Group is estimated to be immaterial.

2.3 Reporting period

The reporting period is the calendar year.

2.4 Approval of the financial statements

The consolidated financial statements of Schön Klinik SE were authorized for issue by the Executive Directors when they were signed on 15 March 2021.

2.5 First-time adoption of IFRSs

2.5.1 General
Schoen Clinic has prepared its consolidated financial statements for the reporting period ending on 31 December 2020 in accordance with IFRSs for the first time. For previous reporting periods up to and including the 2019 reporting period, Schoen Clinic prepared its consolidated financial statements in accordance with the HGB.

The opening IFRS statement of financial position was prepared as of 1 January 2019, the date of transition to IFRSs. The fundamental adjustments to the consolidated statement of financial position and consolidated financial statements of Schoen Clinic as a whole are explained below. These adjustments stem from differences between German GAAP used in the past and the IFRSs on the date of transition to IFRSs and for the comparative period from 1 January to 31 December 2019.

2.5.2 Use of exemptions
In principle, all IFRS standards must be taken into account in the opening statement of financial position as if IFRS had always been applied. IFRS 1.18 grants exemptions from that principle and provides options regarding the effective date of individual IFRS standards. Schoen Clinic uses and exercises these exemption options as follows:

- Schoen Clinic does not apply IFRS 3 retrospectively to past business combinations. This means that the classification of business acquisitions before the transition date as an acquisition by the legal acquirer or reverse acquisition was done in the same way under IFRS.

  Furthermore, the carrying amounts of assets and liabilities determined in line with the previous accounting principles (HGB) are classified as a replacement for cost under IFRS as of that date.

  Pursuant to IFRS 1 C4 (g), the carrying amount of goodwill under HGB on the transition date corresponds to its carrying amount under IFRS, i.e., it was not necessary to made adjustments pursuant to IFRS 1 C4 (g)(i). Such adjustments to goodwill relate to intangible assets that were not recognized under HGB but have to be recognized under IFRS or to intangible assets that were recognized under HGB but cannot be recognized under IFRS. As the transition date, the HGB carrying amount of goodwill was allocated to the Schoen Clinic Group's individual cash-generating units (the individual hospitals), which were defined for the first time. A fictitious purchase price allocation was used as a basis for allocation/distribution. This means that goodwill was allocated proportionally to the cash-generating units based on their individual excess value (excess of fair value of the respective CGU over their net assets on the transition date). The key value drivers in determining the fair value of the cash-generating units using a discounted cash flow model included the current business plan as of the transition date, the discount rate and the expected growth rate for perpetual annuity (growth mark-down).

The impairment test pursuant to IAS 36 to be carried out as of the transition date in accordance with IFRS 1 C4 (g) (ii) did not indicate any impairment.

- According to IFRS 1 D5 and D7 (b), it is permissible to measure an item of property, plant and equipment or an intangible asset at fair value as of the transition date and to use that value as its deemed cost as of that date. Schoen Clinic made use of this rule for a large number of buildings, for land and for two intangible assets (rights of use to real property that were provided without consideration).

  The land and adjusted useful lives were valued on the basis of external appraisals. The land value was calculated based on the size of the plots using the applicable standard land values. The buildings were likewise valued on the basis of external appraisals using the rent analogy method as of 1 January 2018. The values calculated were rolled forward to the transition date accounting for amortization and depreciation and recognized at fair value as of 1 January 2019. Executive Management is of the opinion that the key value parameters used can still be applied unchanged and that only age-related depreciation needed to be taken into account. The key calculation parameters used for the rent analogy method were, on the one hand, actual figures or forecast figures as of the transition date and, on the other, the five-year plan approved by the Administrative Board of Schön Klinik SE at the time. The rent rates used were based on the target ratio of EBITDA margin to rent rate of an upper limit of 1.25 and a lower limit of 1.35. The ratio of EBITDA margin to rent rate used in the valuation is 1.3. As is customary in this area of special real estate, the resulting rent rates were capped at 10 per cent (lower limit) and 25 per cent (upper limit). If those limits were exceeded or not met based on the planning calculations, the lower and upper limits for the rent rate were automatically used for the calculation.

  If the long-term revenue from the five-year plans valid as of the cut-off date and approved by the Administrative Board of Schön Klinik SE had been 5 per cent higher or lower as of 1 January 2019, the hidden reserves would have been EUR 77.1m higher or lower respectively. Based on the reassessment, there was no need to recognize an impairment loss on individual land or buildings belonging to the hospitals as of 1 January 2019.

- Schoen Clinic did not make use of the exemption in IFRS 1 D9, which allows for contracts existing at the date of transition to be reassessed as to whether they contain a lease. As far as the recognition of lease liabilities and ROU assets on the transition date is concerned, Schoen Clinic applies IFRS 1 D9B (a) and (b)(ii). This means that ROU assets and lease liabilities are generally recognized at equal amounts in the IFRS opening statement of financial position. In addition, all of the practical expedients provided in IFRS 1 D9D (a) to (e) are used. This means that:
  - a single discount rate is applied to a portfolio of leases with reasonably similar characteristics (for example, a similar remaining lease term for a similar class of underlying asset in a similar economic environment)
  - leases for which the underlying asset is of low value and leases for which the lease term ends within 12 months of the transition date are accounted for in accordance with IFRS 16.6 (no recognition of a ROU asset and lease liability; instead, current rent payments are recognized in the income statement on a straight-line basis)
  - initial direct costs are excluded from the measurement of the ROU asset at the date of transition to IFRSs
  - hindsight is used in determining the lease term (options, etc.)

  In accordance with IFRS 1 D9E, the terms defined in IFRS 16 are used with the same meaning on the transition date.

- No use is made of the option in IFRS 1 D13 to deem the cumulative translation differences – calculated pursuant to IAS 21 and recognized in other comprehensive income – for all foreign operations to be zero on the transition date. They are rolled forward using the HGB carrying amounts.

- The capitalization of borrowing costs on qualifying assets takes place from the transition date; the early adoption option provided in IFRS 1.D23 is not used.

The other practical expedients of IFRS 1.18 not listed above in conjunction with IFRS 1 Appendices C-E were not used or were not applicable.

Apart from the practical expedients and options described, IFRS 1.B1 requires a departure from the principle of retrospective application and the use of the accounting principles presented in IFRS 1.B1 (a)-(g) in certain cases.

At Schoen Clinic, this relates in particular to hedge accounting, accounting for non-controlling interests as well as classification and measurement rules and the impairment of financial assets. However, this did not result in any need to adjust the IFRS opening statement of financial position of Schoen Clinic. The other matters listed in IFRS 1.B1 are not applicable.

2.5.3 Reconciliation of equity as of the date of transition to IFRSs

The differences in equity pursuant to IFRS and HGB as the previous GAAP stem from the matters presented in the table below:

(in EUR k)		**Reconciliation of equity as of 1 January 2019 (date of transition to IFRSs)**		
	Note	HGB	IFRS reclassifications and remeasurements	IFRS
Goodwill		380.182	0	380.182
Property, plant and equipment	(1)	1.080.985	254.300	1.335.285
Non-current financial assets	(2)	45.286	-21.171	24.115
Other non-current assets	(3)	29.435	2.862	32.297
Deferred tax assets	(4)	0	1.971	1.971
Non-current assets		**1.535.888**	**237.962**	**1.773.850**
Trade receivables	(5)	144.480	2.616	147.096
Cash and bank balances	(6)	7.972	0	7.972
Other current assets	(7)	57.800	7.892	65.692
Current assets		**210.252**	**10.508**	**220.760**
Total assets		**1.746.140**	**248.469**	**1.994.609**
Issued capital		144	0	144
Capital reserves		707.695	0	707.695
Revenue reserves and profit carryforward	(8)	-91.258	289.835	198.577
Other equity components	(8)	-1.162	-17.809	-18.971
Participating capital	(8)	25.000	-25.000	0
Non-controlling interests		56	0	56
Equity		**640.475**	**247.026**	**887.501**
Special item for subsidies	(2)	154.828	-154.828	0
Non-current financial liabilities	(9)	447.800	127.526	575.326
Pensions and similar obligations	(10)	43.334	9.706	53.040
Other non-current provisions	(10)	6.402	6.549	12.951
Deferred tax liabilities	(11)	54.229	52.308	106.537
Non-current liabilities		**706.593**	**41.261**	**747.854**
Current financial liabilities	(12)	275.181	-28.479	246.702
Other current liabilities	(13)	82.311	-11.351	70.960
Sundry other current liabilities	(14)	41.580	12	41.592
Current liabilities		**399.072**	**-39.818**	**359.254**
Total equity and liabilities		**1.746.140**	**248.469**	**1.994.609**

Explanatory notes:

(1) The difference in property, plant and equipment in connection with the transition of accounting from HGB to IFRS stems mainly from the following four matters:

   a. Applying the option of IFRS 1 Appendix D5, various plots of land and buildings are recognized at fair value in the IFRS opening statement of financial position (disclosure of hidden reserves). The carrying amounts reported under previous GAAP have been increased by a total of EUR 344,094k; this is the amount by which property, plant and equipment is measured higher under IFRS than under HGB. The items of property, plant and equipment recognized at fair value in the IFRS opening statement of financial position total EUR 1,199,647k.

   b. Based on IFRS 16, all leased assets must be recognized as non-current ROU assets in the IFRS financial statements, whereas under HGB they are recognized as operating lease expenses. The resulting difference between HGB and IFRS amounts to EUR 84,765k as of 1 January 2019. The difference results from the application of IFRS 1 D9B (a) and (b)(ii) for the same amount in financial liabilities (lease liabilities).

c. The consolidation of DSCCS Immobilien GmbH & Co. KG, Prien am Chiemsee (DSCCS), required under IFRS 10 meant that the Group's real estate assets under IFRS are EUR 21,557k higher than under HGB. In the HGB consolidated financial statements, the company was not consolidated on grounds of materiality.

d. The funding under the KHG ["Krankenhausfinanzierungsgesetz": German Hospital Financing Act], which involves subsidies granted by the respective German states to fund capital expenditure at the hospitals, is deducted from the cost of the assets concerned in accordance with the option in IAS 20.24. Under HGB, on the other hand, it is presented as a gross liability on account of the special regulations of the KHBV ["Krankenhausbuchführungsverordnung": German Hospitals Accounting Regulation]. As of 1 January 2019, this matter affects special items for subsidies of EUR 154,828k and liabilities pursuant to the KHG of EUR 44,421k. This means that non-current assets under IFRS are EUR 199,249k lower in total under IFRS than under HGB.

The liabilities pursuant to the KHG relate to construction projects that were not yet completed as of 1 January 2019 but for which expenses had already been incurred in the amount specified that meet the condition of IAS 20.8 with regard to the recognition and use of subsidies.

In addition to these matters, restoration or removal obligations are recognized at cost under IFRS in accordance with IAS 16.16 (c). As of 1 January 2019, this results in non-current assets that are EUR 6,263k higher.

Furthermore, a portion of the total difference between HGB and IFRS of EUR 3,984k relates to correcting an error that occurred under the previous GAAP. This amount is not connected to the change in accounting standards. Equity in the IFRS opening statement of financial position as of 1 January 2019 is lower by this amount less deferred taxes. The error correction stems from planning costs for various construction projects that were included in assets under construction as of 1 January 2019. The planning costs were not recognized in fixed assets in accordance with IFRSs as of the transition date, as they do not meet the recognition requirements of IAS 16.7 (a), i.e., it was not probable that these costs will result in future economic benefits for Schoen Clinic.

(2) The difference in non-current financial assets of EUR -21,171k relates for the most part (EUR -22,177k) to a loan by SKS to DSCCS. While DSCCS, and thus also the loan, is consolidated in the IFRS consolidated financial statements (with the loan being eliminated in the consolidation of intercompany balances), the loan is reported as a financial asset in the HGB consolidated financial statements. The recognition of the positive market values (non-current portion) of the currency hedges entered into by Schoen Clinic for foreign currency items in GBP and CHF has the opposite effect (EUR 1,006k). In the HGB consolidated financial statements, the net method is used and these market values are not recognized.

(3) The difference between HGB and IFRS with regard to other non-current assets mainly relates to other intangible assets in the amount of EUR 2,862k. This difference mainly pertains to hidden reserves (EUR 2,320k) disclosed as part of the transition to IFRSs (recognized at fair value in accordance with IFRS 1 Appendix D7) as well as to internally developed software (EUR 726k) that was not capitalized under HGB before the transition date. Other intangible assets recognized at fair values in the IFRS opening statement of financial position total EUR 13,230k.

(4) Deferred tax assets (EUR 1,971k) stem from various temporary differences between the tax bases of a number of items of the statement of financial position and the corresponding amounts under HGB and IFRS. These differences also lead to other net amounts, which also constitute a difference between HGB and IFRS.

(5) The main difference in value for trade receivables results from the expected credit loss model in IFRS 9 (ECL) that must be applied under IFRS. Using that model, loss allowances are recognized on receivables at an amount equal to the expected loss. In addition, loss allowances are calculated differently under IFRS and HGB. While IFRS uses the maturity or past due maturity, HGB divides them into dunning stages. Overall, the effect from the differing approach to the calculation of loss allowances comes to EUR 1,563k as of 1 January 2019 (lower loss allowance under IFRS). Furthermore, it is not permissible under IFRS to recognize general loss allowances on trade receivables. This means that the general bad debt allowances reported under HGB of EUR 1,040k are not recognized in the IFRS financial statements.

(6) The cash and bank balances are presented in the statement of cash flows as cash and cash equivalents.

(7) EUR 9,162k of the difference between HGB and IFRS (EUR 7,892k) in other current assets relates to the non-current portion of the positive market values of currency hedges, which are not recognized under HGB because the net method is used (see also (2) above). Differences in prepaid expenses have the opposite effect; these in turn mostly diverge due to differing accounting for financial instruments under HGB and IFRS (e.g., recognition of a discount under HGB compared with use of the effective interest method under IFRS).

(8) Group equity under IFRS is EUR 247,026k higher than under HGB. In principle, all of the measurement differences outlined in (1) to (14) have an influence on group equity. The largest effect stems from the accounting, described in (1) a., for various plots of land and buildings at fair value, which was significantly higher than the corresponding HGB carrying amounts. Other key factors behind the overall difference include the accounting for negative and positive market values from hedges as well as the reclassification of participating capital to financial liabilities.

(9) Non-current financial liabilities are EUR 127,526k higher in the IFRS consolidated financial statements on the transition date than in the HGB consolidated financial statements. The difference is attributable first and foremost to the lease liability of EUR 76,479k (non-current portion) to be recognized according to IFRS 16, to a liability of EUR 25,000k represented by participation rights that are classified and recognized as equity in the HGB financial statements, and to EUR 26,576k from the negative market values of interest hedges (non-current portion). The interest hedges relate to floating-interest loans and loans in foreign currency. In the HGB consolidated financial statements, the net method is used and these market values are not recognized.

(10) The difference between HGB and IFRS with respect to pension provisions and similar obligations arises primarily from the different discounting parameters used under HGB and IFRS for non-current provisions. While a term-equivalent interest rate as of the end of the period is used under IFRS (2.08 per cent), the rate used under HGB is the term-equivalent average interest rate over the past 10 years as published by Deutsche Bundesbank (3.21 per cent).

The difference between HGB and IFRS with respect to other non-current provisions likewise stems partly from the above-described use of different interest rates to calculate the amount of the provision as of the cut-off date. Additionally, HGB and IFRS differ with regard to accounting for restoration obligations. While a pro rata addition of the probable removal costs is made to the provision under HGB, under IFRS a provision is recognized at the present value of the estimated removal obligation immediately when the obligation arises. The difference arising from this last issue totals EUR 6,156k as of the transition date.

(11) The difference in deferred tax liabilities is mostly a result of the land and buildings recognized at fair value in the IFRS opening statement of financial position. Because the fair value is considerably higher than the HGB carrying amount and the difference from the tax base will continue to increase, deferred tax liabilities also increase significantly. The differing temporary differences in various items of the statement of financial position compared to HGB also have an effect here.

(12) Current financial liabilities are EUR 28,479k lower in the IFRS consolidated financial statements on the transition date than in the HGB consolidated financial statements. EUR 44,421k of the difference stems from the liabilities pursuant to the KHG. Under HGB, these liabilities are not reclassified to the special items for subsidies – and thus used – until construction work has been completed. Under IFRS, utilization takes place in line with the rules in IAS 20, i.e., on the date on which expenses relating to the construction work in question are recognized in assets under construction.

There were opposite effects of EUR 8,286k from the lease liability (non-current portion) to be recognized according to IFRS 16 as well from a bond payable denominated in CHF (CHF 100,000k) that is recognized at the hedging rate in the HGB consolidated financial statements and at the closing rate in the IFRS consolidated financial statements. The difference in value from this matter is EUR 6,722k.

(13) The difference in other current liabilities of EUR -11,351k relates mostly (EUR -8,599k) to a provision from deferred rent, which pursuant to IFRS 16 is not recognized. The underlying lease agreements, which are recognized as operating leases under HGB, contain rent-free periods. For agreements like these, the amount recognized through profit or loss in each period is the average rent expense calculated over the entire lease term. Because this average expense differs from the lease payments, the differences are recognized as a provision for deferred rent. If the expense is higher than the payment, the difference is added to the provision. If the expense is lower than the payment, the provision is utilized. In accordance with IFRS 16, the lease liability is determined (= present value of minimum lease payments) taking into account the timing of future lease payments. Accordingly, agreed upon rent-free periods are factored into the lease liability and reduce this amount.

(14) The difference in other current liabilities is based mainly on the consolidation of DSCCS in the IFRS consolidated financial statements.

2.5.4 Reconciliation of equity as of the date of preparing HGB consolidated financial statements for the last time

On 31 December 2019, the reporting date for the last financial statements prepared in accordance with HGB, the equity differences between HGB and IFRS are as follows *(see table below):*

Explanatory notes:

In general, we refer to the explanations provided in 2.5.3.

As far as the end of the reporting period as of 31 December 2019 is concerned, we should add that the difference between HGB and IFRS in terms of goodwill stems from the fact that there was no amortization of goodwill in the 2019 reporting period under IFRS, while goodwill was amortized by EUR 42,915k in the HGB consolidated financial statements (in connection with this, we refer to 2.5.5 (6)). The IFRS impairment test did not indicate any need to recognize an impairment loss. This matter is also chiefly responsible for the significant rise in the HGB/IFRS difference in equity from 1 January 2019 to 31 December 2019.

Furthermore, certain plots of land and buildings belonging to Schön Klinik Harthausen SE & Co. KG are reported as assets held for sale under IFRS as of 31 December 2019. This is because the conditions of IFRS 5 are met, in particular the plan to sell the assets soon after the end of the reporting period (IFRS 5.8). As far as the land and buildings of Schön Klinik Starnberger See SE & Co. KG are concerned, this condition cannot be deemed to be met. That is why these assets are not presented in current assets under IFRS, unlike under HGB. The resulting difference amounts to EUR 22,672k.

(in EUR k)		Reconciliation of equity as of 31 December 2019 (date of preparing HGB financial statements for the last time)		
	Note (see 2.5.3)	HGB	IFRS reclassifications and remeasurements	IFRS
Goodwill	see below	348.582	42.969	391.551
Property, plant and equipment	(1)	1.062.594	286.353	1.348.947
Non-current financial assets	(2)	23.451	-17.167	6.284
Other non-current assets	(3)	28.752	4.069	32.821
Deferred tax assets	(4)	0	0	0
Non-current assets		**1.463.379**	**316.224**	**1.779.603**
Trade receivables	(5)	135.258	2.674	137.932
Cash and bank balances	(6)	6.402	0	6.402
Assets held for sale		30.479	-22.672	7.807
Other current assets	(7)	41.877	-1.678	40.199
Current assets		**214.016**	**-21.676**	**192.340**
Total assets		**1.677.395**	**294.548**	**1.971.943**
Issued capital		144	0	144
Capital reserves		707.695	0	707.695
Revenue reserves and profit carryforward	(8)	-157.417	335.866	178.449
Other equity components	(8)	-2.900	-24.770	-27.670
Participating capital	(8)	2.700	-2.700	0
Equity		**550.222**	**308.396**	**858.618**
Special item for subsidies	(2)	186.827	-186.827	0
Non-current financial liabilities	(9)	491.894	104.279	596.173
Pensions and similar obligations	(10)	47.483	16.707	64.190
Other non-current provisions	(10)	7.115	7.720	14.835
Deferred tax liabilities	(11)	53.862	49.703	103.565
Non-current liabilities		**787.181**	**-8.418**	**778.763**
Current financial liabilities	(12)	204.602	8.173	212.775
Other current liabilities	(13)	97.849	-13.612	84.237
Sundry other current liabilities	(14)	37.541	9	37.550
Current liabilities		**339.992**	**-5.430**	**334.562**
Total equity and liabilities		**1.677.395**	**294.548**	**1.971.943**

2.5.5 Reconciliation of comprehensive income for the last period for which HGB annual financial statements were prepared

Comprehensive income under IFRS for the period from 1 January to 31 December 2019 differs from the net income for the year according to HGB as previous GAAP as follows:

Explanatory notes:

(1) The higher revenue under IFRS is related to the requirement in accordance with IFRS 10 to consolidate DSCCS.

(2) Other income is EUR 25,025k lower under IFRS, mainly due to the following matters:

a. Under HGB, income from currency hedges and currency valuations (EUR 21,337k) were reported as other income, while under IFRS it was allocated to the financial result. This reclassification is based on the fact that the exchange gains were recorded in connection with financing transactions and were not due to the Group's operating activities.

(in EUR k)		Reconciliation statement for 2019		
	Note	HGB	IFRS reclassifications and remeasurements	IFRS
Revenue	(1)	865.205	522	865.727
Other income	(2)	51.745	-25.025	26.720
Total operating performance		**916.949**	**-24.502**	**892.447**
Personnel expenses	(3)	-577.527	1.504	-576.023
Cost of materials	(4)	-172.219	1.499	-170.720
Other expenses	(5)	-112.723	31.207	-81.516
Amortization, depreciation and impairment of intangible assets, property, plant and equipment and ROU assets	(6)	-92.896	32.408	-60.488
Finance income	(7)	1.278	23.251	24.529
Finance costs	(8)	-25.421	-19.439	-44.860
Earnings before taxes		**-62.559**	**45.928**	**-16.631**
Income taxes	(9)	-3.496	-121	-3.617
Consolidated net income/loss for the year		**-66.055**	**45.807**	**-20.248**
Other equity components that will not be reclassified to profit or loss in subsequent periods (after taxes)				
Actuarial gains and losses from the measurement of pension provisions and similar obligations	(10)	0	-8.504	-8.504
		0	**-8.504**	**-8.504**
Other equity components that may be reclassified to profit or loss in subsequent periods (after taxes)				
Interest and currency hedges	(10)	0	2.753	2.753
Currency translation differences from the translation of foreign operations	(10)	0	-2.948	-2.948
		0	**-195**	**-195**
Other comprehensive income		**0**	**-8.699**	**-8.699**
Total comprehensive income		**-66.055**	**37.108**	**-28.947**

b. Under HGB, the reversal of provisions (EUR 5,088k) was reported under other income. Under IFRS, on the other hand, the provisions were generally reversed – as with the utilization of the provision – against the income statement item from which the respective provision was allocated.

(3) Most (EUR 2,207k) of the EUR 1,504k lower personnel expenses under IFRS is due to the matter described in (2)b., whereby the provision was released against the original expense accounts. The remaining, opposite difference of EUR 603k is related to the accounting for provisions for retirement pensions.

(4) Cost of materials is EUR 1,499k lower under IFRS than under HGB. This is due first and foremost to the matter described in (2)b. whereby the provision was reversed against the original expense accounts (EUR 653k) and to the lease expense for staff apartments reported in purchased services, which is EUR 659k lower under IFRS than under HGB because of applying IFRS 16.

(5) Other expenses are EUR 31,207k lower under IFRS than under HGB, due to two key factors:
a. Under HGB, expenses from currency hedges and currency valuations (EUR 17,613k) were reported as other operating expenses, while under IFRS they were allocated to the financial result. This reclassification is based on the fact that the exchange losses were recorded in connection with financing transactions and not due to the Group's operating activities.

b. Taking into account IFRS 16, the lease expenses are EUR 10,448k lower under IFRS than under HGB.

In addition, as described in 2)b., reversals of provisions were recognized in the original expense accounts and not under other income. The resulting effect amounts to EUR 945k. Furthermore, the bank charges reported under other expenses according to IFRS are EUR 715k lower than under HGB because the effective interest method is used. The consolidation of DSCCS means that further expenses at Schön Klinik Schwabing of EUR 1,212k from rents for office space no longer apply.

(6) Amortization, depreciation and impairment under IFRS is significantly lower than under HGB because goodwill was not amortized under IFRS. Depreciation is also lower under IFRS, as the carrying amounts of subsidized items of property, plant and equipment and their depreciation base are lower under IFRS (netting of subsidies pursuant to IAS 20).

There was an opposite effect from higher depreciation of buildings recognized at fair value in the IFRS opening statement of financial position, which thus have a higher depreciation base compared to HGB. There were also opposite effects from the capitalization of ROU assets (IFRS 16 – Leases) as well as from the capitalization of borrowing costs (IAS 23), which likewise increase the depreciation base compared to HGB.

Last but not least, the consolidation of DSCCS also increases amortization, depreciation and impairment under IFRS, as real estate assets (including buildings) are recognized at that entity.

(7) The significantly higher finance income under IFRS is attributable mostly to the fact that income from currency translation is reported in this item under IFRS. See also (2) a.

(8) The considerably higher finance costs under IFRS are chiefly due to the fact that expenses from currency translation are reported in this item under IFRS. See also (5) a. In addition, interest expenses from leases of EUR 2,447k are incurred in accordance with IFRS 16 that are reported as other operating expenses under HGB.

(9) The higher income tax expense under IFRS stems almost exclusively from deferred taxes and is related to temporary differences that differ under HGB and IFRS.

In particular it must be noted that not all deferred taxes on temporary differences are recognized through profit or loss under IFRS. If the underlying matters are recognized outside of profit or loss through other equity items (e.g., actuarial gains and losses for pension provisions), the corresponding deferred taxes are also recognized outside of profit or loss against other equity items.

(10) Under IFRS, the income statement is extended to include other comprehensive income, which comprises those items that are recognized directly in equity. In the case of Schoen Clinic, these are actuarial gains for pension provisions, fair value changes for derivative hedges and currency translation differences from the translation of foreign operations.

2.5.6 Comments on the statement of cash flows

The statement of cash flows pursuant to IFRS mainly differs from the HGB cash flow statement in respect of a different presentation of cash flows from subsidies in accordance with the KHG. Under HGB, these are reported in cash flow from financing activities, but under IFRS they are reported in cash flow from investing activities. Additionally, IFRS and HGB differ in terms of the presentation of payments from leases. These are an operating expense under HGB and as such are shown in the cash flow from operating activities, whereas interest and principal repayments incurred under IFRS 16 are reported in cash flow from financing activities. Furthermore, the recognition of construction period interest means that interest payments from the cash flow from financing activities under HGB are reclassified to cash flow from investing activities under IFRS. The consolidation of DSCCS under IFRS also affects the statement of cash flows, in particular cash flow from operating activities.

3. Consolidation, accounting and measurement methods

The annual financial statements of entities included in the consolidated financial statements have been prepared on the basis of uniform accounting policies. The financial statements of all entities included are prepared as of the cut-off date of the consolidated financial statements.

The recognition, measurement and presentation methods as well as the explanations and notes to the consolidated financial statements for the 2020 reporting period follow the consistency principle, apart from the presentation of risks in connection with reviews by the MDK ["Medizinischer Dienst der Krankenkassen": Medical Review Board of the Statutory Health Insurance Funds]. The majority of these risks were recognized as other provisions up until the consolidated financial statements as of 31 December 2019. As of 31 December 2020, these risks were disclosed as loss allowances on trade receivables if the related receivables had not yet been settled by the payers. If the payments have been settled, the risks are still taken into account under other provisions. The transition of presentation was done in the reporting year, as it was not reasonable from a cost-benefit perspective to divide the overall risk position into receivables and provisions prior to 2019.

Assets and liabilities are presented in the statement of financial position in line with their maturity. Accordingly, a distinction is made in the consolidated statement of financial position between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year. This means that assets are expected to be realized within one year or within the normal business cycle. For liabilities, it means that the liability is expected to be fulfilled within one year or within the normal business cycle and that the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

As an exception to this principle, deferred tax assets and liabilities are always presented as non-current in accordance with IAS 12. Furthermore, Schoen Clinic presents its obligations from defined benefit plans and similar obligations under non-current liabilities in accordance with IAS 19. The market value of each derivative is recognized as a current or non-current asset or liability, depending on its overall term.

The consolidated income statement has been classified using the nature of expense method.

3.1 Consolidation

3.1.1 Basis of consolidation

The consolidated financial statements include Schön Klinik SE as well as all entities over which Schön Klinik SE can exercise direct or indirect control as defined by IFRS 10. This is the case if Schön Klinik SE has power over the subsidiary in question. It has that power if it has existing rights that give it the current ability to direct the relevant activities. Relevant activities are the activities that significantly affect the investee's returns.

In addition, Schön Klinik SE is exposed to variable returns from its involvement in the investee, directly and indirectly via the respective parent, or has rights to these and has the ability to affect those returns through its power over the investee.

Structure of the Group:

	2020	2019
Group entities (including parent)	**54**	**53**
thereof in Germany	51	50
thereof abroad	3	3

Please refer to our list of shareholdings (section 9).

3.1.2 Changes in the basis of consolidation

The basis of consolidation was extended in the reporting year to include Schön Klinik Medizinisches Versorgungszentrum Düsseldorf GmbH, Prien am Chiemsee, which was consolidated for the first time as of 1 May 2020, the date on which it commenced business activities as a medical treatment center. The entity was already an equity investment of the Group (shareholding: 100 per cent), but had not been included in the basis of consolidation on grounds of materiality.

In the prior year, CHB Chirurgie-Hamburg-Billstedt-MVZ GmbH, Prien am Chiemsee (1 January 2019), Schön Klinik Therapie- und Trainingszentrum Hamburg GmbH, Prien am Chiemsee (18 June 2019), Schön Klinik MVZ Tesch, Bromisch & Kollegen GmbH, Prien am Chiemsee (1 September 2019) and MindDoc Health GmbH, Munich (1 October 2019), were consolidated for the first time.

Radiologie Besitzgesellschaft EUROMED mbH i.L., Fürth, was removed from the basis of consolidation on 30 June 2019.

With respect the acquisition of the practice of Dr. Wohlgemuth by way of an asset deal (no change in the basis of consolidation), we refer to 3.1.3.2.

There were no significant effects on the Group's assets, liabilities, financial position and financial performance as a result of the changes in the basis of consolidation.

3.1.3 Acquisitions

3.1.3.1 Acquisitions in the reporting year

Through Schön Klinik Medizinisches Versorgungszentrum GmbH, Prien am Chiemsee, Schoen Clinic acquired an orthopedic and general medical practice (practice A) as of 1 January 2020 and an orthopedic practice (practice B) as of 1 July 2020.

Through Schön Klinik Medizinisches Versorgungszentrum Psychosomatik GmbH, Prien am Chiemsee, a practice for psychological psychotherapy (practice C) was taken over as of 1 February 2020 and a practice for child and adolescent psychiatry (practice D) as of 1 April 2020.

A general practice (practice E) was acquired through Medizinische Versorgungszentrum Dres. Tesch, Bromisch & Kollegen GmbH, Lütjenburg, as of 24 July 2020.

In addition, Schoen Clinic took over an orthopedic practice (practice F) as of 1 April 2020 through Schön Klinik Medizinisches Versorgungszentrum Düsseldorf GmbH, Prien am Chiemsee, which had been consolidated for the first time as of 1 May 2020.

All of the transactions listed took place in asset deals, and each included the transfer of the business operations including the sellers' registered panel doctors/registered statutory health insurance doctors.

By taking over the practices, Schoen Clinic can grow along the value chain in the regions in question and can offer patients the best health care possible through outpatient medical care as well as close links to Schoen Clinic's hospitals established in the respective locations.

Taking the aforementioned into account, the final fair values of the identifiable assets (liabilities were not assumed in the asset deals), which correspond to the previous carrying amounts immediately prior to the acquisition date, are as follows:

EUR k	Fair value of the practices as of the acquisition date					
	Orthopedic practice (practice B)	General and orthopedic practice (practice A)	Orthopedic practice (practice F)	Child and adolescent psychiatric practice (practice D)	Practice for psychological psychotherapy (practice C)	General practice (practice E)
Assets						
Property, plant and equipment (previous carrying amount = fair value)	0	270	15	0	0	0
Acquired net assets at fair value	**0**	**270**	**15**	**0**	**0**	**0**
less fair value of consideration transferred	500	650	290	20	28	28
Goodwill	**500**	**380**	**275**	**20**	**28**	**28**

The value of the practice and goodwill resulting from the transactions is attributable in particular to the synergy effects expected to arise from integrating the respective registered doctors/practices into the Group (or the medical treatment center in question), from referral effects, quality improvements in patient treatment and the resulting increases in patient numbers. This is deductible for tax purposes.

The disclosed value of the practice and goodwill is allocated to the cash-generating unit of Schoen Clinic whose catchment area covers the respective practices. This cash-generating unit is tested for impairment at least once a year as part of impairment testing in accordance with IAS 36.

It is not possible to determine the impact on the consolidated income statement resulting from the acquisition of the business operations or the revenue for the 2020 reporting period because the transactions were carried out as asset deals.

3.1.3.2 Acquisitions in the comparative period

In the prior year, Schoen Clinic took over three medical treatment centers or registered statutory health insurance doctors including their business operations and practice: CHB Chirurgie-Hamburg-Billstedt-MVZ GmbH, Prien am Chiemsee, on 1 January 2019 (= CHB), Schön Klinik MVZ Tesch, Bromisch & Kollegen GmbH, Prien am Chiemsee, on 1 September 2019 (= MVZ Tesch) – both share deals – and Orthopädiepraxis Dr. Wohlgemuth, Hamburg-Bramfeld, (= MVZ Wohlgemuth) in an asset deal on 2 January 2019.

By taking over the entities and/or practices including business operations, Schoen Clinic can grow along the value chain in the regions in question and can offer patients the best health care possible through outpatient medical care as well as close links to Schoen Clinic's hospitals established in the respective locations.

Taking the aforementioned into account, the final fair values of the identifiable assets and liabilities, which correspond to the previous carrying amounts immediately prior to the acquisition date, are as follows:

EUR k	Previous carrying amount = fair value recognized on acquisition		
	CHB	MVZ Tesch	MVZ Wohlgemuth
Assets			
Property, plant and equipment	20	1.010	10
Receivables and other assets	402	14	0
Cash and cash equivalents	32	148	0
Liabilities			
Other provisions	-53	0	0
Other liabilities	-141	-6.934	0
Acquired net assets at fair value	**260**	**-5.762**	**10**
less fair value of consideration transferred	1.373	25	655
Goodwill	**1.113**	**5.787**	**645**

in EUR k	CHB	MVZ Tesch	MVZ Wohlgemuth
Revenue			
Revenue since first-time consolidation	1.004	1.550	343
Revenue of the business operations for the whole of 2019	1.004	1.866	n.a.*)
Total comprehensive income			
Result since first-time consolidation	-133	282	-39
Result for the whole of 2019	-133	58	n.a.*)

*) MVZ Wohlgemuth was taken over in an asset deal. Total comprehensive income for the year and total annual revenue therefore cannot be determined.

The goodwill resulting from the transactions is attributable in particular to the synergy effects expected to arise from integrating the respective outpatient business operations into the Group (or the hospital in question), from referral effects, quality improvements in patient treatment and the resulting increases in patient numbers. In the case of the asset deal, the goodwill is deductible for tax purposes.

The disclosed goodwill is allocated to the cash-generating unit of Schoen Clinic whose catchment area covers the respective practices. This means that CHB and MVZ Wohlgemuth are allocated to Schön Klinik Hamburg Eilbek, while MVZ Tesch is allocated to Schön Klinik Neustadt.

The acquisition of the three business operations resulted in revenue and net income/loss for the year in the following amounts in the consolidated income statement for the 2019 reporting period. The table also shows the effect on consolidated revenue and consolidated net income/loss if all three business operations had already been acquired as of 1 January 2019 *(see table above)*.

As of 1 October 2019, Schön Klinik Holding SE acquired 100 per cent of the shares in MindDoc Health GmbH, Munich (formerly Aurora Health GmbH). The contractually arranged purchase price as of the acquisition date was EUR 2,435k and was paid in cash.

With the acquisition of MindDoc Health GmbH, Schoen Clinic has added the depression app "Moodpath" – which was enhanced further after the acquisition and adjusted to meet the requirements of Schoen Clinic (and renamed "MindDoc" in 2020) – to its range of digital services for mental health treatment. Together with the online psychotherapy platform MindDoc, Schoen Clinic thus offers a wide-reaching range of digital healthcare services.

The final fair value of the identifiable assets and liabilities, which correspond to the previous carrying amounts immediately prior to the acquisition date, break down as follows *(see table below)*:

Incidental acquisition cost and transaction costs of EUR 19k were incurred.

The goodwill is attributable in particular to the expected synergy effects that use of the "Moodpath" app will bring, after adjustments and integration into the existing digital offering of Schoen Clinic, a health group specialized in psychosomatic illnesses. Not much value was attributed to the app itself during the acquisition, as the main development did not take place until afterwards. MindDoc Health GmbH is managed as an independent cash-generating unit, and the goodwill arising from the acquisition is allocated to it in full.

EUR k	Previous carrying amount = fair value recognized on acquisition
Assets	
Receivables and other assets	57
Cash and cash equivalents	30
Liabilities	
Provisions	-41
Liabilities to banks	-575
Trade payables	-9
Other liabilities and deferred income	-37
Acquired net assets at fair value	**-575**
less fair value of consideration transferred	2.435
Goodwill	**3.010**

The acquisition of the entity results in revenue of EUR 69k and a net loss for the year of EUR 295k in the consolidated income statement for the 2019 reporting period. If the transaction had taken place as of 1 January 2019, consolidated revenue would have been EUR 143k higher and the consolidated net loss for the year as well as total comprehensive income for 2019 would have been EUR 566k lower.

3.1.4 Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets attributable to shares not held by shareholders of the parent. Non-controlling interests are disclosed separately in the consolidated income statement and statement of comprehensive income and consolidated statement of financial position. They are presented in equity in the consolidated statement of financial position.

If the Group's ownership interest in a subsidiary decreases and the Group does not lose control over the subsidiary, or if the ownership interest in entities that are already controlled increases, these transactions are treated as equity transactions. This relates to transactions with owners that are acting in their capacity as owners.

3.1.5 Consolidation principles

All business combinations are accounted for using the acquisition method pursuant to IFRS 3. This involves allocating the cost of the acquired entity (consideration for the acquisition) to all identifiable assets and liabilities as well as contingent liabilities. When doing so, the items of the statement of financial position are measured at fair value on the date of first-time consolidation. Any remaining positive difference between the cost of the acquired entity and its equity as determined from fair value measurement is capitalized as goodwill. Any remaining negative difference is reassessed and then recognized directly as income.

Intercompany profits and losses, sales, expenses and income as well as receivables and liabilities between the consolidated entities and intercompany profits and losses from trade with associates are eliminated. In the case of consolidation procedures affecting profit or loss, their impact on income taxes are accounted for by recognizing deferred taxes.

3.1.6 Notes on the operating segments

Pursuant to IFRS 8, the presentation of segment information for the operating segments must take place in accordance with the internal reporting to the chief operating decision makers (management approach).

The chief operating decision makers at Schoen Clinic are the Members of the Directorate. The Directorate takes the main strategic decisions for the Group. Regular reports are submitted to the Directorate in respect of the key performance indicators and results of the operating segments, i.e., the individual hospitals.

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

As part of our analysis, we have identified our hospitals as operating segments and aggregated these into a single operating segment taking into account the rules in IFRS 8.12. At the same time, this is the only reportable segment of the Group. Although there are locations in different countries, Executive Management assumes that the resulting differences in the billing logic do not entail any materially different opportunities and risks and these therefore do not conflict with aggregating the hospitals into a single segment.

The other areas (medical treatment centers, service businesses, holding companies) either do not meet the definition of an operating segment or do not exceed, individually and in total, the quantitative thresholds set in IFRS 8 in order to qualify as a reportable segment.

Virtually all revenue for all of our activities is recorded in Germany. The majority of revenue is generated with the statutory health insurance funds, with a small portion recorded with private health insurance funds, self-payers and international patients.

3.2 Revenue recognition

The Group's revenue stems chiefly from running the hospitals and thus constitutes revenue from the provision of services. The hospitals are subject to the national statutory payment regulations in the countries in which the respective hospitals are located. The basic structure of these regulations is quite similar.

Revenue from contracts with customers (patients) is recognized once a performance obligation has been satisfied through the transfer of assets. The transfer of assets is deemed completed and the performance obligation satisfied as soon as a customer (patient) has obtained control of the asset.

Control of an asset is transferred over time if one of the following criteria is met:

1. The customer (patient) simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
2. The entity's performance creates or enhances an asset that the customer (patient) controls as the asset is created or enhanced
3. The entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date

If a performance obligation is not satisfied over time, it is a performance obligation satisfied at a point in time. To determine when control is deemed to have been transferred in this case, the following indicators must be taken into account:
1. The entity has a present right to payment from the customer (patient) for the asset
2. The customer (patient) has legal title to the asset
3. The entity has transferred physical possession of the asset to the customer (patient)
4. The customer (patient) has the significant risks and rewards of ownership of the asset
5. The customer (patient) has accepted the asset

In the case of performance obligations satisfied over time, the revenue recorded is recognized in accordance with the stage of completion. In any case, revenue recognition is subject to the existence of a contract with enforceable rights and obligations between the service recipients and Schoen Clinic and to the probability that the agreed consideration will be received.

Schoen Clinic records the vast majority of its revenue from the provision of full or partial inpatient hospital services for patients with statutory health insurance as well as from outpatient treatments. For somatics, the fees for general hospital services are based on the KHEntgG ["Krankenhausentgeltgesetz": German Hospital Fees Act], while psychiatric services are remunerated based on the BPflV ["Bundespflegesatzverordnung": German Federal Healthcare Tariff Law]. The fees are based on a catalog of Diagnostic Related Groups agreed at federal level. However, the amount of fees is limited by a revenue budget that is agreed annually between the hospital owners and social security carriers. In the event of variances from the agreed revenue and/or nursing budget, the fee is marked up or down in the following year via a calculation of revenue equalization prescribed by law. Revenue from hospital services thus stem chiefly from transaction prices stipulated by law. With regard to allocating revenue to the appropriate period, the aforementioned mark-ups/mark-downs (budget overrun/shortfall adjustment) that are offset against the subsequent-year remuneration, are deferred as of the reporting period. These items are reported in the consolidated statement of financial position under financial assets or financial liabilities. Revenue is corrected accordingly in the income statement.

The scope of services to be provided by the hospital to an insured patient is regulated in SGB V ["Sozialgesetzbuch": Fifth Book of the German Social Security Code]. Revenue recognition from hospital services is based on a treatment contract between the hospital and the patient. However, the services provided under the contract are generally paid for by the patient's health insurance. The hospital provides a treatment service for the patient that is not distinct as defined by IFRS 15 and serves to restore the patient's health. A continuous benefit accrues to the patient from the treatment provided by the hospital. As a result, revenue is recognized over time. If a patient is admitted to the hospitals as an inpatient and the treatment is still ongoing at midnight on the reporting date (the patient has not yet been discharged), contract assets are recognized from the treatment of that patient and reported under trade receivables.

With the PpSG ["Pflegepersonal-Stärkungsgesetz": Nursing Staff Support Act] dated 11 December 2018, it was decided to withdraw a large share of the nursing staff costs previously reimbursed via DRG from the DRG system and to rearrange the hospital reimbursement from 2020 onwards to a combination of fees per case and reimbursement of nursing staff costs. Up until the end of the first-time nursing budget negotiations and calculation of the nursing payment at the individual hospitals, a nursing payment of EUR 146.55 per day of hospitalization and inpatient case applied for the period from 1 January 2020 to 31 March 2020. Against the background of the COVID-19 pandemic, the provisional nursing payment was increased to EUR 185.00 per day of hospitalization and inpatient case from 1 April to 31 December 2020. As this relates to daily rates, patients who are admitted to the hospital as inpatients for treatment before the end of the year and whose treatment is still ongoing as of midnight on the reporting date, i.e., who have not yet been discharged ("Überlieger") are not recognized as contract assets on the remuneration portion attributable to the nursing budget, but as a receivable under trade receivables. Furthermore, the law stipulates that hospitals are remunerated for the nursing staff costs actually incurred. If this amount is not achieved by billing the daily rates, a compensation claim (receivable) is recognized. If the actual nursing staff costs are lower than the billed daily rates, a compensation liability is recognized.

In accordance with IFRS 15.121, the transaction price allocated to the remaining performance obligations does not need to be disclosed, as treatment contracts generally do not have an original expected duration of more than one year.

In addition, Schoen Clinic provides outpatient services for patients with statutory health insurance which are remunerated in accordance with the doctor's fee scale (Uniform Evaluation Standard). The Uniform Evaluation Standard is agreed upon nationally by the committee for rating "office-based doctors" services ("Bewertungsausschuss der Ärzte") of the National Association of SHI-Accredited Physicians and the National Association of Statutory Health Insurance Funds ("GKV-Spitzenverband"). This forms the basis for payment for all outpatient services provided by panel doctors. In addition to patients with statutory health insurance, outpatient services are also provided to patients on the basis of private treatment contracts. In this case, payments are based on the GOÄ ["Gebührenordnung für Ärzte": German Regulations on Scales of Fees for Medical Doctors]. This revenue is recognized at a point in time.

In general, Schoen Clinic does not apply payment conditions for any of the aforementioned rendered services that contain significant financing components or payment terms that are unusual for the industry. Patients with statutory health insurance are also governed by the regulations of Sec. 417 SGB V. This means that the services invoiced by Schoen Clinic must be paid by the health insurance funds within five days of receiving the invoice.

3.3 Intangible assets
Intangible assets are initially measured at cost. The cost of an intangible asset acquired within the scope of a business combination is its fair value on the date of acquisition. After initial recognition, intangible assets are carried at amortized cost. The useful lives of these intangible assets are assessed to be either finite or indefinite.

Schoen Clinic amortizes intangible assets with a finite useful life on a straight-line basis over the expected useful life. The expected useful life for patents, licenses and similar rights is generally three to five years.

Registered statutory health insurance doctor's licenses acquired for a consideration (registered doctors with a license from the Association of SHI-Accredited Physicians to treat patients with statutory health insurance) with an indefinite useful life are not amortized. Instead, an impairment test is performed annually and/or if triggered by certain indicators. If the test shows that the recoverable amount is lower than the carrying amount, an impairment loss is recognized to the carrying amount.

3.4 Goodwill
Goodwill arising from a business combination (both asset and share deals) is measured at cost on initial recognition. This goodwill cost equates to the excess of the cost of the business combination over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired in the transaction.

After initial recognition, goodwill is not subject to amortization. Instead, an annual impairment test is performed. A test is also performed if events or circumstances occur which indicate that the carrying amount may not be recoverable. Goodwill is recognized at cost less accumulated impairment losses.

The impairment test of goodwill is performed at the level of the cash-generating unit. The cash-generating unit is the lowest level at which goodwill is monitored for internal management purposes. At Schoen Clinic, it generally corresponds to the individual hospitals (location with the regionally connected medical treatment centers including existing rehabilitation facilities). There is also one other cash-generating unit, which generates its cash inflows from health-related services.

To carry out the impairment test, the goodwill acquired as part of a business combination is allocated to the cash-generating unit expected to benefit from the synergies arising from the business combination. If the carrying amount of the cash-generating unit to which the goodwill is allocated exceeds its recoverable amount, an impairment loss is recognized for the goodwill allocated to that cash-generating unit.

The recoverable amount is the higher of the fair value less costs to sell and the value in use of the cash-generating unit.

In accordance with IAS 36.124, an impairment loss recognized for goodwill cannot be reversed.

Determining the recoverable amount of a cash-generating unit with goodwill allocated to it involves estimates by management. The result forecast on the basis of these estimates is influenced for example by successful integration of acquired entities, volatility on the capital markets, interest rate developments, volatility of exchange rates or expected economic development. Discounted cash flow valuations to determine the recoverable amount are based on five-year plans, which in turn are based on financial forecasts. Cash flow forecasts take into account past experience and are based on the best estimate of future developments. Cash flows outside of the planning period are extrapolated using individual growth rates. The most important assumptions underlying the determination of fair value less costs to sell and value in use are the estimated growth rates as well as weighted average cost of capital. These estimates and the underlying method can have a material impact on the respective values and ultimately on the amount of any goodwill impairment.

We also refer to 3.24.

3.5 Third-party grants
Schoen Clinic receives various government grants, i.e., from federal or state authorities, but also from municipal bodies. These serve either to finance the cost of assets or to finance current expenses.

Where third-party grants are used to purchase items of property, plant and equipment, they are deducted from the cost of the assets in question on the date the conditions in IAS 20.7 are met and reduce the depreciation base accordingly. The funds are recognized as a separate obligation under financial liabilities in the consolidated statement of financial position until such time as they are used for the earmarked purpose. If approved funds have not been paid out by the funding provider by the reporting date, a corresponding financial receivable is recognized in the consolidated statement of financial position.

The grants used to finance current expenses are recognized in income on the accrual basis and reported as a gross figure in the income statement.

Like many healthcare providers, in 2020 Schoen Clinic received grants put in place by the legislator in response to the impact of the COVID-19 pandemic. Special mention should be made of the COVID-19-Krankenhausentlastungsgesetz ["Gesetz zum Ausgleich COVID-19 bedingter finanzieller Belastungen der Krankenhäuser und weiterer Gesundheitseinrichtungen": German Law to Equalize COVID-19-related Financial Burdens on Hospitals and other Healthcare Providers] in this regard. Under that law, lump sums of EUR 50k were made available for new ICU beds, among other things.

3.6 Property, plant and equipment

Property, plant and equipment are recognized at cost and depreciated on a straight-line basis over their estimated useful lives. Useful lives are reviewed annually and adjusted to reflect any changes in expectations. In addition to the purchase price, cost comprises incidental purchase costs as well as any costs for demolition, dismantling and removal of the item of property, plant and equipment from its location and for restoration of the location. Purchase price deductions reduce cost. Ongoing repair and maintenance costs are recognized directly in profit or loss.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on derecognition is determined as the difference between the net disposal proceeds and the carrying amount and is recognized in consolidated profit or loss in the period in which the item is derecognized.

The above also relates to real estate (e.g., individual practice rooms, apartments, parking spaces, etc.) rented by Schoen Clinic.

Depreciation of property, plant and equipment is based on the following useful lives:

	Useful life in years
Office buildings	normally 10 to 33; in individual cases to 66
Land improvements	normally 10 to 58; in individual cases to 66
Technical equipment and machinery	5 to 25
Other equipment, furniture and fixtures	3 to 15

3.7 Non-current assets held for sale

Schoen Clinic classifies non-current assets (or disposal groups) as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. A sale is highly probable when the appropriate level of management is committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan has been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets held for sale and disposal groups are recognized at the lower of the carrying amount and fair value less costs to sell. Depreciation is discontinued. The calculation of the fair value less costs to sell involves estimates and assumptions that are subject to uncertainty.

The disclosures in the notes to the consolidated financial statements – where they refer the consolidated statement of financial position – generally relate to assets that are not held for sale.

3.8 Research and development costs

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the technical and commercial application of research findings.

Research costs are expensed as incurred. The portion of development costs for which the prerequisites for recognition as an intangible asset pursuant to IAS 38 (Intangible Assets) are met in full is recognized as an intangible asset.

Research and development costs are incurred in particular in the development of proprietary software solutions for online therapies and other digital health platforms. These are linked to the provision of services by Schoen Clinic. In the reporting period and the prior year, capitalized development costs pertained to the internally developed web-based therapy platform "MindDoc" and the enhancement and integration of the "Moodpath" app (renamed "MindDoc" in 2020).

3.9 Borrowing costs

Schoen Clinic recognizes financing costs incurred in connection with the acquisition, construction or production of certain qualifying assets and that can be allocated to those assets, directly or indirectly, as part of the cost of those qualifying assets. Qualifying assets include major long-term investment measures at hospital locations (construction of new buildings, conversion measures or extensions) that exceed a planned investment volume of EUR 1,500k and the implementation of which is expected to take place over a period of more than 12 months.

Borrowing costs are capitalized from the transition date for those qualifying assets that are in production as of that date or the production of which commences on that date or a later date.

With regard to the borrowing costs capitalized in the 2020 reporting period and the underlying interest rate, we refer to 6.2.1.

All other borrowing costs are expensed in the period in which they were incurred (IAS 23.10).

3.10 Leases

A lease within the meaning of IFRS 16 exists if the lessee is contractually granted the right by the lessor to control the use of an identified asset for a determined period and the lessor in return receives a consideration from the lessee.

The lessee recognizes a right-of-use (ROU) asset and a lease liability at the commencement date. The right-of-use asset is recognized at cost and amortized over the shorter of the lease term and the economic life. The amount of the asset corresponds to the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may be necessary due to lease incentives, for payments on or before the inception date of the lease and for restoration and comparable obligations. The lease liability is measured as the present value of all future lease payments. All lease payments are discounted at the incremental borrowing rate of the Schoen Clinic Group on the inception date of the lease, as the interest rate implicit in the lease cannot be readily identified.

Variable lease payments that depend on an index or a rate are taken into account upon initial measurement of the lease liability. Any residual value guarantees are also taken into consideration. Variable lease payments that are not taken into account in the measurement of the lease liability are recognized through profit or loss in the period in which they are incurred.

A lease liability is remeasured to reflect changes to the lease payments: a) if there is a change in the lease term; b) if there is a change in the assessment of an option to purchase the underlying asset; c) if there is a change in the amounts expected to be payable under a residual value guarantee; or d) if there is a change in future lease payments resulting from a change in an index or a rate. Lease liabilities are reported in financial liabilities.

In the case of short-term leases with a term of no more than 12 months (and no purchase option) and leases for which the underlying asset is of low value, the associated lease payments are recognized as an expense on a straight-line basis over the lease term.

The lessor classifies each lease as a finance lease or an operating lease. Leases where the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset are classified as operating leases. In this case, payments made are recognized in the income statement over the period of the lease using the straight-line method. Leases where the Group bears the significant risks and rewards incidental to ownership are classified and recognized as finance leases.

All of the leases entered into, and thus recognized, by Schoen Clinic are operating leases. They relate mostly to apartments, garages and parking spaces let to employees of the hospitals and practice rooms at the hospitals let to therapists and consultants.

3.11 Inventories

Inventories are measured at the lower of cost and net realizable value in accordance with IAS 2, using their average cost price as a simplified method of valuation – partly also based on fixed values. Adequate allowances provide for all identifiable inventory valuation risks resulting from slow-moving goods and reduced usability.

3.12 Financial instruments (excluding derivative financial instruments)
Financial instruments are contracts that give rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. After assessing the business model and cash flow conditions, Schoen Clinic recognizes its financial assets in the form of debt securities exclusively in the "at amortized cost" categories. It does not make use of the option to recognize debt instruments at fair value in the income statement. Receivables to be sold to factoring companies are measured at fair value through profit or loss in the income statement.

Regular way purchases or sales of financial assets are recognized on the trade date. Financial instruments are initially measured at fair value. Schoen Clinic takes the transaction costs into account in the calculation of the carrying amount only if the financial instruments are not measured at fair value through profit or loss.

Subsequent measurement of financial assets and liabilities depends on their classification into the following categories:
- Financial assets and liabilities at amortized cost are amortized less impairment losses using the effective interest method

- Financial assets at fair value through other comprehensive income are amortized outside of profit or loss. Only dividends received are recognized in profit or loss

3.13 Cash and cash equivalents
Cash and cash equivalents include all highly liquid assets that can be readily converted to cash and have a residual term of less than three months on the acquisition date.

Cash and cash equivalents make up the cash funds in the consolidated statement of cash flows.

3.14 Trade receivables
Financial assets resulting from hospital services and other supplies and services by Schoen Clinic are recognized at amortized cost less impairment losses using the effective interest method. Impairment losses are recognized in separate allowance accounts. The loss allowance is calculated based on the expected loss model using the simplified approach provided by IFRS 9.5.5.15.

The calculation of the loss allowances on receivables is based to a large extent on estimates and assessments of individual receivables, which depend in turn on the creditworthiness of the respective payer (patient, statutory health insurance fund, private health insurance fund, the state), the current economic developments, the analysis of historical default rates and the consideration of prospective information on a portfolio basis. Because the Group derives most of the loss allowances on a portfolio basis from historical default rates taking into account prospective information, a drop in receivables volume generally reduces provisions accordingly, and vice versa. Receivables are deemed to have defaulted if insolvency proceedings have been opened against the debtor.

As part of the aforementioned simplified approach for the calculation of expected losses, receivables that are not written down individually on an item-by-item basis are written down based on their maturity band (age classification by maturity/past due). The amount of the write-down is based on the corresponding historical default rates (taking prospective information into account) of the receivables in the individual maturity bands.

Trade receivables also include the contract assets from the treatment of patients (= work in process with regard to the patients in inpatient care as of midnight on 31 December 2020).

3.15 Transfer of financial assets (factoring)
In 2019, Schoen Clinic entered into an agreement for the sale of trade receivables with Nord/LB Luxembourg S.A. Covered Bond Bank, Luxembourg ("the Bank"). Under that agreement, Schoen Clinic can sell receivables from statutory payers as defined by Sec. 4 (1), (2) SGB V to the Bank.

The receivables sold must be free from third-party rights, they must by legally enforceable for the entire amount and they cannot have been requested for review by the MDK. Nor may they be subject to an impairment loss recorded by Schoen Clinic, and they must not be past due or defaulted.

The sale/transfer of the receivables from Schoen Clinic to the Bank meets the conditions for the transfer of financial assets in IFRS 9.3.2.4 (b) in conjunction with IFRS 9.3.2.5. Substantially all risks and rewards in connection with the receivables sold are transferred; this applies specifically to the counterparty risk.

Due to the fact that the late payment risk (interest rate risk) remains with Schoen Clinic in respect of the receivables sold, Schoen Clinic recognized a continuing involvement in the assets sold until such time as payment has been received pursuant to IFRS 9.3.2.16 f. This is reported under financial assets (trade receivables) and under financial liabilities (liabilities to banks).

3.16 Shares in affiliates
The shares in affiliates that were not consolidated on grounds of immateriality relate mainly to the Group's service companies. These equity investments are measured at cost less any impairment losses.

The equity investments are tested for impairment regularly.

3.17 Financial liabilities
With the exception of the derivative financial instruments, Schoen Clinic measures financial liabilities at amortized cost using the effective interest method.

Because the prerequisites of IAS 32.16A are not met (the right to receive a pro rata share of the net assets of the entity only on liquidation), the profit participation rights recognized are classified as debt capital and reported as a financial liability.

3.18 Derivative financial instruments
Schoen Clinic uses interest rate swaps and cross-currency swaps to hedge against interest rate risks and currency risks. These derivative financial instruments are initially recognized at fair value on the date on which the corresponding contract is entered into and subsequently remeasured at fair value. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. Unless they are designated as a hedging instrument in a hedging relationship, the derivative financial instruments are classified as "at fair value through profit and loss".

The fair value of the interest rate swap and cross-currency swap contracts is determined based on a generally accepted and validated measurement method. The measurement is based on the yield curves determined on the measurement date from the IFRS curves for each currency area (currently EUR and CHF) by means of bootstrapping and, in the case of cross-currency swaps, additionally on the cross-currency basis spreads. These result firstly to the forward rates and secondly in the discount factors used to determine the present values of the future cash flows for each swap.

Hedges that meet the criteria for hedge accounting and are designated as such are recognized as presented in 4.18.

3.19 Hedge accounting
Schoen Clinic enters into derivative financial instruments solely for cash flow hedge accounting purposes. This involves hedging against risks from fluctuating cash flows that can be allocated to a recognized asset, a recognized liability or a forecast transaction and that could have an effect on profit or loss for the period. The effective portion of the change in market value on a hedging instrument is recognized directly in equity, while the ineffective portion is recognized immediately through profit or loss. Amounts recognized in equity are transferred to the income statement in the period in which the hedged transaction affects profit or loss, such as when hedged finance income or costs are recognized. If the forecast transaction is no longer expected to occur, the amounts previously recognized in equity are transferred to profit or loss. The hedging relationships are accounted for using the forward-to-forward method.

3.20 Offsetting financial assets against financial liabilities
Financial assets and financial liabilities are offset if, and only if, the Group has an enforceable legal right as of the end of the reporting period to offset the recognized amounts and the Group intends to settle the financial assets and financial liabilities on a net basis, or to realize the asset in question and settle the corresponding liability simultaneously. We refer to 6.13.3.

3.21 Income taxes
The tax items are calculated using the respective local tax laws as well as the relevant administrative opinions; due to their complexity, they are potentially subject to differing interpretation by taxpayers on the one hand and by the local tax authorities on the other. Differing interpretations of tax laws may lead to subsequent tax payments for past years; these are included based on the assessment by management.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax assets and deferred tax liabilities are recognized at the expected future tax effect using the balance sheet liability method for all temporary differences as of the end of reporting period. This results from the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes multiplied by the tax rate expected to apply in the period in which an asset is realized or a liability is settled.

Deferred tax assets for deductible temporary differences and unused tax losses are recognized if sufficient taxable income is available in the future. These take account, among other things, of the budgeted result from operating activities, the impact on earnings from the reversal of taxable temporary differences as well as potential tax strategies.

The following tax rates are used to calculate deferred taxes:

	31 Dec 2020	31 Dec 2019	1 Jan 2019
Hospitals*)	15,83%	15,83%	15,83%
Holding, 'MVZ GmbH' companies and other corporations**)	29,47%	29,47%	29,47%
UK companies	19,00%	17,00%	17,00%

*) Corporate income tax and solidarity surcharge;
**) Corporate income tax, solidarity surcharge and trade tax

As far as the German entities are concerned, these tax rates correspond to those used to calculate current taxes. For the UK companies, the tax rate used to calculate current and deferred taxes is 19.00 per cent as of the reporting date. The increase to the tax rate in the UK did not impact earnings.

Income taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets and current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred taxes are not discounted.

3.22 Pension obligations

On the one hand, Schoen Clinic has defined contribution pension plans, where the Group pays defined contributions to an independent entity and has no legal or constructive obligation to make any other payments beyond the obligation to pay these contributions.

On the other, the Group also has defined benefit pension plans, where the obligation is to grant a defined benefit that the employee will receive upon retirement. The amount generally depends on one or more factors such as age, length of service and salary.

The provision for defined benefit plans recognized in the statement of financial position corresponds to the present value of the defined benefit obligation (DBO) as of the end of the reporting period. The DBO is calculated annually by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting the future expected cash outflows using the interest rate on high-quality corporate bonds with the same maturities as the pension obligation. Pension obligations are measured on the basis of a pension report. Actuarial gains and losses based on experience adjustments and changes in actuarial assumptions are recognized immediately. They are reported as components of comprehensive income outside of the consolidated income statement in the statement of comprehensive income and are posted directly to revenue reserves after initial recognition in comprehensive income. These amounts are not reclassified through profit or loss in subsequent periods.

Past service cost is recognized immediately and in full in the income statement when incurred.

Under collectively bargained agreements, Schoen Clinic pays contributions for a defined group of employees to the Pension Institution of the Federal Republic of Germany and the Federal States ["Versorgungsanstalt des Bundes und der Länder": VBL], to public-law supplemental pension plans ["Zusatzversorgungskassen": ZVK] or to the Catholic supplemental pension plan ["Katholische Zusatzversorgungskasse": KZVK]. These plans are multi-employer plans (IAS 19.8), as the entities involved share both the credit risk and the biometric risk.

The VBL and ZVK plans are classified as defined benefit plans (IAS 19.30), since the employees are legally entitled to payments stipulated in the statutes, regardless of the contributions actually made. As the necessary information for a detailed calculation of the portion of future benefit obligations is not available, the criteria of IAS 19.34 apply. VBL/ZVK are mainly financed with a pay-as-you-go method, under which the contribution rate for a specific covered period is determined at the level of the entire pool of insured people and not at the level of the individual insured risk. This pay-as-you-go method is the beneficiary's attempt to cover any funding gaps. Schoen Clinic is therefore also exposed to the risks (biometrics, capital investment) of other member companies of VBL/ZVK. The obligations therefore have to be accounted for as a defined contribution plan. The current contribution payments to VBL/ZVK are reported as pension costs for the respective years as post-employment benefits in personnel expenses. Outstanding contributions are accrued through profit or loss. The contributions to the plan due in 2021 are expected to be roughly on a par with 2020 (we refer to 6.9).

In addition, Schoen Clinic as an employer pays contributions to the statutory pension insurance scheme and to direct insurance policies, which are recognized as defined contribution plans.

3.23 Other provisions

Other provisions are recognized when the Group has a present legal, contractual or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the consolidated income statement net of a highly probable reimbursement. Non-current provisions are discounted. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense.

3.24 Accounting judgments and measurement uncertainties

The preparation of the consolidated financial statements requires that assumptions or estimates be made which have an effect on the values stated in the Company's statement of financial position, the recognition of contingent liabilities and the disclosure of income and expenses.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below:

Goodwill impairment tests: The Group determines whether goodwill is impaired at least once a year. This involves an estimate when determining the fair value less costs to sell of the cash-generating units to which goodwill is allocated. To calculate the fair value less costs to sell, the Group must estimate the expected future cash flows from the cash-generating unit including the costs of disposal and must also select an appropriate discount rate to determine the present value of the cash flows. We also refer to 6.1.

Assumptions for pension obligations: The cost of defined benefit pension plans and other post-employment benefits is determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates, future wage and salary increases, mortality rates and future pension increases. As these plans are of a long-term nature, such estimates are highly uncertain. We also refer to 6.9.

Estimates of potential repayment claims/invoice adjustments by the payers (revenue recognition): Services are billed to payers based diagnosis related groups and, in certain areas, based on same-day care rates. The health insurers are required to have the MDK follow up and review amounts already billed by means of standard spot checks or, if there are doubts concerning the legitimacy of billing of the services rendered with regard to prerequisites, nature and scope.

This review can take place before or after the receivables are paid. Accordingly, there is an accounting effect from potential invoice adjustments for trade receivables and from potential repayment claims for other provisions. The resulting potential invoice adjustments/repayment claims of the payers are calculated using appropriate standardized estimation techniques and adjusted as necessary. Under this calculation method, the number of cases queried by the payers and the expected repayment amount per case are estimated for the past reporting period and prior years. Corresponding quantitative disclosures are made in 6.5.

Estimates of revenue budgets in the case of unapproved fee arrangements: Schoen Clinic's hospitals are subject to the legal provisions of the German Hospital Financing Act ["Krankenhausfinanzierungsgesetz"], the Hospital Fees Act ["Krankenhausentgeltgesetz"] and the German National Hospital Rate Ordinance ["Bundespflegesatzverordnung"]. The volume of inpatient and outpatient hospital services is determined on the basis of agreed budgets. If services exceed or fall short of the budget within the term of the agreement, income equalizations are determined pursuant to the legal provisions and recognized as revenue as of the end of the reporting period. For the 2020 reporting period, most of the Group's hospitals did not have final approval or complete final approval for their payment agreements. In some cases, a final agreement has not been reached for prior years either. In these cases, any existing budget risks are taken into account with an effect on revenue based on the respective current estimates of the expected final budgets. These also include risks from the nursing budget, which for accounting purposes reduce the corresponding budget claims.

Estimates when setting the term of leases with options: Leases may contain options that allow the lessee to extend the lease term or to terminate the lease early. In accordance with IFRS 16.18, the management of Schoen Clinic must estimate on the commencement date of the lease (and thereafter at least at the end of each reporting period) whether it is reasonably certain that an option to extend will be exercised, or that an option to cancel will not be exercised. The lease term and thus the amount of the lease liability recognized are significantly influenced by this decision, as is the corresponding right-of-use asset. In its assessment, management must consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. For example, some of the factors to consider are how lease payments are expected to develop compared to the market level during the period of the option, what costs would be incurred if the lease were canceled as well as the significance of the leased item for the business activities of Schoen Clinic. Quantitative disclosures about this are made in 6.2.2.

Estimates for the impairment of receivables: Impairment losses are recognized on all trade receivables as of the end of the reporting period for the amount of the expected loss based on their maturity date. The expected loss is based on historical default rates and forward-looking estimates. In addition, impairment losses are recognized on individual receivables or receivables from certain payers based on management's current information. The process of calculating the impairment loss derived from historical and forward-looking data and of calculating the impairment losses based on management's individual estimates is subject to judgments and measurement uncertainties. We refer to 6.5.

Assumptions in the context of the purchase price allocation for business combinations: In the case of acquisitions, assumptions and estimates have an influence on the purchase price allocation, especially when identifying and measuring intangible assets.

3.25 Currency translation

Transactions denominated in a currency other than the functional currency are recognized in the functional currency as of the mean spot rate on the date of initial recognition. At the end of the reporting period, the Company measures monetary assets and liabilities denominated in foreign currency in the functional currency using the applicable mean spot rate, regardless of whether or not exchange

In EUR k	2020			2019		
	Germany	UK	Total	Germany	UK	Total
Revenue from hospital services	565.790	24.169	589.959	731.746	24.514	756.260
Revenue from elective services	72.012	0	72.012	81.143	32	81.175
Revenue recognized over time	**637.802**	**24.169**	**661.971**	**812.889**	**24.546**	**837.435**
Revenue from hospital services	232.302	8.352	240.654	0	0	0
Revenue from outpatient hospital services	21.963	5.381	27.344	19.821	7.222	27.043
Fees paid by consultants for the usage of hospital facilities	2.033	1	2.034	1.240	9	1.249
Revenue recognized at a point in time	**256.298**	**13.734**	**270.032**	**21.061**	**7.231**	**28.292**
Total	**894.100**	**37.903**	**932.003**	**833.950**	**31.777**	**865.727**

rates are hedged. Gains and losses from the foreign currency measurements are recognized through profit or loss. Non-monetary items of the statement of financial position are amortized at historical exchange rates.

SKS translates the assets and liabilities of foreign subsidiaries with a functional currency that is not the euro using the mean spot rate at the end of the reporting period. By contrast, income and expenses are translated using average exchange rates. Exchange differences are recognized directly in equity. The items in the consolidated statement of cash flows are translated at average exchange rates during the year, while cash and cash equivalents are translated at the mean spot rate at the end of the reporting period.

4. Notes to the consolidated income statement

4.1 Revenue

Revenue of EUR 932,003k (prior year: EUR 865,727k) breaks down into EUR 894,100k (prior year: EUR 833,950k) generated in Germany and EUR 37,903k (prior year: EUR 31,777k) in the UK.

It comprises the income resulting from the Group's primary business activities and includes income from inpatient hospital services, from outpatient services and elective services, fees paid by chief physicians for the usage of hospital facilities and the change in work in process.

Revenue breaks down as follows *(see table above):*

Prompted by the PpSG dated 11 December 2018, the nursing staff costs previously reimbursed via DRG were withdrawn from the DRG system and have been remunerated as a nursing payment per day since 2020 (we also refer to 3.2.).

Against this background, since 2020 significant portions of revenue from hospital services have no longer been recognized over time but instead at a point in time, as can be seen in the above table. In addition, refunds from the legislator in connection with the COVID-19 pandemic, which total EUR 128,140k in the 2020 reporting period and relate chiefly to compensation payments for keeping beds free pursuant to Sec. 21 (1a) and (2a) KHG, are also recognized as revenue from hospital services recognized at a point in time.

4.2 Other operating income

Other operating income consists of the following:

	Reporting period	
In EUR k	**2020**	**2019**
Personnel cost refunds	11.326	7.595
Income from rental and leases	3.351	3.708
Income from auxiliary businesses	1.983	3.550
Government subsidies	1.915	17
MDK compensation	1.428	2.464
Own work capitalized	1.277	892
Cost refunds for previous reporting periods	842	373
Income from welfare facilities	798	704
Income from training measures	610	576
Cost allocation of other costs	509	311
Insurance refunds	111	1.512
Sundry other operating income	3.876	5.018
Total	**28.026**	**26.720**

Government subsidies of EUR 1,900k (prior year: EUR 0k) relate to subsidies in connection with the COVID-19 pandemic, mainly in the form of refunds for newly created ICU capacities.

Schoen Clinic's income from rent and lease arrangement that do not include any variable portions breaks down as follows:

	Reporting period	
In EUR k	**2020**	**2019**
Rent from practice rooms and hospital workshops (excluding ancillary costs)	1.518	1.492
Rent from letting out parking spaces (excluding ancillary costs) including short-term lets	785	1.077
Rent from other spaces and other (excluding ancillary costs)	771	869
Ancillary costs	277	270
Total rental income	**3.351**	**3.708**

The remaining terms of the lease agreements are mostly shorter than five years from the end of the reporting period. A large percentage of the agreements can also be canceled at short notice, i.e., the leases are tacitly extended on a rolling basis unless they are canceled subject to a certain period of notice (less than a year).

4.3 Cost of materials

Cost of materials breaks down as follows:

	Reporting period	
In EUR k	**2020**	**2019**
Materials and supplies	107.413	108.675
Purchased services	70.070	62.045
Total cost of materials	**177.483**	**170.720**

Materials and supplies and purchased goods include income from cash and trade discounts, bonuses and rebates of EUR 6,713k (prior year: EUR 5,235k).

4.4 Personnel expenses

Personnel expenses come to EUR 583,327k (prior year: EUR 576,023k) with an average number of 10,859 employees (prior year: 10,833). Of the personnel expenses, EUR 494,067k (prior year: EUR 489,967k) pertains to wages and salaries, while EUR 89,260k (prior year: EUR 86,056k) relates to social security costs (thereof EUR 8,993k for retirement pensions (prior year: EUR 8,547k)).

Personnel expenses as a percentage of revenue (personnel expenses/total operating performance) amounts to 60.8 per cent after 64.5 per cent in 2019.

The retirement benefit costs include employee benefits payable by the Group under defined contribution and defined benefit plans as well as similar benefit obligations. For company pensions, (former) employees have claims under supplemental pension plans (ZVK), federal or state benefit plans (VBL) in addition to the pension provisions. The employees are also covered by the statutory pension insurance.

4.5 Other operating expenses

Other operating expenses break down as follows:

	Reporting period	
In EUR k	**2020**	**2019**
Consulting and audit fees	9.744	6.915
Other administrative expenses	7.014	8.122
Rent and leases	3.910	3.347
Advertising costs	3.675	6.200
Personnel recruitment	2.927	4.687
Travel expenses	1.055	2.267
Administrative costs	**28.325**	**31.538**
Maintenance and repairs	28.287	28.108
Insurance	5.118	4.710
Training measures	2.648	3.526
Other operating expenses	1.725	1.755
Operating expenses	**37.778**	**38.099**
Low allowances and write-offs of receivables	23.757	6.420
Other expenses	8.902	5.367
Accounting losses on the disposal of assets	4.864	92
Total other expenses	**37.523**	**11.879**
Total other operating expenses	**103.626**	**81.516**

In addition to expenses for short-term leases and leases of low-value assets, expenses for rent and leases include variable lease payments and VAT portions from lease payments made and also consumption-based incidental rental expenses.

With regard to the significant increase in expenses for loss allowances and write-offs of trade receivables, we refer to our comments in 6.5.

4.6 Finance income and costs

In addition to interest expenses of EUR 23,049k (prior year: EUR 23,367k) and interest income of EUR 222k (prior year: EUR 762k), finance income and finance costs chiefly comprise income from currency hedges of external financing of EUR 1,247k (prior year: EUR 23,768k) and expenses from currency hedges of external financing of EUR 1,342k (prior year: EUR 21,493k).

The comparatively higher income and expenses from currency hedges of external financing largely relate to financing the subsidiaries in the UK. No income or expenses of a comparable amount were incurred in 2020.

Interest expenses of EUR 715k (prior year: EUR 704k) were recognized as borrowing costs for qualifying assets in the construction phase in accordance with IAS 23.

	Reporting period	
	2020	**2019**
Expected income taxes	**1.354**	**-2.632**
Increase/decrease in income taxes due to		
non-deductible business expenses	3	20
taxes relating to prior years	3.486	-279
effect from differing tax rates (trade tax and taxes in the UK)	-1.630	-1.982
effect from the recognition/non-recognition and use of unused tax losses for which deferred tax assets were recognized	5.028	9.254
effect from adjustments to deferred taxes (with regard to temporary differences)	-1.484	-981
effect from first-time recognition of supplementary tax accounts	-5.392	0
other, net	-212	217
Recognized income taxes	**1.153**	**3.617**

In addition, interest expenses contain expenses of EUR 756k (prior year: EUR 1,249k) from unwinding the discount on provisions as well as of EUR 2,363k (prior year: EUR 2,447k) from unwinding the discount on lease liabilities.

4.7 Income taxes

Income taxes relate to current and deferred income taxes. Income taxes encompass corporate income tax including solidarity surcharge as well as trade tax for holding companies, MVZ GmbH and other companies. This item also includes the following pursuant to IAS 12:

- Deferred taxes for differing carrying amounts under IFRS and in the tax accounts
- Deferred taxes on realizable unused tax losses, which can generally be carried forward indefinitely

Income tax expenses break down as follows:

	Reporting period	
In EUR k	**2020**	**2019**
Current taxes	10.696	3.644
Deferred taxes	-9.543	-27
Income tax expense	**1.153**	**3.617**

Current taxes include tax expenses totaling EUR 3,486k (prior year: income of EUR 279k) for current taxes from prior reporting periods. Deferred taxes include tax income of EUR 8,095k (prior year: EUR 288k) in connection with the development of the temporary differences; the remainder of EUR 1,448k (prior year: expense of EUR 261k) relates to the recognition and/or impairment of deferred tax assets arising from unused tax losses. With regard to the tax rates used to calculate current and deferred taxes, reference is made to 3.21.

The expected income tax expenses (current and deferred) based on the German aggregate tax rate of 15.83 per cent deviate from the reported expenses as follows *(see table above):*

The adjustment item "Effect from first-time recognition of supplementary tax accounts" relates to the subsequent recognition of additional acquisition costs following tax restructuring in prior years. The tax rate change in the UK (see 3.21) did not have any impact.

Deferred tax assets and liabilities relate to the following items of the statement of financial position:

	31 Dec 2020	31 Dec 2019	1 Jan 2019
Deferred tax assets			
Non-current assets	10.349	2.394	3.426
Current assets	896	153	298
Non-current liabilities	20.494	22.560	20.905
Current liabilities	9.494	3.515	4.433
Unused tax losses	5.829	4.382	4.643
Subtotal – gross –	47.062	33.004	33.705
Netting	-47.061	-33.004	-31.734
Total deferred tax assets – net –	**1**	**0**	**1.971**
Deferred tax liabilities			
Non-current assets	140.870	134.846	134.437
Current assets	722	1.350	3.345
Non-current liabilities	453	373	489
Current liabilities	66	0	0
Subtotal – gross –	142.111	136.569	138.271
Netting	-47.061	-33.004	-31.734
Total deferred tax liabilities – net –	**95.050**	**103.565**	**106.537**

Deferred taxes developed as follows on a net basis:

	Reporting period	
	2020	**2019**
Balance of deferred tax assets / liabilities at the beginning of the reporting period	**103.565**	**104.566**
Deferred taxes recognized in the consolidated income statement	-9.543	-27
Changes in items of the consolidated statement of comprehensive income	1.031	-868
Exchange differences	-4	-106
Balance of deferred tax assets / liabilities at the end of the reporting period	**95.049**	**103.565**

("-" = net deferred tax asset)

Deferred tax assets were recognized for unused interest and tax losses of EUR 36,117k (prior year: EUR 27,180k).

Unused tax losses for which no deferred taxes were recognized came to EUR 101,683k (prior year: EUR 68,407k). Of this, EUR 49,233k (prior year: EUR 33,624k) relates to unused tax losses in Germany and EUR 52,769k (prior year: EUR 34,783k) to unused tax losses in the UK. These are available to the Group for an indefinite period to offset against future taxable income of those entities in which the losses were incurred. The rules on minimum taxation must be observed. For example, in Germany taxable income of EUR 1,000k can only be offset in full against unused tax losses. For amounts in excess of that figure, only 60 per cent can be offset. If the Group were able to recognize all unrecognized deferred tax assets, the consolidated net income/loss would increase by EUR 17,085k (prior year: EUR 11,451k).

Schoen Clinic did not recognize deferred tax liabilities on differences between the tax base of the subsidiary in the parent's financial statements and the net assets in the subsidiary's financial statements, as these differences – which stem from profits accumulated but not distributed of EUR 48,257k – are to be reinvested for an indefinite period in the subsidiary.

5. Notes to the statement of cash flows

Cash flows from operating activities are determined using the indirect method. When performing the indirect calculation, changes in items of the statement of financial position are adjusted to eliminate effects from exchange rate and from changes in the basis of consolidation. The changes in the relevant statement of financial position items cannot therefore be reconciled with the relevant values based on the consolidated statement of financial position.

Capitalizable construction period interest (borrowing costs pursuant to IAS 23) were deducted from the interest payments reported in cash flow from financing activities. These increase investments in cash flow from investing activities in the amount specified in 6.2.1.

The balance of cash and cash equivalents comprises cash and bank balances as reported in the statement of financial position. Cash and cash equivalents break down as follows:

EUR k	31 Dec 2020	31 Dec 2019	1 Jan 2019
Cash on hand	220	220	262
Bank balances	6.801	6.182	7.710
Total	**7.021**	**6.402**	**7.972**

In addition, Schoen Clinic has undrawn credit facilities at its disposal as of the reporting date. We refer to our comments in 6.11.

A reconciliation of the total cash inflows and outflows and other non-cash changes in financial liabilities including liabilities from finance leases pursuant to IAS 7.44A ff. results in the following overview *(see table below)*:

Although there is a financial liability, the liabilities pursuant to the KHG are not classified as part of the cash flow from financing activities. This is why these items are not included in the above statement of reconciliation in accordance with IAS 7.44C.

EUR k		Cash changes		Non-cash changes			
	1 Jan 2020	Borrowings/ cash receipts	Repayment/ cash payments	Changes due to exchange rates	Amortization/ unwinding of the discount	Other changes	31 Dec 2020
Liabilities to banks	314.063	66.473	-115.821	127	165	123	265.130
Participation capital/ subordinated capital	2.700		-2.700				0
Bond payable	74.047		-861	351	154	861	74.552
Promissory note loans	256.445	20.000	-2.209		179	2.218	276.633
Shareholder loans and liabilities to affiliates	10.757		-10.395				362
Obligations from leases	89.614		-9.750	-3.354		4.427	80.937
Other financial liabilities	3.259		-693		67		2.633
Negative market value of derivatives	22.949		-6.907			1.527	17.569
Total	**773.834**	**86.473**	**-149.336**	**-2.876**	**565**	**9.156**	**717.816**

EUR k		Cash changes		Non-cash changes			
	1 Jan 2019	Borrowings/ cash receipts	Repayment/ cash payments	Changes due to exchange rates	Amortization/ unwinding of the discount	Other changes	31 Dec 2019
Liabilities to banks	301.323	60.227	-69.988	1.968	-12	20.545	314.063
Participation capital/ subordinated capital	25.000					-22.300	2.700
Bond payable	90.312	70.081	-83.590	-3.708	91	861	74.047
Promissory note loans	246.655	29.625	-2.226		133	-17.743	256.445
Shareholder loans and liabilities to affiliates	12.364		-1.606				10.757
Obligations from leases	84.765		-8.672	3.163		10.358	89.614
Other financial liabilities	2.882		-243		70	550	3.259
Negative market value of derivatives	27.390		-7.953			3.512	22.949
Total	**790.691**	**159.933**	**-174.278**	**1.422**	**282**	**-4.217**	**773.834**

6. Notes to the consolidated statement of financial position

6.1 Goodwill and other intangible assets

The carrying amount of goodwill and of other intangible assets developed as follows in the 2020 reporting period:

(EUR k)	Goodwill	Other intangible assets	Prepayments on intangible assets
Cost as of 1 January 2020	**391.551**	**62.255**	**549**
Additions*)	1.231	2.430	183
Disposals	0	-350	0
Reclassification	0	398	-398
Currency translation	-877	-164	0
Cost as of 31 December 2020	**391.905**	**64.569**	**335**
Accumulated amortization and impairment as of 1 January 2020	**0**	**-30.964**	**0**
Amortization and impairment in the reporting period	0	-5.214	0
Accumulated amortization and impairment on disposals	0	328	0
Currency translation	0	82	0
Accumulated amortization and impairment as of 31 December 2020	**0**	**-35.769**	**0**
Carrying amounts as of 31 December 2020	**391.905**	**28.799**	**335**
Carrying amounts as of 1 January 2020	**391.551**	**31.291**	**549**

*) This includes additions from acquisitions in 2020 (see 3.1.3.1)

(EUR k)	Goodwill	Other intangible assets	Prepayments on intangible assets
Cost as of 1 January 2019	**380,182**	**58,082**	**493**
Change in the basis of consolidation	9.910	2	0
Additions*)	678	5.429	426
Disposals	-18	-797	0
Reclassification	0	-610	-369
Currency translation	799	149	0
Cost as of 31 December 2019	**391.551**	**62.255**	**549**
Accumulated amortization and impairment as of 1 January 2019	**0**	**-27.217**	**0**
Change in the basis of consolidation	0	-2	0
Amortization and impairment in the reporting period	0	-4.571	0
Accumulated amortization and impairment on disposals	0	685	0
Reclassification	0	185	0
Currency translation	0	-45	0
Accumulated amortization and impairment as of 31 December 2019	**0**	**-30.964**	**0**
Carrying amounts as of 31 December 2019	**391.551**	**31.291**	**549**
Carrying amounts as of 1 January 2019	**380.182**	**30.865**	**493**

*) This includes additions from acquisitions under asset deals in 2019 (see 3.1.3.2)

(in EUR k)	Carrying amount of goodwill		
Cash-generating unit	**31 Dec 2020**	**31 Dec 2019**	**1 Jan 2019**
Schön Klinik Neustadt SE & Co. KG	68.621	68.593	62.806
Schön Klinik Hamburg SE & Co. KG	60.595	60.595	58.837
Schön Klinik Roseneck SE & Co. KG	51.649	51.601	51.601
Schön Klinik Bad Aibling SE & Co. KG	40.798	40.798	40.798
Schön Klinik Bad Bramstedt SE & Co. KG	31.658	31.658	31.658
Schön Klinik München Harlaching SE & Co. KG	31.445	30.565	30.533
Schön Klinik Bad Arolsen SE & Co. KG	28.684	28.684	28.684
Schön Klinik Vogtareuth SE & Co. KG	24.514	24.514	24.514
Schön Klinik München Schwabing SE & Co. KG	12.739	12.739	12.739
Schön Klinik Bad Staffelstein SE & Co. KG	10.976	10.976	10.994
Newbridge Care Systems Limited*)	10.523	11.400	10.600
Schön Klinik Düsseldorf SE & Co. KG	9.360	9.085	9.085
Schön Klinik Berchtesgadener Land SE & Co. KG	7.333	7.333	7.333
MindDoc Health GmbH	3.010	3.010	0
	391.905	**391.551**	**380.182**

*) The goodwill of Newbridge Care Systems Limited is presented in GBP and is subject to currency fluctuations.

Other intangible assets contain those assets with indefinite useful lives. As in the prior year, these assets with indefinite useful lives are acquired trademarks (EUR 7,522k) and registered statutory health insurance doctors (EUR 3,831k). The useful life of the trademarks and the registered statutory health insurance doctors is indefinite, as Schoen Clinic can use them without any time limit and there are no plans to give up the trademarks and the registered statutory health insurance doctors in the future. These assets are subject to an annual impairment test within the cash-generating unit to which they are allocated.

The total carrying amount of goodwill is allocated to the cash-generating units presented below. Goodwill impairment testing is also carried out at this level *(see table above)*.

Schoen Clinic carried out the mandatory annual impairment test in accordance with IAS 36 in the fourth quarter of the reporting period. The Group did not identify any events during the year that would have required additional testing for impairment. The current COVID-19 pandemic does not represent a significant trigger because of the Group's business activities. The test showed that the recoverable amounts for the cash-generating units were estimated at a higher amount than the corresponding carrying amounts.

As in the prior year, the underlying assumptions used by Schoen Clinic to determine the recoverable amount (fair value less costs to sell) of the cash-generating units did not include any growth markdown to perpetuity (= long-term growth rate of 0 per cent) and a discount rate (after taxes) of 3.60 per cent for Germany (prior year: 4.35 per cent) and 3.98 per cent for the UK (prior year: 4.85 per cent). The costs to sell were calculated at 3 per cent (prior year: 3 per cent) of fair value. No market prices were available for the calculation.

Calculating the fair value less costs to sell of the cash-generating units involves forecasting cash flows for the next five years. Planning assumptions are used that take into account past experience and current operating results and that are also based on the current statutory, macroeconomic and market-specific developments and framework conditions as well as the best estimate of how these will develop going forward. In detail, the revenue planning of relevance for calculating the value breaks down revenue by medical specialization (mental health, neurology, orthopedics, internal medicine, surgery), by type of treatment (inpatient, partly inpatient, outpatient), by revenue type (hospital rates, DRG, other) and by insurer (statutory/private health insurance, self-payer, other). Revenue is calculated based on the respective price (national base rates for each federal state, basic fee amounts for individual hospitals, fixed prices for self-payers) and quantity structures (valuation ratios, PEPP points, attendance days, number of cases). The price structure is rolled forward using average historical growth rates.

The fair value calculated for the cash-generating units was allocated to Level 3 in the fair value hierarchy.

The fair value calculated for each cash-generating unit less costs to sell is mainly determined by the end figure (present value to perpetuity), which responds particularly sensitively to changes in the assumptions for the long-term growth rate and the discount rate. Both assumptions are assessed individually for each cash-generating unit. The discount rates are based on the weighted average cost of capital (WACC) for the cash-generating units. The discount rate is calculated on the basis of a risk-free interest rate and a market risk premium. In addition, the discount rate reflects the current market of the specific risks of the cash-generating units by taking into consideration the beta factor, the debt-to-equity ratio and the borrowing costs of the specific peer group. The parameters for determining the discount rate are based on external sources of information. The peer group is subjected to an annual review and is adjusted as necessary.

A sensitivity analysis was carried out to assess how the changes in the key parameters affecting value, the discount rate and the amount of cash flows in the perpetual annuity affected the test for impairment. The amount of cash flows is dependent in particular on the planned revenue, which is ultimately reflected in a higher (or lower) cash flow via the planned margin. The sensitivity analysis assumes a reduction in cash flows (after taxes) in the perpetual annuity to 90 per cent of the planned figure and an increase in the discount rate (after taxes) by one percentage point. Based on this, Schoen Clinic comes to the conclusion that the goodwill would not need to be impaired for any of the cash-generating units.

If the parameters outlined above were to eventuate in combination with each other, an impairment loss of EUR 10,657k would have to be recognized, which would relate in full to the cash-generating unit Schön Klinik Vogtareuth SE & Co. KG.

If the cash flow forecast to the perpetual annuity remains unchanged, an impairment loss would have to be recognized if the discount rate were to change by +1.06 percentage points (+29.4 per cent). Assuming the discount rate stays the same, an impairment loss would need to be recognized if cash flows to perpetuity were to reduce to 72.95 per cent or lower. In both scenarios, the necessary impairment losses would relate to the cash-generating unit Schön Klinik Vogtareuth SE & Co. KG.

For all other cash-generating units, the sensitivity analyses do not indicate a need to recognize an impairment loss based on those changes in significant assumptions that are considered to be realistically possible.

6.2 Property, plant and equipment

6.2.1 Property, plant and equipment owned by the Group

Property, plant and equipment developed as follows in the 2020 reporting period:

(EUR k)	Land and buildings	Technical equipment and machinery	Furniture and fixtures	Prepayments and assets under construction
Cost as of 1 January 2020	**1.736.006**	**42.816**	**227.314**	**40.095**
Additions*)	23.308	931	6.729	4.815
Disposals	-2.740	0	-2.008	-3.755
Reclassification	2.876	1.377	708	-4.961
Currency translation	-6.262	-11	-458	-46
Reclassification of current assets	-6.615	-2	0	0
Cost as of 31 December 2020	**1.746.573**	**45.112**	**232.286**	**36.147**
Accumulated amortization and impairment as of 1 January 2020	**-490.651**	**-27.216**	**-178.961**	**-457**
Amortization and impairment in the reporting period	-44.027	-2.690	-12.250	0
Accumulated amortization and impairment on disposals	701	0	1.287	0
Currency translation	537	3	155	0
Reclassification of current assets	1.493	1	0	0
Accumulated amortization and impairment as of 31 December 2020	**-531.948**	**-29.901**	**-189.768**	**-457**
Carrying amounts as of 31 December 2020	**1.214.625**	**15.211**	**42.518**	**35.690**
Carrying amounts as of 1 January 2020	**1.245.354**	**15.601**	**48.354**	**39.638**

*) This includes additions from acquisitions in 2020 (see 3.1.3.1)

(EUR k)	Land and buildings	Technical equipment and machinery	Furniture and fixtures	Prepayments and assets under construction
Cost as of 1 January 2019	**1.685.752**	**39.629**	**216.175**	**47.449**
Change in the basis of consolidation	873	0	178	0
Additions*)	31.202	2.054	12.538	25.299
Disposals	0	-310	-7.580	0
Reclassification	23.850	3.882	5.608	-32.737
Currency translation	5.497	8	396	84
Reclassification of current assets	-11.168	-2.448	0	0
Cost as of 31 December 2019	**1.736.006**	**42.816**	**227.314**	**40.095**
Accumulated amortization and impairment as of 1 January 2019	**-453.379**	**-26.739**	**-173.145**	**-457**
Change in the basis of consolidation	0	0	-8	0
Amortization and impairment in the reporting period	-40.612	-2.629	-12.676	0
Accumulated amortization and impairment on disposals	0	145	6.975	0
Reclassification	-185	0	0	0
Currency translation	-273	-2	-107	0
Reclassification of current assets	3.798	2.010	0	0
Accumulated amortization and impairment as of 31 December 2019	**-490.651**	**-27.216**	**-178.961**	**-457**
Carrying amounts as of 31 December 2019	**1.245.354**	**15.601**	**48.354**	**39.638**
Carrying amounts as of 1 January 2019	**1.232.373**	**12.890**	**43.030**	**46.992**

*) This includes additions from acquisitions under asset deals in 2019 (see 3.1.3.2)

(EUR k)	Land and buildings	Technical equipment and machinery	Furniture and fixtures	Total
As of 1 January 2020	**83.367**	**158**	**2.999**	**86.524**
Additions	4.022	15	1.663	5.701
Disposals	-516	0	-11	-527
Reclassification	-294	0	0	-294
Depreciation and impairment	-11.235	-38	-1.682	-12.955
Currency translation	-3.202	0	-25	-3.226
As of 31 December 2020	**72.143**	**135**	**2.944**	**75.222**

(EUR k)	Land and buildings	Technical equipment and machinery	Furniture and fixtures	Total
As of 1 January 2019	**81.322**	**176**	**3.267**	**84.765**
Change in the basis of consolidation	873	0	72	945
Additions	6.356	11	1.131	7.498
Depreciation and impairment	-8.216	-30	-1.501	-9.747
Currency translation	3.034	0	30	3.063
As of 31 December 2019	**83.367**	**158**	**2.999**	**86.524**

The capital expenditures of Schoen Clinic were partly financed by subsidies (construction subsidies and lump-sum subsidy). The subsidies come mainly from the German federal states in which the individual hospitals are located. As of the end of reporting period on 31 December 2020, subsidies totaling EUR 184,429k (prior year: EUR 192,659k) were deducted from fixed assets in accordance with the option offered in IAS 20.

The subsidy ratio (subsidies deducted from assets as a percentage of gross non-current assets) for the Group's investments in property, plant and equipment and intangible assets is 12.1 per cent (prior year: 12.2 per cent).

Interest expenses of EUR 715k were capitalized in the 2020 reporting period (prior year: EUR 704k), which relate entirely to company buildings and assets under construction. The average group financing rate underlying the amount capitalized was 3.44 per cent (prior year: 2.57 per cent).

Of the total carrying amount of non-current assets, a partial amount of EUR 55,705k (prior year: EUR 59,119k) is encumbered with real property liens to secure bank loans.

6.2.2 Rights of use for property, plant and equipment from leases

The main leased assets are the leased hospital real estate of Schoen Clinic London and of Schön Klinik Nürnberg Fürth as well as additional longer-term leases for real estate. In addition, Schoen Clinic leases vehicles, medical devices, technical equipment and office equipment, furniture and fixtures. However, these are immaterial compared to the aforementioned hospital real estate and other real estate.

The following rights of use are reported in the statement of financial position, which developed as presented in the reporting period *(see first table above):*

The depreciation and impairment in the reporting year contains an impairment loss of EUR 2,199k within land and buildings on the right of use, which results from the lease for the hospital real estate in Nuremberg-Fürth. Because the hospital discontinued business operations as of 1 October 2020, no more income will accrue from the right of use. The item was written down in full to a carrying amount of EUR 0 accordingly *(see second table above).*

Lease liabilities are as follows (see also 6.10):

(EUR k)	31 Dec 2020	31 Dec 2019	1 Jan 2019
Lease liabilities – non-current	70.814	79.821	76.479
Lease liabilities – current	10.123	9.793	8.286
	80.937	**89.614**	**84.765**

The maturities of the lease liabilities break down as follows:

(EUR k)	2021	2022	2023	2024	2025	2026 and thereafter	Total
	10.123	8.049	7.104	6.260	5.877	43.524	**80.937**

A number of the Group's real estate and equipment lease agreements contain renewal options. Such contractual terms and conditions are used to afford the Group maximum flexibility in relation to the assets used by the Group. If it is reasonably certain that the respective option will be used, the lease term is extended accordingly.

The volume of cash outflows from renewal options not included in the measurement of the lease liabilities amounts to EUR 108,879k as of 31 December 2020 (prior year: EUR 104,716k). It is assumed that maximum use will be made of all options, including those contained in leases that have already been entered into but not yet commenced.

Cancellation options are provided for mainly in the lease for the day clinic in Chelsea (Newbridge Care Systems), and it is reasonably certain that this option will be exercised. If the cancellation option is not exercised, payments from leases would be EUR 1,427k (EUR 1,427k) higher.

The obligations from leases (nominal value of the payments) that have been entered into by Schoen Clinic but not yet commenced amount to EUR 8,136k as of 31 December 2020 (prior year: EUR 0k). This pertains especially to a lease agreement for the letting of office space in Munich, which will enter into force in the first quarter of 2021.

In principle, Schoen Clinic does not grant residual value guarantees.

The income statement of the Schoen Clinic Group in the 2020 reporting period and in the prior year contains the following expenses in connection with leases which, with the exception of depreciation on right-of-use assets, also essentially led to cash outflows *(see table below)*:

As a hospital group, Schoen Clinic and a large number of group companies are not entitled to deduct input VAT from the lease installments. Because input VAT and/or VAT does not qualify as income for the provision of a specified asset over a defined period, it cannot be included when calculating the lease liability. The VAT thus remains as a cost component in the income statement.

6.3 Other non-current financial assets

As of 1 January 2019, this item mainly contains a loan of EUR 22,300k to Schön Anteilsverwaltung GmbH. Schön Anteilsverwaltung GmbH sold this liability to Mr. Dieter Schön in 2019. The loan was then offset for the amount specified against profit participation rights issued by Mr. Dieter Schön. We refer to our comments in 8.6 in this respect.

As of the end of the reporting period, this item chiefly includes positive market values of derivative financial instruments held for hedging purposes (EUR 4,946k; prior year: EUR 5,147k).

(EUR k)	2020	2019
Expenses relating to short-term leases (less than 12 months) *)	1.794	2.630
Expenses amounting to the VAT portion of lease payments made	1.366	843
Expenses relating to leases of low-value assets (less than EUR 5,000)	261	3
Expenses relating to variable lease payments (not included in the lease liabilities)	61	75
Subtotal of operating expenses	**3.482**	**3.551**
Depreciation of rights of use	12.955	9.747
Interest expenses	2.363	2.447
Total expenses from leases	**18.800**	**15.745**

*) The expenses relating to short-term leases also contain a small number of leases of low-value assets.

6.4 Inventories

Inventories, which exclusively comprise materials and supplies, break down as follows:

in EUR k	31 Dec 2020	31 Dec 2019	1 Jan 2019
Medical supplies	13.323	10.903	9.106
Food and other items	472	477	566
Cleaning, laundry, gardening	186	139	133
Office, postage, bank, telecommunications, travel, IT	149	159	146
	14.130	**11.678**	**9.951**

6.5 Trade receivables

Trade receivables are recognized at amortized cost. All trade receivables are due in less than one year.

in EUR k	31 Dec 2020	31 Dec 2019	1 Jan 2019
Contract assets	22.897	22.403	19.131
Receivables – gross	127.519	130.375	138.553
Loss allowances – related to creditworthiness	-7.497	-5.490	-4.780
Loss allowances – related to validity (MDK risks)	-23.510	-9.356	-5.808
Receivables – net	**119.409**	**137.932**	**147.096**

Comparability of the balance of gross receivables as of 31 December 2019 is limited, as receivables due from statutory payers were sold under a factoring program as of that date (see 3.15). This meant that the balance on that date was EUR 12,656k lower in comparative terms. As of the end of the reporting period, the total carrying amount of the original receivables prior to transfer is EUR 0k (prior year: EUR 33,133k). The carrying amount of the continuing involvement, which also corresponds to the fair value, is EUR 0k (prior year: EUR 309k). A liability from the continuing involvement is recognized in the financial liabilities for the same amount (see 6.10). The last sale of receivables under the factoring program was in July 2020.

The loss allowances developed as follows:

in EUR k	2020	2019
Loss allowances as of 1 January	**14.846**	**10.588**
Utilization	-2.248	-2.136
Reversal	-54	-610
Addition	18.463	7.004
Loss allowances as of 31 December	**31.007**	**14.846**

The sharp rise in loss allowances on trade receivables compared to the prior year is principally attributable to the fact that risks from MDK reviews are reported as a reduction in existing receivables if there is a netting/offsetting option. In prior years, these matters were presented as gross figures, i.e., recognized as a provision for MDK risks. We also refer to 3.

After taking the individual specific bad debt allowances of EUR 7,005k (prior year: EUR 4,939k) into account, the expected credit loss is as follows, based on the maturities of the underlying receivables, for each payer (except for statutory payers):

31 Dec 2020	Maturities					
	Not past due	Past due < 31 days	Past due > 30 < 91 days	Past due > 90 < 181 days	Past due > 180 < 361 days	Past due > 360 days
Self-payers, private patients, international patients and payers						
Expected credit loss rate	0,93%	2,93%	4,41%	5,09%	5,75%	10,00%
Carrying amount of the receivables per maturity (EUR k)	13.068	1.638	467	242	1.341	1.516
Expected credit loss (EUR k)	121	48	22	14	77	152
Arab payers						
Expected credit loss rate	0,18%	0,30%	0,34%	0,45%	0,64%	1,00%
Carrying amount of the receivables per maturity (EUR k)	1.197	613	173	101	250	1
Expected credit loss (EUR k)	2	2	1	0	2	0

31 Dec 2019	Maturities					
	Not past due	Past due < 31 days	Past due > 30 < 91 days	Past due > 90 < 181 days	Past due > 180 < 361 days	Past due > 360 days
Self-payers, private patients, international patients and payers						
Expected credit loss rate	0,93%	2,93%	4,41%	5,09%	5,75%	10,00%
Carrying amount of the receivables per maturity (EUR k)	15.147	2.015	678	130	512	1.987
Expected credit loss (EUR k)	140	59	30	7	29	199
Arab payers						
Expected credit loss rate	0,18%	0,30%	0,34%	0,45%	0,64%	1,00%
Carrying amount of the receivables per maturity (EUR k)	3.006	534	1.305	459	1.553	96
Expected credit loss (EUR k)	5	2	4	2	10	1

Regardless of maturity, loss allowances are recognized on receivables from statutory payers in Germany and the UK using the debtor default risk in the Federal Republic of Germany and in the United Kingdom respectively. This risk is derived from the respective five-year credit default swap (CDS) as of the end of the reporting period and is accounted for as follows:

	Federal Republic of Germany		United Kingdom	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Expected credit loss rate (CDS) in BPS	10,700	8,800	17,259	28,100
Carrying amount of the related receivables (EUR k)	47.064	67.959	397	1.022
Expected credit loss (EUR k)	50	60	1	3

6.6 Other current assets and other current financial assets

Other assets and other (current) financial assets comprise the following main items:

in EUR k	31 Dec 2020	31 Dec 2019	1 Jan 2019
Other current assets			
Creditors with debit balances	3.425	3.226	981
Prepaid expenses	4.139	2.900	1.885
Sundry other	922	322	713
	8.486	**6.448**	**3.579**

Other current financial assets			
Market values of derivatives (currency hedges)	**236**	**238**	**9.162**
Receivables from hospital budget matters and other receivables	28.721	6.071	6.350
Receivables from approved subsidies for investment projects	2.737	2.969	13.413
Receivables pursuant to the KHG	**31.458**	**9.040**	**19.763**
Receivables from supplier bonuses	3.252	2.151	3.133
Receivables from affiliates	968	750	193
Receivables from amounts withheld by banks (factoring)	0	1.657	0
Sundry other receivables	5.846	6.036	4.040
Other receivables and assets	**10.066**	**10.594**	**7.366**
	41.760	**19.872**	**36.291**

Of the significant rise in receivables from hospital budget matters, EUR 7,176k is attributable to compensation claims in connection with the COVID-19 pandemic. The increase is also due, among other things, to the fact that some of the Group's hospitals had not yet agreed a budget for 2020. As a result, processing of the compensation claims from prior years was not yet final. This meant that budget entitlements from prior years could not yet be settled in 2020.

6.7 Assets held for sale

The assets held for sale presented in the statement of financial position relate as of 31 December 2020 to a plot of land in Prien am Chiemsee including buildings and external facilities (EUR 5,122k) as well as technical equipment and machinery they contain (EUR 1k). It is highly probable that the sale will be concluded at short notice. The purchase agreement under the law of obligations was concluded in 2020, and transfer of title in rem including the transfer of risks, benefits and encumbrances is scheduled to take place in 2021.

The assets held for sale presented as of the end of the prior-year reporting period concerned real estate of Schön Klinik Harthausen SE & Co. KG that has since been sold in 2020. The real estate comprised sites including buildings and external facilities (EUR 7,487k) as well as technical equipment and machinery (EUR 320k).

6.8 Equity

As in the prior year, issued capital amounts to EUR 144k and comprises no-par value registered shares held by the shareholders. In total there are 144,079 shares of EUR 1 each.

The capital reserves stem mainly from the conversion of profit participation rights into equity as well as corporate transactions in prior years (mergers, mergers by accrual).

The revenue reserves of EUR 185,849k (prior year: EUR 178,449k) contain retained earnings from prior reporting periods, the IFRS/HGB difference of EUR 289,835k added as part of the transition to IFRSs as of 1 January 2019 and the statutory reserve required under German stock corporation law of EUR 16k (prior year: EUR 16k).

Alongside currency differences from the translation of financial statements of subsidiaries outside of the eurozone, other reserves chiefly contain a hedge reserve of EUR 13,177k (after tax). In 2020, EUR 7,929k was reclassified from the hedge reserve to the income statement.

Other reserves also contain actuarial gains and losses recognized directly in equity from the measurement of pension provisions of EUR 8,657k (EUR 10,853k less deferred taxes of EUR 2,196k). In the prior year, the corresponding figure was EUR 8,504k (EUR 10,621k less deferred taxes of EUR 2,117k).

As a result of the deconsolidation of Radiologie Besitzgesellschaft EUROMED mbH as of 1 June 2019, there are no longer any non-controlling interests.

6.9 Provisions for pensions

Schoen Clinic granted defined benefit plans for employees in four group companies. Most of the pension obligations relate to a direct (group) commitment for retirement, invalidity and surviving dependents benefits in accordance with the regulations of the Hamburg law on supplemental pensions ["Hamburgisches Zusatzversorgungsgesetz": HmbZVG] and the statutes of the Pension Institution of the Federal Republic of Germany and the Federal States ["Versorgungsanstalt des Bundes und der Länder": VBL]. There is also a total of six individual agreements.

As of 31 December 2020, the group commitment covers 687 persons (prior year: 688), of whom 302 are still in active employment (prior year: 327), 173 have left the company with vested benefit obligations (prior year: 165) and 212 are pensioners (prior year: 196). The weighted average term of the benefit obligations is 18.7 years (prior year: 19.3 years), while the average remaining period of service until retirement of the employees is 7.4 years (prior year: 7.7 years). Three of the six individual agreements recognized as of the reporting date relate to Schön Klinik Düsseldorf SE & Co. KG (unchanged on the prior year: two active employees and one employee who left the company with vested benefit obligations) and two individual commitments to Schön Klinik SE (two pensioners; prior year: one pensioner and one employee who left the company with vested benefit obligations). The weighted average term of the benefit obligations for the employees at Schön Klinik Düsseldorf SE & Co. KG is 20.7 years (prior year: 21.5 years), while the average remaining period of service until retirement is 5.2 years (prior year: 5.9 years). The weighted average term of the benefit obligations for the pensioners at Schön Klinik SE is 16.9 years (prior year: 17.3 years).

The obligations are financed internally within the Group by the creation of provisions based on actuarial calculations.

Additionally, Schoen Clinic pays contributions to the VBL or public-sector or church pension funds (ZVK/KZVK). Contributions of EUR 3,407k were recognized in profit or loss in the reporting period for this purpose (prior year: EUR 3,462k).

Employer's contributions to the German statutory pension insurance scheme came to EUR 27,786k in the reporting period (prior year: EUR 26,954k).

The following tables summarize the components of expenses for defined benefit obligations recognized in the consolidated income statement and the amounts recognized in the consolidated statement of financial position for the respective plans.

The present value of the defined benefit obligation developed as follows:

EUR k	2020	2019
Defined benefit obligation as of 1 January	**64.190**	**53.040**
Current service cost	789	681
Interest cost	642	1.089
Benefits paid by employer	-1.531	-1.241
Actuarial gains and losses	231	10.621
Defined benefit obligations as of 31 December	**64.321**	**64.190**

Of the actuarial gains and losses, EUR 347k (prior year: EUR 10,178k) stems from the change in the interest rate, while EUR -116k (prior year: EUR 443k) stems from the experience adjustments of actuarial assumptions from the calculation of the present value obligation (e.g., actual retirement taking place earlier or later than originally assumed, or deaths of eligible persons). Actuarial gains and losses are recognized in other comprehensive income.

The principal assumptions used in determining pension obligations for both the group commitment and the individual agreements are shown below:

in %	2020	2019
Discount rate (interest rate)	0,99%	1,02%
Future salary increases	0,00% - 2,00%	0,00% - 2,00%
Future pension increases	1,00% - 2,00%	1,00% - 2,00%

The "2018 G mortality tables" by Professor Dr. Klaus Heubeck were used for mortality and invalidity rates. Employee turnover probabilities were calculated specifically by age group and range between 0 per cent and 3.5 per cent.

A change in the key parameter for the amount of the benefit obligation, the interest rate, by a half a percentage point in each case would have the following effect:

Discount rate (interest rate)	2020		2019	
	Changes in the defined benefit obligation by			
	EUR k	%	EUR k	%
-0.5 percentage points	6.217	9,7%	6.368	9,9%
+0.5 percentage points	-5.450	-8,5%	-5.569	-8,7%

Expenses in connection with defined benefit plans of EUR 1,328k as well as benefit payments of EUR 1,704k are expected for 2021.

6.10 Other provisions

Other provisions developed as follows in the 2020 reporting period:

EUR k	1 Jan 2020	Utilization	Reversal	Addition	Additions from first-time consolidation	Discounting effect	Currency translation	31 Dec 2020
Provisions for restoration obligations	9.121			1.061		92	-422	9.852
Provision for retention obligations	2.250		-372	222			-1	2.099
Provisions for long-service awards	2.061	-332	-1	222		17		1.967
Provisions for loyalty bonuses	1.240			513				1.753
Provisions for the special German phased retirement scheme	164	-158		404				410
Other non-current provisions	**14.836**	**-490**	**-373**	**2.422**	**0**	**109**	**-423**	**16.081**
Provisions from MDK risks	17.001	-9.445	-3.214	9.810			-3	14.149
Provisions for onerous contracts	0			1.433			2	1.435
Sundry other current provisions	1.280	-974	-98	2.280	5		-48	2.445
Other current provisions	**18.281**	**-10.419**	**-3.312**	**13.523**	**5**	**0**	**-49**	**18.029**
Total provisions	**33.117**	**-10.909**	**-3.685**	**15.945**	**5**	**109**	**-472**	**34.110**

The rise in provisions for restoration obligations relates in the main to the hospital building of Schoen Clinic London and, alongside effects from unwinding the discount on the provision, stems first and foremost from the considerably lower discount rate compared to the prior year. The restoration work will take place by 2035 at the latest.

The main reason for the year-on-year decrease in the provision for MDK risks is that it was netted with the trade receivables where possible as of 31 December 2020, while prior-year presentations were on a gross basis.

The provision for onerous contracts relates mainly to service and supply agreements of Schön Klinik Nürnberg Fürth SE & Co. KG, which will no longer return any benefits as the hospital's business operations have been discontinued.

6.11 Financial liabilities including liabilities from finance leases

The financial liabilities of Schoen Clinic break down as follows *(see table below)*:

In addition to liabilities to banks, there were also unused lines of working capital at banks of EUR 100,915k as of the reporting date (prior year: EUR 106,435k) that can also be utilized in the form of a bank guarantee. Furthermore, there was an additional dedicated bank guarantee amounting to EUR 4,000k (prior year: EUR 4,000k) as of the reporting date, EUR 1,225k (prior year: EUR 3,652k) of which had been utilized.

EUR k	31 Dec 2020		31 Dec 2019		1 Jan 2019	
	Total	thereof current	Total	thereof current	Total	thereof current
Liabilities to banks	265.130	90.558	314.063	148.758	301.323	101.295
Participating capital	0	0	2.700	2.700	25.000	0
Bonds	74.552	861	74.047	861	90.312	90.312
Promissory note loans	276.633	44.210	256.445	2.209	246.655	2.226
Liabilities to affiliates	362	362	10.757	10.757	12.364	12.364
Lease liabilities	80.937	10.123	89.614	9.793	84.765	8.286
Other financial liabilities	2.633	661	3.259	612	2.882	68
Negative market values of derivative financial instruments	17.569	835	22.949	1.970	27.390	814
Liabilities pursuant to the KHG	55.926	55.926	35.114	35.114	31.337	31.337
	773.742	**203.536**	**808.948**	**212.775**	**822.028**	**246.702**

6.12 Other current liabilities and deferred income

The item breaks down as follows:

EUR k	31 Dec 2020	31 Dec 2019	1 Jan 2019
Outstanding invoices	20.788	16.831	12.941
Bonuses / management bonuses	17.172	14.612	13.655
Liabilities to tax authorities (wage tax and VAT)	8.989	9.084	10.709
Other personnel liabilities	7.063	8.768	8.720
Accrued vacation	6.861	5.971	5.151
Accrued liabilities from overtime	4.648	5.299	4.053
Severance payments	3.977	12.043	3.437
Prepayments received	2.285	3.193	3.055
Other	11.347	8.436	9.239
	83.130	**84.237**	**70.960**

6.13 Additional information on financial instruments

6.13.1 Fair value measurement

Depending on the availability of data, the fair value of financial instruments is calculated at the following levels (in the fair value hierarchy):

Level 1:
The fair value corresponds to a quoted price (unadjusted) in active markets for identical assets or liabilities. A financial instrument is measured at this level if the financial instrument in question is traded on an active market, i.e., it is based on the quoted price as of the end of the reporting period. The market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2:
For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Fair value is thus estimated on the basis of the results of a valuation technique that makes maximum use of directly and indirectly observable market inputs, and relies as little as possible on entity-specific inputs. If all material data required to determine fair value is observable, the instrument is allocated to Level 2.

Level 3:
If data required to determine fair value and which has a significant influence on fair value are not directly observable on the market and cannot be derived from observable data, the instrument is allocated to Level 3. Valuation is then performed mainly on the basis of data available solely within the Company.

For assets and liabilities that are recognized at fair value in the financial statements on a recurring basis, Schoen Clinic determines whether reclassification has taken place between the levels of the hierarchy by examining the classification at the end of each reporting period.

6.13.2 Information on financial instruments by category

The following table shows the carrying amounts, fair values and measurement levels in the hierarchy as defined by IFRS 13 for the financial instruments as of 31 December 2020:

	Carrying amounts as of 31 December 2020 in accordance with the measurement categories pursuant to IFRS 9				Levels as defined by IFRS 13		
(EUR k)	**Amortized cost**	**FVTPL**	**N.A.**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
ASSETS							
Cash and cash equivalents	7.021			7.021	n.a.	n.a.	n.a.
Trade receivables	119.409			119.409	n.a.	n.a.	n.a.
Shares in affiliates			906	906	n.a.	n.a.	n.a.
Other financial assets	42.481			42.481	n.a.	n.a.	n.a.
Derivatives*)			5.182	5.182		5.182	
Total	**168.911**	**0**	**6.088**	**174.999**		**5.182**	
EQUITY AND LIABILITIES							
Trade payables	17.207			17.207	n.a.	n.a.	n.a.
Liabilities to banks	265.131			264.759		264.759	
Promissory note loans	276.633			278.054		278.054	
Bonds payable	74.552			74.325	74.325		
Other financial liabilities	58.921			58.921	n.a.	n.a.	n.a.
Derivatives*)			17.569	17.569		17.569	
Total	**692.444**	**0**	**17.569**	**710.835**	**74.325**	**560.382**	

*) Derivatives designated as hedging instruments

Shares in affiliates relate to the service entities of the Group that are not consolidated on grounds of immateriality.

For convenience, it is assumed for current assets and liabilities (marked "n.a." in the above table) that the fair values correspond to the carrying amounts. Disclosures of fair value are not provided for these classes pursuant to IFRS 7.29 (a).

When determining the fair values in level 2 as defined by IFRS 13, the carrying amounts are used for floating-interest financial transactions and fixed-interest financial transactions are measured using the present value method. Future cash flows are discounted based on the respective capital market interest rate as of the reporting date and summarized at the current capital value of the financial transaction. The main input factors used in the calculation are the interbank rates in the relevant currencies as well as the current refinancing costs of the Schoen Clinic Group.

As of the end of the prior reporting period and the day of transition to IFRS, the situation was as follows:

	Carrying amounts as of 31 December 2019 in accordance with the measurement categories pursuant to IFRS 9				Levels as defined by IFRS 13		
(EUR k)	**Amortized cost**	**FVTPL**	**N.A.**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
ASSETS							
Cash and cash equivalents	6.402			6.402	n.a.	n.a.	n.a.
Trade receivables	137.623	309		137.932	n.a.	n.a.	n.a.
Shares in affiliates			981	981	n.a.	n.a.	n.a.
Other financial assets	20.771			20.771	n.a.	n.a.	n.a.
Derivatives*)			5.384	5.384		5.384	
Total	**164.796**	**309**	**6.365**	**171.470**		**5.384**	
EQUITY AND LIABILITIES							
Trade payables	17.704			17.704	n.a.	n.a.	n.a.
Liabilities to banks	314.063			313.134		313.134	
Promissory note loans	256.444			251.324		251.324	
Bonds payable	74.047			72.551	72.551		
Other financial liabilities	51.830			51.830	n.a.	n.a.	n.a.
Derivatives*)			22.949	22.949		22.949	
Total	**714.088**	**0**	**22.949**	**729.492**	**72.551**	**587.407**	

*) Derivatives designated as hedging instruments

	Carrying amounts as of 1 January 2019 in accordance with the measurement categories pursuant to IFRS 9				Levels as defined by IFRS 13		
(EUR k)	**Amortized cost**	**FVTPL**	**N.A.**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
ASSETS							
Cash and cash equivalents	7.972			7.972	n.a.	n.a.	n.a.
Trade receivables	147.096			147.096	n.a.	n.a.	n.a.
Shares in affiliates			939	939	n.a.	n.a.	n.a.
Other financial assets	50.238			50.238	n.a.	n.a.	n.a.
Derivatives		9.286	882*)	10.168		10.168	
Total	**205.306**	**9.286**	**1.821**	**216.413**		**10.168**	
EQUITY AND LIABILITIES							
Trade payables	14.386			14.386	n.a.	n.a.	n.a.
Liabilities to banks	301.322			301.255		301.255	
Promissory note loans	246.656			253.051		253.051	
Bonds payable	90.312			88.385	88.385		
Other financial liabilities	46.584			46.584	n.a.	n.a.	n.a.
Derivatives		176	27.214*)	27.390		27.390	
Total	**699.260**	**176**	**27.214**	**731.051**	**88.385**	**581.696**	

*) Derivatives designated as hedging instruments

6.13.3 Notes on derivative financial instruments

The following shows the nominal volume and market values of the derivative financial instruments: Starting from the end of the reporting period, the payments from the cash flow hedges fall due by the end of the terms shown below. The respective underlyings are recognized in profit or loss accordingly during this period.

31 Dec 2020	Maturity	Nominal volume (EUR k)	Market value (EUR k)	Weighted average interest rate (interest hedges) --- Weighted average hedging rate (currency hedges)
Interest rate hedges	28.02.2029	136.558	-17.569	3,274%
Currency hedging transactions	31.08.2026	128.469	5.182	1,135 EUR/CHF
		265.027	**-12.387**	

31 Dec 2019	Maturity	Nominal volume (EUR k)	Market value (EUR k)	Weighted average interest rate (interest hedges) --- Weighted average hedging rate (currency hedges)
Interest rate hedges	28.02.2029	192.695	-22.949	3,337%
Currency hedging transactions	31.08.2026	131.366	5.384	1,134 EUR/CHF
		324.061	**-17.564**	

For further qualitative explanations, we refer to 6.13.6.

Pursuant to IFRS 7.13A, the amounts (market values) from derivative financial instruments that could be offset in the case of insolvency on account of an agreement similar to an enforceable master netting arrangement are presented below:

EUR k	2020		2019	
	Derivative financial instruments classified as assets	Derivative financial instruments classified as liabilities	Derivative financial instruments classified as assets	Derivative financial instruments classified as liabilities
Gross amount	5.181	17.569	5.384	22.949
Netting	-4.221	-4.221	-4.301	-4.301
Net amount	960	13.348	1.083	18.648

6.13.4 Net gain/loss from financial assets and financial liabilities

The net gain/loss from the subsequent measurement of financial assets and financial liabilities breaks down as follows (prior year in brackets):

EUR k	Net interest income	Currency adjustments	Loss allowances
Financial receivables recognized at amortized cost	218 (761)	0 (0)	-17.272 (-4.284)
Financial liabilities recognized at amortized cost	-15.464 (-14.343)	-127 (-2.431)	0 (0)
Financial receivables and liabilities at fair value through profit or loss	-73 (-104)	0 (-1.190)	0 (0)
Total	**-15.319** **(-13.686)**	**-127** **(-3.621)**	**-17.272** **(-4.284)**

In addition to the net gains/losses presented above, the figure includes EUR 64k (prior year: EUR 0k) in distributions from the subsidiary Radiologie Besitzgesellschaft EUROMED mbH i.L., Fürth, which is not consolidated on grounds of immateriality and carried at cost in the consolidated financial statements. The net interest income in relation to the financial liabilities recognized at amortized cost contains interest expenses in connection with leases amounting to EUR 2,363k (prior year: EUR 2,447k).

6.13.5 Planned cash outflows from financial liabilities reported in accordance with IFRS 7

The expected cash outflows from financial liabilities recognized as of 31 December 2020 are presented below. The disclosures are made on the basis of the contractual, non-discounted payments *(see table below)*.

6.13.6 Cash flow hedges

At Schoen Clinic, various entities use financial instruments to hedge against interest and currency risks. In this context, interest hedges primarily relate to long-term bank loans with floating interest rates, while currency hedges pertain to liabilities denominated in foreign currency as well as future expected cash inflows in foreign currency. As in the prior years, interest rate swaps and cross-currency swaps were used as hedging instruments in 2020.

The hedging strategy for the aforementioned interest and currency risks including the hedge ratio was determined on a case-by-case basis. As all hedges match the hedged transaction's key parameters (term, volume, interest rates and interest payment dates), ineffective portions of hedges and hedges can be largely ruled out.

The hedges are accounted for using cash flow hedge accounting. The effective portions of the market values changes of the hedges are recognized in other comprehensive income, while the ineffective portions are recognized in the income statement. The values recognized in other comprehensive income are reclassified to the income statement when the cash flows from the hedged underlying are realized. The forward-to-forward method is used for measurement and recognition.

The interest rate swaps, which exclusively serve to hedge the corresponding underlying transactions, are payer swaps.

31 Dec 2020 (EUR k)	2021	2022 to 2025	From 2025 onwards	thereof interest
Trade payables	17.207	0	0	0
Financial borrowings	142.528	394.984	111.812	40.593
Other financial liabilities	58.926	0	0	0
Derivative financial products with negative fair value	5.065	11.255	1.509	17.829

31 Dec 2019 (EUR k)	2020	2021 to 2024	From 2024 onwards	thereof interest
Trade payables	17.704	0	0	0
Liabilities to banks	159.777	412.021	114.263	45.286
Other financial liabilities	51.830	0	0	0
Derivative financial products with negative fair value	6.986	15.135	2.694	24.815

These payer swaps exchange floating-rate interest obligations for fixed interest payments. The associated group companies have recognized hedges between the loan as the underlying transaction and interest swaps as the hedge (micro-hedges or portfolio-hedges). The change in value of the hedged items, which constitutes the basis for determining any ineffectiveness, corresponds more or less to the changes in value of the hedges.

As of 31 December 2020, the carrying amount of the bank loans secured in rem totals EUR 55,705k (prior year: EUR 59,119k). The fair value of the interest rate swaps recognized under financial liabilities amounts to EUR 17,569k as of 31 December 2020 (prior year: EUR 22,949k). The nominal value corresponds to the hedged carrying amount of the bank loan. The calculation of fair values is based on interbank interest rates from 31 December 2020 and 31 December 2019, respectively. The change in the fair value of the hedging instruments (interest rate swaps), which constitutes the basis for determining any ineffectiveness, amounts to EUR 5,380k. The change in the fair value of the hedged items is largely inverse to the change in the fair value of the hedges on account of the situation presented in the following paragraph. For this purpose, a hedge reserve of EUR 17,491k (prior year: EUR 22,896k) is recorded as of the reporting date.

The cash flows attributable to the loan as the hedged item and the interest rate swap as the hedge almost offset each other in full by 2029 (term of the longest hedge) using the hypothetical derivative method, as the corresponding loan was hedged directly following its issue with interest rate swaps with virtually identical parameters (term, volume, interest rates and interest payment dates).

Cross-currency swaps with a term until 2026 pertain to financial instruments that swap fixed interest payments and repayments in foreign currency for fixed interest payments and repayments in euros. Items hedged as of 31 December 2020 relate to a liability for the bond denominated in Swiss francs of CHF 80,000k including interest payments (prior year: CHF 80,000k including interest payments). Since 2017, there have also been cross-currency swaps which hedge the foreign exchange risk resulting from loans denominated in CHF at various group entities. The entities concerned have formed hedges from the loan including interest payments as the hedged item and the cross-currency swap as the hedge (micro-hedge). The nominal volume hedged as of 31 December 2020 comes to CHF 54,659k. The fair value of the hedges (cross-currency swap) disclosed under financial receivables totals EUR 5,182k as of the reporting date (change in fair value in 2020: EUR -203k). The nominal value corresponds to the hedged carrying amount of the underlying transaction. The change in the fair value of the underlying transactions was EUR -478k in 2020. A hedge reserve of EUR 1,291k (prior year: EUR 513k) for cross-currency swaps is recorded as of the reporting date.

During the reporting year, unrealized losses of EUR 1,502k (interest hedges) and EUR 1,800k (currency hedges) were recorded in equity from the change in fair value of the derivatives. Losses of EUR 6,907k (interest hedges) and EUR 1,022k (currency hedges) were reclassified from equity to the income statement in the reporting year and presented there under finance income or finance costs.

7. Management of financial risk

The main financial instruments used by the Group to cover liquidity needs are promissory note loans, bonds and bank loans as well as overdraft facilities and money trading lines of credit. In addition, leases and hire-purchase contracts are entered into where appropriate. The purpose of those financial instruments is solely to finance investments and the growth of the Group as well as its general business activities. Business activities also give rise to trade receivables and trade payables as well as cash and cash equivalents.

Schön Klinik SE uses financial derivatives to hedge against interest and currency risks arising from the business activities and the structure of the financial instruments listed to cover liquidity. Depending on requirements, interest rate swaps, currency swaps, forwards and cross-currency swaps are used. The scope and structure of the hedges are always directly linked to future payment obligations or cash inflows in foreign currency or with floating interest arising from the aforementioned financial instruments to cover liquidity and the core business activities. Both cash flows from existing agreements and anticipatory cash flows are taken into account.

No financial derivatives are entered into for speculative purposes.

Management of the liquidity risks and interest and currency risks is carried out centrally by the financial management function at Schön Klinik SE in agreement with the Administrative Board, including the planning and implementation of the hedges. With regard to the Group's accounting policies for derivative financial instruments, we refer to the comments in 3.18 of these notes to the consolidated financial statements.

7.1 Interest-related cash flow risks

When market interest rates rise, the Group's interest costs from floating rate financial liabilities increase. The higher expense has a negative impact on the consolidated net income/loss. To reduce the interest rate risk to which the Group is exposed through non-current floating rate liabilities, the Group mainly uses fixed rate financial liabilities. If necessary, it enters into interest hedges in agreement with the Administrative Board. Interest rate swaps are used to hedge against floating rate liabilities. We also refer to the comments in 6.13.6. in this respect.

in EUR k	31 Dec 2020		31 Dec 2019	
Changeable variable: Interest	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Effect on earnings before taxes	-539	214	44	-576
Effect on equity	4.423	-4.690	5.942	-6.681

The interest rate risk is presented using sensitivity analyses in accordance with IFRS 7. These present the effects of changes in market interest rates on interest income and expenses, other components of profit or loss and on equity. The closing balance of floating rate financial instruments is used in each case to calculate interest rate sensitivities through profit or loss. The interest sensitivities of the market values from derivative financial instruments are calculated with reference to the contractually fixed nominal volumes *(see table above)*.

7.2 Liquidity risks

The Schoen Clinic Group's financial requirements are determined on the basis of the annual planning process. Medium and long-term financing is ensured primarily through promissory note loans, bank financing and bonds.

Group liquidity is managed and secured and the Group's entire financing activities coordinated via a central financial management function. It monitors the daily financial status and liquidity planning based on the expected cash flows from operating activities and financial investments. Variance analyses are carried out regularly. The Directorate of Schön Klinik SE receives an aggregated group liquidity report at regular intervals. In addition, the Administrative Board is informed regularly of the development of liquidity, in particular in order to plan necessary follow-up financing for long-term loans that are about to expire, or to replace short-term loans with long-term loans. Excess liquidity is invested, with the overarching goal of avoiding negative interest rates.

To avoid a concentration of risk, Schoen Clinic works together with different banks. Diversification by term, instrument and market is also ensured.

7.3 Currency risks

In the Schoen Clinic Group, foreign currency risks stem from external financing (bank loans and bonds) denominated in Swiss francs and pound sterling. These risks are monitored, assessed and hedged on an ongoing basis by the financial management function.

The currency risk is presented using sensitivity analyses in accordance with IFRS 7. These present the effects of changes in exchange rates on net currency gains/losses, other components of profit or loss and on equity. The closing balance of floating rate financial instruments is used in each case to calculate currency sensitivities through profit or loss. The currency sensitivities of the market values from derivative financial instruments are calculated with reference to the contractually fixed nominal volumes *(see table below)*.

7.4 Credit risk

Schoen Clinic mainly provides services to members of the statutory social security system and in addition, to a lesser extent, to patients insured with a private health insurance fund or who are self-payers. Hospital services are subject to payment regulations stipulated by law and are generally settled within the period required by law. The credit risk is accounted for using loss allowances. Receivables balances are monitored on an ongoing basis, with the result that the Group is not exposed to any major default risk. There is no material concentration of credit risk.

With respect to the other financial assets carried by the Group, the maximum exposure to credit risk arising from default of the counterparty is equal to the carrying amount of the corresponding instrument. For the financial guarantee contracts, the maximum default risk corresponds to the amount of contingent liabilities.

7.5 Capital management

Schoen Clinic's financing strategy pursues conservative goals. They mainly focus on securing liquidity and providing the highest possible degree of planning certainty in terms of refinancing costs. The Group's capital requirements including expansion financing are derived on the basis of a rolling multiple-year plan.

in EUR k	31 Dec 2020		31 Dec 2019	
Changeable variable: Foreign currency	Exchange rates increase by 10%	Exchange rates decrease by 10%	Exchange rates increase by 10%	Exchange rates decrease by 10%
Effect on earnings before taxes	224	-183	201	-165
Effect on equity	2,075	-1,697	3,159	-924

8. Other notes

8.1 Employees
The average number of employees, broken down by group, developed as follows:

Average number of employees	2020	2019
Medical personnel	8.676	8.442
Administrative and other personnel	2.183	2.391
	10.859	**10.833**

8.2 Subsequent events
Apart from the following, there were no events of particular significance after the close of the Group's reporting period.

By purchase and assignment agreement dated 26 February 2021, the shares in Schön Klinik Nürnberg Fürth SE & Co. KG, Prien am Chiemsee, were sold with economic effect from 1 March 2021.

A detailed description of the expected further impact of the coronavirus crisis can be found in the management report.

8.3 Contingent liabilities and other financial obligations

8.3.1 Contingent liabilities
As in the prior year, there are no contingent liabilities or financial guarantee contracts to companies outside the Group as of 31 December 2020.

8.3.2 Other financial obligations
Schoen Clinic has commitments from continuous obligations, in particular from maintenance agreements totaling EUR 44,822k (prior year: EUR 22,173k).

The maturities of the obligation as of 31 December 2020 are as follows:

EUR k	2020	2019
Within one year	16.598	9.272
Between two and five years	12.566	6.090
More than five years	15.658	6.811
	44.822	**22.173**

In addition, there is a purchase commitment of EUR 15,620k as of the end of the reporting period (prior year: EUR 22,334k), EUR 10,080k thereof primarily relating to large-scale construction projects.

8.4 Management remuneration
The key management personnel are the Administrative Board and the Executive Directors of Schön Klinik SE. The latter received remuneration totaling EUR 2,338k for their board duties in the 2020 reporting period (prior year: EUR 7,147k).

These break down as follows:

EUR k	2020	2019
Short-term benefits	2.085	2.137
Post-employment benefits	253	0
Other long-term benefits	0	0
Termination benefits	0	5.010
	2.338	**7.147**

The post-employment benefits concern pensions paid to former Members of the Executive Management. There is also a pension provision of EUR 15,855k for the underlying pension entitlements (prior year: EUR 15,956k).

As in the prior year, the Members of the Administrative Board did not receive any remuneration for their activities in the 2020 reporting period.

8.5 Group auditor's fees
Group auditor services in 2020 account for (net) fees of EUR 1,387k (prior year: EUR 1,009k). These break down as follows:

in EUR k	2020		2019	
	Group	thereof attributable to Schön Klinik SE	Group	thereof attributable to Schön Klinik SE
Audit services including out-of-pocket expenses	623	359	536 [1]	252
- thereof relating to the prior year	81	81	76	68
Tax advisory services	661	640	429 [2]	391
- thereof relating to the prior year	19	12	9 [3]	0
Other assurance services	49	0	13	0
- thereof relating to the prior year	43	0	12	0
Other services	54	54	31	31
- thereof relating to the prior year	26	9	9	9
Total	**1.387**	**1.053**	**1.009**	**674**
- thereof relating to the prior year	**169**	**102**	**97**	**77**

[1] thereof EUR 59k relating to EY in the UK; [2] thereof EUR 38k relating to EY in the UK; [3] relating in full to EY in the UK

8.6 Related parties
Apollon SE, Elsbethen, Austria, directly holds 67.31 per cent of the voting shares in Schön Klinik SE and is thus the ultimate controlling party as defined by IAS 24.13 and a related party of Schön Klinik SE.

Related parties of Schön Klinik SE can be classified as follows:

Parent

Apollon SE
CGP Peggy S.á.r.l
Schön Anteilsverwaltung GmbH

Subsidiaries

Schön Klinik MVZ Neustadt GmbH
Schön Klinik MVZ Düsseldorf GmbH (until 1 May 2020)
Radiologie Besitzgesellschaft EUROMED mbH i.L.
Schön Klinik Institut für Psychotherapie GmbH
Schön Klinik Stiftung für Gesundheit gGmbH
KSR-Klinik-Service Roseneck GmbH
KBS Klinik Bad Bramstedt Service GmbH
Psychosomatische Klinik Bad Bramstedt SITEX Service GmbH i.L.
Klinik Service Bad Arolsen GmbH
KSA-Klinik-Service Bad Aibling GmbH
Kliniken Harthausen Service GmbH
Orthopädische Klinik München-Harlaching Service GmbH
KSBGL-Klinik-Service Berchtesgadener Land GmbH
KSV-Klinik-Service Vogtareuth GmbH
KNS Klinikum Neustadt Service GmbH
Klinikum Neustadt SITEX Service GmbH i.L.
Klinik Service Eilbek GmbH
Catering Hamburg Eilbek GmbH

Other related parties

Orthopädietechnik München Harlaching GmbH
Orthopädietechnik Chiemgau GmbH
Orthopädietechnik Neustadt GmbH
Orthopädietechnik Hamburg GmbH
OT4 Orthopädietechnik GmbH
CCDS Privatstiftung
Schön Vierte Beteiligungs- und Dienstleistungs GmbH
Klinikum Neustadt Verwaltung GmbH
Schön Klinik Neustadt Geschäftsführungs SE (until 14 February 2019)

Associated group of Silony Medical International AG, comprising:
- Silony Medical International AG
- Silony Medical Europe GmbH
- Silony Medical GmbH
- Silony Medical Ltd.
- Silony Medical Corp.
- Ortopedia Holding GmbH
- Ti2B International GmbH

Members of the Administrative Board and/or Directorate of Schön Klinik SE
- Mr. Dieter Schön
- Dr. Susanne Nolte-Schön
- Mr. Christopher Schön
- Mr. Constantin Schön
- Dr. Mate Ivančić (since 1 August 2019)

in EUR k	Services and goods provided as well as other income		Services and goods received as well as other expenses	
	Reporting period		Reporting period	
	2020	2019	2020	2019
Parent	53	728	235	309
Subsidiaries	242	354	15.986	17.391
Other related parties	617	807	4.242	4.932
	912	**1.889**	**20.463**	**22.632**

- Mr. Daniel Kunzi (since 1 March 2020)
- Dr. Astrid Wimmer
- Dr. Markus Hamm (until 31 July 2019)
- Mr. Jens Egert (until 30 September 2019)
- Ms. Lubna Qunash
- Mr. Karthic Jayaraman (until 1 July 2020)
- Mr. Simon Dingemans (since 29 September 2020)

Transactions between Schön Klinik SE and its consolidated subsidiaries and among the consolidated subsidiaries were eliminated from the consolidated statement of financial position and consolidated income statement. Therefore they are not listed in the overview above.

Transactions with related parties (without remuneration) are presented below *(see table above)*:

The services and goods provided as well as other income relates mainly to management services, income from cost allocation, administrative services, interest income as well as the collection of rental income. Payment for transactions with related parties is made at arm's length conditions.

The services and goods received as well as other expenses results from interest expenses, cost allocation as well as administrative services and other services provided.

Receivables from and liabilities to related parties (without remuneration) are as follows as of the end of the reporting period *(see table below)*:

The receivables from the parent as of 1 January 2019 include trade receivables and a bond of EUR 22,300k, with tranches subject to interest at 3.0 per cent and 3.5 per cent respectively.

Pursuant to the purchase and assignment agreement between Schön Klinik SE and Mr. Dieter Schön, St. Moritz, Switzerland, dated 7 October 2019, Schön Klinik SE's receivable from Schön Anteilsverwaltung GmbH, Elsbethen, Austria, was sold to Mr. Dieter Schön as of 31 December 2019. In accordance with the offsetting agreement between Schön Klinik SE and Mr. Dieter Schön dated 7 October 2019, the loan was offset against profit participation rights of EUR 22,300k. The offsetting agreement also provides that the remaining profit participation rights will be repaid as of 31 December 2020.

As of the dates specified, the receivables from subsidiaries relate exclusively to trade receivables, receivables from clearing and the VAT group.

Schoen Clinic does not recognize any loss allowances on trade receivables from related parties at present. The need to recognize a loss allowance is reassessed at the end of each reporting period by examining the financial position of the related party and the market in which the related party operates.

The liability to the parent as of 1 January 2019 chiefly comprises a shareholder loan of EUR 9,698k, which had a residual term of one year as of 31 December 2019, was subject to 1.5 per cent interest and was repaid in full as of 31 July 2020.

The liabilities to subsidiaries and other parties mostly include trade payables and liabilities from clearing transactions.

As of 1 January 2019, liabilities to other related parties from profit participation rights of EUR 25,000k are reported,

in EUR k	Receivables			Liabilities (including profit participation rights)		
	31 Dec 2020	31 Dec 2019	1 Jan 2019	31 Dec 2020	31 Dec 2019	1 Jan 2019
Parent	49	205	22.308	8	9.703	10.743
Subsidiaries	3.056	2.663	2.246	2.518	3.110	3.494
Other related parties	65	91	178	373	3.819	25.207
	3.170	**2.959**	**24.732**	**2.899**	**16.632**	**39.444**

which are subject to interest at 0.25 per cent. An amount of EUR 2,700k was still recognized as of 31 December 2019, with this figure down to EUR 0k as of 31 December 2020.

All of the contingent liabilities described in the section of the same name are to related parties.

The related parties of Schön Klinik SE are the Members of the Directorate and of the Administrative Board as well as the Members of the Directorate and Administrative Board of the parent Apollon SE. See also the comments in 8.4. and 8.8.

8.7 Litigation
Appropriate loss allowances and provisions are made for all known risks from litigation.

At present, we are not aware of any other matters that may arise from time to time in the ordinary course of business that could result in litigation and have a material adverse effect on the assets, liabilities, financial position and financial performance of the Group and its cash flows.

8.8 Boards of Schön Klinik SE

8.8.1 Directorate
The Executive Directors of the Company are:
- Dr. Mate Ivančić, CEO
- Mr. Daniel Kunzi, CFO (since 1 March 2020)
- Mr. Christopher Schön, COO

All Executive Directors have individual powers of representation. Christopher Schön is also exempt from the restrictions of Sec. 181 BGB ["Bürgerliches Gesetzbuch": German Civil Code].

8.8.2 Administrative Board
The Members of the Administrative Board were as follows in the reporting period:
- Mr. Dieter Schön (Chair), Member of the Administrative Board
- Dr. Susanne Nolte-Schön (Deputy Chair), Member of the Administrative Board
- Mr. Christopher Schön, COO
- Mr. Constantin Schön, Administrative Board
- Dr. Astrid Wimmer, Member of the Administrative Board
- Ms. Lubna Qunash, investment expert
- Mr. Karthic Jayaraman, investment expert (until 1 July 2020)
- Mr. Simon Dingemans, investment expert (since 29 September 2020)

8.9 Exemption provisions
The following group companies make full or partial use of the exemptions provided by Sec. 264b HGB:
- Schön Klinik Roseneck SE & Co. KG, Prien am Chiemsee
- Schön Klinik Bad Aibling SE & Co. KG, Prien am Chiemsee
- Schön Klinik Bad Staffelstein SE & Co. KG, Prien am Chiemsee
- Schön Klinik Neustadt SE & Co. KG, Prien am Chiemsee
- Schön Klinik Bad Bramstedt SE & Co. KG, Prien am Chiemsee
- Schön Klinik Berchtesgadener Land SE & Co. KG, Prien am Chiemsee
- Schön Klinik München Harlaching SE & Co. KG, Prien am Chiemsee
- Schön Klinik Starnberger See SE & Co. KG, Prien am Chiemsee
- Schön Klinik Vogtareuth SE & Co. KG, Prien am Chiemsee
- Schön Klinik Bad Arolsen SE & Co. KG, Prien am Chiemsee
- Schön Klinik München Schwabing SE & Co. KG, Prien am Chiemsee
- Schön Klinik Hamburg SE & Co. KG, Prien am Chiemsee
- Schön Klinik Rosenheim SE & Co. KG, Prien am Chiemsee
- Schön Klinik Harthausen SE & Co. KG, Prien am Chiemsee
- Schön Klinik Nürnberg Fürth SE & Co. KG, Prien am Chiemsee
- Schön Klinik Lorsch SE & Co. KG, Prien am Chiemsee
- Schön Klinik Düsseldorf SE & Co. KG, Prien am Chiemsee

9. List of shareholdings

Schön Klinik SE has direct and indirect interests in the following companies as of 31 December 2020:

	Holding companies – Germany	Registered offices		Equity investment	Shareholding in %
1	Schön Klinik Holding SE	Prien am Chiemsee		direct	100,0
	Holding companies – other countries				
2	Schoen Clinic UK LTD	London		direct	100,0
	Hospitals – Germany				
3	Schön Klinik Roseneck SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
4	Schön Klinik Bad Aibling SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
5	Schön Klinik Bad Staffelstein SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
6	Schön Klinik Neustadt SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
7	Schön Klinik Bad Bramstedt SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
8	Schön Klinik Berchtesgadener Land SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
9	Schön Klinik München Harlaching SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
10	Schön Klinik Starnberger See SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
11	Schön Klinik Vogtareuth SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
12	Schön Klinik Bad Arolsen SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
13	Schön Klinik München Schwabing SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
14	Schön Klinik Hamburg SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
15	Schön Klinik Harthausen SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
16	Schön Klinik Nürnberg Fürth SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
17	Schön Klinik Lorsch SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
18	Schön Klinik Düsseldorf SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
	Hospitals – other countries				
19	Schoen Clinic London Limited	London	via 2)	indirect	100,0
20	Newbridge Care Systems Limited	Sutton Coldfield	via 2)	indirect	100,0
	Medical treatment centers				
21	Schön Klinik MVZ Psychosomatik GmbH	Prien am Chiemsee	via 3)	indirect	100,0
22	Schön Klinik MVZ GmbH	Prien am Chiemsee	via 9)	indirect	100,0
23	Schön Klinik MVZ Lorsch GmbH	Prien am Chiemsee	via 17)	indirect	100,0
24	Schön Klinik MVZ Vogtareuth GmbH	Prien am Chiemsee	via 11)	indirect	100,0
25	Schön Klinik MVZ Bad Staffelstein GmbH (formerly: Schön Klinik MVZ Nürnberg Fürth GmbH)	Prien am Chiemsee	via 16)	indirect	100,0
26	Schön Klinik MVZ Neustadt GmbH	Prien am Chiemsee	via 6)	indirect	100,0
27	Schön Klinik MVZ Hamburg Eilbek GmbH	Prien am Chiemsee	via 14)	indirect	100,0
28	Schön Klinik MVZ Tesch, Bromisch & Kollegen GmbH	Prien am Chiemsee	via 6)	indirect	100,0
29	CHB Chirurgie-Hamburg-Billstedt MVZ GmbH	Prien am Chiemsee	via 14)	indirect	100,0
30	Schön Klinik MVZ Düsseldorf GmbH	Prien am Chiemsee	via 18)	indirect	100,0
	Other companies				
31	Schön Klinik Geschäftsführungs SE	Prien am Chiemsee	via 1)	direct/indirect	100,0
32	Schön Klinik Therapie- und Trainingszentrum GmbH	Prien am Chiemsee	via 1)	direct/indirect	100,0
33	NKM Dienstleistungs GmbH	Prien am Chiemsee	via 13)	indirect	100,0
34	DSCCS Immobilien SE & Co. KG	Prien am Chiemsee	via 13)	indirect	100,0
35	Schön Klinik Rosenheim SE & Co. KG	Prien am Chiemsee	via 1)	direct/indirect	100,0
36	Radiologie Besitzgesellschaft EUROMED mbH i.L.	Fürth	via 16)	indirect	66,7*)
37	Schön Klinik Institut für Psychotherapie GmbH	Prien am Chiemsee		direct	100,0
38	Schön Klinik Stiftung für Gesundheit gGmbH	Prien am Chiemsee		direct	100,0
39	MindDoc Health GmbH	Munich	via 1)	indirect	100,0
40	Schön Klinik Therapie- und Trainingszentrum Hamburg GmbH	Prien am Chiemsee	via 1)	indirect	100,0
	Service companies				
41	KSR-Klinik-Service Roseneck GmbH	Prien am Chiemsee	via 3)	indirect	100,0
42	KBS Klinik Bad Bramstedt Service GmbH	Prien am Chiemsee	via 7)	indirect	100,0
43	Psychosomatische Klinik Bad Bramstedt SITEX Service GmbH i.L.	Prien am Chiemsee	via 7)	indirect	51,0*)
44	Klinik Service Bad Arolsen GmbH	Prien am Chiemsee	via 12)	indirect	100,0
45	KSA-Klinik-Service Bad Aibling GmbH	Prien am Chiemsee	via 4)	indirect	100,0
46	Kliniken Harthausen Service GmbH	Prien am Chiemsee	via 15)	indirect	100,0
47	Orthopädische Klinik München-Harlaching Service GmbH	Prien am Chiemsee	via 9)	indirect	100,0
48	KSBGL-Klinik-Service Berchtesgadener Land GmbH	Prien am Chiemsee	via 8)	indirect	100,0
49	KSV-Klinik-Service Vogtareuth GmbH	Prien am Chiemsee	via 11)	indirect	100,0
50	KNS Klinikum Neustadt Service GmbH	Prien am Chiemsee	via 6)	indirect	100,0
51	Klinikum Neustadt SITEX Service GmbH i.L.	Prien am Chiemsee	via 6)	indirect	51,0*)
52	Klinik Service Eilbek GmbH	Prien am Chiemsee	via 14)	indirect	100,0
53	Catering Hamburg Eilbek GmbH	Prien am Chiemsee	via 14)	indirect	100,0

*) No non-controlling interests are disclosed in the consolidated financial statements, as the entities concerned are not consolidated on grounds of immateriality.

Prien am Chiemsee, 15 March 2021

Dr. Mate Ivančić

Daniel Kunzi

Christopher Schön

Independent auditor's report

To Schön Klinik SE

Opinions

We have audited the consolidated financial statements of Schön Klinik SE, Prien am Chiemsee, and its subsidiaries (the "Group"), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2020 to 31 December 2020, the consolidated statement of financial position as of 31 December 2020, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January 2020 to 31 December 2020, and the notes to the consolidated financial statements, including the accounting policies presented therein. In addition, we have audited the group management report of Schön Klinik SE for the fiscal year from 1 January 2020 to 31 December 2020.

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 Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of 31 December 2020 and of its financial performance for the fiscal year from 1 January 2020 to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) 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 opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the 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 German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Responsibilities of the executive directors and the Administrative 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 Section 315e (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 Administrative 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 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 Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the 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 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 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 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 Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express 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 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."

Stuttgart, 15 March 2021
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Söhnle	Coolens
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

SCHOEN CLINIC