LIMES

SCHLOSSKLINIKEN

2019 Annual Report

LIMES Schlosskliniken AT A GLANCE

Group performance indicators	January - December 2019	January - December 2018	Change
Revenues	**8,323 TEUR**	**7,560 TEUR**	**+10.1%**
Patient days	16,995	15,020	**+13.1%**
Gross earnings (EBITDA)	263 TEUR	-129 TEUR	**n.a.**
EBITDA margin	**3.2%**	**-2%**	**n.a.**
Amortisation	803 TEUR	798 TEUR	**+0.6%**
Operating result (EBIT)	**-540 TEUR**	**-927 TEUR**	**+41.8%**
EBIT margin	**-6.5%**	**-12.3%**	**+47.1%**
Financial result	-284 TEUR	-534 TEUR	**+46.7%**
Pre-tax profit	-824 TEUR	-1,460 TEUR	**+43.6%**
Result for shareholders of the parent company during the period	**-825 TEUR**	**-1,461 TEUR**	**+43.5%**
Long-term assets	6,912 TEUR	6,961 TEUR	**-0.7%**
Short-term assets	1,320 TEUR	1,463 TEUR	**-9.8%**
Balance sheet total	9,520 TEUR	9,618 TEUR	**-1.0%**
Equity	3,374 TEUR	2,721 TEUR	**+24.0%**
Equity ratio	35.4%	28.3%	**+25.3%**
Equity-like instruments / shareholder loans	5,283 TEUR	3,832 TEUR	**+37.8%**
Expanded equity ratio	90.9%	68.1%	**+33.4%**
Liquid assets	1,233 TEUR	1,453 TEUR	**-15.1%**
Result per share as per DVFA* (German Association for Financial Analysis and Asset Management)	**-2.81 EUR**	**-5.26 EUR**	**+46.5%**
Employees at end of period	93	97	**-4.1%**
No-par value shares	293,192	277,637	**+5.6%**
* based on number of no-par value shares in circulation	293,192	277,637	**+5.6%**

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Report of the Supervisory Board

Dear Shareholders and Friends of the Company,

During the 2019 financial year, the Supervisory Board duly performed the tasks incumbent upon it pursuant to the law and the company's statutes, and monitored and advised the Board of Directors in its management of the company. The Supervisory Board was involved in all decision-making processes of major importance to the company. It kept itself well-informed about all procedures of relevance to the company on a regular basis and in a timely manner.

Relevant key indicators were calculated at regular intervals and made available to the Supervisory Board. The Supervisory Board met a total of four times during the reporting period. It also exchanged information with the Board of Directors on a regular basis outside the meetings. Its relationship with the Board of Directors was always constructive and based on trust.

The Board of Directors fully complied with its information and reporting obligations. The members of the Supervisory Board were regularly updated on the business position, asset situation, financial status and risk exposure of the company. Other key areas where we offered our advice and conducted reviews included in particular the strategic development of the company and the repercussions of the Annual Tax Act, which plans to revise the rules around VAT exemption for private hospitals. Compliance with the preconditions specified in the Act will face private hospitals with a major challenge in terms of documentation and hospital management.

The company is well placed for further growth in the sector offering high-quality psychiatric, psychotherapeutic and psychosomatic services in a private hospital setting. In light of the increasing levels of occupancy at the first hospital in Mecklenburg Switzerland, the scheduled opening of a second facility in Bad Brückenau in 2020 will make another important contribution to the successful growth of the LIMES Group in the years ahead.

The session of the Supervisory Board which was held on 13 May 2020 focused on the presentation of the Group and company business figures for the 2019 financial year and on the advice we were able to furnish in this regard. The consolidated financial statements for 2019 had been prepared in accordance with the commercial regulations set out in the German Commercial Code (HGB) and audited by our chosen firm of auditors, namely B-S-H Collegen GmbH Wirtschaftsprüfungsgesellschaft, Cologne, with the assistance of the accounting department, whereupon an unqualified audit certificate was issued.

Upon presentation of the final reports, the Supervisory Board reviewed the annual financial statements and consolidated financial statements as well as the management report and raised no objections to them following issuance of the final audit report. The Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Board of Directors for the year ending 31 December 2019. The annual financial statements were thus adopted.

Mr Firus Mettler resigned his seat on the Supervisory Board with effect from the conclusion of the Annual General Meeting on 14 June 2019. The AGM appointed Mr Dirk Isenberg to act as his successor until the close of the Annual General Meeting which would adopt a resolution on the discharge from liability of the members of the Board of Directors for the 2019 financial year.

The Supervisory Board would like to thank the Board of Directors as well as the employees of the companies which belong to the LIMES Group for their commitment and high level of service.

Cologne, 29 May 2020

Rudolf Bröcker
Chair of the Supervisory Board

Report of the Board of Directors

Dear Shareholders and others with an interest in LIMES Schlosskliniken,

2019 was once again a very exciting year for us, and one in which we successfully reached a number of different milestones.

Thanks to a high level of patient satisfaction, we were able to increase the number of patient days in the 2019 financial year by 11.7 % in comparison with the previous year. Revenue also increased by 10.1 %. We achieved our goal of generating a positive result in terms of gross earnings (EBITDA) at group level for the first time, even after taking into account the start-up losses associated with the second hospital site.

Our investment in marketing and in raising our profile continued to be substantial, but remained consistent with our medium-term strategic objectives. Overall, we were able to enter into active cooperation with 243 referring physicians around the country in the course of 2019.

The replacement of our senior consultant at the Mecklenburg Switzerland hospital enabled us to increase our occupancy rates and improve patient satisfaction even further in terms of their inpatient experience and the results of their treatment.

We have made a positive start to the new financial year and were able to record a 17 % increase in revenue at hospital level in the first quarter of 2020. Despite the Covid-19 pandemic, we were able to keep patient occupancy stable at our hospital in Mecklenburg Switzerland through the application of appropriate hygiene measures, single-room occupancy, and testing every patient for the virus.

With the help of our project team from Cologne, we successfully built the new hospital in Bad Brückenau over the course of 2019. It was granted its hospital licence on 12 May 2020. The new LIMES hospital is scheduled to open in early June 2020. The LIMES team in Bad Brückenau will initially comprise some 35 highly-motivated staff members, each with the vision of providing top-class medical care in the field of mental health in an environment which offers its patients a high standard of service.

I should like to take this opportunity to thank everyone, including the staff. Establishing the LIMES Group in such a short time would not have been possible without our highly-motivated and dedicated personnel or without the support of everyone else who has helped us get to where we are today.

Yours faithfully,

Dr. Gert-M. Frank

Board Member

Shares in LIMES

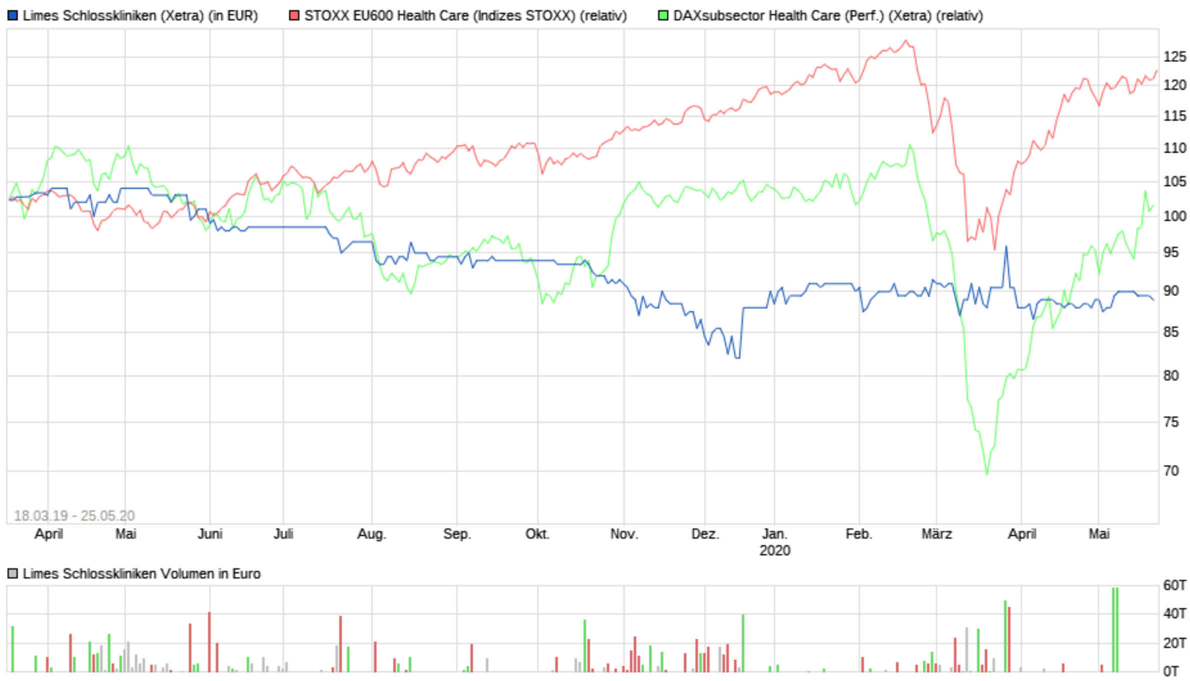
The good trading year in 2019, when the German stock market index (DAX) ended up 25.48 % on 13,249 points, is barely remembered by market players against the background of the coronavirus shutdown in the first quarter of 2020. 2019 was one of the best years ever for the stock market.

The Euro Stoxx 50, the European blue-chip index, rose by 25.67 %. The MSCI World Index also finished up by 24.83 % on the previous year.

Shares in the health sector performed well too. The Nasdaq Biotex Index rose by 26.11 %, while the Euro Stoxx Healthcare Index was up 26.04 % on the previous year.

LIMES shares were first traded on the free trade segment of the Düsseldorf Stock Exchange on 12 October 2018; they remained relatively stable following their initial listing, finishing on 90 EUR at the end of 2019 (PY: 94 EUR). On 18 March 2019, LIMES shares were issued on the primary market of the Düsseldorf Stock Exchange and listed on the Xetra electronic platform for the first time. Overall, 10,107 LIMES shares were traded on the Xetra platform over the course of 2019. 484 shares were traded on the busiest day, while the average was 51.05 shares per day.

A total of 293,192 LIMES shares were issued under securities identification number WKNA0JDBC. According to the latest available figures, they have a free float of 19.83 %. The company will boost its investor relations activities in the medium term with a view to increasing the free float.



Group status report

A. Basic structures of the Group

1. Business model of the Group

LIMES Schlosskliniken operates in the German market for high-quality private hospitals specialising in psychiatry, psychotherapy and psychosomatics. LIMES Schlosskliniken, which is currently enjoying a period of growth, focuses on the treatment of stress-related illnesses as well as mental and emotional disorders, such as depression, acute burnout, affective disorders and trauma.

LIMES Schlosskliniken is a provider of exclusive private hospitals which promises its patients access to high-quality medical care. Another element of its business model is its choice of specially-chosen locations which offer a 'healing environment'.

The range of services available at LIMES Schlosskliniken is aimed at patients with private health insurance, direct payers, those eligible for funding, and an international clientele.

2. The company and organisation

The first hospital in Mecklenburg Switzerland opened in April 2016; it has a capacity of 90 patient rooms / 110 beds and a spacious infrastructure. The second site in Bad Brückenau, the 'LIMES Schlossklinik Fürstenhof', is currently under reconstruction. It is expected to welcome its first patients on 1 June 2020. The third hospital, the 'LIMES Schlossklinik Heiligenhoven', is currently being built by a Dutch property developer on behalf of the LIMES Group. The 'LIMES Schlossklinik Heiligenhoven' has a long-term lease on its site. The same also applies to the other sites. The hospitals' day-to-day operations are managed from the company's head office in Cologne.

LIMES Schlosskliniken AG is the central parent company which administers the strategy, finances and operations of the individual hospitals. LIMES Schlosskliniken AG is also responsible for all services relating to central brand development, marketing and acquisitions, and for the construction of new hospital sites.

LIMES Schlosskliniken AG is the parent company of the three subsidiaries. Shares in LIMES Schlosskliniken AG have been listed on Düsseldorf Stock Exchange since 12 October 2018. The shares have been traded on the Xetra platform in Frankfurt and the primary market of Düsseldorf Stock Exchange since 18 March 2019.

B. Economic report

1. General economic conditions

General economic conditions

International economic dynamism decelerated sharply in 2019. Weaker world trade was a side-effect of the trade dispute between the USA and China and the uncertainty over Brexit in Europe, which has now resolved itself. The general impression was that we were now seeing the first signs of deglobalisation. Stakeholders in the economy are increasingly waking up to the fact that regional/global risks such as the outbreak of the coronavirus can seriously affect the worldwide supply chain, with repercussions for economic performance around the world.

Economic growth in Germany has ground to a halt because of current conditions. The original prediction by the International Monetary Fund (IMF) that Germany's economy would grow by 1.1 % in 2020 will now be no more than a footnote in history, thanks to the economic shutdown which came in the wake of the coronavirus pandemic from March 2020 on. We appear to be facing the onset of a deep, long-term recession.

In comparison with other sectors, the healthcare market is largely unaffected by short-term fluctuations in economic conditions, and experienced above-average growth in recent years.

Conditions specific to the sector

LIMES Schlosskliniken operates within the mental health sub-segment of the healthcare sector. This area can expect positive growth rates in the medium term. Mental disorders currently account for ca. 15.7 % of all types of illness, and the trend is upwards. This makes mental disorders the second most frequent type of illness encountered in the population.

Most of the individuals treated at LIMES Schlosskliniken are admitted as private patients. The majority pay for their treatment directly, then generally recoup the costs from their private health insurer or from state funding. As a result, LIMES Schlosskliniken operates in principle in a different segment of the market to service providers for patients with statutory health insurance, and is not in competition with them. In 2019, the number of people with private health insurance totalled ca. 8.74 million. They thus accounted for 10.5 % of the entire German market for persons with insurance.

2. Financial and non-financial performance indicators

LIMES Schlosskliniken uses a variety of performance indicators to manage its attainment of corporate targets. In finance-related matters, these indicators are those by which the hospital(s) operate(s). The central goals of growth and profitability are linked in this respect to the indicators 'turnover' and 'earnings before interest and taxes' (EBIT). In matters not directly related to finance, the indicators 'occupancy' and 'length of stay' are used. The indicators ‘equity ratio’ and ‘liquidity’ are also useful for capital management at the hospital(s).

3. Business performance

General overview

LIMES Schlosskliniken made great strides forward with its business model in 2019. We were able to continue to pursue our roadmap to growth in that year. Occupancy rates have continued to rise at our first hospital, and we were able to reduce start-up costs accordingly.

From the point of view of the Group, this was the first financial year with a positive result in terms of gross earnings (EBITDA), which amounted to 263 TEUR. The year-end result including interest and amortisation, which also covered amortisation costs associated with getting the hospital operation up and running, still showed a loss in the amount of 825 TEUR. We expect our first hospital in Mecklenburg Switzerland to turn a profit in the 2020 financial year.

In the 2019 financial year, the team at LIMES Schlosskliniken AG was involved in delivering the new hospital projects at Fürstenhof and Heiligenhoven. Progress was made in terms of planning and construction. In January 2019, a long-term lease agreement was concluded for the second hospital, namely ‘LIMES Schlossklinik Fürstenhof’ in Bad Brückenau. We expect the first patients to be admitted for treatment at ‘LIMES Schlossklinik Fürstenhof’ in June 2020.

The positive feedback we have received from our patients has given us an incentive to expand the LIMES concept even further.

4. Financial position

Earnings performance

We were able to increase Group earnings by 10.2 % to 8,183 TEUR (PY: 7,427 TEUR). This was achieved mainly through higher patient occupancy. Other operating income amounted to 140 TEUR (PY: 133 TEUR). We were able to improve our revenue base and further reduce our reported losses by virtue of higher turnover and occupancy rates at the hospital as well as by optimising our cost base.

Cost savings allowed us to reduce our expenditure on materials, including expenditure on related services, to 850 TEUR (PY: 918 TEUR).

Staff costs, which represent a substantial cost factor to be set against earnings, increased at a disproportionately lower rate to 4,451 TEUR (PY: 4,376 TEUR) and accounted for 54 % of the level of hospital turnover achieved.

Other operating expenses, including leasing charges, increased to 2,758 TEUR (PY: 2,395 TEUR).

The amortisation of intangible fixed assets in terms of property, plant and equipment amounted to 803 TEUR (PY: 798 TEUR). This was overwhelmingly accounted for by capitalised expenses associated with starting up business operations. Over the financial year, these amounted to 641 TEUR (PY: 640 TEUR).

Gross earnings before depreciation and amortisation (EBITDA) were positive for the first time, and increased to 263 TEUR (PY: -129 TEUR). The operating margin related to turnover at EBITDA level was +3.2 % (PY: -1.7 %) and produced a positive result for the first time in the 2019 financial year.

A reduced cost base combined with higher hospital turnover enabled us to improve our operating result (EBIT) to -540 TEUR (PY: -927 TEUR).

As a result of paying off and converting loans, interest and similar expenditure was reduced to 284 TEUR (PY: 534 TEUR).

The losses carried forward meant that there was no tax burden in terms of income and earnings.

The consolidated earnings for the period amounted to -826 TEUR (PY: -1,461 TEUR). This corresponds to earnings per share of -2.81 EUR (PY: -5.26 EUR).

Financial status, investments, liquidity

LIMES Schlosskliniken enjoyed a stable financial position at all times throughout 2019. On 31 December of that year, the cash reserve amounted to 1,233 TEUR (PY: 1,453 TEUR). With the establishment of its new hospitals, the Group finds itself in a growth phase. So far, the necessary investment has been funded exclusively from equity capital and shareholder loans.

In the financial year, cash flow from day-to-day operating activities amounted to +165 TEUR (PY: -3,073 TEUR).

Cash flow from investment activities was -754 TEUR (PY: +54 TEUR), most of which comprised investment in fixed assets for the new hospital in Bad Brückenau.

Cash flow from financing activity amounted to 367 TEUR (PY: 4,049 TEUR). The changes resulted mainly from the settlement of debts and inflows from equity injections.

Asset and capital structure

LIMES Schlosskliniken had a solid asset base at the end of the 2019 financial year. The company's balance sheet total at the end of this period was 9.5 EUR million (PY: 9.6 EUR million). Its reported equity capital was 3.4 EUR million, or 35.4 % of the balance sheet total. After taking into account equity-like instruments, such as subordinated shareholder loans, the expanded equity ratio of the LIMES Group was 90.9 % (PY: 68.1 %).

Intangible fixed assets were reduced to 4,988 TEUR (PY: 5,629 TEUR) as a result of the scheduled amortisation of capitalised expenses associated with starting up business operations. Assets in the form of property, plant and equipment increased to 1,923 TEUR (PY: 1,332 TEUR), mainly through investment in the new hospital project 'LIMES Schlossklinik Fürstenhof' in Bad Brückenau.

Because of investment activities in new hospital projects, trade accounts payable rose to 754 TEUR (PY: 392 TEUR) as per the balance sheet date.

Over the course of 2019, a capital increase raised the equity of the group by a total of 1.5 EUR million. There are no notable liabilities vis-à-vis financial institutions. The other reported liabilities amounting to 5.4 EUR million (PY: 6.4 EUR million) largely consist of shareholder loans.

Consequently, the Group is in a sound financial position, including against the background of further growth.

C. Forecast, opportunity and risk report

1. Forecast report

LIMES Schlosskliniken operates in a market with positive prospects in the medium to long term. The medical services we provide are oriented to patient demand, and have undergone a number of changes. We respond to these changes by adopting a flexible approach to therapy and treatment based on the needs of the individual.

The basic strategy of LIMES Schlosskliniken is to treat patients holistically: not only to offer them first-class medical care, but also to give them the mental and physical space which is conducive to improvements in their mental health.

LIMES Schlosskliniken is pursuing long-term objectives, and aims to gain a foothold in the top tier of private hospitals specialising in psychiatry, psychotherapy and psychosomatics.

The proof of concept was established with the opening of the first LIMES hospital in Mecklenburg Switzerland. This hospital is now profitable in terms of EBITDA. After seeing renewed growth of 10.2 % in 2019, we are planning to increase turnover by ca. 20 % in 2020.

A long-term lease agreement was signed for the new hospital in Bad Brückenau early in 2019. It expects to open in June 2020. Overall, there will be 55 rooms available to patients at this site (44 in the initial stage). Opening the new hospital and increasing occupancy in stages should allow us to improve turnover considerably in the year 2020. The Group as a whole anticipates a growth in revenue from the hospitals of some 40 % in the 2020 financial year.

2. Opportunity report

LIMES Schlosskliniken occupies a niche within the market for the treatment of psychiatric disorders. Focusing on a particular target group provides us with an opportunity to achieve a very strong market position in this segment in the medium term. The foundations for this have already been laid, in terms of the specialist commercial property required and the expertise we need for the successful operation of clinical services at the highest level. All of the crucial indicators concerning the operation of the hospital(s) are gathered and processed in a management information system and reviewed by means of a target/performance comparison. Automated analysis of sales and occupancy figures proceeds every month. Medium-term cost and revenue planning and the cash flow planning derived from this are complementary aspects of the management information system. The development and operation of a hospital necessitate considerable investment and start-up costs. To ensure that working capital needs are met in the medium and long term, the Group has opened up to the capital market. This gives it an opportunity to fund its operations independently of bank loans and shareholder structures. It also creates interesting opportunities in terms of employee retention and participation.

3. Risk report

Despite careful planning, there is still a risk that the actual results we achieve might deviate from our expectations of future growth. As a hospital business, we rely on our licences being renewed and on continuing to be listed with private health insurers. We must also preserve the status we have been awarded of an acute care hospital by maintaining the standard of treatment expected of us on a daily basis. As a service provider in the healthcare sector, we depend on our highly trained employees having the necessary qualifications. Although we are relatively recent entrants to the market, we try to ensure that our staff regard us as an attractive and dependable employer.

There are also risks for the company if we lose employees with many years of expertise at senior consultant or board level.

Despite taking every reasonable care, errors can potentially occur when treating patients. We are insured for claims of up to 5 EUR million for personal injury and damage to property. There may also be risks of which we are currently unaware, but which may also arise in the future.

The circumstances described above may give rise to risks or opportunities of consequence to the assets, funding or profits of the company.

Risks are minimised by diversifying both geographically and by treatment specialisation.

According to the European Directive on the VAT System, private hospitals providing similar services to hospitals under public law are exempt from paying VAT. This provision was transposed into national law at the end of 2019. The manner in which the tax authorities interpret the details of this law might, however, give rise to inherent risks due to the novel nature of the legislation. LIMES Schlosskliniken commissioned an expert report early on and submitted it to the tax authorities in order to minimise this potential risk.

We have established a suitable early-warning system to alert us to any risks which may arise. The risk management and control mechanisms of LIMES Schlosskliniken monitor for operational and strategic risks. Our monthly reporting systems describe the activities of the hospital(s). These provide information about turnover, patient occupancy, medical costs, accommodation costs, catering and other expenses. The Management is confident that the internal controls and risk management system established at LIMES Schlosskliniken satisfy the existing requirements in an appropriate manner.

Another risk relates to the spread of the coronavirus, which might lead to restrictions in the operation of the hospital(s). Thus far, day-to-day running has been able to continue without limitations under the highest standards of hygiene. The hospital's location in Mecklenburg Switzerland places it in one of the regions with the lowest number of Covid-19 cases in Germany.

4. Additional information

Functioning of the Board of Directors and the Supervisory Board

Because of its small size (three members), the Supervisory Board has chosen not to form committees. The activities of the Supervisory Board are determined by the statutory requirements of the Stock Corporation Act and the company's statutes.

The Supervisory Board meets at regular intervals. These sessions are normally convened with at least 14 days' written notice. In urgent cases, this period may be curtailed or the members summoned by cable, telex, fax or telephone. The Chair of the Board and, in individual cases, the entire Board of Directors attend the sessions.

To the extent necessary for compliance with legal requirements and the provisions of the statutes, resolutions are adopted during the session after carefully scrutinising all reports, draft resolutions and guidance. The Chair of the Supervisory Board may also order resolutions to be adopted in writing or by cable or telephone, provided no member raises an immediate objection to this modus operandi. Resolutions are adopted by a simple majority of the votes cast, unless otherwise required by law. In the event of a tie, the Chair of the Supervisory Board has the casting vote. A transcript is prepared of sessions of the Supervisory Board.

In addition, the Board of Directors provides the Supervisory Board with information at regular intervals (at least once a month) about the status of the individual group companies. This relates to the business operations of LIMES Schlosskliniken AG (Head Office) and to those of the subsidiaries.

LIMES Schlosskliniken AG has no fixed quotas, targets or deadlines based on gender or ethnicity in terms of filling managerial positions below board level, on the Board of Directors itself, or on the Supervisory Board. Managerial positions and the membership of bodies of LIMES Schlosskliniken AG are occupied purely on the basis of experience and aptitude. That is why we do not strive to fulfil a specific quota independently of the above criteria. On this basis, the specific proportion of women occupying managerial positions is currently ‘0 %’.

Basic principles of the remuneration system

Board members are currently paid only with a variable component in the form of shares. In the 2019 financial year, members of the Board of Directors were entitled to compensation for their activities corresponding to 1,500 LIMES shares.

Reporting analogous to Art. 315 Para. 4 Commercial Code

The subscribed capital of LIMES Schlosskliniken AG as per 31 December 2019 was 293,192 EUR, divided into 293,192 individual no-par value bearer shares. Ownership of shares is associated with voting rights at the Annual General Meeting and profit-sharing rights in the event of agreed dividend payouts.

Amendments to the statutes may be adopted pursuant to the provisions of Art. 133 AktG (German Stock Corporation Act).

The Board of Directors is authorised, with the approval of the Supervisory Board, to increase the share capital of LIMES Schlosskliniken AG during the period ending on 20 July 2021 by a nominal amount of up to 53,235 EUR by issuing up to 53,235 no-par value bearer shares against contributions in cash or in kind (authorised capital 2016).

This authorisation may be exercised in partial amounts.

In the event of an increase in capital against contributions in kind, the subscription rights of the shareholders may be excluded.

In the event of an increase in capital against contributions in cash, the shareholders should as a matter of principle be granted subscription rights, possibly in the form of indirect subscription rights through the medium of one or more financial institutions specified by the Board of Directors; however, the latter is entitled in this case too to exclude the subscription rights of the shareholders with the approval of the Supervisory Board:

a. if this is necessary in order to exclude potential fractional amounts occurring as a result of the subscription ratio;

b. in the event of capital increases against cash contributions where the capital increase does not exceed 10 % of the share capital which exists at the time when the resolution on the use of the approved capital is adopted and the issue price does not fall by more than 5 % below the current market price of already listed shares. If 10 % of the share capital at the time the new shares are issued corresponds to fewer than 21,428 shares, one must await the 10 % threshold for the share capital to be reached before issuing the new shares.

c. The volume authorised shall be reduced by the percentage of the share capital represented by any new or repurchased shares issued or sold since 21 July 2016 under the simplified exclusion of subscription rights pursuant to or in accordance with Art. 186 Para. 3 Sent 4 of the German Stock Corporation Act.

d. for up to 10,714 new no-par value shares (corresponding to 5 % of the share capital prior to the capital increase), provided the new shares are issued to employees of the Group.

Cologne, 29 May 2020

Dr. Gert-M. Frank
Board Member

Group balance sheet as per 31 December 2019

Assets	31 Dec 19 EUR	31 Dec 18 EUR	Change
A. Long-term assets			
I. Intangible assets			
1. Concessions/rights/licences	2,832	3,456	-18.06%
2. Goodwill	4,984,796	5,625,312	-11.39%
	4,987,628	5,628,768	-11.39%
II. Fixed assets			
1. Real estate and buildings	955,500	1,014,604	-5.83%
2. Technical equipment and machinery	50,087	42,705	17.29%
3. Other plant, operating and business equipment	207,839	274,846	-24.38%
4. Assets under construction	710,485	0	-
	1,923,911	1,332,155	44.42%
	6,911,540	**6,960,923**	**-0.71%**
B. Short-term assets			
I. Inventory	**10,729**	9,798	9.51%
II. Receivables and other assets			
1. Accounts receivable trade	1,163,307	1,048,560	10.94%
2. Other assets	113,965	134,875	-15.50%
	1,277,272	1,183,435	7.93%
III. Cash in hand and bank credit balances	1,233,288	1,452,716	-15.10%
IV. Prepaid expenses	86,877	10,701	> 100.00%
	1,320,165	**1,463,417**	**-9.79%**
Total assets	**9,519,706**	**9,617,573**	**-1.02%**
Liabilities			
A. Equity			
I. Subscribed capital	293,192	277,637	5.60%
II. Capital reserve	7,391,489	5,929,319	24.66%
III. Loss carried forward	-3,485,916	-2,025,091	72.14%
IV. Net loss for the period	-825,038	-1,460,824	-43.52%
Total equity	**3,373,728**	**2,721,041**	**23.99%**
B. Long-term provisions	1,000	1,000	0.00%
C. Short-term provisions	29,000	17,400	66.67%
D. Long-term debts	5,282,561	6,332,226	-16.58%
E. Short-term debts			
1. Advances received	6,860	45,908	-85.06%
2. Accounts payable trade	754,250	391,915	92.45%
3. Other tax liabilities	57,311	82,019	-30.12%
4. Other short-term liabilities	14,996	26,065	-42.47%
	833,416	**545,907**	**52.67%**
Total liabilities	**9,519,706**	**9,617,573**	**-1.02%**

Consolidated profit and loss account

1 January to 31 December 2019

	Jan - Dec 2019 EUR	Jan - Dec 2018 EUR	Change
Revenues	8,322,685	7,559,699	10.09%
of which other operating income	140,148	132,840	5.50%
Expenditure on raw materials, auxiliary materials and consumables	399,827	490,345	-18.46%
Expenditure on services received	450,710	427,287	5.48%
Personnel costs	4,451,155	4,375,557	1.73%
of which LSK Rostocker Land	4,101,397	3,962,408	3.51%
of which head office in Cologne	349,758	413,149	-15.34%
Depreciation and amortisation of intangible assets in terms of property, plant and equipment	802,913	798,047	0.61%
Other operating expenses	2,757,716	2,395,082	15.14%
of which rent / costs of premises	1,189,026	1,093,554	8.73%
of which marketing costs	557,369	550,581	1.23%
Operating result (EBIT)	**-539,637**	**-926,619**	-41.76%
Interest and similar expenditure	284,297	533,533	-46.71%
Financial result	**-284,297**	**-533,533**	-46.71%
Pre-tax profit	**-823,934**	**-1,460,152**	-43.57%
Other taxes	1,104	672.59	
Consolidated earnings for the period	**-825,038**	**-1,460,824**	-43.52%
Result for shareholders of the parent company during the period	**-825,038**	**-1,460,824**	-43.52%
Gross earnings in the period (EBITDA)	**263,276**	**-128,572**	> 100.00%
Result per share (basic)	**-2.81**	**-5.26**	-46.52%

Consolidated notes for the financial year 1 January to 31 December 2019

Basis and consolidation principles

These consolidated financial statements were prepared in compliance with the provisions of Art. 290 ff. of the German Commercial Code. The total cost method was selected to display the profit and loss account. Unless otherwise stated, values are given in thousands of Euros (TEUR).

When preparing the consolidated financial statements, the assumption was made that the business was a going concern, as this premise was also made with regard to the individual financial statements of the consolidated companies.

The parent company was founded by way of an agreement dated 1 December 2005 under the name LIMES Schlosskliniken AG (formerly GMF Capital AG), and an entry was made accordingly in the Commercial Register on 7 December 2005. A decision was made on 30 July 2015 to rename the company, alter its business purpose, and also relocate the company's head office to Cologne.

These consolidated financial statements for the financial year commencing on 1 January and ending on 31 December 2019 apply to the parent company (abbreviated as 'LIMES AG') and the subsidiaries LIMES Schlossklinik Rostocker Land GmbH (abbreviated as 'LIMES SKRL GmbH'), LIMES Schlossklinik Heiligenhoven GmbH (abbreviated as 'LIMES SKH GmbH') and LIMES Schlossklinik Fürstenhof GmbH (abbreviated as 'LIMES SKF').

LIMES AG holds 100 % of the share capital of LIMES SKRL GmbH in the sum of € 25,000.00, 100 % of the share capital of LIMES SKH GmbH in the sum of € 25,000.00, and 100 % of the share capital of LIMES SKF GmbH in the sum of € 25,000.00. The difference between acquisition value for LIMES AG and the equity capital of LIMES SKRL GmbH, LIMES SKH GmbH and LIMES SKF GmbH is, where based on hidden reserves or liabilities, assigned to the subsidiaries' assets and liabilities. Any residual difference is reported as goodwill.

Intragroup transactions are eliminated; receivables and liabilities as well as income and corresponding expenses between LIMES AG and LIMES SKRL GmbH, LIMES SKH GmbH and LIMES SKF GmbH are mutually offset.

Accounting principles

Fixed assets

Intangible assets acquired against payment are capitalised at acquisition cost less scheduled straight-line amortisation over their expected useful life. The goodwill arising from the initial consolidation of LIMES SKRL GmbH and LIMES SKH GmbH shall be amortised over 10 years. The expected useful life of 10 years lies within the framework of a reasonable estimation of use in the absence of any exceptional circumstances.

Fixed assets are reported at their acquisition or manufacturing cost; such assets are reduced by scheduled straight-line amortisation over their expected useful life. The expected useful life is based on the official tax depreciation tables for operating and business equipment. Low-value capital goods worth up to € 800.00 are recorded immediately as an expense in their year of acquisition.

Current assets

The value of inventory is calculated at its acquisition cost, with due consideration for the lowest-value principle. Receivables and other assets are reported at nominal value. Proper account is taken of recognisable individual risks by means of appropriate value adjustments.

Provisions

The provisions take into account all recognisable risks and obligations. They are reported at the value required for fulfilment, based on a commercial assessment.

Liabilities

Liabilities are reported at their settlement value.

Deferred taxes

Pursuant to Art. 306 Sent. 3 in conjunction with Art. 301 Para. 3 of the German Commercial Code, deferred taxes are not recognised.

Notes on the balance sheet
Fixed assets

Changes in the individual fixed asset items are shown, alongside depreciation and amortisation for the financial year, in the assets schedule which follows.

Changes in consolidated assets between 1 January and 31 December 2019

	Acquisition/manufacturing costs				Accumulated amortisation				Book values	
	1.1.2019	Additions	Disposals	31.12.2019	1.1.2019	Additions	Disposals	31.12.2019	1.1.2019	31.12.2019
EDP software	123,426.12	0.00	0.00	123,426.12	119,970.12	624.00	0.00	120,594.12	3,456.00	2,832.00
Goodwill	6,310,162.74	0.00	0.00	6,310,162.74	684,850.27	640,516.27	0.00	1,325,366.54	5,625,312.47	4,984,796.20
Advance payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangible assets	**6,433,588.86**	**0.00**	**0.00**	**6,433,588.86**	**804,820.39**	**641,140.27**	**0.00**	**1,445,960.66**	**5,628,768.47**	**4,987,628.20**
Real estate, similar land rights and buildings including buildings on third-party land	1,182,065.58	0.00	0.00	1,182,065.58	167,461.58	59,104.00	0.00	226,565.58	1,014,604.00	955,500.00
Technical equipment and machinery	73,592.29	18,098.35	0.00	91,690.64	30,887.29	10,716.35	0.00	41,603.64	42,705.00	50,087.00
Other plant, operating and business equipment	577,803.54	25,831.80	984.26	602,651.08	302,957.54	91,952.80	98.26	394,812.08	274,846.00	207,839.00
Advance payments and assets under construction	0.00	710,485.45	0.00	710,485.45	0.00	0.00	0.00	0.00	0.00	710,485.45
Property, plant and equipment	**1,833,461.41**	**754,415.60**	**984.26**	**2,586,892.75**	**501,306.41**	**161,773.15**	**98.26**	**662,981.30**	**1,332,155.00**	**1,923,911.45**
Fixed assets	**8,267,050.27**	**754,415.60**	**984.26**	**9,020,481.61**	**1,306,126.80**	**802,913.42**	**98.26**	**2,108,941.96**	**6,960,923.47**	**6,911,539.65**

Current assets

Receivables and other assets: all receivables are due within one year. With the exception of a partial amount of 12 TEUR for security deposits, all other assets are due within one year. The deferred items refer to payments for expenses relating to the period after the balance sheet date. The other provisions have mainly been created for record-keeping requirements (1 TEUR) and the preparation of annual financial statements (29 TEUR).

Liabilities
The liability items have the following remaining terms to maturity:

	31.12.2019		
	Amount €	Up to 1 year	1 - 5 years
Liabilities to financial institutions	0	0	0
Advances received	6,860.00	6,860.00	0
Accounts payable trade	754,249.98	754,249.98	0
Liabilities owed to affiliated companies	0	0	0
Other liabilities	5,354,867.60	72,306.50	5,282,561.10

None of the liabilities is secured by real property or similar liens.

Notes on the profit and loss account

The revenues consist exclusively of income from medical and nursing services in the sum of 8,183 TEUR.

Taxes on income and earnings

There was no tax burden in terms of income and earnings on account of the losses carried forward.

Additional information

Employees

Average number of staff employed during the reporting year:

	Reporting year
Full-time employees	70
Part-time and casual employees	28
Trainees	2

The number of employees was calculated by adding together the size of the workforce at the end of each quarter and dividing the total by four. The number of part-time employees is equivalent to 17 full-time employees.

Other financial obligations

Other financial obligations arise from long-term rental and lease agreements in the sum of 13,317 TEUR.

Financial instruments

On 16 July 2019, LIMES Schlosskliniken AG increased its share capital by € 15,555.00 from € 277,637.00 to € 293,192.00. In connection with this, a payment of € 1,462,170.00 was made into the free capital reserves within the meaning of Art. 272 Para. 2 No. 4 of the German Commercial Code (HGB).

Priorities of particular importance after the balance sheet date

Covid-19 has been spreading throughout Germany since January 2020. This might have an impact on the operation of the hospital(s) in terms of possible restrictions. Up to the date when the annual financial statements were prepared, we were continuing to operate fully under the highest standards of hygiene.

The Management

Dr. Gert Michael Frank, Frankfurt (Board of Directors), with sole powers of representation

Shareholder structure

GMF Capital GmbH	80.17 % (No consolidated financial statements have been prepared)
Free float	19.83 %

The safeguard clause pursuant to Art. 314 Para. 3 Sent. 2 HGB in conjunction with Art. 286 Para. 4 HGB is invoked.

Cologne, 31 March 2020

Dr. Gert-M. Frank

Audit Certificate

We have issued the following audit certificate dated 29.4.20 in a separate attestation pursuant to Art. 322 HGB (German Commercial Code) in respect of the version of the consolidated financial statements of the LIMES Schlosskliniken Group as per 31.12.2019 appended to this certificate as Annexes 1 to 3:

Audit Certificate

We have audited the consolidated financial statements of LIMES Schlosskliniken AG, Cologne, and its subsidiaries (the Group) – comprising the consolidated balance sheet dated 31 December 2019, the consolidated profit and loss account for the financial year 1 January 2019 to 31 December 2019, and the consolidated notes, including the description of accounting principles.

The cash flow statement, equity analysis and group status report were not covered by the audit.

We certify that in our opinion, based on the findings of our audit,

- the enclosed consolidated financial statements comply in all essential respects with the provisions of the German Commercial Code, and that, in accordance with the German principles of proper accounting, they give a true and fair account of the assets and financial position of the Group on 31 December 2019 and of its profit position for the financial year from 1 January 2019 to 31 December 2019.

Pursuant to Art. 322 Para. 3 Sent. 1 HGB, we certify that no objections have been raised to the regularity of the consolidated financial statements as a result of our audit.

Basis for the audit opinion

We conducted our audit of the consolidated financial statements in conformity with Art. 317 HGB and in accordance with the German principles of proper financial statement auditing established by the German Institute of Auditors (IDW).

A more in-depth description of our responsibilities under these provisions and in accordance with these principles is provided in the paragraph of our Audit Certificate headed ‘The responsibility of the auditor for auditing the consolidated financial statements’. We are independent of the Group companies in compliance with the German Commercial Code and the legislation governing our profession, and have complied with the other professional duties applicable to us in Germany in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinion on the consolidated financial statements.

The responsibility of the legal representatives for the consolidated financial statements

The legal representatives are responsible for compiling consolidated financial statements which comply in all essential respects with the provisions of the German Commercial Code, and for ensuring that, in accordance with the German principles of proper accounting, they give a true and fair account of the asset, financial and profit position of the Group. The legal representatives are further responsible for internal controls which they have deemed necessary in accordance with the German principles of proper accounting in order for consolidated financial statements to be compiled which are free of material misstatements, whether intentional or unintentional.

When compiling the consolidated financial statements, the legal representatives are responsible for evaluating the Group’s ability to continue as a going concern. They are also responsible, where applicable, for declaring any facts relevant to the Group’s continuation as a going concern, and for drawing up a balance sheet on the basis of the accounting principle applicable to continuation as a going concern, except when precluded from so doing by factual or legal circumstances.

The responsibility of the auditor for auditing the consolidated financial statements

Our objective is to satisfy ourselves that the consolidated financial statements as a whole are free of material misstatements, whether intentional or unintentional, and to issue an audit certificate which incorporates our audit opinion on the consolidated financial statements.

We require a high degree of certainty in order to satisfy ourselves of this, but there is no guarantee that an audit conducted in conformity with Art. 317 HGB and in accordance with the German principles of proper financial statement auditing established by the German Institute of Auditors (IDW) will invariably uncover any material misstatements. Misstatements may result from violations or inaccuracies, and are deemed to be material if it is reasonable to expect that, individually or as a whole, they might influence any economic decisions which are made on the basis of the consolidated financial statements by users thereof.

When conducting an audit, we exercise professional judgment and maintain an attitude of professional scepticism. Moreover,

- we identify and evaluate the risk that the consolidated financial statements might contain material misstatements, whether intentional or unintentional, plan and conduct audit procedures in response to these risks, and obtain audit evidence which is sufficient and appropriate to serve as a basis for our audit opinion. The risk of material misstatements remaining undiscovered is greater in the event of violations than inaccuracies, as violations might include fraudulent collaboration, falsifications, intentional omissions, misleading information and/or the bypassing of internal controls;
- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and relevant precautions and measures, in order to plan audit procedures commensurate with the given circumstances, but not with the aim of delivering an audit opinion on the effectiveness of these systems;
- we evaluate the suitability of the accounting methods used by the legal representatives and the associated information;
- we draw conclusions about whether the accounting principles used to establish the Group's ability to continue as a going concern have been suitably applied by the legal representatives, and whether on the basis of the audit evidence we have obtained, there is material uncertainty in connection with events or circumstances which might throw into serious doubt the ability of the Group to continue as a going concern. If we come to the conclusion that such material uncertainty exists, then we are obliged to draw attention in the audit certificate to the relevant information in the consolidated financial statements or, if this information is inadequate, to modify our audit opinion. Our conclusions are drawn on the basis of the evidence we have obtained up to the date of our audit certificate. However, it is possible that future events or circumstances may lead to the Group no longer being able to continue as a going concern;

- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the information they contain, and assess whether the consolidated financial statements represent the underlying business transactions and events in such a way that, in accordance with the German principles of proper accounting, they give a true and fair account of the asset, financial and profit position of the Group;
- we collect sufficient, suitable audit evidence to substantiate the accounting information of the companies and/or business activities within the Group, so that we can deliver an audit opinion on the consolidated financial statements. We are responsible for guiding, supervising and conducting the Group audit. We bear sole responsibility for our audit opinions.

Among other things, we discuss with the supervisory body the planned scope and timing of the audit as well as any important observations we make, including any defects we identify in the internal control system in the course of our audit.

Cologne, 29.4.2020

B-S-H Collegen GmbH

Wirtschaftsprüfungsgesellschaft

Ralf C. Bühler, Business Graduate
Auditor

2020 CORPORATE CALENDAR

2019 Consolidated financial statements	29 May 2020
2020 AGM	23 June 2020 (unless rescheduled because of the coronavirus)
2020 Half-year report	25 September 2020

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