LIMES

SCHLOSSKLINIKEN

2020 Annual Report

LIMES Schlosskliniken AT A GLANCE

Group performance indicators	January - December 2020	January - December 2019	Change
Total revenues	**11,182 kEUR**	**8,323 kEUR**	**34.4%**
Patient days	22,318	16,995	31.3%
Gross earnings (EBITDA)	838 kEUR	263 kEUR	> 100.0%
EBITDA margin	**7.49%**	**3.2%**	**> 100.0%**
Amortisation	1,265 kEUR	803 kEUR	57.5%
Operating result (EBIT)	**-427 kEUR**	**-540 kEUR**	**-20.9%**
EBIT margin	**-3.80%**	**-6.5%**	**-41.5%**
Financial result	-264 kEUR	-284 kEUR	-7.0%
Pre-tax profit	-693 kEUR	-824 kEUR	-15.9%
Result for shareholders of the parent company during the period	**-694 kEUR**	**-825 kEUR**	**-15.9%**
Long-term assets	7,474 kEUR	6,912 kEUR	8.1%
Short-term assets	2,776 kEUR	1,320 kEUR	> 100.0%
Balance sheet total	11,788 kEUR	9,520 kEUR	23.8%
Equity	2,679 kEUR	3,374 kEUR	-20.6%
Equity ratio	22.73%	35.4%	-35.8%
Equity-like instruments / shareholder loans	4,226 kEUR	5,283 kEUR	-20.0%
Expanded equity ratio	58.58%	90.9%	-35.6%
Liquid assets	2,684 kEUR	1,233 kEUR	> 100.0%
Result per share as per DVFA* (German Association for Financial Analysis and Asset Management)	**-2.37 EUR**	**-2.81 EUR**	**-15.7%**
Employees at end of period	126	93	35.5%
No-par value shares	293,192	293,192	0.0%
* based on number of no-par value shares in circulation	293,192	293,192	0.0%

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Report of the Supervisory Board

Dear Shareholders and Friends of the Company,

During the 2020 financial year, the Supervisory Board of LIMES Schlosskliniken AG 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 significance to the company. It kept itself well-informed about all important procedures of relevance to the company on a regular basis and in a timely manner.

Key indicators specific to the company were made available to the Supervisory Board at regular intervals. 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 complied fully 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 included in particular the strategic development of the company and the presentation of new hospital sites and potential new acquisitions.

The Board of Directors also informed the Supervisory Board about the process of preparing the second hospital site in Bad Brückenau as well as, from the latter half of the year, about its launch and the start of its operation.

The members of the Board of Directors and Supervisory Board had no conflicts of interest which would have required immediate disclosure to the Supervisory Board.

The session of the Supervisory Board which was held on 27 April 2021 focused on the presentation of the Group and company business figures for the 2020 financial year and on the advice we were able to furnish in this regard. The consolidated financial statements for 2020 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 2020. The annual financial statements were thus adopted.

During the period from 1 January 2020 to 31 December 2020, the Supervisory Board comprised the members Mr. Rudolf Bröcker (Chair), Mr. Bruno Schoch (Deputy Chair) and Mr. Dirk Isenberg.

The Supervisory Board would like to thank the Board of Directors as well as the employees of LIMES Schlosskliniken for the commitment and high level of service they exhibited in the face of the sometimes problematic circumstances of 'Covid Year 2020'.

Cologne, 29 April 2021

Rudolf Bröcker
Chair of the Supervisory Board

Report of the Board of Directors

Dear Shareholders and other with an interest in LIMES Schlosskliniken,

I am delighted to be able to inform you that LIMES Schlosskliniken made great strides in 2020. We were able to increase turnover by 34.4 % to EUR 11.2 million and achieved the earnings targets we set ourselves.

2020 was dominated by the development of the second hospital site in Bad Brückenau: no easy undertaking in the age of the coronavirus. We had to amend our original timetable and postpone the scheduled completion date by several months, as the first total lockdown in Italy meant that the furniture we had ordered for the interior design of the hospital could not be delivered on time. The motivation of the tradesmen on site also presented its own problems. But despite all this, building the hospital in Bad Brückenau proved to be a very enjoyable experience, and we rose to the challenges it presented. We were finally able to open our doors on 1 June 2020. This second site met with positive feedback from our patients, and we were awarded the status of an acute care clinic in November 2020.

All in all, LIMES Schlosskliniken had a successful financial year. Our good and improving occupancy rates at our site in Mecklenburg Switzerland enabled us to achieve our earnings targets despite slightly exceeding our budget in terms of start-up losses for the second hospital. We were quick to introduce rigorous hygiene measures such as PCR and rapid testing. This enabled us to keep the hospitals operational at all times.

We made a positive start to the new financial year in 2021. Results for the first quarter were better than expected. In March 2021, we were able for the first time to provide treatment for an average of more than 100 patients. We expect a 58 % increase in turnover over the whole year. As far as earnings before interest, taxes, depreciation and amortisation (EBITDA) are concerned, we should be able to achieve something on the scale of EUR 4.5 to 4.9 million. We do not expect the third site in Lindlar near Cologne to burden us unduly with start-up costs, as these will not be a factor until sometime in 2022.

Our project team in Cologne is helping us to evaluate new hospital sites. We are also considering the acquisition of existing hospitals whose ethos and standards are a potential match to our own.

I should like to thank all employees of the LIMES Group for their superb commitment to achieving our corporate goals. The satisfaction of our patients spurs us on to continue following our present course.

Yours faithfully,
Dr. Gert-M. Frank

CEO

Shares in LIMES

Despite the global Covid-19 pandemic, the stock market operated virtually as normal in 2020.

A fall of more than 40 % in the share prices of DAX companies at the start of Q1 was followed by a substantial recovery in the course of the year, with the DAX closing at a record high of 13,718 points by the year-end.

The Euro Stoxx 50, the European blue-chip index, fell by 5 %.

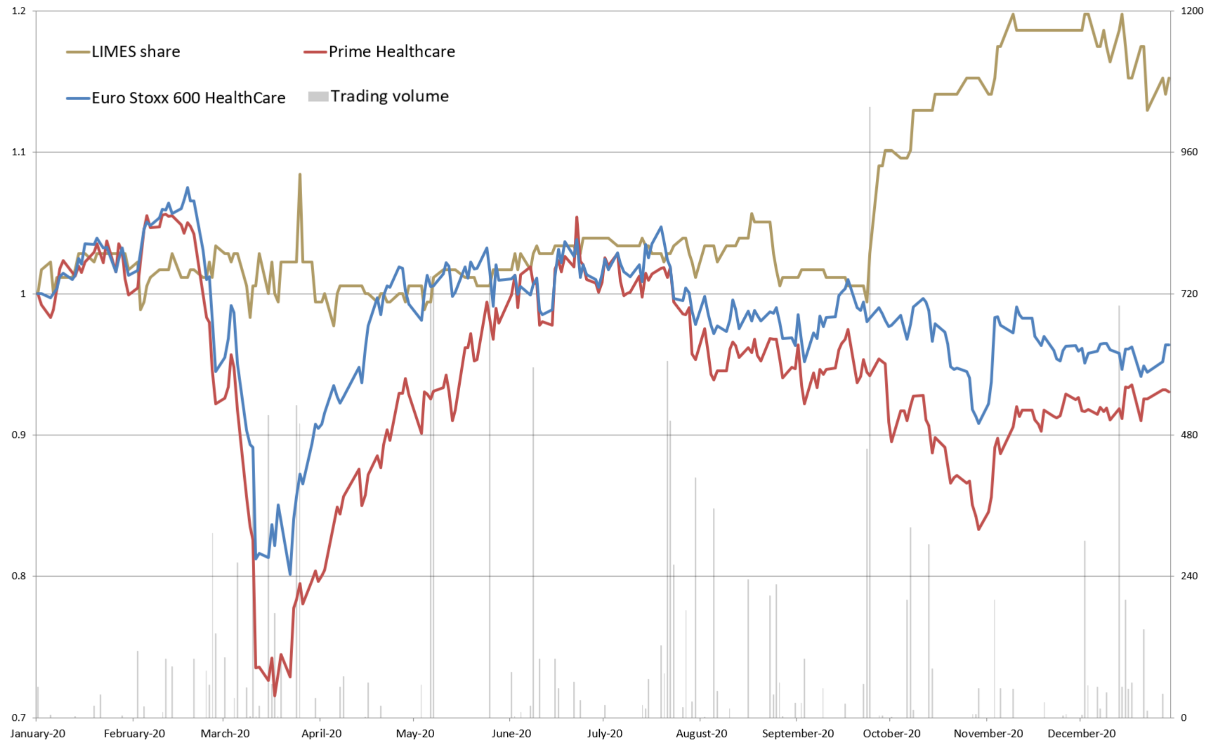
Share prices in the health sector reacted differently in Europe and the USA.

The Nasdaq Biotec Index rose significantly by 27 %. In Europe, shares in the health sector fell slightly.

The Euro Stoxx Healthcare Index was down 5 % on the previous year. Shares of companies in the German healthcare system grouped in the Prime Standard Healthcare Index registered an overall downward trend of 7 % in the course of 2020.

LIMES shares are traded on the primary market of the open market segment of the Düsseldorf Stock Exchange and are bought and sold on the XETRA electronic platform. 15,872 LIMES shares (2019: 10,107) were traded on the XETRA platform in 2020. 1,038 shares (2019: 484) were traded on the busiest day, while the daily average was 141 shares (2019: 51.05). LIMES shares ended the year on 102 EUR (+15.3 %).

A total of 293,192 LIMES shares were issued under securities identification number WKNA0JDBC. At the end of the year, they had a free float of 19.79 %.



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. The enterprise, which is currently enjoying a period of expansion, 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 is aimed primarily at patients with private 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 ninety patient rooms and a spacious infrastructure. The second site in Bad Brückenau, the 'LIMES Schlossklinik Fürstenhof', welcomed its first patients on 1 June 2020. Preparations for the opening of the third hospital, the 'LIMES Schlossklinik Heiligenhoven' in Lindlar near Cologne, are currently in their final stages. It is due to open its doors for the first time in Q2 2022. The company 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. It is also responsible for providing 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. Its shares have been listed on Düsseldorf Stock Exchange since 12 October 2018. They 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

2020 was dominated by the Covid-19 pandemic. Nearly every country and economic sector was affected by it either directly or indirectly. Economic output declined sharply around the world. The LIMES Group, however, was able largely to decouple itself from these negative conditions affecting the wider economy.

The lockdowns which were ordered to combat the spread of the Covid-19 pandemic resulted in a marked reduction in business activity. Economic output in Germany fell by 5 % compared with the previous year, to a level only slightly below that experienced after the global financial crisis in 2009.

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

Outlook

Based on current conditions, we can expect to see accelerated economic growth in Germany from Q2 2021. The International Monetary Fund is forecasting global growth of 5.2 % in 2021. This would be the strongest rate of growth since 2010. However, most economists do not currently expect the German economy to return to pre-pandemic levels until at least late 2021/early 2022. This will depend on the majority of the population having been vaccinated by then, so that normality can be restored to economic life.

Conditions specific to the sector

LIMES Schlosskliniken operates within the mental health sub-segment of the healthcare sector. This area can anticipate positive growth rates in the medium term. Mental disorders currently account for ca. 16 % of all types of illness, and the trend is upwards. This makes psychological 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 tend to recoup the costs from their private health insurer or from state funding. As a result, LIMES Schlosskliniken does not in principle operate in the same segment of the market as service providers for patients with statutory health insurance, and does not compete with them. It remains to be seen how much of an impact the Covid-19 pandemic and associated measures, such as month-long lockdowns and other restrictions on daily life, will have on mental health in the medium to long term. Early indications suggest that there will be an increased demand for psychological care.

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, taxes, depreciation and amortisation’ (EBITDA). 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 continued to prosper despite the somewhat difficult conditions. Occupancy rates at our first hospital in Mecklenburg Switzerland rose further still, and we were able, as planned, to turn a profit for the first time.

Business activities in 2020 were dominated by the launch of the second LIMES hospital in Bad Brückenau. Following renovation of the building and a redesign of its interior, we were able to welcome our first patients there in June 2020. There was a good uptake of the services it offers, to the extent that occupancy rates enabled us to leave the loss-making period behind us by the end of the year.

The good business performance of the hospital in Mecklenburg Switzerland compensated for a large proportion of the budgeted start-up losses associated with the second site. Despite these losses, at Group level we were able to record a positive result in terms of gross earnings (EBITDA), amounting to 834 kEUR (2019: 263 kEUR). The year-end result including interest and amortisation, which also covered the amortisation costs associated with getting the hospital operation up and running, continued to show a loss in the amount of 694 kEUR (2019: 825 kEUR). Although at first glance this might not appear to represent a great surge in earnings, it appears in another light if one takes into account the fact that more than EUR 1.4 million in start-up losses were lumped in with this result which will no longer be incurred in this form in 2021.

In 2021, both hospitals will show healthy increases in turnover and profits, because none of the adverse factors will apply such as those which are associated, for instance, with the launch of a new hospital.

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

The total revenues of the Group increased by 34.4 % to 11,182 kEUR (2019: 8,323 kEUR) in the 2020 financial year. The increase in turnover, which was in the high double digits, was achieved thanks to a good rate of growth at the hospital in Mecklenburg Switzerland and by the opening of the new hospital in Bad Brückenau. Other operating income amounted to 167 kEUR (2019: 140 kEUR). We were able to improve our quality of earnings by virtue of higher turnover and hospital occupancy rates as well as by optimising our cost base.

Our expenditure on materials, including expenditure on purchased services, increased to 1,236 kEUR (2019: 850 kEUR).

Staff costs, which represent a substantial cost factor to be set against earnings, increased at a disproportionately lower rate to 5,712 kEUR (2019: 4,451 kEUR) and accounted for 51 % (2019: 54 %) of the level of hospital turnover achieved.

Other operating expenses, including leasing charges, increased to 3,397 kEUR (2019: 2,758 kEUR).

The amortisation of intangible fixed assets in terms of property, plant and equipment amounted to 1,265 kEUR (2019: 803 kEUR). This was overwhelmingly accounted for by capitalised expenses associated with starting up business operations (641 kEUR) and the increased amortisation of 482 kEUR resulting from investment in the second hospital site.

Gross earnings before depreciation and amortisation (EBITDA) increased considerably to 838 kEUR (2019: 263 kEUR). The gross earnings reported in the period include the start-up losses of EUR 1.4 million for the second LIMES site in Bad Brückenau.

Taking into account the start-up costs for the second hospital, we were able to see a slight improvement in our operating result (EBIT) to -427 kEUR (2019: -540 kEUR).

The settlement of loans reduced the level of interest and similar expenditure payable to 264 kEUR (2019: 284 kEUR).

Because of the losses carried forward, there was no appreciable tax burden in terms of income and earnings.

The consolidated earnings for the period amounted to -695 kEUR (2019: -826 kEUR). This corresponds to earnings per share of -2.37 EUR (2019: -2.81 EUR).

Financial status, investments, liquidity

LIMES Schlosskliniken enjoyed a stable financial position at all times throughout 2020. On 31 December of that year, the cash reserve amounted to 2,684 kEUR (2019: 1,233 kEUR). The LIMES Group currently finds itself in a growth phase. So far, the necessary investments have been funded from equity capital and shareholder loans. In 2020, we benefited from our first financial surplus from operating activities of EUR 1.2 million. Our improved track record encouraged us for the first time to secure a debt package of EUR 3.9 million on attractive terms. The first debt repayment will fall due in 2023.

In the financial year, cash flow from day-to-day operational activities amounted to 759 kEUR (2019: 165 kEUR).

Cash flow from investment activities was -1,826 kEUR (2019: -754 kEUR), most of which comprised investment in fixed assets for the new hospital in Bad Brückenau.

Cash flow from financing activities amounted to 2,529 kEUR (2019: 367 kEUR). 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 2020 financial year. The company’s balance sheet total at the end of this period was EUR 11.8 million (2019: EUR 9.5 million). Its reported equity capital was EUR 2.7 million (2019: EUR 3.4 million), or 22.7 % 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 58.6 %.

Intangible fixed assets were reduced to 4,344 kEUR (2019: 4,988 kEUR) 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 3,060 kEUR (2019: 1,923 kEUR), mainly through investment in the new hospital project ‘LIMES Schlossklinik Fürstenhof’ in Bad Brückenau.

Trade accounts payable fell to 592 kEUR (2019: 754 kEUR) as per the balance sheet date.

Despite the high level of investment made in 2020 in connection with the launch of the second hospital site, the company continues to exhibit a healthy asset structure. The new liabilities vis-à-vis financial institutions are medium to long term in nature, with annual interest rates of 1 % and 1.95 %.

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 good medium to long-term prospects. The medical services we provide are oriented to patient demand, and are subject to change. 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.

With the opening of our second hospital and after treating more than 1,000 patients, LIMES Schlosskliniken is well-established in the market. After seeing growth of 34 % in 2020, we are planning to increase turnover by ca. 58 % in 2021.

Some of the burdens we had to cope with in 2020 should no longer play a role in 2021. After seeing occupancy rates increase again at the site in Mecklenburg Switzerland and in Bad Brückenau, we expect to achieve an operating result based on EBITDA of roughly EUR 4.9 million and an operating result based on EBIT of EUR 4.3 million respectively. This forecast is based on an occupancy rate of 69 %. In the first three months of 2021, we already exceeded our planned estimates. We have made a confident start to 2021.

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 secure 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 construction and opening 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 remains 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 EUR 5 million for personal injury and damage to property. There may also be risks of which we are currently unaware but may yet arise in the future.

The circumstances described above may give rise to risks or opportunities of consequence to the asset, financial or profit situation 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 has opted for exemption from VAT under European law.

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 hospitals. 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 area of potential risk is that the authorities may pass legislation which could affect the operation of our hospitals, such as the current restrictions being imposed to combat the coronavirus. To date, we have not suffered any major negative repercussions as a result of the pandemic. We have implemented a rigorous hygiene protocol at all of our sites.

4. Additional information

Reporting in accordance with Art. 315 Para. 4 German Commercial Code

The subscribed capital of LIMES Schlosskliniken AG as per 31 December 2020 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 empowered, with the approval of the Supervisory Board, to increase the share capital of LIMES Schlosskliniken AG within 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 partially.

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 in 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 provided 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 below the current market price of already listed shares by more than 5 %. If 10 % of the share capital corresponds to fewer than 21,428 shares at the time the new shares are issued, the share capital at the time the new shares are issued is to be taken into account for the 10 % threshold;

c. the volume authorised is reduced by the percentage amount 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 AktG;

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.

The company is authorised to acquire its own shares up to a maximum threshold of 5 % of the share capital by 16 September 2025. The purchased shares, together with other shares of its own which the company has already acquired and which it still owns, or which are to be ascribed to it pursuant to Arts. 71 a ff. AktG, may at no time account for more than 10 % of the company's share capital.

The purchase price paid by the company may not exceed or fall below the arithmetical average of the market price determined by the opening auction in XETRA trading (or a successor system determined by the Deutsche Börse AG) during the last five days of trading prior to acquisition by more than 10 %.

The Board of Directors is further empowered to resell its own shares acquired on the basis of an authorisation pursuant to Art. 71 Para. 1 No. 8 AktG with the consent of the Supervisory Board and in accordance with the principle of equal treatment (Art. 53a AktG) for purposes other than trading in its own shares. The shares acquired in its own company may be sold on the stock exchange. In this case, the subscription rights of the shareholders are excluded.

The Board of Directors is also empowered to call in its own company shares which it has acquired on the basis of this authorisation without a further resolution having to be adopted for this purpose at a shareholders' meeting.

Until 16 September 2025, the Board of Directors shall be further empowered to acquire shares in the company in order for it to be able to offer its own shares to third parties in connection with a corporate merger or the acquisition of a company or participating interest; in this event, the subscription rights to their own shares of the shareholders would be excluded. This authorisation is restricted to the acquisition of no more than five percent of the company's share capital.

The Board of Directors is also empowered to offer individuals in an employment relationship with the company the opportunity to purchase company shares acquired on the basis of this authorisation and to transfer them to such employees, or to use them to operate stock option programmes. They may also be offered for sale to members of the company's Board of Directors and transferred to them, or used to operate stock option programmes. If members of the company's Board of Directors benefit in this way, it is also incumbent upon the company's Supervisory Board to select the beneficiaries and determine the volume of shares to be granted to such beneficiaries.

This authorisation may be exercised wholly or partially.

LIMES Schlosskliniken AG has not yet made use of this authorisation.

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 telegraphically, by 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, telegraphically or by 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 their individual group company. 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

The only payment currently made to Board members is a variable component in the form of shares. Since 2016, the Board of Directors has waived fixed compensation for its activities. For both 2018 and 2019, the Supervisory Board approved the payment of 1,500 LIMES shares to Dr. Frank for his work on the Board. In the 2020 financial year, the Supervisory Board approved the payment of 2,000 LIMES shares to members of the Board of Directors for their activities. They have yet to redeem their entitlement.

Cologne, 14 May 2021

Dr. Gert-M. Frank
CEO

Group balance sheet as per 31 December 2020

Assets	31 Dec 20 EUR	31 Dec 19 EUR	Change
A. Long-term assets			
I. Intangible assets			
1. Concessions/rights/licences	69,110	2,832	> 100.00%
2. Goodwill	4,344,280	4,984,796	-12.85%
	4,413,390	**4,987,628**	**-11.51%**
II. Fixed assets			
1. Real estate and buildings	896,396	955,500	-6.19%
2. Technical equipment and machinery	142,016	50,087	> 100.00%
3. Other plant, operating and business equipment	2,021,269	207,839	> 100.00%
4. Assets under construction	728	710,485	-99.90%
	3,060,409	**1,923,911**	**59.07%**
	7,473,799	**6,911,540**	**8.14%**
B. Short-term assets			
I. Inventory	**9,977**	**10,729**	**-7.01%**
II. Receivables and other assets			
1. Accounts receivable trade	1,293,390	1,163,307	11.18%
2. Other assets	234,957	113,965	> 100.00%
	1,528,347	**1,277,272**	**19.66%**
III. Cash in hand and bank credit balances	2,683,693	1,233,288	> 100.00%
IV Prepaid expenses	92,267	86,877	6.20%
	2,775,960	**1,320,165**	**> 100.00%**
Total assets	**11,788,083**	**9,519,706**	**23.83%**
Liabilities			
A. Equity			
I. Subscribed capital	293,192	293,192	0.00%
II. Capital reserve	7,391,489	7,391,489	0.00%
III. Loss carried forward	-4,310,953	-3,485,916	23.67%
IV. Net loss in the period	-694,416	-825,038	-15.83%
Total equity	**2,679,313**	**3,373,728**	**-20.58%**
B. Long-term provisions	**1,000**	**1,000**	**0.00%**
C. Short-term provisions	**107,693**	**29,000**	**> 100.00%**
D. Long-term debts			
1. Liabilities to financial institutions	3,850,000	0	-
2. Other liabilities	4.226.000	5,282,561	-20.00%
of which to shareholders	(4.226.000)	(5,282,561)	-20.00%
	8,076,000	**5,282,561**	**52.88%**
E. Short-term debts			
1. Liabilities to financial institutions	2	0	-
2. Advances received	65,576	6,860	> 100.00%
3. Accounts payable trade	591,461	754,250	-21.58%
4. Other liabilities	267.038	72,307	> 100.00%
of which from taxes	(191,481)	(57,311)	> 100.00%
of which related to social security	(2,641)	(5,247)	-49.66%
	924,077	**833,416**	**10.88%**
Total liabilities	**11,788,083**	**9,519,706**	**23.83%**

Consolidated profit and loss account

1 January to 31 December 2020

	Jan - Dec 2020 EUR	Jan - Dec 2019 EUR	Change
Total revenues	11,182,419	8,322,685	34.36%
of which sales revenue	11,015,718	8,182,537	34.62%
of which other operating income	166,701	140,148	18.95%
Expenditure on raw materials, auxiliary materials and consumables	691,477	399,827	72.94%
Expenditure on services received	544,890	450,710	20.90%
Personnel costs	5,711,582	4,451,155	28.32%
of which LSK Mecklenburgische Schweiz	3,791,726	4,101,397	-7.55%
of which LSK Fürstenhof	1,475,021	0	-
of which head office in Cologne	444,834	349,758	27.18%
Depreciation and amortisation of intangible assets in terms of property, plant and equipment	1,264,593	802,913	57.50%
Other operating expenses	3,396,729	2,757,716	23.17%
Operating result (EBIT)	**-426,851**	**-539,636**	**-20.90%**
Interest and similar expenditure	264,164	284,297	-7.08%
Financial result	**-264,164**	**-284,297**	**-7.08%**
Taxes on income and earnings	1,876	0	-
Earnings after tax	**-692,891**	**-823,934**	**-15.90%**
Other taxes	1,524	1,104	38.07%
Consolidated earnings in the period	**-694,416**	**-825,038**	**-15.83%**
Result for shareholders of the parent company during the period	**-694,416**	**-825,038**	**-15.83%**
Gross earnings in the period (EBITDA)	**837,741**	**263,276**	**> 100.00%**
Result per share (undiluted)	**-2.37**	**-2.81**	**-15.71%**

Consolidated notes for the financial year 1 January to 31 December 2020

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 (kEUR).

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 2020 apply to the parent company (abbreviated as 'LIMES AG') and the subsidiaries LIMES Schlossklinik Mecklenburgische Schweiz GmbH (abbreviated as 'LIMES SKM'), LIMES Schlossklinik Fürstenhof GmbH (abbreviated as 'LIMES SKF') and LIMES Schlossklinik Heiligenhoven GmbH (abbreviated as 'LIMES SKH').

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

Intragroup business transactions are eliminated; receivables and liabilities as well as income and corresponding expenses between LIMES AG and LIMES SKM, LIMES SKF and LIMES SKH 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 SKM and LIMES SKH 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 of operating and business equipment is calculated by means of the official tax depreciation tables. 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. Cash in hand and bank credit balances are each reported at nominal value.

Provisions

The provisions take into account all recognisable risks and obligations. They are reported at their settlement value, 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 disregarded.

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 2020

	Acquisition/manufacturing costs				Accumulated amortisation				Book values	
	1.1.2020	Additions	Disposals	31.12.2020	1.1.2020	Additions	Disposals	31.12.2020	1.1.2020	31.12.2020
EDP software	123,426.12	83,253.13	0.00	206,679.25	120,594.12	16,975.13	0.00	137,569.25	2,832.00	69,110.00
Goodwill	6,310,162.74	0.00	0.00	6,310,162.74	1,325,366.54	640,516.27	0.00	1,965,882.81	4,984,796.20	4,344,279.93
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**	**82,253.13**	**0.00**	**6,516,841.99**	**1,445,960.66**	**657,491.40**	**0.00**	**2,103,452.06**	**4,987,628.20**	**4,413,389.93**
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	226,565.58	59,104.00	0.00	285,669.58	955,500.00	896,396.00
Technical equipment and machinery	91,690.64	56,973.30	657.59	148,006.35	41,603.64	20,070.30	417.59	61,256.35	50,087.00	86,750.00
Other plant, operating and business equipment	602,651.08	2,397,822.88	2,902.94	2,997,571.02	394,812.08	527,926.88	1,702.94	921,036.02	207,839.00	2,076,535.00
Advance payments and assets under construction	710,485.45	1,029,924.40	1,739,681.53	728.32	0.00	0.00	0.00	0.00	710,485.45	728.32
Property, plant and equipment	**2,586,892.75**	**3,484,720.58**	**1,743,242.06**	**4,328,371.27**	**662,981.30**	**607,101.18**	**2,120.53**	**1,267,961.95**	**1,923,911.45**	**3,060,409.32**
Fixed assets	**9,020,481.61**	**3,567,973.71**	**1,743,242.06**	**10,845,213.26**	**2,108,941.96**	**1,264,592.58**	**2,120.53**	**3,371,414.01**	**6,911,539.65**	**7,473,799.25**

Current assets

Receivables and other assets: all receivables fall due within one year. With the exception of a partial amount of 12 kEUR for security deposits, all other assets fall 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 outstanding holiday entitlement (67 kEUR), record-keeping requirements (1 kEUR) and the preparation of annual financial statements (38 kEUR).

Liabilities

The liability items have the following remaining terms to maturity:

	31.12.2020		
	Amount €	Up to 1 year	1 - 5 years
Liabilities to financial institutions	3,850,002.06	2.06	3,850,000.00
Advances received	65,576.00	65,576.00	0
Accounts payable trade	591,460.59	591,460.59	0
Liabilities owed to affiliated companies	0	0	0
Other liabilities	4,493,038.25	267,038.25	4,226,000.00

Liabilities to financial institutions are secured in the sum of 3,850 kEUR subject to normal banking terms through the assignment of claims and the assignment of fixtures and fittings.

Notes on the profit and loss account

Revenues

The revenues consist exclusively of income from medical and nursing services in the sum of 11,016 kEUR.

Taxes on income and earnings

Only corporation tax (including the solidarity surcharge) in the sum of 1.9 kEUR is payable for 2020 on account of the losses carried forward by the companies and/or the limited loss deduction amounting to 1,017 kEUR.

Additional information

Employees

Average number of staff employed during the financial year:

	Reporting year
Full-time employees	99
Part-time and casual employees	26
Trainees	1

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 16 full-time employees.

Other financial obligations

Other financial obligations arise from long-term rental and lease agreements in the sum of 16,363 kEUR.

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 hospitals in terms of possible restrictions. Up to the date when the annual financial statements were prepared, the hospitals were continuing to operate fully under the highest standards of hygiene.

The Management

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

Shareholder structure

GMF Capital GmbH	80.21 % (No consolidated financial statements have been prepared)
Streubesitz (Free Float)	19.79 %

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 2021

Dr. Gert-M. Frank

Certification by the auditor

We have issued the following audit certificate dated 21.4.21 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 31.12.2020 appended to this report 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 2020, the consolidated profit and loss account for the financial year 1 January 2020 to 31 December 2020, 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 2020 and of its profit position for the financial year from 1 January 2020 to 31 December 2020.

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 the Group may no longer be able to continue as a going concern in consequence of future events or circumstances;

- 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, 21.4.2021

B-S-H Collegen GmbH

Wirtschaftsprüfungsgesellschaft
Signed
Ralf C. Bühler, Business Graduate
Auditor

2021 CORPORATE CALENDAR

2020 Consolidated financial statements	14 May 2021
2021 AGM	11 June 2021
2021 Half-year report	20 September 2021

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