



RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

30TH ANNUAL GENERAL MEETING 2018 OF RHÖN-KLINIKUM AG

Speech by Stephan Holzinger
Chairman of the Board of Management

Bad Neustadt a. d. Saale | 6 June 2018

- Check against delivery -

1. Welcome / some personal words by way of introduction

Dear Shareholders and Shareholder Representatives,
Dear Media Representatives,
Dear Guests,

On behalf of the Board of Management and the employees of RHÖN-KLINIKUM AG, I am very pleased to welcome you to our Annual General Meeting for 2018 – the 30th in our Company's history as a stock corporation.

Our Articles of Association provide that we may hold annual general meetings at a stock exchange or at the Company's headquarters. For the first time we have decided to hold our Annual General Meeting in Bad Neustadt. And for that there were many good reasons: the most obvious one being the significant cost savings here compared with the Jahrhunderthalle venue in Frankfurt am Main. The stock marking listing is and remains important, only it has taken on a different significance in view of the fact that currently three shareholders together hold over 70% of the shares. But the case for choosing Bad Neustadt as the venue was also supported by the fact that, when we opened as a psychosomatic clinic in 1975, back then in the form of a limited liability company (GmbH), we had, particularly here, ventured into uncharted territory within the German hospital sector and thus gave the impetus for a new development in the industry. By the way, today already some 35% of hospitals in Germany are under private ownership. In 1988, i.e. 30 years ago, we took on the legal form of a stock corporation, setting the stage for creating the basis for becoming the first hospital operator in Germany to be listed on the stock exchange. Since then RHÖN-KLINIKUM AG has served as a symbol and model for many successful medical and organisational innovations in the relentless effort to provide patients with high-quality but at the same time efficient medical care – in short, in line with taxpayers' desire not to waste valuable resources. That is why the new Campus Bad Neustadt that will be put into operation at the end of the year is another milestone not only in the history of this Company but also in the sector: to this day, no other company within the hospital sector has implemented on such a scale a similarly revolutionary concept for ensuring the best possible healthcare delivery to patients in rural regions, but more on that later.

We have thus run full circle here: the nucleus of our new model of success for medical care in rural regions is emerging here once again in Bad Neustadt, and it is from here that we want to expand it in future to other regions of the country.

It is also important to mention that the many decades of the Company's positive development, especially here at our headquarters in Bad Neustadt, would not have been possible to such extent without a very constructive collaboration with the State government, the district and the town, as is the case with many other municipal and regional institutions. Today I therefore take the opportunity to express my sincere thanks on behalf of the Board of Management to the many representatives present here as guests for their steadfast cooperation over the past decades that has been geared to the interests of the population and patients.

Ladies and Gentlemen, before beginning with the usual reporting at our Annual General Meeting, please allow first of all to provide you with a brief overview of what state our system is from a bird's eye perspective – I will limit myself to specific aspects for time constraints. In this country we are now spending more than one billion euros on healthcare services every day. That is a lot of money.

But do patients really receive premium services in return? In many places and in many cases, I would say: yes.

But a comparison with other countries, though revealing a good healthcare offering overall, shows that we simply don't have an efficient healthcare system. Too much money is still being squandered in the system and is not always going towards the best-possible care for patients and contribution payers. Historical vested interests are being defended tooth-and-nail. Legions of lobbyists are daily working hard to make sure that nothing, or as little as possible, changes. In this country, our problem is not one of identification but of implementation. This is because all stakeholders in the system have long been aware that:

- a) the system of flat case rates, i.e. diagnosis-related groups (DRGs) no longer adequately reflects the complexity and dynamic nature of healthcare as it is known today and that the DRGs fail to objectively reflect regional and structural differences. Please don't get me wrong here. This system did serve us well in the past: it ushered in a more performance-based remuneration. Many inefficiencies in hospitals were addressed after services were remunerated exclusively on a flat rate basis. That said, though, a new remuneration system has been overdue. Unfortunately, instead of focusing attention on this politicians are getting lost in small, and yet hard-fought "mini-reforms" and legislation aimed at making improvements only to the details. We often cast an envious glance at countries like Denmark or Estonia which have designed a national healthcare and hospital plan, have backed it up with vigorous efforts and have implemented it consistently.

- b) everyone has also long been aware that most hospitals are witnessing the erosion of their capital base due to chronic underinvestment and are using funds actually earmarked for patient care to pay for investments. Investments in building modernisation and new medical technology – also as a basis for justifiable increases in quality requirements – are not being made. But not new regulatory conditions for operators being introduced by the legislature, such as in data protection or cyber security. The German hospital sector now has an investment funding backlog of some 3-5 billion euros annually. This figure relates only to the underfunding with reference to traditional investments. It does not even take account of the additional requirement from disruptive technologies such as digitalisation. In the EMRAM score measuring the degree of digitalisation of hospitals on a European comparison, Germany – on a scale of 1 to 7 – barely scores 2.2, behind Turkey and Spain. Denmark is the leader, scoring 5.3. We can only barely imagine what huge investment backlog might be lurking in the shadows of Germany's poor position on an international comparison. At the same time, the digital transformation of the healthcare industry, if it were only implemented intelligently and participatively, would bring about higher-quality and safer healthcare for patients but also greater efficiency in clinical processes. It is set to play a key role in further developing the existing system. That is why it is all the more incomprehensible that frequently, and in many places, we ourselves still have to fight to get the basic conditions needed for digitalisation such as high-speed Internet and stable mobile communications connections, particularly on the countryside. Just in passing, it should be noted that the proposal from politicians that people in Germany should embark on an app-assisted "hunting for dead zones" in mobile communications coverage is symbolic of the widespread game of "passing the buck". All providers of course have detailed data on their network coverage. In that sense the idea of mobile phone users having to report via the mobile communications network by app whenever they find a dead zone in coverage, i.e. have no mobile network service, seems rather absurd.

c) everyone has also long been aware that quality, which is something we all want, takes more than just state-of-the-art infrastructure and state-of-the-art medical technology in outpatient centres and in the hospital. But above all qualified staff. And also attractive working conditions. We are in a huge competition for many different specialists, not only in the field of IT and not only in our own industry. As an employer, we have great responsibility to create attractive workplaces and working conditions – and here, too, we will have to take new paths, for example in providing additional affordable residential space for e.g. our nurses – so as to increase their loyalty to us. In the overall scheme of things, that is far more cost-efficient than having permanently closed beds due to staffing shortages.

Society and politicians will also have to make an important contribution in this regard. It seems grotesque for politicians to repeatedly call for more attractive remuneration for nursing and greater recognition for that profession, if at the same time constantly increasing requirements being brought in by the legislature and self-governing bodies have been moving nursing staff further and further away from their work with people, under catchphrases like: administrative documentation, patient-based documentation, answering questions from the Medical Review Board of the Health Insurance Funds, quality assurance reporting, statistical data and not to forget, of course, taking care of data protection declarations. Most nurses I have spoken to deliberately decided for a profession in which they put themselves in the service of people – i.e. not for bureaucracy but for empathy.

In connection with qualified staff, we make this appeal to faculties of medicine and other training institutions: reform your curricula and create new professional models! In just a few years, students of medicine now in their studies will be confronted with an employment market in the healthcare sector and above all at the hospital that no longer has very much in common with the strict sectoral separation between outpatient and inpatient services and the existing professional model of many physicians and will be characterised by a high level of digitalisation. Here, reforming antiquated curricula is just as important as creating new curricula and training courses for new professional models: in future we will need many specialists such as medical data analysts, and equally nurses who know how to use nursing robots, doctors for telemedicine and exoskeleton technicians in rehabilitation. Closer collaboration between medical and IT faculties, post-secondary institutions and vocational schools, politicians and companies is overdue here. Of course, for this important cause we will involve the works councils in shaping these developments.

Ladies and Gentlemen, those are just a few examples that reveal the political-legislative and academic framework conditions and areas in which action needs to be taken. We at RHÖN-KLINIKUM neither have the boldness to claim we can change this system alone nor the belief that the huge forces of self-perseverance in the system are about to run out of energy or that the guardians of vested interests will run out of money.

But we do have the entrepreneurial courage to take new paths where no one before us has gone. We are currently proving this with the Campus Bad Neustadt and with many different specific measures taken with a view to the Company's digitalisation. It is only with this courage that we will once again succeed in what we can see as a historical obligation: continuing to be a trailblazer for state-of-the-art healthcare delivery in Germany!

2. Financial year 2018, business performance and general environment

Let me begin with the current financial year: We made a good start into the new year and succeeded in raising consolidated profit in the 1st quarter of 2018 by nearly 25 per cent. For us that is a sign that we are on the right path. Our focused group strategy and our intensive efforts to tackle operative challenges from past years more comprehensively and consistently than in the past are gradually starting to pay off, and the results achieved so far can give us strength and encouragement – in particular also, by the way, not to slack off now.

In the first quarter of 2018 we treated a total of 216,602 patients at our hospitals, which translates into an increase of 2.1 per cent, and generated revenues of 311.7 million euros. Earnings before interest, taxes and depreciation/amortization (EBITDA) stood at 27.6 million and the resulting consolidated profit at 10.4 million euros or a gain of 23.8 per cent; this does not yet include the positive effects from the successful agreement on separate accounting with the Federal State of Hesse and the two universities of Giessen and Marburg. The final condition for entry into force of the agreement with the Hesse State Government and the two universities of Gießen and Marburg has been delayed, but we expect this to occur in the autumn. We will then be able to effectively record the financial inflows: just by way of reminder, under the terms of the settlement of the dispute we will now receive an inflow of € 92 million over a period of five years. This amount is already included as a commitment appropriation in the Hesse Biennium for 2018/19. We therefore maintain our forecast for 2018 for revenues of roughly 1.24 billion euros and EBITDA of between 117.5 million euros and 127.5 million euros, or an increase in EBITDA of at least 16% over 2017.

The healthcare policy environment will once again have a direct impact on business performance and the Company's development. In financial year 2018 alone, we expect -4.2 million euros in regulatory discounts which unfortunately will put a direct drag on our result. We are particularly hard hit by such interventions by the State given our medical focus.

Only recently, specified key elements of the emergency programme for hospital and old-age nursing were published by the Grand Coalition. As of 1 January 2019, these provide among other things for far-reaching changes in the area of hospital financing.

For example, for nursing at the hospital floors for nursing staff will be gradually introduced for all inpatient wards. The Company is critical of such rigid floors for nursing staff for many different reasons. They represent an additional regulatory interference with independent hospital management and entrepreneurial freedom.

It is not completely clear at this time what financial impact will actually be entailed by introducing floors for nursing staff at all inpatient wards. It is very likely that entrepreneurially run hospitals will not be among the winners. That is – as desirable as any additional financial contribution for hospitals might be – an absurd side effect; it is to be hoped that this is not part of some healthcare policy calculation. That is because the project of the Grand Coalition could turn out to be a regulatory fiasco.

Moreover, it is time and again overlooked what a new study has just succeeded in demonstrating once again:

- An analysis of data from the association “Initiative Qualitätsmedizin” (IQM) reveals the better quality amongst private operators. And there is precisely no correlation between the number

of nursing staff employed and quality.

- Private operators achieve higher service volumes than other operators as measured by case mix points.
- Private and non-profit operators employ fewer nursing staff compared with municipal operators. And yet private hospitals have the highest proportion of full-time positions in nursing service.
- The investment strength of private operators is higher than that of the public and non-profit operators.

There is also hope that the subject of emergency care will result in a realignment of responsibilities in this area, especially in outpatient care. The fact that hospitals are to be allowed equal participation in the organisation of outpatient emergency service is something to be welcomed. But parallel to that, an adjustment in the remuneration mechanism is also required; in that case this provision could also be of benefit for RHÖN-KLINIKUM AG – at the moment, at least, the overcrowded emergency wards are an economic burden for us. Improved remuneration of general emergency care at the hospital would at any rate benefit the Company's facilities.

One other thing that should be pointed out is that from 1 January 2019 health insurance contributions are once again to be paid in equal measure by employers and employees, that is: The additional contribution is to be financed on a parity basis. In this context, companies are expected to face not insignificant additional costs in the medium term, especially when the principle of stable contributions will be violated due to the other benefits promised under Coalition Agreement.

The 121st Germany Medical Assembly (Deutsche Ärztetag) recently resolved to expand the ways in which patients can consult a doctor without actually having to go to the doctor: what is known as the prohibition on telemedicine is to be relaxed in future, paving the way for tele-treatment of patients. We welcome this development and are examining the impact it will have on our Company, even though it is likely to take some time to implement the resolution and lift the prohibition and work out all the practical aspects.

3. Review of financial year 2017

Allow me to give you an overview of the past financial year.
We met our targets for growth and earnings for 2017.

A total of 840,000 patients were treated at our hospitals and medical care centres (MVZs) in financial year 2017. At the same time, we generated revenues of 1.21 billion euros and EBITDA stood at roughly 98 million euros. We thus met our targets in the forecast published for 2017 – that that even though financial year 2017 was marked by intensified regulatory challenges and by extraordinary effects such as the reorganisation of the Board of Management or efforts being stepped up in the area of the digitalisation strategy. At this juncture I would recall that the higher earnings of the previous years were attributable to the positive delayed one-off effects of the Fresenius/Helios transaction of 2013/14. For the first time, this was no longer the case in 2017.

In financial year 2017, RHÖN-KLINIKUM AG – right after I assumed my mandate in February – equally devoted efforts towards improving its operating efficiency as well as important strategic projects of

the future, such as the impending start-up of the new RHÖN Campus Bad Neustadt a. d. Saale, the refurbishment of Klinikum Frankfurt (Oder) to the future campus as well as the Company's digital transformation. For details, please refer to the current Annual Report.

Moreover, over the past year we succeeded in resolving the dispute that had persisted with the Hesse State Government and the two universities of Gießen and Marburg for around ten years over what is referred to as separate accounting. The main issue here was the reasonable remuneration of services for research and teaching for the privatised university hospitals of Gießen and Marburg (UKGM) belonging to RHÖN-KLINIKUM AG. As of 2017, UKGM will benefit among other things from an **additional remuneration** of the research and teaching mandate by the Federal State of Hesse in the amount of **15 million euros per year**.

At the last Annual General Meeting, I had announced to you the launch of several projects to improve our operating efficiency: we cannot yet be happy with these – despite additional direct burdens on earnings from regulatory provisions.

As part of our action plan we have launched for example a project for securing revenues or reducing avoidable losses from audits by the MdK (Medical Review Board of the Statutory Health Insurance Funds). These are invoice claims and reductions by the MDK – this is having a significant effect on the entire industry and is thus not an issue specific to RHÖN-KLINIKUM. We have recognised that as a result of incorrect documentation or poor knowledge we have witnessed an increasingly high complaints ratio on the part of the MDK, and this is hitting our bottom line. Based on precise analysis, among other things by the Internal Audit department, we have identified the many different causes and have set about consistently addressing these with an action plan. We have among other things stepped up our internal training courses, made available the improved knowledge to all coding specialists within the Group, systematised feedback to the treating departments relating to invoicing issues, and linked compliance with the new approaches to target agreements with executive employees. And we are now – following a successful test run – for the first time implementing intelligent algorithms in invoicing and likewise in the area of invoice control. This is making our invoices more complete and more correct. We believe that this will enable us to avoid judicial and extra judicial disputes with the MDK which in many cases go on for years.

Another measure which we have been giving priority to relates to materials management. In order to provide all our patients with first-class medical care, we have to provide our doctors and nurses with valuable products and press ahead with innovations development – without at the same time paying unnecessary amounts of money. Here, quality and cost-consciousness are not two mutually exclusive things. Quite the contrary: doctors first of all make a decision regarding the product portfolio most suited to ensuring quality for our Group hospitals. But then our purchasing staff then ensure that the care provided to our patients at the same time remains affordable by entering into intelligent price negotiations and contracts.

In so doing, we ensure freedom of choice in medical treatment and innovative strength by applying what is referred to as the 80:20 rule whereby 80 per cent of the products used are standard products with the other 20 per cent being individual and innovative products. The medical expert panels and standardisation groups play a key role in this area. With pooled physician expertise, our medical professionals distinguish by consensus between pseudo-innovations on the one hand and new treatment methods and procedures sensible from a medical viewpoint on the other.

A further measure falling under the area of materials management is for example the audit of the existing servicing and maintenance contracts within the Group. Here, too, we have identified various

aspects with potential for improvements in medical technology equipment in which we question performance scopes and try to optimise existing contracts.

For us, particularly as a provider of high-quality medical services such as neurology, cardiology and oncology, the quality of care is of the utmost importance – also because that is the only way we can win over and retain the trust of patients. To make quality more transparent, we measure a whole range of quality criteria that have to be observed. That relates to both criteria prescribed by law and Group-internal criteria. Through a centralised controlling & benchmarking instrument referred to as the RHÖN Quality Cockpit, the results of the most important quality indicators are continuously monitored and compared within the Group. The RHÖN Quality Cockpit thus serves as a basis for deciding on quality assurance and improvement measures.

For further improving patient security, a clinical risk management function was established and approximately 30 employees trained as clinical risk managers throughout the Group. The selection procedure for a software program for a facility-internal error reporting system and risk management has now been concluded.

Since the legitimate expectations of patients are growing all the time, we intend to publish relevant findings of our quality monitoring on the websites of the hospitals and/or hospital wards, such as level of medical quality, level of patient safety (incl. infection rates) and the evaluation of patient satisfaction.

In addition to interfacility measures, there are also some new developments at specific hospital sites to report on from financial year 2017:

Highlights from the hospital sites

For some years we have been adjusting to the long perceptible consequences of demographic changes at our site in Frankfurt/Oder. These changes are being felt more strongly in the primarily rural regions of Brandenburg than elsewhere.

With that in mind, we are currently investing 60 million euros in the context of a modernisation and restructuring concept. At the end of June 2017, we were able to open a further building section with what is called the 1C Building. The eight-storey new build, at nearly 13 million euros, is the most extensive single project amongst the building measures. The building houses the neonatal ward, a sleep laboratory as well as laboratory rooms and ward-proximate physician rooms as well as a palliative care ward. By 2021, we will expand the scope of services to establish a state-of-the-art healthcare campus. We thus demonstrate that the campus project, in which we bring together community practitioners, an outpatient and inpatient centre as well as many other service providers at a single location, is also something that can work with a suitable existing hospital.

We place special emphasis on the expansion of geriatric care and on expanding the Campus approach to geriatric medicine. Our geriatric unit has made positive headlines beyond the Brandenburg State borders. The underlying realisation of the geriatric unit is simple: elderly patients need a different kind of treatment compared with younger patients. A different atmosphere is needed, more time, and especially: multi-faceted thinking, empathy and a willingness to act.

For RHÖN-KLINIKUM AG, the subject of geriatrics – at our other hospital sites as well – has taken on a significant strategic importance in view of a greying population. If we wish to continue to position

ourselves as a successful provider of maximum care in rural regions, we must develop viable future concepts for elderly patients.

Let me highlight the Bad Berka site in Thuringia: as competence centres, our paraplegic centre there and the clinic of paraplegiology and neuro-urology enjoy an outstanding reputation at the national level.

Here, too, we are shaping the future for medical care at the highest level. With our exoskeleton technology – a kind of robot suit for walking – we offer patients a greater quality of life. The orthosis, we is strapped on like a corset, provides walking support that has previously been precisely tailored to the patient. The walking robot allows patients to take small steps back into life; they are more independent and are once again better able to cope with day-to-day life. This innovative therapy is combined with a treadmill to practise walking and to analyse the patient's movements. We have now also been using the technology at our Neurology Clinic in Bad Neustadt. This combination of therapy and analysis is the first of its kind nationally, and accordingly has attracted patients from throughout Germany.

You can see how innovations at our sites improve the lives of patients significantly. If you wish to learn more about this therapy, I can recommend to you a moving video clip on our website.

In the past 17 years, Zentralklinik Bad Berka has also developed into one of the most important NET centres in Europe and the world. NET stands for neuroendocrinal tumours. These are special forms of tumours which are rare as well as very diverse and complex in terms of their clinical picture. In September 2017 the new radiopharmacy was inaugurated. A radiopharmaceutical is a drug used in nuclear medicine. 11 million euros was invested by RHÖN-Klinikum AG and the town of Bad Berka in the newbuild. The hospital thus has one of the most modern facilities in Europe. Housed on 1,300 sqm are the laboratories in which eight different drugs are manufactured. Twelve employees, including chemists, engineers, technicians and medical technical assistants produce the radiopharmaceuticals for diagnosis and treatment of patients with neuroendocrinal tumours (NET) or metastasing prostate carcinoma, and increasingly also for diagnosis of neurological diseases such as dementia as well as for finding answers to diagnostic issues relating to the cardiovascular system.

Some 3,300 patients from Zentralklinik, including more than a hundred patients from abroad, are helped each year from the medications manufactured here. Up to 12,000 additional patients can be provided with care in other hospitals and practices thanks to the expanded production capacities of the new radiopharmacy.

To preserve and once again enhance the efficiency of the very traditional site in the long term – the hospital's origins go back to 1898 – we are currently developing in close dialogue with the physicians there to develop a permanently viable medical strategy particularly in view of the competitive situation that has intensified in recent years. In May, my colleague Dr. Weiß assumed responsibility for this site and conducted a thoroughgoing analysis. We are now starting out with a fresh wind of change in Bad Berka, among other things with a new commercial management as well.

Our university sites of Giessen and Marburg achieved some important new milestones over the past year; of course, I can name only a few select examples here:

At the university hospital of Giessen the “Intergenomics” – the centre for integrated genome medicine for innovative diagnosis and personalised treatment of cancer conditions in children and adults – was established.

It might sound like science fiction, but will soon become reality: just one small blood test is all it takes to tell whether or not a patient has cancer.

With what is referred to as a “liquid biopsy“, tumours can be detected in the blood, thus sparing patients the ordeal of stressful examinations. As when a simple blood sample is taken, the crook of the arm is punctured, a few drops of blood flow into a vial – and viola. It takes only ten millilitres of blood to find out whether for example a tumour has returned or its DNA has mutated. X-rays, MRIs, tissue samples are then no longer needed.

The liquid biopsy has not yet become a standard procedure and its use at the university hospital in Giessen is imbedded in a scientific study in which the findings of blood tests are being compared e.g. with pathological tissue findings. In the interdisciplinary research project “RKA Netzwerk Genommedizin” (RKA genome medicine network), over 500 lymphoma patients are currently being checked. If the procedure should prove itself in lymph node cancer, the plan is to apply it to other types of cancer, such as prostate and breast cancer. The centre is currently working together closely with all hospitals from our Company and moreover with regional hospitals and doctors’ practices.

In October, the cardiac hospital Herzzentrum Marburg put into service a robot-assisted multifunctional angiography system at the new interdisciplinary catheter department. This unit is used in minimal-invasive heart and vascular surgery, interventional radiology and cardiology.

The new technology and related shorter fluoroscopy times means less stress on patients from the use of contrast agents and lower radiation levels.

It is particularly suitable for patients who e.g. have been previously affected by multiple diseases or who in the past have not been able to benefit from minimal-invasive operating methods due to their physical constitution.

This year we are paying very special attention to our Bad Neustadt site.

In March 2017 we celebrated the topping out ceremony for the Centre of Clinical Medicine on the Campus and in March of this year the topping out ceremony for the Centre of Outpatient Medicine. At the end of 2018, the first construction stage in implementing the RHÖN Campus concept was completed. This relates to the centralisation of the acute medical departments, the Centre of Outpatient Medicine, the refurbishment of the atrium (former glass dome of the Psychosomatic Clinic) as well as the car park. In a first step this will enable us to implement in practice a differentiated outpatient-inpatient integration in the interest of patients and a modernised flow principle. As you can see, preparations for putting into service the Campus newbuild at the end of the year are in full swing.

Further elements, e.g. the refurbishment of rehabilitative areas or the establishment of an outpatient OR centre will follow in a second construction phase.

At the single hospital site we will integrate outpatient and inpatient offerings as well as numerous medical services and care offerings that hitherto were both spatially, and above all systemically separated from one another.

In 2017 we celebrated the 25th anniversary at our Hand Surgery Clinic. That is something colleagues can be very proud of. They have performed over 140,000 hand, wrist, lower arm and elbow operations. Over that period, nearly a million patients were treated on an outpatient and inpatient basis. We are also proud of the experience gained from training more than 50 surgeons, orthopaedists and trauma surgeons as hand surgeons and more than 100 junior assistants. On the occasion of this anniversary, an international symposium was held at the Campus in June with speakers from the US, Japan and Europe.

Also in the area of hand surgery, we can look back at numerous successes at the Bad Neustadt site. In 2017 a new operation simulator was developed in Bad Neustadt that is designed to help aspiring surgeons to learn difficult operating techniques.

For innovations to find their way into daily clinical practice, heart surgeons of RHÖN-KLINIKUM AG not only work on operation simulators but are also involved in their development. The team of the Clinic of Cardiology at the cardiovascular clinic Herz- und Gefäß-Klinik Bad Neustadt has succeeded in developing a simulator for three-dimensional endoscopic mitral valve surgery.

Ladies and Gentlemen,

on behalf of my Board colleagues, I would like to express my thanks for the past financial year 2017:

- to the many patients who have put their trust in us;
- to our employees for their outstanding dedication and performance;
- to the members of the Works Council for their valued work;
- to the Supervisory Board for the constructive collaboration, and
- to you – our Shareholders – for the trust you have put in the future prospects of our Group and the value you attach to your stake in it.

4. Share and dividend

In 2017 the share price performance was marked by generally high demand for second-tier stocks as well as public speculation on the major shareholders. The share ended the stock market year at a closing price of 29.88 euros.

During the current financial year, the share price of the RHÖN-KLINIKUM AG initially continued its positive trend, reaching a new all-time high of € 32.12 on 31 January 2018. In the months that followed, however, in the context of lower average trading volumes, the share price stabilised within a corridor of between around € 26 and € 27. On the day before the AGM, the closing price of the RHÖN share stood at € 26,74.

The Supervisory Board and the Board of Management propose to distribute a dividend of 22 cents per non-par share with dividend entitlement. By maintaining the pay-out ratio of the past years of around 40% of consolidated profit, our Company is securing its capacity to invest in the medium term and at the same time enabling a reasonable participation of shareholders in the Company's success. Based on the current number of shares in circulation in the amount of € 66.94 million, that translates

into a dividend total of around € 14.7 million. Our dividend policy is geared towards both long-term value enhancement and sustained earnings strength of the Company.

This also gives the Company the necessary scope for future investments such as in further digitalisation measures, new business models in the field of telemedicine and enhancing our attractiveness as an employer – a subject on which the Board also has increasingly been focusing attention in recent months. Currently, we are developing a multifaceted action plan for all services on the basis of an interfacility analysis.

And by the way, seeing we are already on the subject of historical reminiscences: since October 1991 the share price of RHÖN-KLINIKUM AG has increased nearly 34-fold, which translates into a performance of 3,267.74% and includes dividend payments and capital-adjustment measures of the last 27 years.

5. Corporate strategy and outlook

Ladies and Gentlemen, where is RHÖN-KLINIKUM AG heading, and what sets it apart from its competitors? Before I give answers to those questions, I would first like to put to you the following one in the specific context:

1. Medical care is becoming outpatient care! This trend is evident – it is being driven by advances in medical technology and technologies replacing inpatient structures. We are already in the midst of this structural transformation. With the trend towards outpatient care, the biggest structural deficit of the German healthcare system, strict separation between the outpatient and inpatient sectors with all the frictions this entails at the boundaries between sectors and their different regulatory frameworks is being pushed more and more to the forefront of healthcare policy debates.

We continue to witness rapid advances in the field of medical technology. Such innovations range from the first heart-lung machine (1953), the first artificial heart (1969) and the first catheter-based heart valve replacements (2002), which today enable us to treat diseases that only a few decades ago meant certain death. Currently, a patient in Gießen suffering from a high-degree leak in the heart valve was provided with a new MitraClip. Use of this technology – the edges of the valve are stapled together – is not new. But what is new is the technological innovation enabling a less strenuous procedure for patients. The patient in question was able to leave the observation ward already the next day.

2. The importance of telemedicine, e.g. cardiovascular telemedicine, will continue to grow significantly. In future, patients will perform their ECG at home and send their data to their doctor over the Internet, who will view and assess the ECG. The data will be transmitted to the electronic patient file automatically. Pre-care as well as post-inpatient after-care. Telemedicine on the one hand can support the important integration of the inpatient and outpatient areas. In future it will enable more new care concepts under the “hospital at home” motto. But also outside physician care, telemedical procedures are sensible. For example, it is already offering many different application options in nursing. The extensive demise of the tele-treatment prohibition will enable new care concepts which will ultimately culminate in changes in patient flows.

3. Increasing digitalisation of social life is shaping the demands and expectations for modern healthcare provision significantly and at the same time is offering opportunities for a more efficient healthcare system. In future, it will more often be possible thanks to networking and processing of healthcare data to design better diagnosis procedures and therapies tailored to the individual. Research and care stand to benefit equally from this development, all in the best interests of patients. The potential of medical data is huge. Medical care and IT are increasingly merging.

The German government is funding medical information projects, such as MIRACUM. This consortium has set itself the goal of launching innovative research projects and thereby making improvements in medical care. Eight university hospitals from five federal states are establishing networked data integration centres for this. Imaging diagnostics, genetic and molecular examinations are amongst the information from the hospital that MIRACUM networks in order for example to enable more effective treatment of brain tumours in future. With the planned data analysis patients can be assigned to different subgroups with a greater degree of precision, making it possible to provide them with more specific treatment. It am very pleased to be at the leading edge of such developments also with our two university hospitals in Giessen and Marburg.

4. The shortage of specialists among physicians and nurses, but also in basic central functions such as IT, in addition to the need to deal with disruptive technologies such as digitalisation, are confronting the management as employer with big challenges. At the same time, the shortage of staff is becoming an key driver of further digitalisation and automation in the healthcare system. The significance of nursing robotics, for example the use of intelligent nursing beds and nursing robots, is also set to increase.
5. The regulatory requirements for rising quality standards and minimum service volumes for procedures at hospitals, something which in principle is welcome, are providing for better care of patients, but at the same time are having the effect of a silent driver of a market shake-up given the still excessive number of hospitals in Germany, especially small ones. The demographic situation that is set to exacerbate significantly from 2024 will certainly act an a catalyst in this context.

RHÖN-KLINIKUM AG is embracing these challenges actively and with dedication. We can and will no longer wait, but are moving forward. More precisely, this was and is the primary logic behind the transaction running into the billions entered into with Fresenius/Helios a few years ago: parting with the “old” system so that the Company, on a debt-free basis, could shape the healthcare system of the future entrepreneurially with a high equity ratio and cash reserves.

With the Campus Bad Neustadt, we are creating by the end of 2018 a prototype of patient care for tomorrow in which, instead of making patients run back and forth between their GPs and specialists for days on end and to receive findings by fax or mail, we offer patients top notch diagnostics and quick, objective therapy – depending on the degree of severity – in the outpatient and inpatient context, supported by state-of-the-art digital tools and an electronic patient file.

After the successful start-up of the Campus Bad Neustadt, the aim is to establish such projects throughout Germany rurally. We have already identified several suitable regions and are currently holding the first exploratory talks. What is clear is that this is a slow but sustainable organic growth strategy that no longer has, nor can have anything to do with the former strategy of growth on the

back of hospital acquisitions in the 1990s. We are committed to sustainable, organic growth, to quality instead of quantity.

We are pressing ahead with the digital transformation of the Company, but at the same time are not letting ourselves get carried away by the general digitalisation hype. We are focusing our attention on what is feasible and sensible here and now. With the piloting of digital anamnesis and the possibility of making appointments online at the Bad Neustadt site, we are offering for the first time digital patient services that actively bring patients in direct contact with digitalisation within our Group. We are currently adapting our electronic patient file to the growing requirements of community-based practitioners and our hospitals. The aim is to make it possible for all stakeholders involved in the treatment process of our patients are provided with the relevant information from patients' medical history at all times to ensure they receive the best possible, and prompt medical treatment. At the same time, still existing sectoral boundaries may not be allowed to become data boundaries. All this is being achieved of course in strict compliance with data protection regulations.

To make use of the volume of information and documents at all, we have developed a Medical Cockpit which enables our medical employees to make semantic searches and thus conduct efficient research – also in extensive patient records. We thus commit ourselves proactively to the problem of targeted and fast identification and visualisation of specific information out of primarily unstructured, very large volumes of data. The Medical Cockpit thus generates high value-added for the doctors and nurses engaged with patients, especially when combined with the aforementioned, newly introduced universal archive and our electronic patient file. This will raise the quality of treatment and make it safer. After the launch in Bad Neustadt, we intend to roll out this tool at all the Group's sites as quickly as possible.

A further field of application for semantic software is assistance with DRG coding. At the Frankfurt (Oder) site, we have used this to lift revenues considerably and are now introducing the software at all sites given its tremendous success. This program extracts from existing documents coding-relevant expressions and generates recommendations. In this way we assist the largely manual coding process in use to date. We also ensure that our consumption of resources is adequately recorded and that we can collect the same from payers to an objective extent. A further software program additionally checks the correctness of the invoices.

Also in day-to-day clinical processes, we want to introduce improvements through low-threshold digitalisation measures. In this way we are piloting a messenger service to improve quick cooperation between doctors, e.g. between the head physician on duty. This solution allows us, in compliance with aspects of data protection, to transmit finding and image data quickly and easily and in this way to quickly obtain a second opinion, better than by phone. For us, digitalisation is never an end in itself; rather, we see in it a clear opportunity and need to use it to raise the quality of treatment for our patients and to reduce the workload of our employees in all areas of administrative tasks.

Moreover, digitalisation has also made its way into the nursing area: In Giessen we are also setting great store by a software likewise based on intelligent algorithms that departs from the traditional patient call using the red button. With this software we enable patients to make differentiated nursing calls, from calls signalling an emergency, or e.g. empty infusion bags, and even to request a flower vase. In this way we can assist nurses in prioritising their work processes sensibly and structuring them better.

This, Ladies and Gentlemen, are just some examples of how we can specifically address this future issue at RHÖN-KLINIKUM AG. Many of these measures are managed by us for the most part through

our new centralised Digital Transformation department– in this regard it is very important for me to emphasise that with us, doctors and IT specialists are shaping these important processes of change together. It is only when we gain acceptance of doctors, nurses and administrative staff, among other things through noticeable reductions in workloads that these efforts will come to fruition in the long term. And it is no less important that we are putting the gradual digitalisation of the Company on such a solid IT basis. Here, as an IT audit revealed last year after I assumed my mandate, we have a backlog which we have been quickly addressing by a comprehensive IT overhaul programme, a new team and a new interfacility management of IT within the Group.

When I say “We are focusing our attention on what is feasible and sensible here and now”, that does not mean that we are disregarding potential developments of the future: we are watching very closely developments in the use of artificial intelligence, for example in what are referred to as imaging procedures, i.e. in radiology for example, and in the use of such systems to assist doctors with diagnosis, in the light of the dramatic increase of medical knowledge in the world. Today it is not at all foreseeable which business models will emerge prospectively for the Company out of the assessment of the immense volumes of medical data.

Ladies and Gentlemen, RHÖN-KLINIKUM AG – and this is part of this Company’s corporate DNA – is proactively shaping, and not merely enduring, the sweeping changes in the healthcare sector. We are no longer taking part in the sometimes questionable optimisation of the old system, the future viability of which for us is more than just in doubt, to somehow squeeze out the last percentage point of efficiency from that system. But that does not mean that we stop putting our resources to the best possible use and being good stewards of such resources in everyone’s interest.

We are, and this is something I have clearly shown you, in a process of transformative change towards a new, modern and actually patient-focused care delivery offering. This change – like any venturing into uncharted territory – sometimes also involves risks, and entails uncertainties. But who, in view of this proud history, would be better placed and even predestined to succeed in such transformation on the back of the Company’s robust economic strength – debt-free, backed by 75% equity and cash reserves – if not us?

This is something that takes courage, and that is something we have. And the world belongs to those with courage.

Thank you for your attention.