



RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

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Speech delivered by

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Dear Shareholders and Shareholder Representatives,
Dear Guests, Ladies and Gentlemen,

On behalf of the Board of Management and Supervisory Board I wish to welcome you all to the 28th Annual General Meeting of RHÖN-KLINIKUM AG here in Frankfurt today. As usual I would like to give you a short summary of last financial year; I shall also outline current prospects and go into our strategic areas of focus and the main developments in our competitive environment.

Just like industry in general and other sectors of our service economy the healthcare industry is in a process of fundamental change; it moves with the trend. But it stamps its mark on it too: digitalisation – i.e. electronic storage and use of data as well as processing and interpreting such data – is thus a central driving force of this development. And where is there a comparable situation where you can generate so much data and use it for the direct benefit of its “producer”?! I am therefore convinced that we are also currently experiencing a game-changer in the healthcare industry where diagnosis, therapy, treatment and aftercare will in future follow very different patterns than today.

I shall return to this later.

1. Financial Year 2015

Following the transfer of a total of 43 facilities to Fresenius/Helios 2015 was our first financial year which was no longer directly affected by special circumstances arising from said transaction. Although there were still some structural and financial after-effects due to the complexity of the transaction and the process of transformation is also still ongoing with its own dynamics, we were primarily able to continue our strategic re-orientation in a more targeted manner: concentrating on maximum cutting-edge medical care, raising treatment excellence, putting our campus concept into practice, network medicine and a finer commitment to developing eHealth. That is our strategic DNA.

In the interest of developing such focal points our Supervisory Board recently passed a resolution to make the Board of Management larger; Prof. Dr. Bernd Griewing, spokesperson for our Medical Board – a group of experts selected from our top physicians – and long-standing Medical Director of the Neurological Clinic in Bad Neustadt, was appointed as a further member of our Board of Management as of January 1, 2016. As well as coordinating our Medical Board activities he in his new position as Chief Medical Officer (CMO) is responsible for the areas of patient safety, quality and hygiene, medical process management as well as innovation and network medicine. In connection with this we have also partially re-arranged the other departmental responsibilities of the Board of Management.

In 2015 we also continued activities with our innovation and investment pool; our corporate group is assisting a total of 60 research and development projects with a volume of roughly € 4 million. The

projects mainly deal with “research and innovation” as well as “treatment excellence and network medicine”. Projects worth mentioning as examples include setting up a special databank for brain tumours which collects and analyses therapy standards and developments in order to be able to apply individual, i.e. personalised, therapy methods to a greater extent in the future. Another project includes an extensive safety and risk analysis to establish standards which we wish to apply at all our facilities at a later date. All the projects are evaluated at regular stages.

This initiative benefits our patients, leads to discernible medical and nursing advances and is geared towards strengthening our competitive position. It is just as important to mention the numerous projects which have been set up across our hospitals; they improve the transfer of knowledge within the entire corporate group. Just under another 30 such projects were also introduced at the beginning of 2016.

In October of last year we were able to take the particle therapy centre into service – which is now running under the name of “MIT - Marburger Ionenstrahl-Therapiezentrum” (Marburg Ion Beam Therapy Centre). The impression might have been created outwardly that the heavy ion therapy was difficult to get up and running, and it was indeed a bumpy road. That was also due to it being a therapy centre with highly modern technology which is unique in the world. But we have now managed to realise the project together with the university hospital in Heidelberg and can offer patients additional hope with this therapy. The first patients have now been treated at the MIT centre and we are currently pulling out all the stops to increase the patient numbers as fast as possible.

The highly innovative particle therapy unit at the university hospital in Marburg also emphasises our medical prowess. Cutting-edge medical care always means cutting-edge *technology* – and it goes without saying that highly trained medical and nursing staff is also a must. Innovative medical technology which is available at all our sites thus enables diagnostic and treatment methods which were still inconceivable just a few years ago and which now reach all our patients: diagnoses with broad confirmation, effective therapy, gentle applications and a high level of safety. This year’s annual report therefore has a corresponding emphasis. Everywhere from Marburg and Giessen via Bad Neustadt and Bad Berka to Frankfurt/Oder – we are using state-of-the-art technology and excellently trained specialist staff to set new standards in patient care. I can therefore only recommend that you take some time to read our annual report.

We were able to sign the notarised purchase agreement for the municipal hospital in Bad Neustadt/Saale in mid-2015. Business operations were transferred as of 1st January 2016. There have always been lots of questions in this context: at first glance the acquisition of the municipal hospital may not seem to fit in with our strategy to provide maximum medical care. But this acquisition does make sense; the medical care which the municipal hospital provides ultimately enhances perfectly the facilities which we already own in Bad Neustadt. Furthermore the structural and functional integration of the municipal hospital in our campus in Bad Neustadt as well as combining the two staff teams also constitute an important pilot project for developing healthcare particularly in rural areas; at RHÖN-KLINIKUM we consider the project to be a template for similar challenging structures in Germany. We are currently investing in the site in Bad Neustadt with a corresponding investment volume. In the medium term we would like to develop our campus concept into an attractive and competitive export product and thereby generate additional acquisitional growth. The word

“campus” does not just mean using the same logistics and space to link medical services. It also includes electronic patient records, overcoming “sectoral boundaries” between in-patient and out-patient services and the principle of focusing on the needs of the patient against the background of an ageing population. In a word: we are talking about re-aligning the healthcare system – in critical areas at least.

Ladies and Gentlemen,

You may recall that in the autumn of 2014 we ran a share repurchase scheme as approved by that year’s AGM and then reduced the share capital accordingly.

In the autumn of 2015 we ran a second share repurchase scheme which the 2014’s AGM had also authorised. This share repurchase scheme which was certainly smaller with a total volume of roughly € 147 million was also successful. The share capital was again modified accordingly. Due to the adjusted financial structure reflecting the new corporate size we can now take account more easily of the requirements of resource management orientated to capital costs and have also created better preconditions to exploit future growth opportunities.

Last financial year we treated a total of 765,109 patients at our five corporate sites. The effects of the Fresenius/Helios transaction concluded in 2014 again influenced our financial figures even if to a much lesser extent. Positive and negative one-off effects, the size of which was a low two-digit million figure, continued to influence the corporate results during the entire financial year and partially cancelled each other out.

In 2015 we achieved total revenues of € 1.11 billion. So-called EBITDA – i.e. earnings before interest, taxes, depreciation and amortisation – amounted to € 154.2 million while net consolidated profit was € 87.4 million. That is a very satisfactory result, moving at the top end of our target corridor.

Be that as it may as to whoever should take the credit for this successful result – please join me in my assessment that this success is due to many people. It is therefore my wish to thank all our employees who battled on for this result with their commitment and dedication – whatever their position either as a medical professional or working in our business administration...

2. Past and Future Trends for Financial Year 2016

Financial year 2016 also commenced satisfactorily. In the first quarter of the current financial year exactly 205,578 patients were treated in the facilities of our Company. Revenues for the same period stand at € 291.5 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amount to € 67.9 million. This also includes a positive special influence in the amount of € 36.4 million after dissolving provisions for warranty claims from the Helios/Fresenius sales transaction which now no longer need to be held to this degree due to time periods elapsing and for legal reasons.

For financial year 2016 we expect revenues of between € 1.17 billion and € 1.20 billion and EBITDA at € 155 million to € 165 million. We assume that positive and negative one-off effects, the size of which will be a low to medium two-digit million figure, will continue to influence the corporate results during this financial year as well and will partially cancel each other out.

On this basis the Board of Management and Supervisory Board propose to the Annual General Meeting to distribute a dividend of € 0.80 per non-par share resulting in a dividend amount of just under € 54 million based on the current number of roughly 67 million shares. We also intend the shareholders to be able to participate extensively in the future success of the Company by means of dividend payout ratios which are above 60 % since it is a definite wish of ours to remain in M-Dax with an attractive dividend value, which in times of historically low interest rates should be interesting not just for investors who are familiar with the industry.

In this context I would like to mention here already another item on the agenda of today's AGM: under item No. 5 you will find a proposal entitled "resolution on the consent to conclude profit transfer agreements with the 100 percent subsidiaries, Haus Saaletal GmbH, Neurologische Klinik Bad Neustadt GmbH as well as Klinikum Frankfurt (Oder) GmbH". As stated above: All three companies are subsidiaries of RHÖN-KLINIKUM AG. And in the invitation to today's AGM you will have found an explanation regarding the background to these profit transfer agreements. Please allow me, however, to summarise as briefly as possible the content, sense and purpose, advantages and disadvantages as well as consequences of these agreements. I am indeed conscious of the fact that this is a somewhat "tedious" subject. Nevertheless the law requires such an explanation.

So, the wording of the agreements is identical except for the name of the parties, the description of RHÖN-KLINIKUM AG's contribution to the respective share capital and the regulations regarding the beginning and duration of the agreement for Klinikum Frankfurt (Oder) GmbH which are different for tax reasons. The agreements have not yet been concluded. They are currently in draft form since the consent of today's AGM should be obtained first. As well as the consent of this AGM the shareholder meeting of the respective subsidiary needs to give its consent in notarised form but that is a mere formality if you give your consent today.

Pursuant to the agreements the respective subsidiary is generally obliged during the term of the agreement to transfer its entire profit which is calculated according to commercial law stipulations and which would be the result without any profit transfer to RHÖN-KLINIKUM AG. In return RHÖN-KLINIKUM AG must as a rule assume any annual deficit by the respective subsidiary which may occur during the term of the agreement. The obligation to transfer profit and assume any loss exists for the first time for the entire profit or loss which is incurred in the subsidiary's financial year for which the respective profit transfer agreement applies.

The profit transfer agreements with Haus Saaletal GmbH and Neurologische Klinik GmbH Bad Neustadt/Saale apply as of 1st January of the year in which the agreement is entered in the commercial register of the respective subsidiary, or as of 1st January of next year at the earliest. The

time when the profit transfer agreement with Klinikum Frankfurt (Oder) GmbH comes into force is regulated differently for tax reasons. Said agreement applies as of 1st January of the year when the agreement is entered in the commercial register for Klinikum Frankfurt (Oder).

In order for the agreements to be acknowledged fiscally, they are to be concluded for a fixed term of five years as of when they become applicable. They can be extended by one year each if they are not terminated with a notice period of three months to the end of the subsidiary's financial year. Irrespective thereof, the agreements can be terminated without notice if there is good cause.

Since RHÖN-KLINIKUM AG is the sole shareholder of the subsidiaries, there are no compensation payments or severance payments for third-party shareholders.

The agreements serve to optimise the tax situation. By concluding these agreements the respective subsidiaries are financially included in RHÖN-KLINIKUM AG but remain legally independent. This contractual relationship can also be the grounds for a tax group between the holding company and the respective subsidiary with respect to corporate tax and trade income tax where it is possible to make a fiscal offset of profit and loss between the companies with respect to corporate tax and trade income tax. Offsetting positive and negative financial results at the corporate group level thus allows the use of fiscal arrangements to optimise the overall tax burden for our Company. It would not be possible, however, to make a fiscal offset of profit and loss without the above profit transfer agreements.

Otherwise I wish to refer to the joint reports by the Board of Management of RHÖN-KLINIKUM AG and the management of the subsidiaries regarding the profit transfer agreements which were published with the invitation to today's AGM. Since the reports were written there have been no further developments which are relevant for assessing the agreements. This particularly applies to the financial and legal significance of the agreements and their effects.

I therefore kindly request you to give your consent to the corresponding resolution proposals as soon as this agenda item is called up later on.

Ladies and Gentlemen,

In 2014 already our Medical Board consisting of respected physicians from our hospitals was set up. In future it will continue to play an important role in the further development and implementation of our strategy since medical know-how remains indispensable for the further development of our Company. Thanks to the expertise of our Medical Board we are in a better position to evaluate medical innovations and make them quickly and routinely available to patients in our hospitals.

In the meantime we have substituted and augmented the staff on our Medical Board to be able to cover our main medical focal points more precisely than in the past. The Medical Board is assisted by 13 so-called expert panels which handle special medical and nursing issues in order to improve the treatment quality in our hospitals to an even higher degree. Specific focal points are, for example, specialist training and further education, optimal use of medical products, quality assurance and hygiene. Furthermore the Medical Board assists in selecting the projects for our innovation and investment pool.

There are of course other excellent medical experts in our Company; our updated expert databank lists roughly 140 experts from all specialist areas, including their specialist areas, clinic focus, further education and contact details. The expert databank is therefore an important step to give a face to our medical expertise in the true sense of the word. The databank will be updated regularly and extended gradually. It can of course also be accessed via our homepage.

As well as all the operational and strategic requirements of our business model we also regularly pose the question how as a company we can contribute to the new trends in a better manner, keep a closer track on current developments in our industry and make better use of innovative ideas for our Company. We obviously claim to assert a leading role in our industry and develop suitable innovations for our hospitals.

In order to reflect this focus on innovation but also to stimulate it, we set up our own company at the beginning of 2016. Its business purpose is to concentrate and increase such activities. We have given it the name "RHÖN Innovations-GmbH"; the main job of this new subsidiary is to promote young companies – so-called start-up companies – and also to contribute to the equity of the respective company.

With RHÖN Innovations-GmbH we intend to encourage unconventional, bold ideas – but not just for our own gain. Our aim is always to improve a medical service and therefore that our patients ultimately benefit. The specific projects will therefore focus on medical innovations which are closely connected with our core business, particularly with respect to creating in-patient/out-patient structures for healthcare in rural areas. The further development of network medicine including creating the necessary IT structures will also play a significant role here. The start-up companies in which we shall invest are selected by the corporate group in close consultation with senior physicians in our hospitals and an investment committee which was specifically created for this purpose, in which physicians, IT and finance experts with specialist knowledge are represented. We are currently carrying out an intensive analysis of suitable start-up companies; the agreement for a first pilot project is being prepared.

Our cooperation with IBM also belongs in this context; it has received a strong media echo in the past few weeks. The concept of our pilot project with IBM is to ensure data-assisted patient navigation providing the best possible healthcare at an early stage already – either at the out-patient or in-patient stage, depending on the individual case. Multiple examinations which cost both time and money can therefore be avoided. A structured evaluation of anonymous patient data can also help to improve more specific recommendations for treatment.

With "Watson" IBM will contribute so-called „cognitive computing“ technology to this joint project. Cognitive systems can understand natural languages, draw logical conclusions and are capable of learning. It is therefore possible to re-interpret data in various contexts and achieve additional insights.

Of course "Dr. Watson" cannot replace the physician; instead the physician will in future have access to more data and a larger knowledge base enabling him/her to make decisions on diagnosis and therapy which are tailor-made for the individual patient, i.e. personalised treatment for cancer. The pilot project is currently running at our "centre for undetected and rare diseases" at the university hospital in Marburg.

3. Current Developments in our Hospitals

Ladies and Gentlemen,

Please allow me to make some brief comments on current developments in our hospitals where we are constantly investing in performance capability, building structures, medical instruments and further training and qualifications for our employees.

- Building our new healthcare campus in **Bad Neustadt** is making good progress. In December of last year we were able to lay the cornerstone in the presence of the Bavarian health minister, Melanie Huml. With the new building we are at the same time setting advanced standards for the provision of modern healthcare in rural areas. This concerns infrastructure, out-patient/in-patient treatment coordination and complementary services in prevention or aftercare, for example.

We have already been able to complete a partial project successfully – the new building for the psychosomatic hospital which was taken into service at the end of April 2016. After just one year of building work a highly modern facility which can accommodate over 240 patients is now situated in a building which was renovated to its core. A day clinic complements the in-patient services.

- Last year our hospital in **Bad Berka** was certified an endoprosthesis centre providing maximum medical care. Implanting artificial joints is among the most frequent operations in Germany and will continue to be important in the future in view of an ageing population. The award emphasises the excellent quality in our hospital regarding clinical processes, treatment and end result of our medical care.

The new radiopharmaceutical centre is on schedule – we shall take the new facility into service in the summer.

- The diggers have also arrived at our hospital in **Frankfurt/Oder**. The cornerstone for the next stage of construction was laid at the beginning of December 2015. We are well on the way to making a full conversion to an ultramodern hospital.

One of the world's newest state-of-the-art MRT scanners was taken into service at the institute for radiology and interventional neuroradiology. The new scanner not only offers improved comfort for the patient and reduced noise levels; it also shortens the examination period due to its higher performance capability and the images are much better in comparison with conventional equipment. It is now possible to detect individual metabolic products in nerve cell tissue which is hugely significant for individual diagnoses in the case of strokes, brain tumours or Morbus Alzheimer, for example.

- The **university hospitals in Giessen and Marburg (UKGM)** offer excellent medical and nursing care to a university level pursuant to international standards. The popularity of both sites is constantly growing with the patients and that is the best proof that the often ideologically motivated criticism which was expressed primarily in Marburg is totally without basis. We still have many ideas up our sleeve and shall take new routes in patient care particularly in Marburg with a tailor-made design of our campus concept.

Last financial year we continued to improve our medical expertise at both sites with just a few examples here. At the university hospital in **Giessen**

- A highly modern CT scanner was taken into service – a leading new development in detector and tube technology;
- An intercultural out-patient pilot project which is unique in Germany was also set up; the aim is to make it easier for people with a migration background to access medical care.
- Furthermore a bladder cancer centre which is unique in Germany was opened, setting standards in the treatment of this type of tumour.

At the university hospital in **Marburg**

- The Marburg ion therapy centre (MIT) was taken into service;
- Furthermore a highly modern linear accelerator was installed; it improves the performance in medical radiotherapy. Therefore together with the particle therapy we really are excellently equipped in Marburg in the area of radiotherapy;
- The world's highest quality was confirmed for the Marburg stem cell transplantation unit according to the international "Jacie" standard. This concept which has been in practice since 2009 focuses on highly innovative studies as well as the classic treatment of leukaemia. Cancer patients for whom no other treatment is possible are cared for here in clinical studies using the latest medical procedures and possibilities.

4. Digitalisation and Corporate Strategy

Ladies and Gentlemen,

Medical development is indeed breath-taking. What a privilege it is to work – or invest - in this industry! Experts assume that medical know-how will start doubling about every three or four months from 2020 onwards! That is primarily connected with the fact that medical data is no longer just being collected, but also made available electronically, linked together and placed in a logical context. Digitalisation covers all areas; just think about the current discussions about driverless and/or electric cars and possible market penetration by IT and lifestyle suppliers. At least just as valuable are the effects which our industry will experience.

The transition to a digital age will far exceed just collecting, evaluating and exchanging patient data. We are talking here about electronic patient records or the physician making his/her rounds with an electronic tablet (not a medical one!). But even these are ultimately just expressions. It is fundamentally about optimising patient navigation, linking out-patient and in-patient care together and offering tailor-made individual therapy.

On the one hand digitalisation is therefore a modern affliction but on the other side it is also a great opportunity. With its help it is possible to give the patient significantly better treatment and structural and regional differences can be evened out, such as differences between cities on the one hand and rural areas on the other hand. Our campus concept reflects such opportunities and exploits them to its advantage.

Insofar we copy our main eHealth initiatives ultimately in the interest of common overall success: the work by our RHÖN Innovations-GmbH will help encourage the entrepreneurial spirit of start-up companies even on an international scale. The cooperation with Watson/IBM will help us be the first to introduce cognitive computer systems into daily hospital processes. With our innovation and investment pool we shall continue to encourage projects with strong native potential for advancement throughout our corporate group.

Ultimately it is about the hospital of the future! – And the process of digitalisation is therefore also ultimately irreversible.

But don't let this be just a dream; we should also face reality: the process of digitalisation will take place in a regulated market characterised by conventional imperfections: restrictions due to healthcare policy, lack of investment, underfunding will continue to dictate our framework conditions in the future. But the digitalisation is insofar also an answer of course: if incorrect referrals can be avoided and therapy can be tailor-made to individual patients due to information being managed better, that generates significant savings and therefore considerably improved efficiency for the entire healthcare system.

Nevertheless the solidarity gap in our society is continuing to grow: the demand for hospital services is continuing to increase due to the demographic shift while those who pay contributions to health insurance schemes are becoming fewer. It cannot therefore be expected that the huge cost pressure in the healthcare system will decrease – particularly in the hospitals. We notice that daily in our Company: while hospital services continue to increase, adequate remuneration falls. It is becoming more difficult to find qualified hospital staff who are therefore becoming more expensive. We assume that the lack of specialist staff will continue to grow in the next few years, especially in rural areas where our facilities are located. Modern IT-assisted procedures can therefore help to alleviate the consequences of a growing lack of specialist staff.

The new law to reform the structures of hospital care (Krankenhausstrukturgesetz – KHSG) which came into force at the beginning of 2016 is an expression of these different aspects; it is primarily geared towards a stronger link between quality and financing while in the background it reflects the considerable cost pressure in the system. There will be major modifications to the financing system from 1st January 2017 onwards, the aim being in the medium term to replace the so-called discount for additional services with a discount for lower overheads, among other things. What such modifications will ultimately mean for our hospitals can only be evaluated in full when the budget

agreements have been concluded for 2016. We are sure, however, that an accounting method for the high-performance services offered by our hospitals which is more closely oriented to quality criteria will constitute a challenge which can easily be overcome due to the fact that we are well prepared for it.

Ladies and Gentlemen,

I hope I have been able to show you in a short and sweet manner that RHÖN-KLINIKUM AG has progressed well during the past year. There are certainly new challenges, but we are used to a demanding environment; we are not scared of approaching future topics in a vigorous manner. On behalf of the entire Board of Management I would like to thank you as well as our corporate bodies for the trust put in the Company.

I now hope for a successful AGM!