

Check against delivery

**Annual General Meeting  
of RHÖN-KLINIKUM Aktiengesellschaft**

on 12 June 2013, at 10.00 a.m.

Jahrhunderthalle Frankfurt, Pfaffenwiese, 65929 Frankfurt am Main, Germany

Speech by the Chairman of the Supervisory Board  
and Anchor Shareholder

**Eugen Münch**

Ladies and Gentlemen,

As a slangy saying puts it: “The Earth is round, see you soon”. Most of us gathered here in this place today have seen each other more than twice, and now even more than was to be expected after last year. Without any doubt that in no way diminishes my pleasure of welcoming you all here to the Annual General Meeting of Rhön-Klinikum AG.

The reasons for our unexpected reunion are of course well known to you. I will go into those matters during my speech. But let me first fulfil my duties. So as not to needlessly take up your attention, I would first refer you to the detailed written Report of the Supervisory Board which I do not wish to read out to you here. This Report has been displayed in the premises of RHÖN-KLINIKUM AG since the convocation to this Annual General Meeting and was sent to you on request. The Report is of course also available here today.

You will also find the Report of the Supervisory Board printed on pages 16 to 26 of the Annual Report also provided to you, and it has also been posted on the Company’s homepage since convocation to the AGM.

With the comprehensive written Report, we have provided you with an informative insight into the work of the Supervisory Board last year.

The Supervisory Board performed the duties incumbent on it in accordance with the law and the Articles of Association and supervised the management of the Board of Management. It was informed by the Board of Management regularly, without delay and comprehensively. Detailed consultations were held on current events and developments of the Company. Deviations from originally planned targets were reviewed and discussed.

The collaborative work between the Board of Management and the Supervisory Board is defined in the Corporate Governance Code, among other things on the basis of the following principles:

"The Board of Management and the Supervisory Board shall co-operate closely for the benefit of the enterprise.

The Board of Management shall co-ordinate the enterprise's strategic approach with the Supervisory Board and shall discuss the current status of strategy implementation with the Supervisory Board at regular intervals.

Good corporate governance requires an open dialogue between the Board of Management and the Supervisory Board as well as among the members within the Board of Management and the Supervisory Board. The comprehensive observance of confidentiality is of paramount importance for this." The very open and frank description given on several occasions with regard to the work within the corporate bodies has prompted the suspicion of leaks. For this reason, the Supervisory Board and the Board of Management initiated investigations which naturally are not easy and have still not produced any reliable results. Once the final reports are available, I will report back to you on the findings. Irrespective of that, we have stepped up measures to ensure confidentiality.

The principles of good corporate governance are the guide for the way in which consultations are conducted in both these corporate bodies – i.e. the Board of Management and the Supervisory Board – within our Company, and are thus maxims for the activity of the Supervisory Board. These consultations took on greater significance particularly following two failed attempts at a merger with the Helios hospital group.

With a view to efficiently performing its tasks, this Supervisory Board established a total of seven standing committees and entrusted the review to Dr. Heinz Korte as member of the Audit Committee and as member who in any case was not a member of the body when the first anomalies emerged. The committees prepare the issues and resolutions for the plenary meeting. Moreover, specific powers to adopt resolutions were delegated to the committees under the Terms of Reference.

Last year we additionally formed, in connection with the takeover offer by Fresenius, a Special Committee to prepare the statement pursuant to section 27 of the German

Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz), which was dissolved after having completed its task.

Also during the current meeting period, we are closely watching the further development in the provisions of the German Corporate Governance Code and respond, whenever we deem necessary, to changes in implementation by updating the Declaration of Compliance. Thus, at our meeting on 24 April 2013 we adjusted the Declaration of Compliance regarding the reasons for deviating from Code Item 5.4.6 (2) sentence 2 in respect of performance-linked remuneration of the Supervisory Board.

The basic principles of the remuneration system for the members of our Board of Management, which we submitted to you for approval in the previous years and which you also approved, were adjusted. As a result of this, we guarantee the members of the Board of Management a total annual remuneration (as the sum of base salary and bonus) of at least 450,000.00 euros and at the same time introduced a cap on the total annual remuneration of 900,000.00 euros. The minimum remuneration and the cap can be fixed at up to 2.5 times these amounts for the chairman of the Board of Management and at up to 2 times these amounts for his permanent representative.

With every new contract concluded and with every contract amendment, we used these framework conditions to adjust the service contracts with members of the Board of Management to the new remuneration structure. Currently, all service contracts with members of the Board of Management have been adjusted to these new provisions.

The details regarding the personnel changes within the Board of Management, the departure of the former chairman of the Board of Management, Mr. Wolfgang Pföhler, and of the chief financial officer (CFO), Dr. Erik Hamann, as well as the delegation of the Supervisory Board member, Mr. Jens-Peter Neumann, to the Board of Management to succeed Dr. Hamann and the entry of the new chairman of the Board of Management, Dr. Dr. Martin Siebert, are found in the written Report of the Supervisory Board to which I refer in this connection, and were also published in the

course of the year as mandatory company notifications. The contracts for the members of the Board of Management Mr. Martin Menger and Mr. Neumann were renewed for a further 3 years. Mr. Neumann was succeeded by Dr. Korte by court appointment as substitute member of the Supervisory Board; Mr. Neumann's resignation his Supervisory Board mandate with effect from 31 October 2013 makes today's election of the Supervisory Board until the end of the regular period of the Supervisory Board in 2015 necessary.

It is with mixed feelings that I received the resignation of Prof. Dr. Lauterbach. On the one hand, we are losing him a Supervisory Board member who for many years greatly enriched this Supervisory Board with his intelligence, work and loyalty. And on the other, these are exactly the qualities he will be able to use in an important field of politics after being being appointed to the specialist team for the chancellor candidate.

Since this is where my formal Report of the Supervisory Board on the activity of this body ends, I would first extend a word of sincere thanks to my colleagues for the work together with them and for their commitment. We have been through a turbulent year, and with the decisions to be taken the views in the initial phase of the discussions often diverged not only in the committees but also in the plenary meeting. However, the quality of this corporate body was seen precisely in the fact that in the course of the discussions it was able each time to reach clear majorities and resolutions that were forward-looking and appropriate to the situation.

I would like to thank in particular our employees. They have looked after the well-being of our patients without qualification. It was the employees and the direct operative executives of the second and third management levels, for the most part head physicians and medical directors, who were up there on deck in rough waters and steadfastly stayed on course. For that I would like to express the gratitude of the Supervisory Board and my utmost respect personally. A word of thanks also goes to the members of our Supervisory Board who do not always have an easy task in the area of co-determination and often find themselves having to navigate a course between the pragmatic expectations of their "electorate" and in some cases ideological guidelines. The vast majority of Supervisory Board members are quite

pragmatic when it comes to representing the concerns and interests of our employees in the “here and now” as required. These people know their Company, and also know that it is not always possible to avoid hardships. It is precisely then that they ensure that the burdens are distributed more fairly and act as guarantors of industrial peace for the benefit and good of all – if we might put it somewhat stiltedly. Co-determination thus exemplified, which is something you don’t find everywhere, is a real bonus in our system.

I also thank our Board of Management for their work over the past year. No one will tell you it’s easy to succeed in keeping the fine balance between economic efficiency and medical care in such a heavily regulated and at the same time highly dynamic environment. That of course rings true all the more in a year that was so turbulent as last year was. On the other hand: we offset this difficult responsibility with attractive remuneration packages which even just a few years ago – at least in this stock market segment – were not conceivable. This responsibility for the Company and its many employees as well as for the many patients who put their trust in us implies – at any rate on my conservative view of things – that the members of the Board of Management must lay aside their own interests in difficult situations. It is my wish for the Board of Management that it will succeed in shaping a viable development for the future geared to the needs of the growing number of increasingly elderly patients, and in helping them find satisfactory care – and in this context in casting aside opposing interests.

Let me look back – as indicated at the beginning – and end with my assessment of the failure of the takeover attempts by Fresenius. As is known, given the absolute majority of over 84% of shareholders who had tendered their shares, I would have preferred to see the takeover succeed. That is particularly the case because I am firmly convinced that it would have been better for the Company, its employees, for the private hospital industry as a whole and for the future of everyone.

Naturally, the failed attempts raised many questions, and in this connection it would be neither right nor honest to dismiss them with the line “hindsight is easier than foresight”. “Why were the articles of association not amended beforehand, i.e. the 90% hurdle removed?”, is one of the questions heard. That is of course something

that we considered. However, an advance amendment to the articles would have immediately raised questions about the “why?” of such a move and given rise to a wave of speculation, which almost certainly would have taken us into price ranges in which it would no longer have been possible for a transaction to take place.

Sometimes, however, in all the euphoria and excitement something is forgotten that I regard as essential: the potential price had to be economically acceptable and feasible for the buyer. That is why the dream of never-ending bidding wars between whoever that may be is unrealistic. That is a financial-economy ‘way of thinking’ whose absurdity everyone will understand immediately if they ever find themselves in need of help in a hospital trimmed and streamlined with purely financial-economic effects in mind.

I naturally also understand the concerns about jobs that arise from such takeovers and that very quickly come to the fore. For all those fulfilling their duties for patients and in their area of work, they are completely unjustified because it is exactly these care-givers, their know-how and their commitment that the prospective buyer needs. A network to be created is made up of such performance entities. That provides the basis without which all would be to no avail. That is why this contemplated transaction at no time jeopardised any productive job at Rhön-Klinikum. What was jeopardised were the so-called overheads – but only those whose benefit for the whole had to be called into question. Thus, everyone who raised fears about their jobs have to ask themselves the question of whether they instead were afraid of seeing their own lack of productivity being exposed.

The fact is: the concept would have resulted in a noticeable improvement in the future prospects of the many sites. But it is also true on a sober view that the price offered could only be maintained if the Group’s management withdrew. By Group management I mean the Supervisory Board, parts of the Board of Management and a few service departments – although they would not have been eliminated, their *raison d’être* would have had to change.

In the first attempt, the bid that aimed at achieving a majority according to the articles of association, it would have been possible to alter the Group management. When this attempt as a result of the challenge did not achieve the necessary majority, the

question raised was: “How and on what terms and conditions is a new offer possible?”. The condition to alter the Group management in a takeover by simple majority was unchanged. For that reason an attempt was made to satisfy the wish of the vast majority of shareholders by designing suitable solutions whose unqualified acceptance would have been triggered by the new offer.

After the second attempt to transfer the Company into the Fresenius Group without the top management and without the Supervisory Board failed, the matter was done: there was no interest in the Company with an existing Group management and without any leeway to change the same. In this phase the decision was made not to make any new offer. My attempt to withdraw together with the majority of shareholders and to allow the prospective buyer to exercise the rights to which it would be entitled in the event of success was evidently ***not*** exemplary enough for everyone to follow suit.

The conviction behind the planned Fresenius takeover that the future of the private hospital industry lies in the creation of integrated health groups offering persons covered by statutory health insurance significantly better quality of care has in no way been diminished by the initial failure of the project. Quite the contrary: the joint attack – triggered in my view due to a wrong analysis – with the shareholders Asklepios and Braun to bring the project to a halt shows what can be achieved here. Within the industry it is undisputed – with opponents and advocates of the integrated network concept –: nothing will be as it was, the industry is undergoing a transformation! The concept of the care network has gathered pace and momentum. The public debate and the first product-specific offer of the Helios Group shows where the trend and development are heading. I had not only explained the concept in 2004 under the name SHI Plus at the AGM, but also went like a preacher from board to board back then – including to our competitors –, now Helios has started to implement it, and I am happy about that.

It is this concept that I all too gladly would have liked to see realised many years ago by our Group and its management. Rhön-Klinikum AG as an integrated healthcare group, as it were “hospital market 2.0”, in the lead role – and if that had not sufficed, then jointly with a strong partner: that is what motivates and drives me. It is the same



motive that moved me today to come before you and to once again seek your trust. That was not easy for me personally. But I am loath to lose faith in a better healthcare system that I am contemplating and that has come one little step closer with the move by Helios.

If there is someone here who believes that the current state of the system, with all those who always know what is not working, is the future to be expected, he should take heed that the probability increases with every day, every year that goes by – and that he needs us. He may experience very individually what it is to wait for a hip, a knee or whatever. And that because of know-it-all technocrats and power-hungry civil servants who have introduced voucher healthcare by application and because of us, because we – while the window for companies was open – were sleeping or were blockading one another. Healthcare provision, as it may now begin to exist – entrepreneurial and yet social because being social means the healthcare of many and not only of the few – can now begin because state and ideological opponents are blockading one another and the door will be open for a few months, so that acting now is of fundamental importance for everyone of us.

We have before us the most massive demand growth market of the future, which however can no longer be controlled by politicians alone because they are incapable of resolving the issue of financing. Companies whose owners have the guts to give their management the backing they need to stop hanging on the coat-tails of lawyers are the alternative. You will have to be forbearing with me as the founding figure of this Company that I am committed to and fight for my ideas. I also see it as my duty to further develop this market particularly in the current environment. I **therefore** welcome the newly won support of the Board of Management for the transformation of our Company into an integrated healthcare group, as evidenced among other things in the **ImPULS programme** which the chairman of the Board of Management specifically addressed in his presentation.

If here reference is made to an integrated healthcare company, this means swift, individualised, diagnosis-focused and comfort-oriented care for patients within a broad supraregional “network of medical offerings”, resulting for patients in higher treatment quality, treatment safety and treatment comfort thanks to medical

specialisation, growing empirical values, electronic patient files, systematically organised expert opinions and improved service.

The concept of the long-discussed entry into the nascent network system and co-operation sought with Helios with the new insurance offering will be an important exercise. With this exercise, companies, employees and service volumes will be realigned from satisfying government agencies and healthcare fund administrations to meeting the needs of the all-decisive consumer. This marks the beginning of a paradigm change that the traditional hospital is not even remotely familiar with. This development can no longer be stopped by anyone: it is only a matter of time before the first full-coverage network provider (to be followed by others) will be established – of that I continue to be wholly and firmly convinced. As it is so often said: “There are many roads leading to Rome”.

On the way to Rome I have, in my capacity as anchor shareholder, of course time and again spoken with the major figures from the industry, and thus also with Dr. gr. Broermann. In this regard it has become clear to me that the strengths and operative challenges of both companies are too similar for it not to be possible for substantial synergies to exist between them. Conversely, that does not mean that Asklepios would not be able to participate in a suitable manner in the implementation of so-called networked medicine. This would in any case make sense for all those involved. A blockade tactic for the sake of blockade without assuming any responsibility for the further development of the industry in any case does not fit my interpretation of honest business dealings. And with all business issues we must not forget: the primary, big thing is the well-being of patients, above all those under statutory health insurance who would benefit greatly from a better service offering.

***In summary:***

The vote to be held today on the proposal by our major shareholder Alecta to free the articles of association of the 90% hurdle also offers the opponents of the Fresenius and Rhön-Klinikum AG deal contemplated last year the opportunity to play a constructive role – by giving their approval to this proposal – in the urgently needed further development of this industry in the best interests of patients in this country. I

expressly emphasise: no one will be excluded in this, because in future this transformation process will offer sufficient opportunities for all major market players.

For my wife and myself I can say that we will give our consent to the amendment of the articles because in the interest of the Company it is more important and of greater existential value to move forward into the future with courage, being confident that reason will triumph, than to continue in idle mode, marking time.

***The presumably fitting saying for this that I would heartily commend to us all comes from Laozi:***

***"Fear not change, but fear stagnation."***

Thank you for your interest.