



RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

26TH ANNUAL GENERAL MEETING

Speech delivered by

Dr. med. Dr. jur. Martin Siebert, Chairman of the Board of Management

12 JUNE 2014, FRANKFURT AM MAIN

- Check against delivery -

Black-out period: End of the speech by chairman of the Board of Management

Contents

1. Financial year 2013: A brief summary	4
2. Share, share buy-back and dividend.....	10
3. Financial year 2014: Business performance and general environment	11
4. Current developments.....	14
5. Future prospects.....	17

Dear Ladies and Gentlemen,

Dear Shareholders,

Dear Members of the Supervisory Board,

On behalf of my colleagues on the Board of Management and on behalf of the entire Supervisory Board, I would like to welcome you all to the 26th Annual General Meeting of RHÖN-KLINIKUM AG.

We may now look back on exciting times – eventful, restless, sometimes dramatic times for this Company. Of late, there have been a lot of headlines about RHÖN KLINIKUM AG; in this regard journalists are certainly been grateful to us for giving them such a challenging subject to cover. But – you may believe me without qualification – the real challenges were different: recently we have been able to deliver on our objectives – always with the Company's interest in view; we have sailed into calmer seas, and once again have firm ground under our feet. In this regard, RHÖN KLINIKUM AG has indeed experienced an extraordinary, historic year.

In principle, we are not a different Company today, but do differ fundamentally in terms of scope, content and standards from the RHÖN-KLINIKUM AG that presented itself to you even at the last Annual General Meeting in 2013. A heterogeneous hospital group with 54 hospitals previously having offered a broad potpourri of primarily inpatient medical services, is transformed in a self-determined, structured process into an integrated health group which, based on 10 highly specialised hospitals each with a care standard oriented towards cutting-edge medicine and defined by maximum-care standards, will be geared sustainably towards innovation and treatment excellence in the best interests of our patients' well-being.

This transformation became possible because we succeeded in crafting and steadfastly implementing together with the health companies Fresenius/Helios, a transaction hitherto unparalleled in this form on the German hospital market. And that is something that rings true not only based on the key terms and conditions, but also in terms of its structure, creativity, pragmatism and discipline. Indisputably, this transaction was therefore also the dominating focus and prominent event of my personal, still relatively new activity as chairman of the Board of Management of our Company. But: it would not have been possible for this project to succeed without the commitment and talent of my colleagues on the Board of Management and a close co-operation with the Supervisory Board and selected experts. At this juncture I would like therefore to express my sincere thanks to all those who were directly involved. But my thanks also goes out to all our employees who often were involved only indirectly – sometimes with only an inkling, occasionally with intelligent insight – in the project and helped to competently escort and steadfastly implement it.

Those who were there were able to experience how professional, efficient and motivated our teams were in the approach they took. This experience provides me with the well-founded, additional confidence that we will also succeed in navigating the coming eras of RHÖN-KLINIKUM AG that will be dominated by the strategic reorientation of our Company.

I think I may assume a certain curiosity and interest on your part if I take the opportunity on the occasion of our Annual General Meeting today to once again look at the transaction, its reasons, strategic rationale and consequences in somewhat more detail.

I will then of course also report to you on the current financial year, current developments and the specific prospects of our Company.

1. Financial year 2013: A brief summary

First, let us turn back the clock a little

On 13 September 2013 the waiting was finally over: we had put together all the decisive parameters, the agreement stood, the bodies had given their approval. Nonetheless, we were nearly running out of time: a transaction of this scale, with this history, in this environment can only succeed within the sphere of hermetic confidentiality. That calls for swiftness, seasoned expertise and entrepreneurial decision-making without which it would not have worked.

When we announced the transaction, we planned to sell the interests in 43 hospitals as well as the subsidiary companies attributable to them – such as medical care centres (MVZs) and service companies – to Fresenius/Helios. After taking account of antitrust reservations and availing ourselves of the contractual adjustment mechanisms, we were ultimately able to transfer 40 hospitals – always within various relevant time limits up to the end of the first half of 2014 – to Fresenius/Helios; this also marked the end to the phase of uncertainty in our Company. On the one hand as a result of the announcement, but ultimately following the closing of the transaction, an emotionally and over time economically burdening situation of suspense and uncertainty was brought to an appropriate conclusion, correctly remunerated in terms of market and enterprise value.

Ultimately, our Company gains a strong, reliable prospect and attractive growth opportunities. At the same time, a development prospect viable in the long-term is secured for all transferred facilities.

As you have certainly been able to follow in public and thanks to our market valuation, the transaction has been met with largely positive responses. However, the question has been raised by the market and our stakeholders whether such a comprehensive sale of Company assets can take place without the consent of the shareholders within the scope of an annual general meeting. These are of course questions that we asked ourselves very carefully during the period leading up to the transaction. In the end, we examined this aspect intensively, availing ourselves of a broad array of external specialists and – supported by several legal opinions arguing along the same lines – came to the conclusion that there are no legal reservations. In view of this, it was also economically sensible to carry out the transaction without the involvement of the General Meeting since otherwise there would not have been sufficient transaction certainty.

For us there was no reason to doubt the legality, let alone the strategic sense of this transaction. That is because it creates sustainable value-added for all stakeholders concerned:

- For you as Shareholders, the sale of hospitals means a monetisation of the value contained in the object of sale at an attractive price, and at the same time the opportunity to continue participating in the development of our Company;
- The employees concerned by the sale will continue to have attractive opportunities of personal development within a large group network at Fresenius/Helios; it will even open up new career options for them. The colleagues in the hospitals of RHÖN-KLINIKUM AG will continue to be employed in a strong, viable company and as part of the re-orientation can avail themselves of their respective individual opportunities, help shape the processes in their own way and thus steadfastly further promote the Company and the attractiveness of their own workplace;
- In this context we offer in particular our physician staff broadened opportunities for cutting-edge research as well as sustainable qualification options;
- We offer our patients – who remain the focus of our commitment both now and in future – medical services oriented towards maximum care at premium hospitals, and prospectively the advantages of a general-coverage hospital group;
- For the State – the primary guarantor of basic hospital-specific services serving the general interest – RHÖN KLINIKUM AG itself, but also all transferred hospitals as well as all those hospitals remaining within the hospital Group, will remain a reliable partner that delivers on the commitments it makes, convinces with sound investments in healthcare infrastructure and responsibly assumes its role of helping to shape the healthcare system.

And – as I can not emphasise often enough and thus gladly take this opportunity to do so as well: the “new” RHÖN KLINIKUM AG is not the “Rhön left-overs”. The transformed Group is not the remnant of a “break-up”. On the contrary, the Company has undergone the metamorphosis of a targeted sale process whose focus has also primarily been on the future viability of the “new” RHÖN-KLINIKUM AG. – And will continue to be!

The ten hospitals at a total of five sites in Gießen, Marburg, Bad Neustadt, Bad Berka and Frankfurt/O. form an efficient, innovative merging of highly specialised top hospitals created not least on the basis of exclusive criteria:

- Hospitals with a critical size and supraregional importance; each site has more than 600 beds and treats more than 40,000 patients per year;
- Hospitals with an above-average care level and corresponding medical potential; each site provides primarily highly specialised services of above-average medical quality and uses the very latest in medical technology;

- Hospitals in which a close integration of hospital care with research and teaching exists or can be further developed – either in conjunction with universities or with outstanding research institutions. Each site is for itself a university hospital, academic teaching hospital or a medical university or is in close co-operation with research institutions.

Nonetheless, with our leaner, more homogeneous and more efficient Company, we will in no way depart from our maxim of providing affordable medical care for everyone. We in fact do believe, as we critically reflect on the unchanged desire and will to bring about changes in healthcare policy, that, whilst maintaining our limited price level, we can uphold and further improve the medical and nursing quality of our sectoral healthcare services. That is because we are persuaded that we can organise and shape the integrative and innovative momentum of our work much more dynamically and efficiently thanks to the more intensive reciprocal relationships between the sites.

Against this background, our newly constituted Medical Board has also already taken up its work. It is responsible for the specific design and implementation of the medical strategy at the Group's hospitals and is made up of outstanding medical doctors from our Group.

Another very key parameter will not change either: 90% of our patients are and will continue to be statutorily insured patients – that is, patients under state health insurance plans – at whose side we will continue to stand as efficient, reliable, competent partners and helpers through life's difficult times of disease and suffering.

And lastly, also under the new structure we will uphold and assert the standard to which we have committed ourselves: we intend to, and indeed will help shape the hospital environment in future also. With the focused orientation on innovation and treatment excellence, we define our understanding as a premium healthcare services company and operate on a relevant market segment whose future prospects we will shape and mould to a decisive extent ourselves.

Let me just once again sum up what essentially is the nature and upshot of the transformation process revealed by the transaction:

1. Firstly: it results in benefits for almost all interests, objectives and prospects found in our Company – and their representatives.
2. Secondly: it manifests and sustainably creates a higher enterprise value – and thus also a considerable value-added for you as Shareholders.
3. Thirdly: it creates the basis for an improved market position of RHÖN KLINIKUM AG which is distinguished by high medical quality, competitive efficiency and sustainable innovative strength, and opens up additional earnings and growth prospects.

Despite the fact that we have trimmed the size of the Company by about two thirds, we will have no shortage of self-confidence in the future: with some 5,300 inpatient beds, 15,000 employees and revenues of over one billion euros, we will continue to be one of the heavyweights amongst German hospital companies in future and retain our traditionally strong position as one of the most important players and most creative trendsetters in the healthcare industry.

For all the optimism I do not wish to pass over the fact that the process of change brought about by the transaction has also called for a need for change regarding our established Group structures – both qualitatively and quantitatively. Many administrative tasks become obsolete whenever a company downsizes on such a scale. As emotionally trying as this is – it was inevitable under the new concept. It is a tribute to our professionalism and empathy that we succeeded in carrying out the necessary staff cuts at Group headquarters in Bad Neustadt very swiftly, for the most part smoothly, with a balancing of individual interests as well as in a fair and ultimately socially acceptable form.

In total, some 150 employees were affected by this necessary staff adjustment; in a close dialogue with the co-determination bodies – that is with the works council and the Group works council – it was possible in the end to reduce the number of redundancies actually required to fewer than 10 thanks to the flexible use of a broad range of instruments and measures.

The transaction does not have any direct impact on the employment relationships both at the hospitals transferred and at the hospitals remaining with RHÖN. All employment and collective agreements remained in force unchanged. Already in the run-up to the transaction, we had every reason to believe that the acquiring entities would be just as responsible in their actions and decisions relating to personnel matters as RHÖN-KLINIKUM AG. We see this justified assumption as being wholly confirmed by the integration process completed so far by Fresenius/Helios.

Dear Ladies and Gentlemen,

So much for my brief outline. Nevertheless, at this point I would like to take a look at the further events or relevance for the past financial year.

These certainly include the previous, 25th Annual General Meeting of RHÖN-KLINIKUM AG held exactly one year ago on 12 June 2013 at this location. It was at that Annual General Meeting that the repeal without replacement of the “90 per cent clause” from the Company’s Articles Of Association was put to the vote. This clause provides that a majority of at least 90% of the registered share capital represented is required for important resolutions. The motion was passed with the required majority. After a thoroughgoing review, the amendment to the Articles of Association was filed by the Board of Management on 26 June 2013 with the Schweinfurt Register Court; however, it will take effect only after being recorded in the commercial register.

Following the Annual General Meeting, a total of four avoidance actions were lodged against this resolution adopted at the Annual General Meeting, on which so far no ruling has been made. Roughly three weeks ago, on 23 May 2014, one of the plaintiffs – B. Braun Holding GmbH & Co. KG – informed us that it had withdrawn the avoidance action against the resolution by the Annual General Meeting of 12 June 2013. We welcome the withdrawal of the action.

The remaining avoidance actions against the amendment to the Articles of Association are still pending; for that reason, the staying of the recording of the amendment to the Articles of Association adopted last year as decided by the Register Court continues to exist. For the reasons as stated in the proposed resolution we wish to provide you – the owners of the Company – with the opportunity by today's agenda to decide whether, despite the changes that have since occurred – above all against the background of the significantly changed circumstances resulting from the Fresenius/Helios transaction –, the amendment to the Articles of Association should be maintained.

Dear Ladies and Gentlemen,

It has already become clear to what extent financial year 2013 was an extraordinary – and for all those involved extremely challenging – period in the history of our Company.

A transaction of this scale, in an environment that has not always been friendly, ties considerable management resources at the Group and individual hospital level. At the same time, the announcement of such a project naturally results in a strong sense of insecurity amongst employees at all levels. That applies not only to management staff in centralised and regional functions but also to our employees at the hospitals. Decisions in the area of human resources can very quickly take on a dynamic of their own. We are not alone in this experience; it is something we had expected; nonetheless, the changed focus of corporate strategy and the “suspense” between signing and closing that could not be shortened have left a noticeable impact on our business figures. There is no doubt that the year 2013 has to be seen and evaluated in the light of these circumstances.

In total, some 2.65 million patients were treated at our Group hospitals in 2013; that is about 100,000 more than in the previous year even though capacities remained almost unchanged at about 17,000 inpatient beds. That is a very pleasing development as it reflects the trust placed in the medical offering of our hospitals, underscores the expertise of our doctors and nurses and most certainly may be understood as an acknowledgement of their outstanding, patient-focused work. For that I wish to express my most sincere and heartfelt thanks to all dedicated staff!

The higher figures for service volumes also raise our revenues significantly: in 2013 they stood at roughly 3.01 billion euros, thus clearing the three-billion euro mark for the first time in the Company's history. That said, under the circumstances as described there were also considerable burdens, such as structural one-off effects, consulting expenditures and extraordinary costs in connection with staffing adjustments at our Group headquarters in Bad Neustadt. As a result, earnings before interest, tax and depreciation/amortisation declined by 5.7 per cent and now amount to 275.4 million euros. By contrast, net consolidated profit remained nearly constant at 90.0 million euros.

On an isolated view, such a result may not be satisfactory, but given the accompanying circumstances mentioned above, this assessment certainly has to be put into its proper perspective. Against this background, I believe that our business figures for 2013 are acceptable.

That said, I cannot deny that it has been clear to us for some time that the pace of the hard-earned organic growth of the past years – that we had, however, almost come to take for granted – has been slowing not only for us but also in the industry as a whole. There are many different reasons for that: reluctance to use what are more elective services; a noticeable cost pressure which has been approached with increasing boldness – also within society – and which continues to mount. Moreover, discussions initiated in some cases by healthcare policy, in some cases forensically, in some cases clearly driven by special interest groups (e.g. on allegedly superfluous operations, shortcomings in medical services or financial disincentives), have led to adverse consequences in terms of image and acceptance. What that means for us is: a hospital's restructuring and integration success today is much more rarely achieved on the traditionally favoured high road of an increase in service and revenue volumes.

And that even though, as a result of demographic trends in our country, the dominating growth factors for the health and thus also the hospital market continue to be intact in the long term and to some extent capable of being forecast. I will come back to this point later on. In the short-to-medium term, however, we expect to see a stable but overall somewhat stagnating market. Our assessment is supported by current, independent market analyses; they comment on the financial resources and future viability of many hospitals – from municipal basic- and standard-care hospitals to the traditional university hospital – with a consistently sceptical undertone.

We are aware how important it still is to work efficiently within this lively regulatory environment marked by considerable cost pressures and permanent political intervention, without losing sight of the well-being of patients. To this end we must integrate ourselves even more closely so as to consistently reap synergies, become more efficient overall and operate with fewer efficiency losses at the highest quality level. Also from this perspective, the downsizing of our Company brought about by the transaction is giving rise to new, promising prospects for the future.

At the same time, this challenge calls for a certain stability and continuity within the Company. That is something that everyone is aware of. It is not least for this reason that the Company in the first half of 2013 approved the routine renewal of the contracts of the two members of the Board of Management, Jens-Peter Neumann and Martin Menger; I believe that this may indeed be taken as a sign of appreciation for their work and a clear signal for continuity in terms of content and human resources. Personally, I look forward to continuing the success story of our Company together with my colleagues.

2. Share, share buy-back and dividend

Ladies and Gentlemen,

Let me come to the next focus of my discourse, namely on the use of the sale proceeds generated from the transaction. These proceeds – totalling roughly 3 billion euros – are to be used first of all to repay long-term financial liabilities of up to 800 million euros, as well as for investments amounting to roughly 200 million euros. Above all, however, the sale proceeds are to benefit our Shareholders; that is why we have proposed to you by today's agenda to disburse a considerable portion of these proceeds to you.

However, it is always the case that only the respective net distributable profit reported in the stand-alone financial statements of the parent (AG) are eligible for distribution. In 2013 it was somewhat more than 1.7 billion euros, not least because we succeeded in still having the biggest part of the transaction take effect on the balance sheet for the past financial year. This is not only "book money"; also on the liquidity side we actually have such funds available.

For good reasons, however, we are *not* proposing to distribute this amount in the form of a dividend – which many like to refer to as a "special dividend". Rather, an amount of approx. 34.5 million euros is to be appropriated for the distribution of a "normal" dividend amounting to 0.25 euros per share. That corresponds exactly to the dividend distributed last year.

Instead, our proposal to you for a large portion of net distributable profit is a share buy-back programme followed by a capital reduction through redemption in what is referred to as the simplified procedure. Compared with a special dividend, that has many advantages, namely:

- The registered share capital at the same time is adjusted to the smaller company size resulting from the transaction;
- All Shareholders not wishing to continue to be invested in us under the changed circumstances are provided with an exit option that has only a moderate impact on the share price;
- All Shareholders may each decide individually whether or not they wish to reduce their investment with us by accepting the buy-back offer;
- Through the buy-back, numerous Shareholders may realise the value increase of their investment without any investment income tax being retained by the Company.

If our Annual General Meeting today approves this proposal and the corresponding resolution is recorded in the commercial register, we will submit a public repurchase offer to our Shareholders. In this connection, a final offer price will then be defined. Here a premium of up to 7 per cent may be set on the reference price prior to announcement of the buy-back, which was 23.54 euros. If any significant price differences arise up to then, this reference price may be adjusted also. That will have to be decided at the time of the offer. It is then that the quota for the tender ratio will also be defined.

Also planned is the establishment of exchange trading in tender rights. This is to give Shareholders preferring to keep their shares the possibility of easily selling their tender rights to those Shareholders wishing to accept the offer for more shares than their quota would allow. As a result, Shareholders not wishing to accept the offer can also realise the value of a premium.

Over the past few months we have closely examined and come to grips with this issue and are convinced that the proposal we are submitting to you for the appropriation of funds is balanced and in the best interest of the Company and all Shareholders.

However, in the event that the recording of the resolution is delayed by any lawsuits, with the result that the offer cannot be concluded by the end of the year, the funds earmarked for this are to be distributed in the form of a dividend as we do not wish to make our Shareholders wait any longer than that for the funds to be appropriated.

For further particulars and technical details, please refer to the invitation to today's Annual General Meeting and the Report of the Board of Management contained therein.

And one more remark in this connection relating to the near future: the Agenda also contain a further authorisation for next year to buy back shares. For legal reasons, it is limited to 10 per cent of the then existing registered share capital, i.e. possibly after a capital reduction. I would like to make clear that this is not meant to make any statement, and particularly not imply any restriction, on the amount of further transaction proceeds – which will take effect on the income statement only in the current year, i.e. for 2014 – that will be distributed to the Shareholders next year. That is something that will have to be decided based on the current situation.

3. Financial year 2014: Business performance and general environment

Please now let me give you a brief run-down on the current financial year 2014, the first months of which were still heavily influenced by the closing and closing-related after-effects of the transaction.

In November 2013, the German Federal Cartel Office had signalled that in the main examination procedure under antitrust law deemed necessary, the decision on the approval, for purely formal reasons, could be issued only in the first quarter of 2014. As a result, the timing of the actual transfer of the interests sold was postponed. That is also how things unfolded; after conclusion of the main examination procedure, the Federal Cartel Office at the end of February 2014 approved the transfer of a total of 40 hospitals as well as further subsidiary facilities to Fresenius/Helios without restrictions or conditions.

Already prior to the decision, the antitrust filing had been adjusted since plausible antitrust reservations had been expressed with regard to the hospitals in Boizenburg, Cuxhaven, and Waltershausen-Friedrichroda that had been included among those hospitals actually intended to be sold in the contemplated transaction. In the end, then, only 40 instead of the originally planned number of 43 hospitals were sold to Fresenius/Helios. We are currently in the process of developing a long-term viable prospect for the future of those three facilities. Its purpose is to continue to secure their care mandate, to provide for certainty with regard to their future and to take account of the best interests of their patients and employees.

By what is referred to as the closing – i.e. the final execution of the transaction – at the end of February 2014, the legal and actual transfer of most of the transaction-relevant shares hitherto held by RHÖN-KLINIKUM AG to Fresenius/Helios was effected. The interests in Klinikum in Salzgitter were transferred a few days later at the beginning of March 2014. The transfer of RHÖN's own shares in Dr. Horst Schmidt Kliniken in Wiesbaden was also approved by the City of Wiesbaden as majority shareholder of the facilities a few weeks ago. Substantively, the transaction thus essentially has been concluded.

By this description I also wish to make clear to you that the first quarter is significantly impacted by extraordinary effects. However, it presents a challenge both in accounting and operative respects: the first three months of the current financial year thus include two months under full consolidation of the overall previous portfolio – i.e. all existing 54 hospitals – as well as the month of March with a balance sheet adjusted for the transaction. Coming on top of that at the same time were numerous effects and burdens resulting from the transaction.

At the same time the management had to see to the Company's day to day business, to a smooth and pragmatic implementation of the transaction involving as few problems as possible, to the preparation for this Annual General Meeting that will deal with complex legal and operational matters, and not least to the details of the Company's strategic reorientation – truly not a run-of-the-mill set of tasks.

The business figures of the first quarter reflect this special transitional situation. A total of 567,137 patients were treated at our hospitals in the first three months of the year. Revenues amount to 629.5 million euros. However, the figure for earnings before interest, tax and depreciation/amortisation (EBITDA) is almost twice as high as our revenues – at 1.488 billion euros. That is not owing to any magic trick, manipulation or error, since this figure includes the transaction gain to be accounted for under that item.

Already now it is foreseeable that the further course of financial year 2014 will be beset by effects and influences arising from the transaction. Due to these circumstances, we will not give any targets for revenues and earnings for the current financial year. These would not allow for any serious assessment.

For 2015 – the next full – “normal” – financial year that we will complete under the transformed structure – we have set for ourselves realistic and at the same time ambitious targets. On this occasion I therefore would like to confirm the already published outlook: next year we expect revenues in the range of 1.06 to 1.12 billion euros. We are forecasting earnings before interest, tax and depreciation/amortisation (EBITDA) of between 145 and 155 million euros, provided that the framework conditions of hospital financing remain constant.

Ladies and Gentlemen,

I would thus like to give you an indication of one key element of our business: RHÖN-KLINIKUM AG continues to operate within a regulated market environment whose structural shortcomings routinely attract a zeal for healthcare policy reform like a magnet. Even if the reluctance that can be observed in the use of inpatient medical services should normalise once again and demographic logic is again reflected in rising demand for hospital services, it remains uncertain to what extent the required and medically possible services will also be remunerated in future.

In the current environment price discounts are likely to occur, while rises in wages and cost of materials are expected to be to the order of some 2 to 3 per cent that will not be offset on the revenue side. That is all the more remarkable given that the statutory health insurance funds and the Central Health Fund continue to boast record surpluses if we can believe the forecasts.

The remuneration of hospitals did see a slight improvement with the new provisions on the orientation value (*Orientierungswert*) introduced at the beginning of August 2013 – this value defines the scope for price adjustments for hospital services and is based on the development of various cost components. At the same time, though, hospitals have to accept a discount of 25 per cent on so-called surplus service volumes agreed with the health insurance funds. For surplus service volumes not agreed, the statutory provisions even provide for discounts of 65 per cent.

Cost pressure is thus mounting considerably. The gap between rising personnel and material costs on the one hand and the rate of price increases capped by the state base rates on the other is likely to widen even further.

A current study published just a few weeks ago by the corporate consultancy firm Deloitte is forecasting a sharp rise in inpatient numbers from 19 million now to 22 million per year in 2030, despite the shrinkage of the population overall. At the same time, the duration of stay will further decline – already from 2005 to 2012 it went from an average of 8.5 to 7.6 days. Coming on top of all this is an increasingly unequal distribution of capacities of the currently roughly 2,000 hospitals in Germany. In Germany as a whole there is bed overcapacity of 5.5 per cent with a target occupancy of 85 per cent. Up to 2025, this overprovision is expected to have turned into an underprovision. If that is the case, we would indeed have to expect a significant transformation. That would mean that, compared with today's provision situation, it will even be necessary to add capacities of roughly 3.7 per cent as of 2030 to meet the expected demand.

It will be our task to validate such scenarios, to estimate the consequences for the Company and – above all – to prepare for and make the right decisions so that the Company is well-poised for the future even in such ups and downs.

4. Current developments

Dear Ladies and Gentlemen,

Let me now talk about some current developments within our Group.

- a) I would first like to mention the **Health Campus Bad Neustadt** project at the existing and future headquarters of our Company. This is firstly concerned with the construction of a new building for our five hospitals at that site, but at the same time also with a project that will serve as a model for the hospital sector and that will give us an innovative position in the modern hospital system in terms of its conceptional, medical, architectural and functional aspects .

Specifically, we are planning, in a first construction phase, to modify, expand and renew the structures of existing buildings for our psychosomatic clinic that has come to be neglected somewhat in the spa area of Bad Neustadt over the past years. In a second construction phase we will construct a completely new hospital building in the immediate proximity to the currently existing buildings which in many respects no longer meet modern standards, and group together under one roof the remaining clinics there in a healthcare-mall setting oriented towards maximum care. In a third construction phase we will in part remove the old buildings, and in part modernise them under the overall concept of a healthcare delivery approach dominated to an even greater extent by age-specific aspects and put them to new uses.

The plans for this project to be realised gradually are already well advanced but have not yet been finalised. We want to invest roughly 150 million euros in total. We expect to be able to start construction in 2015 at the latest. If the project proceeds as planned, we will be able to move into the new buildings in the course of 2018.

As a result of the comprehensive structural modernisation, we will be able to offer our patients significantly optimised and modern medical care meeting the highest standards. By grouping together a large part of our specialist departments in future within interconnecting buildings, we are providing the basis for even better interdisciplinary co-operation, shorter paths and more direct communication. With regard to aspects of relevance for the environment such as use of energy and thermal insulation, the new building will bring a significant improvement compared with the current situation. At the same time this of course will also allow us to offer our staff in Bad Neustadt a highly modern working environment meeting the latest standards.

- b) In **Bad Berka**, the new radiotherapy clinic was put into service in 2013 at the Medical Care Centre. In March 2014, with the Thuringian prime minister Christine Lieberknecht in attendance, the cornerstone-laying ceremony for the new building of the Radiopharmacy Department took place. That will give Zentralklinik Bad Berka the most modern facility of its kind in Germany. The building will comprise roughly 1,300 square metres of usable area on two levels. In total, we are investing here together with the City of Bad Berka roughly 11 million euros over several years. Once completed, the facility will have a circular accelerator for the production of short-lived radionuclides which under clean-room conditions can be processed into radiotherapeutically effective drugs for internal use and also distributed externally.
- c) In **Frankfurt (Oder)**, we additionally put into service a psychiatry day clinic for children and adolescents. Its outpatient psychiatric institute supplements the scope of services of our clinic for paediatric and juvenile psychiatry, psychosomatics and psychotherapy. Over all ages, it works together closely with the department for psychiatry, psychotherapy and psychosomatics of Immanuel Klinik in Rüdersdorf. Our new facility directs its treatment offering to children and adolescents up to 18 years old and covers the entire range of child and adolescent disorders.
- d) Also the efforts made for **Universitätsklinikum Gießen und Marburg (UKGM)**, which has not always been easy, has brought about a great number of positive developments.

First of all a word on the economic situation of what is by far the largest facility in our portfolio; we can note that the hard, continuous work in a complex, as well as publically and politically sensitive environment has helped to relax the sometimes tense situation.

After posting a loss of 8.6 million euros in 2012, we succeeded in achieving a positive result for the year of roughly 2 million euros in 2013. The consolidation of UKGM, which nonetheless has been suffering setbacks time and again, is moving ahead step by step. The employees are also tired of having to be made out as the source or target of fomenting fundamental criticism of the privatisation. It rather seems to be the case that an increasingly constructive and objective tone is prevailing, something which is also making it easier for staff to more identify themselves with “their” hospital. There appears to be a willingness to acknowledge perceptible successes as such and to somewhat soft-pedal on the high tone of a general knee-jerk indignation.

- At the **Gießen site**, both the “University Spinal Cord Competence Centre” and the “Hessian Aorta Centre” have been launched. In addition, we will invest a roughly 22 million euros in the coming years in the construction of a new psychiatry department.
- In **Marburg** a new treatment concept for patients with psychosomatic and psychological conditions was introduced. The interfacility “Institution for Laboratory Medicine” was successfully accredited. The launch of our “Centre for Unknown Diseases” has drawn an echo worldwide; many like to refer to it as the “Dr. House Clinic” – based on a well-known US TV doctor series that became popular for its unique medical style and approach as well as assistance provided to often desperate patients.
- Over the past years we have also informed you repeatedly on the current stage of the planned **particle therapy centre** in Marburg. Particle therapy – put very simply – is a high-precision radiotherapeutic procedure in which protons and ions are accelerated to two thirds the speed of light and then used in cancer therapy for irradiation of certain types of tumours. What we are talking about here, then, is an unusually modern and high-tech innovation which – right in line with our strategic re-orientation – opens up new procedures and avenues in cancer therapy.

After intensive discussions with all those that we want to, and indeed have to involve in this project – the University of Heidelberg, the Federal State of Hesse, Siemens AG, the University of Marburg, the UKGM, etc. – the indications are now very promising that this facility will soon be commissioned and placed into permanent operation. The facility will be operated by a joint venture made up of the University Hospital of Heidelberg and RHÖN KLINIKUM AG; all the involved partners have reached agreement on the key points. Right now the final touches are being put on the required contractual texts – which have to cover and permanently stipulate provisions for a complex overall situation. Our partner possessing experience in the technology – the University Hospital of Heidelberg – assures that it will be possible to start treating the first patients in Marburg in 2015.

5. Future prospects

Dear Ladies and Gentlemen,

Having put a difficult phase of uncertainty – especially in 2012 – behind us following the preparation and implementation of the transaction during the past financial year, as well as in view of the progress made in many individual projects, this would now actually be a good opportunity to catch our breath for just a moment.

And we will do that. – But we won't just do that!!!

That is because right now it is important to continue taking advantage, at all levels, of the momentum gained from the change, and to push ahead with the re-orientation of our Company. Many steps have already been taken. As mentioned, the formation of the Medical Board – a historic development for our Company – will combine our overarching corporate strategy with the medical knowledge and science of practised and seasoned experts required for its acceptance and actual implementation. The reformed Group is growing closer together; the transformation from a heterogeneous hospital group to an integrated healthcare services provider is in full swing. And also in terms of communication, there are many projects, both internally and externally, that reflect this renewal and modernisation – the newly designed Annual Report as well as the image brochure that are on display today are only two examples of this.

We thus remain on the offensive and are taking advantage of our corporate opportunities. Thanks to our brand name and our performance commitment of innovation and treatment excellence, we are a company like none other on the hospital market. We firmly believe in the future viability of RHÖN-KLINIKUM AG. We are convinced that we have created the ideal basis for embarking on a further successful chapter in our Company history on the one hand and in future-oriented healthcare provision on the other.

A key contribution to this will come from the project of networked medical care developed by the Company's founder and chairman of our Supervisory Board, Eugen Münch. It was born from a vision and is now waiting to be put to the real test in practice: we are currently in the process of specifically putting into practice the network in a concerted effort within the group of once again further expanded network partners – i.e. together with Helios Kliniken and Asklepios Kliniken. It first of all provides for a operator-open, national network of specially qualified providers in which outpatient and inpatient healthcare services are provided as part of an employer-financed supplementary insurance scheme.

As stated: the network is open to all facilities meeting the required conditions, i.e. also to hospitals of municipal and confessional operators. And the benefits of the network will be open to any patient insured under the scheme – whether such patients are members of statutory or private health insurance plans.

Within this network, RHÖN-KLINIKUM AG also in future understands itself – despite its leaner format – as the decisive mover and continues to be wholly convinced that the network is an important building block for the future viability of the entire healthcare system. In keeping with the tradition and self-perception of our Company, we will thus continue to assert the leading creative position when it comes to the implementation of new ideas. We are committed to overcoming the old moulds of thinking; we have the courage to venture into uncharted territory.

Our communication talent will assume a key role in this task because we want to create public awareness of this transformation. We will press ahead with eHealth and eCommunication projects more than ever. We want to increasingly invest in Internet- and intranet-based offerings and thus create more useful value for all users and more network value within what has become an IT-friendlier performance and information world, also in the healthcare industry. The most striking example of this is our project “New Generation MPI¹” as a basis module for patient administration in interfacility medical alliances.

An additional focus of our efforts in future will be on marketing, since we have outstanding hospitals based in demographically challenging, highly competitive regions. In addition, improving and disseminating the knowledge about us and our strengths will also decisively help us to position the services of our facilities, characterised by cutting-edge medicine and oriented to maximum care, and to assert the desired unique selling points in a fiercely competitive market.

Dear Ladies and Gentlemen,

On behalf of the entire Board of Management I would like to express my sincere thanks to you – our Shareholders – for the trust that you have placed in the Company over the past years and above all during the exciting past few months. Not only the very good trend in our valuation evidenced by the share price, but also many personal discussions have confirmed to us that we have reasonably represented your interests. On the basis of a profitable business model oriented on the long term, we will continue to work very hard in future to enhance the value of the investment made by our Shareholders and to give them a reasonable share in our Company’s positive development.

Lastly, I would like to encourage you to participate in the important resolutions put before you at today’s Annual General Meeting that will also facilitate your individual decision on choosing your further journey with RHÖN-KLINIKUM AG. After 40 years of successful work, we are about to embark on a new era in the history of our Company. We would be glad for you to further accompany us and wish to enjoy your continued support. But whatever decisions you take, we respect them.

Thank you for your kind attention and patience so far. I wish you a successful Annual General Meeting.

¹ (MPI = master patient index)