



RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

27TH ANNUAL GENERAL MEETING

Speech delivered by

Eugen Münch, Chairman of Supervisory Board

10TH JUNE 2015, FRANKFURT AM MAIN

- Check against delivery -

Black-out period: End of the speech by Chairman of the
Supervisory Board

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

with the successful completion of the Fresenius/Helios transaction and the capital pay-out to you – our shareholders – through the share buyback programme, in the last financial year we created the conditions for the reorientation of our company in health care. However, before I discuss the prospects for the company, its employees and for you as owners resulting from this, please allow me to turn to the mandatory topics and formalities first.

To avoid repetitions in reporting on the work of the Supervisory Board for the 2014 financial year, I would like to first of all refer you to the detailed written Report of the Supervisory Board from our 2014 business report which I do not wish to read out to you here. This Report has been on display at the RHÖN-KLINIKUM AG premises since the convocation to this Annual General Meeting and was sent to the shareholders 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 25 of the Annual Report provided to you, and it has also been posted on the Company's homepage.

For the efficient performance of its duties, this Supervisory Board established seven standing committees and one sub-committee which prepare subjects and resolutions for the plenary meeting. Moreover, specific powers to adopt resolutions were delegated to the committees under the Terms of Reference. We review the efficiency of our work in the committees on a continuous basis and make changes to the structures without delay whenever we identify the need to do so.

During 2014, we had the efficiency of our Supervisory Board work reviewed with the involvement of an external expert and, within this context, performed a thorough evaluation of its composition, organisation and activity. I reported on the positive results of the audit and our successful implementation of the recommendations by the external expert at last year's AGM.

The study, "Supervisory Board Score" by the KompetenzCentrum für Unternehmensführung & Corporate Governance at the University for Economics & Management, which examines the efficiency, membership, transparency and remuneration of the DAX 30 and MDAX supervisory boards, lists our work in 'first place' among the 46 MDAX companies, with a score of 82.6%. Overall, we came third. We are pleased with this result, but assure you that we will not rest on our laurels.

The development of the regulations of the German Corporate Governance Code has caught our attention and we are implementing new regulations or justifiably rejecting them. The increasing tendency of the Code Commission towards new regulations in the form of restrictions and interventions in the ownership rights of shareholders is clear. The added-value of meaningful information for shareholders cannot always be detected.

Now to a word on the Board of Management's remuneration and membership: you have approved the principles of the remuneration system for our directors which continue to apply unchanged. All the directors' contracts have been adjusted to these regulations.

130,000 virtual shares have been received from the virtual stock programme created last year after the last AGM in order to intensify the Board of Management, with which they also participated in the share buyback. The remuneration from this programme has been included and reported in the directors' remuneration for 2014, insofar as it was paid out in this remuneration period.

There were no personnel changes on the Board of Management in the last financial year or before this AGM. Last year's changes in the Supervisory Board are included in the written Supervisory Board report.

The five-year tenure of the current Supervisory Board finishes at the end of today's AGM. Consequently, the representatives of the shareholders, i.e. 8 of 16 members, are up for election. Of the current members, seven are standing for re-election, three members – Mr Hartl, Dr. Korte and Mr Mendel – are stepping down. These proven experts in their respective fields – Mr Hartl as an auditor and tax advisor, Dr. Korte as a commercial lawyer and notary, and Mr Mendel as a bank director and financial expert – will leave gaps that will be difficult to fill. My and all our thanks for the successful work in the Supervisory Board go to these gentlemen and I wish them all the best for the future. Of course, my thanks also go to the departments' employee representatives. In particular, I would like to mention Mr Lüddecke who, as first deputy chairman of the Supervisory Board, always contributed objectively and constructively to the dialogue.

The previous period of the Supervisory Board was characterised by some turbulence and a performance requirement, which was demanded of each individual member.

I believe the results speak for themselves: the Company has been recreated and realigned, it has taken a course towards new goals. For you, as shareholders, the realignment has led to economic results which need not fear comparison.

Now and again in this context, the term "Rest-Rhön" has been bandied about by the media and public. Sheer size alone has not been a success criterion for some time. This is how I see things: if you sail downstream over the rapids because the water you lived in clearly and permanently offers too little food, it is a good idea to change from the large steamer to a robust canoe. Apart from this, I like to remember that with the "Wir für Gesundheit" network, we have access to the largest health network in the sector.

For supporting the multi-layered changes in the market and the repositioning of the company, the benefits of which will continue to be proven, my thanks go to the Board of Management and, in particular, to the employees, who once again have proven themselves to be pillars of strength in the interests of both the patients and the company. This performance is the pivot and hub of the company, the strategic kinks and twists are merely additions. This company would be nothing without its committed employees. My thanks also go to the works councils which, within the framework of co-determination, do not always have an easy time of it.

A look to the future: the most important task at today's AGM is to appoint the company's next Supervisory Board. The Supervisory Board is a critical guarantor for the stability and strength of the company's development. We all know that it appoints the Board of Management, advises and monitors it.

The capital side of the Supervisory Board not only represents the shareholders' interests, but also – in the sense of sustainability – incorporates the company in the health economy and, in particular, safeguards the interests of the patients being cared for. The employee side represents the interests of all the employees.

Both sides face their own challenges. The owners are faced with the increasing demands of the capital markets and their upheavals. The employees suffer from a disappearing, even homeopathic, voter turn-out. In Marburg, the elected members had just 677 votes of a possible 4,314 and, in Giessen, 425 of 4,436 possible votes, with a voter turn-out of 20% and 11% respectively. Such a minimal basis for co-determination, and collective bargaining carried out on such a tiny basis, can easily lead to over-compensating activism, from which nobody benefits and which damages the company.

It was, therefore, even more important to find suitable, competent and committed candidates for the capital side, who can stabilise the company and drive it forwards. Events, as recently seen in a large German company, in which the employee representatives suddenly have overall responsibility or are shifted from individual interests into this direction, would be extremely damaging for our company.

It will, therefore, be an important task for the next Supervisory Board as a whole to provide confidence-boosting stability and also for the employee representatives in the Supervisory Board to regain the trust of the employees, which they need for reliable co-operation.

The task for the next five years is to support the leaner, more mobile company with its stronger capital position, so that with its abilities and solutions it can, and will, make a positive contribution to the system alignment in healthcare. We have to set out to influence the required innovations in the industry from the start.

The starting point, from which the Group is moving, is characterised by increasing patient numbers. These arise because we are all living longer, i.e. there is a greater rise in numbers in the oldest third of the population than in the younger age groups.

There are theories that suggest the use of the health system, when the individual people get older, is not growing because the hardest thing in terms of health (= and therefore the most costly) in life is

death, and this only ever happens once. We – as individuals committed to humanity – are and feel obliged to provide services to those who are dying, services which will provide support and relief in their final phase of life. This commitment therefore does not get less. With every year in which we postpone the end, ongoing health problems increase which, of course, are naturally not an issue if we die. We can treat many of these health problems and can reach a medical level at which we can live. However, this often creates chronic conditions which – and this has to be said – are mostly better than nothing. This also generates performance demands.

Another reason for the increasing demands from the older population is the idea that, at 60 and more, we still want to live like 40-year-olds. Leaking heart valves, creaking knees and painful hips should and can be repaired, and diabetes perhaps will soon become invisible with an insulin pump. We may also begin to complain more and will not want to have to put up with everything. After all, why should we? In our youth, not everyone had a car, but we saw cars being driven. This acted as an incentive. Then we just got on with it and used all the opportunities to finally get what we wanted. Now we want that new knee. In contrast to the car, which we worked to get at the time, our health insurance, i.e. someone else, should be there to pay for the new knee. Particularly for young people, this won't be obvious.

So far, this has been working well. The extra effort has not really been expensive because, in particular, the price-performance ratio in hospitals has been improved by almost 50% over the last 20 years, as a result of increased performance and consolidation.

This process is coming to an end, however, because many rationalisation possibilities, if not all, have already been used. The public outcry concerning the strain is not justified, I believe, although it highlights an emerging problem.

There are individual areas where savings have already reached rock bottom. For safety reasons, this is a problem, as there are weaknesses in every system which will break if further strained. This is dangerous for the patient, and therefore also for the company.

There is also some good news though.

Today, diseases are being identified earlier because people are more complaining or sensitive. They, the people, therefore come earlier, which is why there are bottlenecks in the clinics. If the quality of the diagnosis is correct, early detection means that a smaller problem is found and there are smaller solutions. The main competence of our company and the entire system lies in the heavyweight battleships of medicine which, the way they are structured, cannot properly deal with the growing mass demand, either objectively or in terms of quality. The imminent increase in volume is happening today in inpatient medicine and neither we, nor the current instruments in the clinic, are properly designed for this. If we are not careful, we will soon have so-called easy cases in expensive high-performance beds. This would seriously damage us economically and does not help the patient at all, nor is it good for resources.

The basic problem in the health industry is mostly described as though more performance is provided, but without sufficient financing. In fact, it is even worse, the system has not adapted to the

higher volume and the smaller steps and continues to do a great deal with too much material at the wrong location.

Politics obviously does not have any creative ideas, nor does it have the power to support concepts we are already working on and/or integrate them into the system. So, we have to create the solutions ourselves and realise them on the market.

So, forget politics, we cannot lean back and wait.

What possibilities remain?

We need a so-called breakthrough innovation.

This means that the area of inpatient high-performance medicine, with which we have always worked, must become stabilised and its knowledge used fully, but not overloaded just by its existence, and not made even bigger. Modern inpatient medical institutions must be created and set up for their new task of mass care.

Consequently, we have reached a very critical point. We have to change processes and investments and reorient ourselves, no doubt against enormous resistance.

In anticipation, these are the concepts we are discussing in Bad Neustadt and which are about to be started there, and which we are starting to discuss in Marburg.

An example:

A patient lies in a bed in the University Clinic, who – because there was a risk that he had secondary bleeding – was placed in an extremely expensive high-performance bed. In a super-modern clinic, he would have been taken in by a day or night clinic. Today, the old procedure is still being paid for because there is no alternative. However, the question is for how much longer?

If we now build these modern clinics and drive forward the process, the waste, estimated to be up to 5000 euros per patient, is no longer unnecessarily generated. The bed remains empty, we have to close and move the employees to the clinic, or else our clinic is so good that a sufficiently seriously ill patient finds his or her way to us.

The fact often suppressed in medicine is that the most expensive resource today is the doctor. They are often highly specialised, and we have too few of them to be able to look after every patient who comes to us. In my decades of experience, however, there are not nearly enough qualified doctors who would be able to show patients, who present a felt symptom, the correct care path. There are already approx. 600 million doctor contacts per year in Germany, believe it or not, with an average of eight minutes each. Fewer doctors and even more patients will mean just six minutes, if things remain as they are.

For a new approach, the latest technology will have to be used first, unlike today, in order to assess the many patients with maximum quality, so that we can target the doctors' skills.

In this, we would not be subjecting the people to technology, but using its possibilities in order to deploy the medical specialists more selectively after the preparation. This would reverse the old

medical principle – using the doctor and then the technology – because the doctor is today's most scarce and most expensive resource. If we do it correctly, we will be able to provide a full radiological examination for less money than an hour with a top doctor today costs. Technology combines so much knowledge that it increases at an enormous speed. The doctor then gets involved when the tasks, which result from the large number of patients, are solved. We do not wear them out by sending hundreds of patients to them, but instead we use their competence selectively after the preparation and train them for this task.

The possible developments in outpatient medicine discussed here, and the new formatting in inpatient care, are currently hypotheses. Marburg, with its university research and teaching background, would be an ideal place for developing and evaluating these new approaches. The new path releases considerable resources; the funds saved could be used by the company to reduce prices and therefore care costs, i.e. more market share. Investment and growth capacity would increase.

The patients will look for us because the local doctor is already disappearing. There are hardly any doctors who work in rural locations. The outlined solution may re-enthuse them, and the daughters and sons of local GPs, who are refusing to take over the old practices, will be able to with the new concept, because this will mean a better quality of life and the latest medicine.

The described changes will demand more from the employees and managers than the "carry-on" practised every day. The outlined breakthrough innovations require courage and creativity, instead of the narrow-minded defence of one's own area.

However, now let us return to electing the Supervisory Board: the people nominated for today's election to the Supervisory Board, as proposed by the administration, are all ideally suited for advising and monitoring the management of the company on these new paths. All the candidates – apart from Ms. Reissner – are already known personally. I will therefore only ask Ms. Reissner to speak at the start of the discussion.

I have told you my opinions. From these you can conclude that I would very much like to continue as chairman of the Supervisory Board for the new period.

The other candidates:

With Prof. Dr. Braun, there is a large degree of agreement regarding the future Bad Neustadt and Marburg projects. His corporate experience is an important asset for the forthcoming implementations.

Prof. Dr. Ehninger is the candidate for medicine and developments in this area; I consider the length of his membership of the Board to be an advantage, rather than a disadvantage.

Stephan Holzinger is our expert for compliance and communication. As current chairman of the committee with the same name, the focus is on compliance with statutory provisions in our company, with more than two million patient contacts, as well as the positioning of our company in the media, the public and on the capital market.

Dr. Brigitte Mohn brings the platform of knowledge of a media company and, through her charity work in the Schlaganfall-Stiftung (Stroke Foundation), has a permanent, content-related external perspective on the Group. Her period on the Supervisory Board is the accumulation of knowledge, not solidification.

Wolfgang Mündel has, for many years, been the guarantor of an absolutely accurate and precise management of the audit committee. During his tenure, he has seen many highly-qualified finance directors and auditors come and go; there has never been the slightest reason to assume that his knowledge and authority would dwindle over the years. At my express request, he has agreed to take on these tasks for this term in office. He will use this time to develop a successor.

Ms. Christine Reissner will introduce herself personally as the new candidate. We have nominated her because – apart from myself – no-one from direct clinic management would be represented on the Supervisory Board. Ms. Reissner, who belonged to our Group until the sale of the Meiningen clinic – and she can and will not tell you this herself – has earned more than half a billion for the Group with the clinic she manages with expertise and knowledge and without any public upheavals.

Dr. Katrin Vernau has extensive experience with university management. She is the only person to have served in the highest administrative management of a university. This is why she was recently also elected to the Supervisory Board of UKGM. I will propose her as finance expert for the coming audit committee.

Finally, a word on the much-discussed women's quotas. For everyone who believes we have only filled the quota for the quota's sake, I would like to point out that the ladies nominated here have been nominated exclusively on the basis of their knowledge and expertise. I would have no reservations in putting men forward, if they were the better alternative precisely for the required and desired position. To praise us for fulfilling the quota would, therefore, be a mistake.

All the candidates have already stated their willingness to support the Board of Management in the further development and, in part, re-invention of the company, but also to closely monitor it and to admonish it, if necessary.

The last 40 years – 26 of them on the stock market – have been a success story for the owners, but also for the employees and innumerable patients, which is almost without comparison. Give us, the nominated candidates, your trust, for each vote is one that makes our path to the future more powerful for supporting this departure and for achieving success. That is our goal. Nothing more, nothing less.

Thank you.