

RHÖN-KLINIKUM AG

Preliminary Results for FY 2015

February 26, 2016



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RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

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- For computational reasons, rounding differences of \pm one unit (€, %, etc.) may occur in the tables.
- Glossary: € = Euro; \$ = (US)Dollar; (F)Y = (financial) year(s); M = month(s); % = percentage; a = actual; acc. = according; approx. = approximately; e = expected; k = thousand(s); m = million(s);

Return to smooth seas – reliability, profitability, growth

- June – AGM gave broad approval for **(re-)election of supervisory board** and **dividend** increase to **€ 0.80** per share
- August – acquisition of **Kreisklinik Bad Neustadt**
- Sept/Oct – successful execution of **€167m share repurchase** and capital reduction to **66.96m** shares, also led to minor changes in the strategic shareholder base
- Remaining **gross cash** position at year-end of approx. **€ 518m**
- October – first patient treatment and official opening of **Particle Therapy Centre in Marburg (MIT)**
- November – realignment of **group management structure** and appointment of **CMO**
- December – **75% as new qualified majority** in RHÖN's articles of association entered into commercial register

Delivered as
promised

First full year under new structure was successfully completed ..

- Group revenues € 1.11bn ✓
- Group EBITDA € 154m ✓
- Group net profit € 87m ✓

.. with reliable organic growth in a challenging environment...

- Volumes **+1.5%** (DRG case-mix-points) and **+12.9%** inpatient and outpatient cases to **765,109** ✓

.. and with support from positive one-off effects

- EBITDA includes **+€31m** extraordinary items from mandatory release of reserves

Sound results
despite
regulatory
headwinds in
state of Hesse

UKGM shows decent growth in the second half of the year

- FY 2015 revenues **+2.9%**
- Full year EBITDA-margin **6.1%****

* All figures are preliminary and not audited

** based on local GAAP (HGB), not audited or reviewed, adjusted on annualized accounting correction between 2014 and 2015

ASSUMPTIONS
& KEY DRIVERS

Expected average
organic growth
+3.0% to +4.0% p.a.

- Average DRG prices (weighted) **+2.6%**
- Volumes (case mix) **+1.0% to +2.0%**

Organic **DRG growth** still
penalized by regulation

- 25% discount on agreed additional volumes with reference to 2013 withdraws approx. **-1.1%** of DRG revenue growth* in current year

Expected **input price inflation**

- Wages **+2.5% to +3.0%**
- Material costs **+1.5% to +2.0%**

- First-time consolidation **Kreisklinik Bad Neustadt** (sales **€ +34m**)**
- FY 2016 includes **positive/negative extraordinary items** in a low to mid double-digit million amount with partially compensatory effects

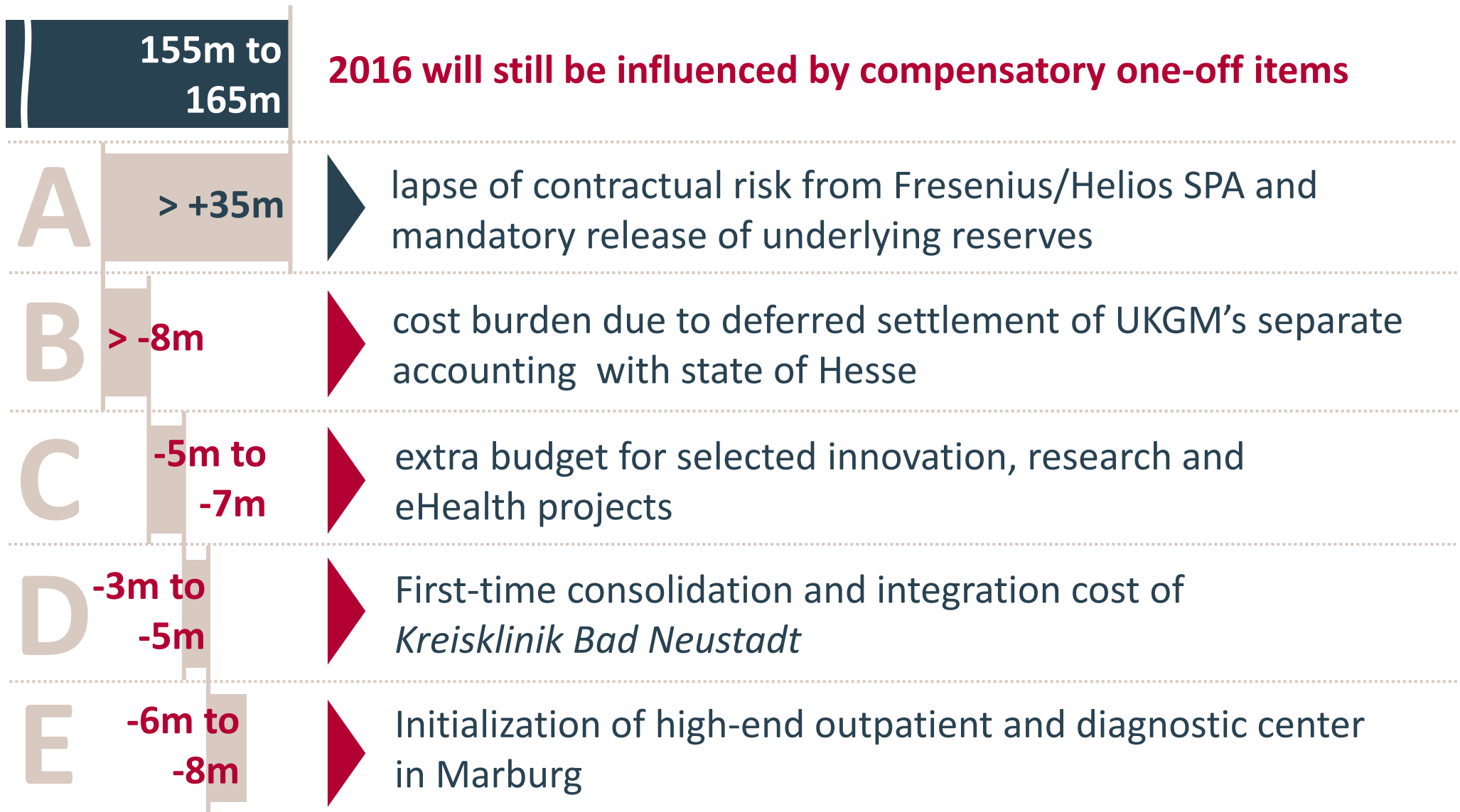
GUIDANCE
FY 2016

- **Group revenues** **€ 1,170m to 1,200m**
- **Group EBITDA** **€ 155m to 165m**

* Under mid point assumption of 1-2% more case mix points p.a. since 2013

** Other potential M&A activities not taken into account

Breakdown of Main Extraordinary Effects on FY 2016 EBITDA



financial figures in million € (m)

Establish high-end medical outpatient clinic at Marburg

- Goal: **double outpatient cases** and significantly **improve share of high-CMI inpatient cases**
- Extend current outpatient facilities and build-up new outpatient and diagnostic center (capex ~ € 40m over 2Y)
- Break-even after 2-3Y, going forward EBITDA contribution approx. € +8m (base case)
- High synergy potential with existing inpatient structures completed by standardized processes and advanced diagnostic technologies
- Cross-image effects with other high-end facilities in Marburg like PTC, Compr. Cancer Center, Cardio or Neuro Clinic
- Offer to outpatient specialist to relocate to Campus Marburg



Crucial element to enhance operating performance of UKGM towards **target EBITDA margin of ~ 10%**

Set-up of new venture structure for eHealth and network medicine

- Minority stakes of up to 30% in young start-up companies from Europe and the U.S. (up to € 2.5m per single investment)
- Invest approx. 1-3 years after founding, when initial proof-of-concept demonstrated
- Partnership with experienced venture investors in Israel and the U.S.
- Targets combine financial upside potential with strategic value within clinics
- Scalable platform established to test products within clinics in Germany
- Involvement of leading medical experts from our clinics
- Scanned >100 potential targets
- Strategic alliances with principal technology partner (IBM Watson)

Establish leading **venture platform for innovation and digitalization** of healthcare in Germany

FY 2016

- **February 26, 2016** Preliminary results for financial year 2015
- **April 15, 2016** Press conference: publication of annual financial report 2015
- **May 6, 2016** Publication of interim report for the quarter ending March 31, 2016
- **June 8, 2016** Annual General Meeting (Jahrhunderthalle Frankfurt)
- **August 4, 2016** Publication of the half-year financial report as of June 30, 2016
- **November 4, 2016** Publication of interim report for the quarter ending Sept 30, 2016

All dates could be subject to modification

Contact

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Federal Level 1

Layer

Total hospital system budget

- Wage sum increase as main reference number for DRG inflation in **2016: +2.95** (2015: +2.53%)
- Sector-specific cost index **+1.57%**

State Level 2

Layer

Base rates and case-mix volume for each state

- Negotiations between hospital association and statutory health insurance funds
- Effective price hike depends on regional distribution
- 2016 base rate increase in state of Bavaria only at **+1.74%** after arbitration

Hospital Level 3

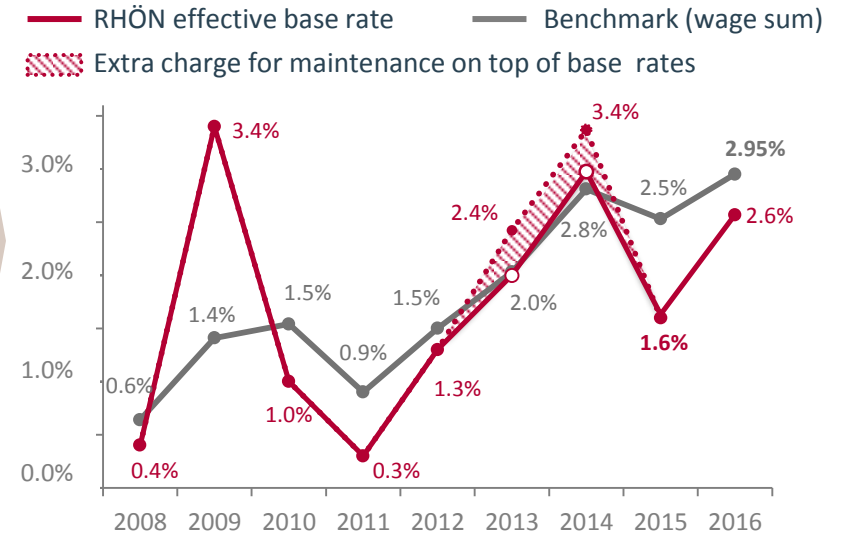
Layer

Individual hospital volumes and reimbursement

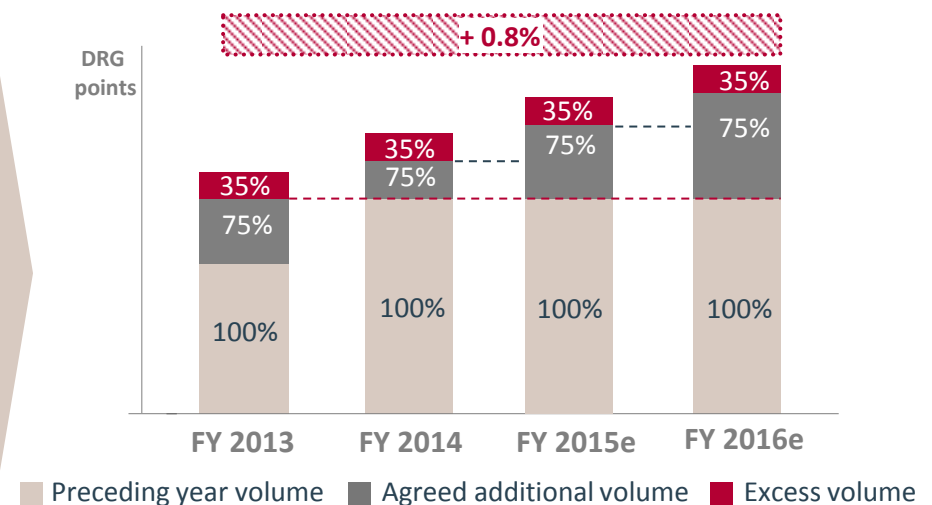
- Negotiation of volume “budgets” between clinic and health insurance funds about additional volumes
- Volumes outside the budget reimbursed at only 35%; **additional volumes inside the budget reimbursed at 75% for 3 years** (e.g. \emptyset -growth assumption of +1.5% p.a. leads over 3Y to a discount in current year of approx. **-1.1%**)

Average base rate increase in states with RHÖN hospitals

(weighted by RHÖN case mix)

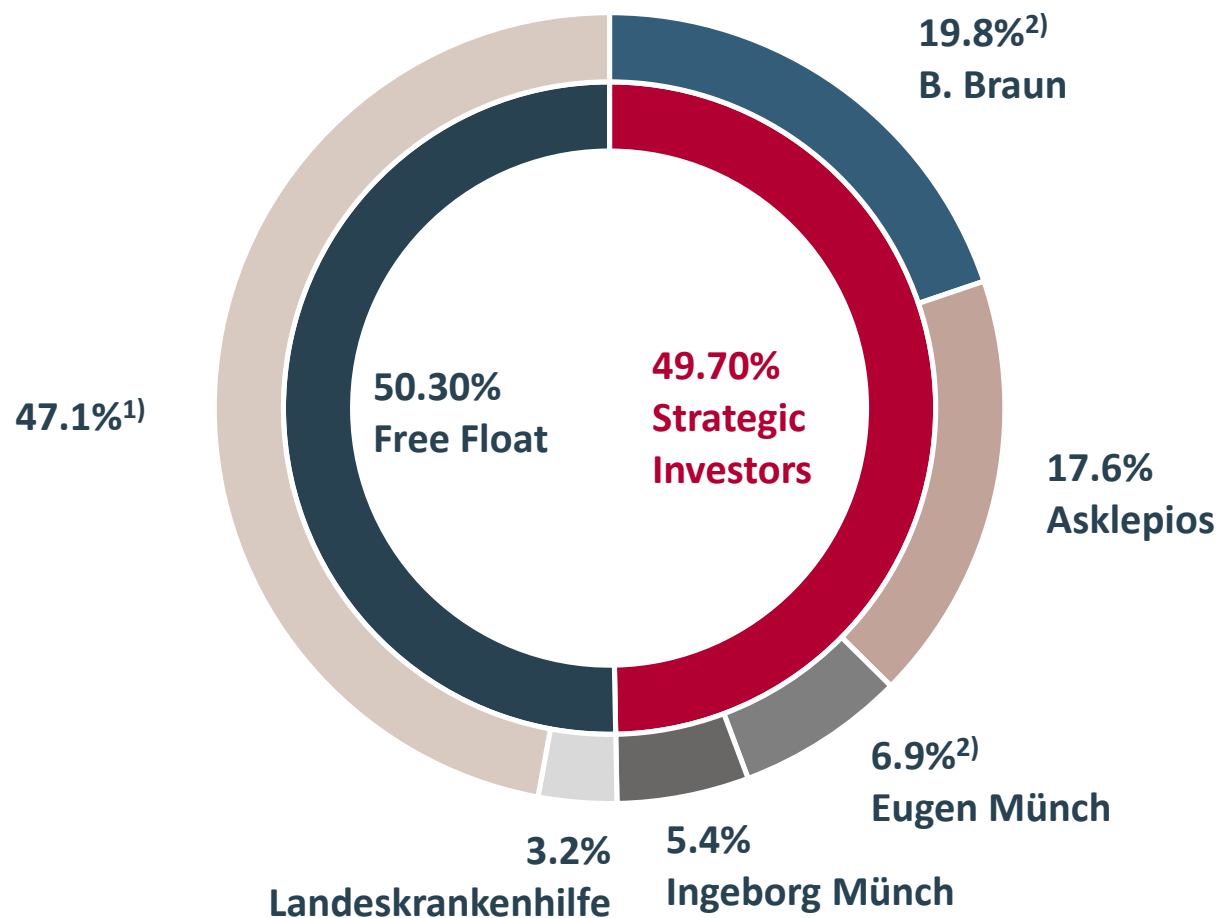


Reimbursement in % of base rate



Like-for-like shareholder structure after capital reduction in 2015

as of 31 December 2015, according to the most recent notifications of voting rights at that time



¹⁾ Shareholders with less than 3% of total voting rights

²⁾ Under the assumption "not tendered" in the course of share repurchase 2015