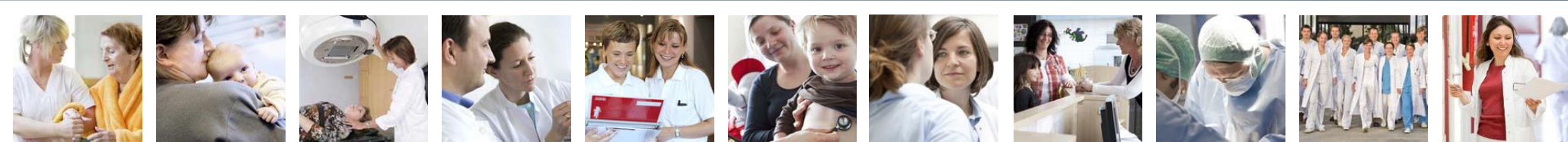


# RHÖN-KLINIKUM AG

## Conference Presentation

### September 2019



Stephan Holzinger  
Julian Schmitt



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**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); N/A = not applicable



**1** Transformation and strategy

**2** Business development

**3** Financials and guidance

**4** Regulatory framework and  
staffing policy

# New RHÖN at a glance

## Key figures

5 sites  
8 clinics  
7 MVZs



~ 5,400 beds



Sole private operator of  
two university clinics  
in Germany

~ 850k patients

€ 1.23 bn in sales



~ 17k employees

- ✓ 5 sites = Bad Neustadt, Frankfurt (Oder), Bad Berka, Giessen and Marburg
- ✓ 8 clinics = Bad Berka, Campus Bad Neustadt Acute Care, Campus Bad Neustadt Rehab, Psychosomatic Clinic Bad Neustadt, Haus Saalethal Bad Neustadt (detoxification center), Frankfurt (Oder), University Hospital Giessen and University Hospital Marburg
- ✓ 7 MVZs (polyclinics) = Bad Berka, Bad Neustadt, Frankfurt (Oder), Weimar, Giessen, Marburg (2x)



# New RHÖN at a glance

## Market position

### Germany's first listed hospital operator

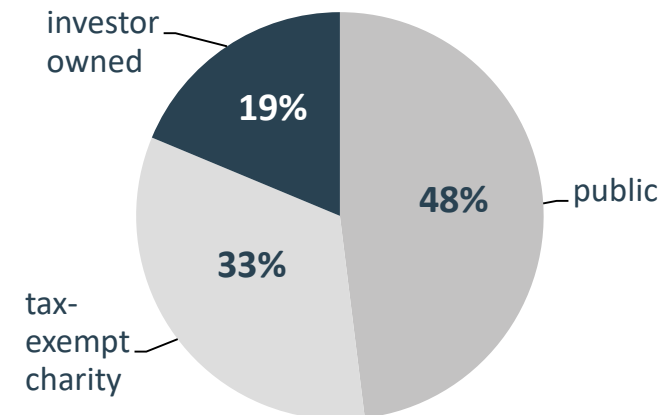
- The only publicly listed pure-play on the German acute-care hospital sector (member of SDAX/IPO 1989)
- Focus on **specialized and high-end medicine**
- ~ **1.7%** of the total German hospital market <sup>1)</sup>
- ~ **8.9%** of the German private hospital sector <sup>1)</sup>

### German hospital market <sup>2)</sup>

- Total hospital expenditure ~ **€91bn**
- 10Y CAGR **+4.2% p.a.**

### Ownership in German hospital market

Total number of beds in the market: 497,182 <sup>3)</sup>



<sup>1)</sup> Based on number of beds of RHÖN-KLINIKUM/total beds and  $\phi$ -CMI of ~1.5 per bed

<sup>2)</sup> Based on statutory and private insured patient revenues

<sup>3)</sup> latest available total number of beds in the market as of 2017

(Source: Federal Bureau of Statistics Germany, "Grunddaten d. Krankenhäuser", September 18)

# From Old RHÖN to New RHÖN

## The rational behind the deal

**RHÖN-KLINIKUM AG** sold 43 clinics in 2014 in an asset deal...

### Old RHÖN

(before Fresenius/Helios Deal)

- **53 individual clinics** throughout Germany
- **Portfolio:** Mass producer, from small county hospital to maximum care provider
- **Size:** “Huge oil tanker”
- **Strategy:** Buy financially distressed clinics, restructure them to achieve target margins, potentially sell them
- **No overall medical strategy; local focus**

**STRUCTURAL  
CHANGE  
PROCESS**

**HAS  
ALREADY BEEN  
COMPLETED**

### New RHÖN

- **8 clinics** in 5 core sites
- All sites **above critical bed size** (>500 beds)
- **Portfolio:** Focus on state-of-the-art medicine; treatment of highly severe cases within core business areas
- The only private provider with **direct access to university medicine**
- **Size:** “Agile speed boat”
- **Strategy:** Campus Concept and Digitalisation
- **Vision:** “Top nodge medical care in rural areas within fully digitalised clinics”



# New RHÖN at a glance

## Our portfolio

*“RHÖN has only system-relevant large sites with more than 500 beds and is therefore less effected by the current structural change in the German hospital market.”*

### Bad Berka



- Beds 647
- Patients ~ 114k\*
- Employees ~ 1,900
- Academic teaching hospital of the University Clinic Jena

### Bad Neustadt a. d. Saale



- Beds 1,579
- Patients ~ 94k\*
- Employees ~ 3,500
- Opening of the first RHÖN Campus
- Academic teaching hospital of Philipps-University Marburg

### Frankfurt (Oder)



- Beds 852
- Patients ~ 117k\*
- Employees ~ 1,700
- Conversion of traditional hospital into Campus
- Academic teaching hospital of Charité Berlin

### UKGM Giessen/Marburg



- 2,291 beds
- Patients ~ 525k patients\*
- Employees ~ 9,800
- 3<sup>rd</sup> largest university hospital in Germany
- Sector advantage: Knowledge transfer between RHÖN sites

**More than 2/3 of revenue line from growth segments:  
cardiovascular, oncology, pneumology, neurology, special orthopedics and trauma surgery**

\* Including MVZs (polyclinics)

# From Old RHÖN to New RHÖN

## New Management Board

- **Stephan Holzinger (CEO/CFO)**  
Corporate communications, IR, corporate development, accounting, tax, controlling, corporate finance, HR, legal, data protection, compliance, internal audit, digital transformation and corporate offices
- **Prof. Dr. Bernd Griewing (CMO)**  
Medical board, patient safety, quality management and hygiene, medical process management, network medicine, innovations and clinical sites Bad Neustadt and Frankfurt (Oder)
- **Dr. Gunther K. Weiß (COO)**  
Procurement management, construction and technology, IT and clinical sites Bad Berka, Giessen and Marburg





# Company's strategic direction

## Moving ahead after the transformation



### Campus strategy

Unique cross-sectoral care model  
1<sup>st</sup> Campus established at Bad Neustadt

## THE NEW RHÖN



### Expansion strategy

Domestic Campus rollout  
Business opportunities abroad



### Digitalisation strategy

Tiplu (Semantic Coding Assistance)  
Medical Cockpit, digital patient file, et al.

*“In comparison to other private operators, RHÖN has already completed the transformation process and is thus less effected by the current structural change in the German hospital sector!”*

Stephan Holzinger, CEO/CFO



### Optimisation of value chain

Telemedicine, short-term care and further measures to improve and expand the overall treatment process



# Pillar 1: Campus strategy

Our solution: The healthcare Campus of the future



RHÖN-KLINIKUM  
AKTIENGESELLSCHAFT



## The RHÖN-KLINIKUM Campus

Our future concept for high quality  
integrated care in rural areas

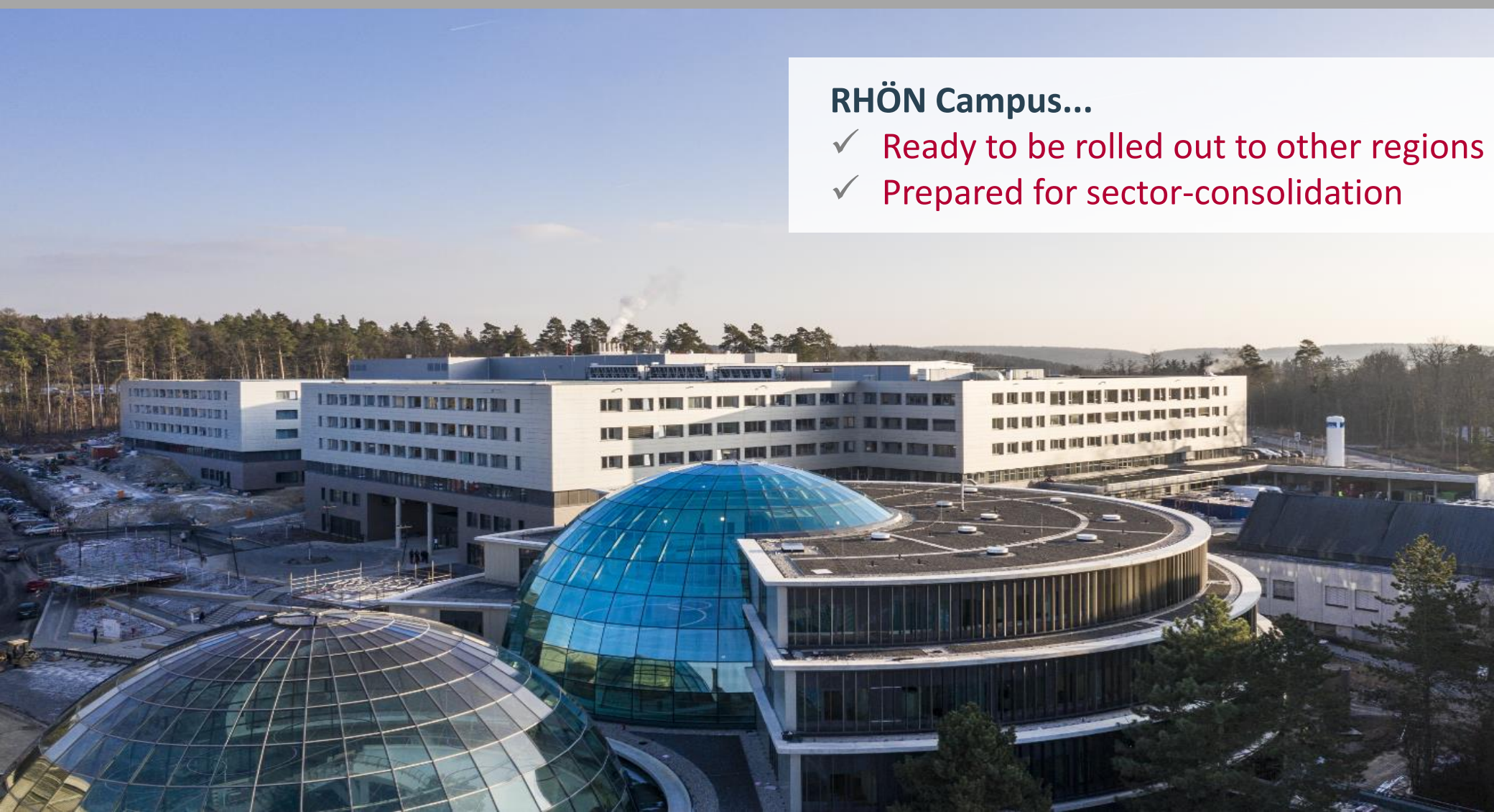


# Pillar 2: Expansion strategy

## Rollout of Campus Concept

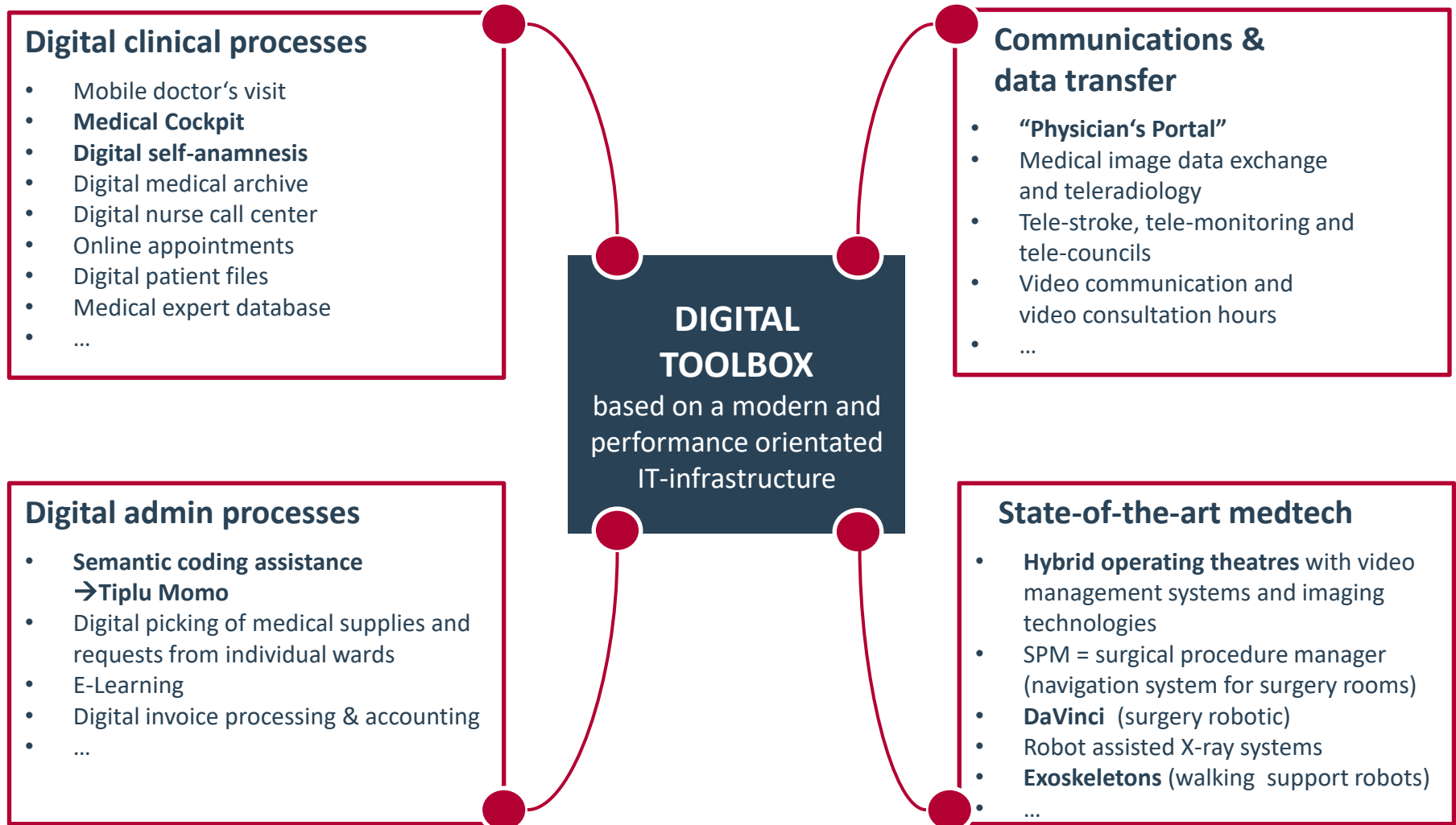
### RHÖN Campus...

- ✓ Ready to be rolled out to other regions
- ✓ Prepared for sector-consolidation



# Pillar 3: Digitalisation

## Digital tools



Taking into account current data protection guidelines and the DSGVO

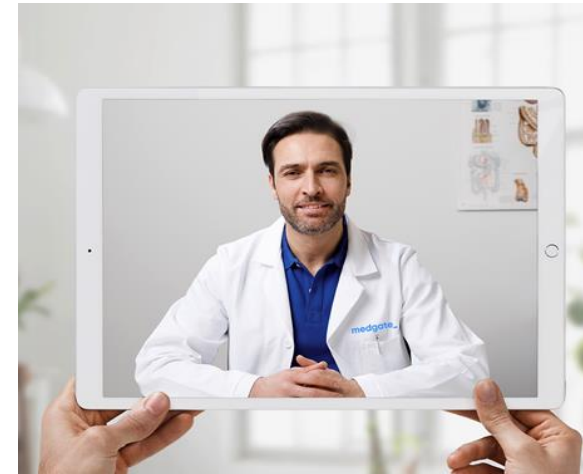


# Pillar 4: Optimisation of value chain

## Additional growth opportunities for RHÖN

### Telemedicine before outpatient care, inpatient care and rehab

- Reasonable addition to our hospital business ahead of the existing value chain
- Memorandum of Understanding on extensive cooperation for telemedicine signed with Medgate; New-Co is in the founding process
- RHÖN-KLINIKUM AG will hold the majority of New-Co with 51%, Medgate will have a 49% stake
- Contact with physicians via video or phone
- Additional offer of a smartphone app for easy, fast, personal and digital access to physicians



### Short-term care as a supplementary offer for patients

- Increase in number of severe cases requires an increased need for nursing support after a successful in- or outpatient treatment
- Decrease in the ability to place patients promptly in care homes, as these facilities regularly reach their capacity limits due to excess demand
- Situation ends up in a misallocation of patients, as successfully treated patients stay longer in hospitals and occupy beds, which are needed by other patients
- Solution: Hospitals are allowed to offer extra facilities for post in- or outpatient short-term care compensated by the statutory health care fund (§39c SGB V)



Source: Medgate

The background of the slide is a photograph of a modern hospital lobby. It features a multi-story building with large glass windows and balconies. The ground floor has a curved white reception desk and a polished stone floor. There are indoor plants and a bright, airy atmosphere.

**1** Transformation and strategy

**2** Business development

**3** Financials and guidance

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staffing policy

# Business development

## Campus Bad Neustadt

### **12/2018 – Opening of the new Campus Bad Neustadt**

- One of the largest individual construction projects in the company's 45-year history
- Ideal implementation of the Campus Concept for holistic health care in rural areas for the first time

### **12-2018/01-2019 – Successful relocation of the Bad Neustadt clinics to the new Campus**

- Bundling of medical excellence on Campus
- Optimization of patient control through centralization

### **Digital high-end solutions**

- 16 operating theatres, including 2 hybrid operating theatres
- Robot-based X-ray system with 3D imaging
- Equipment of all theatres with complex video management systems
- Two of the most powerful CT's (computer tomographs)
- State-of-the-art app-controlled exoskeleton for stroke patients
- Use of digital solutions such as Medical Cockpit and “Physician’s Portal”



### Strategic realignment of Health Campus Frankfurt (Oder)

- At our Frankfurt (Oder) site a second health Campus is being built
- Center for Outpatient Medicine
  - Cooperations e.g. standby doctor's office, MVZ, therapy offices
  - 18 practices on the Campus
  - 180,000 contacts to patients a year

### Geriatric traumatology offers new care concept

- Geriatric trauma center at the hospital established in January 2019

### State-of-the-art computer tomography for better diagnostics

- Institute for Radiology and Interventional Neuroradiology puts one of the world's most modern computer tomographs into operation

### Outlook 2019/2020 – Focus on the following medical centers

- Vascular Medicine
- Cardiac Medicine with Cardiac Surgery
- Neuro Medicine
- Geriatric Medicine
- Mental Health





### 120 years of clinical medicine

- With the establishment of the former lung sanatorium, the foundation stone was laid for today's top medicine provider of Bad Berka

### 45 years interdisciplinary cardiac center

- One of the largest and best recognised heart centers in Germany
- Interdisciplinary network of cardiac surgery, cardiology and electrophysiology with a catchment area extending far beyond the region

### 25 years of spinal surgery

- One of the largest spine departments in Germany
- Known beyond national borders in the context of serious accidents

### 20 years paraplegic center

- Supraregional leader regarding the care of paraplegic patients
- Only paraplegic center in the whole of the state Thuringia

### 20 years PET center and clinic for radiopharmacy

- One of the most modern clinics for radiopharmacy in Europe with operation of its own cyclotron system
- Leading in personalized radiopharmaceutical tumor therapy (Theranostics)



### Cardio-lung cluster of excellence "Cardio-Pulmonary System" (ECCPS)

- Only cluster of excellence for heart and lung research in Hesse remains a stable factor
- Unique selling proposition throughout Germany

### Foundation of the Intergenomics Network

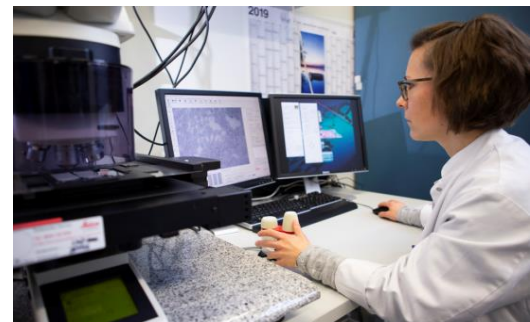
- Center for Integrated Genome Medicine for innovative diagnostics and personalized treatment of cancer in children and adults
- Revolution in oncology: liquid biopsy

### Progress in Med-tech equipment

- New low-radiation children's heart catheter measuring station in the children's heart center
- SPECT-CT Hybrid System in nuclear medicine
- Robot assisted operations (DaVinci) of the latest generation

### University Medical Outpatient Center

- Interdisciplinary outpatient center with its own range of outpatient services, private practices and day clinics
- Expansion of the range of services and use of the network for referrals
- Part of the holistic cross-sector Campus model of RHÖN-KLINIKUM AG



### **RHÖN-KLINIKUM AG secures the future of the Marburg Particle Therapy Center (MIT)**

- Acquisition of the majority interest in MIT from Heidelberg University Hospital (75.1%)
- Introduction of a successful new chapter for MIT
- Positive signal for the Marburg site, UKGM, Central Hesse and our patients

### **Successful start of the “Physician’s Portal”**

- Patients benefit from the expansion of the digital networking of the University Hospital Marburg by prompt transmission of their discharge letters to the physicians in private practices who continue treating them
- High acceptance: More than 96% of the patients invited already agreed to participate in the “Physician’s Portal” during inpatient admission

### **A new era in cancer immunotherapy**

- Breakthrough in cancer treatment with tailored immune cells for specific hematological tumor diseases
- With the so called CAR T cell Therapy, the University Hospital Marburg is one of the few centers in Europe that can offer this high-innovative therapy



# New separate accounting contract

## The pact for the future

**“Groundbreaking agreement on the separate accounting signed with the State of Hesse in 2017, contract in force!”**

- New separate accounting contract became effective in Q3 2018 after third party comparison on a arm’s length principle by KPMG was finished
- For the first time RHÖN is adequately compensated for it’s research and teaching efforts
- **+€11.6m extra contribution on EBITDA (ongoing effect), thereof...**
  - ✓ +€7.4m recorded under other income
  - ✓ -€4.1m booked against personnel expenses
- **+€20m one-off effect, thereof...**
  - ✓ +€12.8m recorded under other income
  - ✓ -€7.2m booked against personnel expenses
- Contract includes an annual increase by +2.5% (base year 2017)
- UKGM sustainably strengthened with strategically important €100m capex program (incl. €13m grant from State of Hesse)
- The program runs until the end of 2021 and has the potential of being established as a permanent solution beyond that



UKGM (Giessen site)



UKGM (Marburg site)



The background of the slide is a photograph of the Rhön-Klinikum building. It features a large, modern structure with a prominent glass dome and a curved facade. The building is surrounded by greenery and a clear sky.

**1** Transformation and strategy

**2** Business development

**3** Financials and guidance

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staffing policy

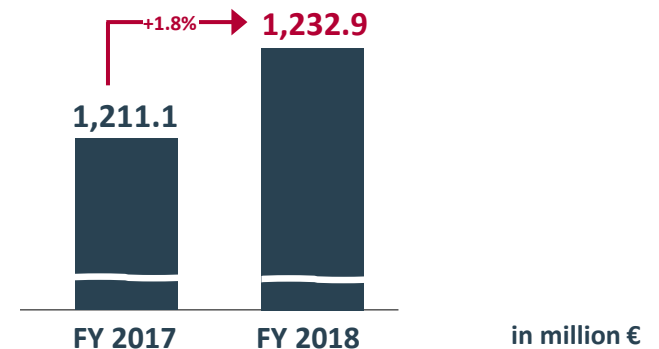
# Financials

## FY 2018 key figures

### Volumes

- **+1.6%** more treated patients
- Total number of cases **850,147**
- Reduced number of inpatient cases (-0.4%) outperformed by increased number of ambulatory treatments (+2.3%)

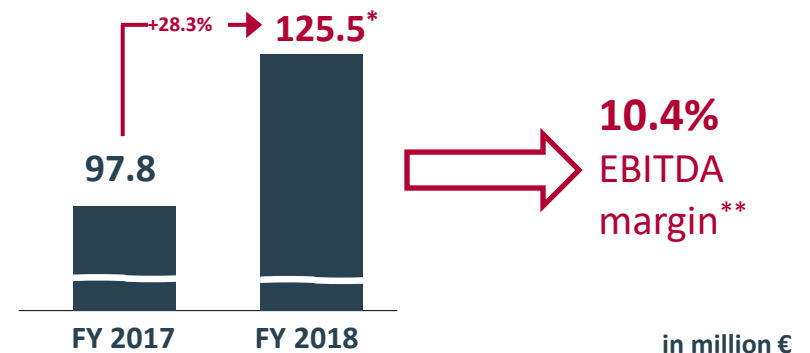
### Revenues



### Earnings & Cash

- EBIT (last year) **€64.9m** (€38.7m)
- Net Profit (last year) **€51.2m** (€36.7m)
- Cash **€246.7m**

### EBITDA



\* Includes a +€20m one-off from separate accounting

\*\* Adjusted for effects from the settlement of additional fees for Spinraza; unadjusted EBITDA margin 10.2%

# H1 2019 results

## Summary

*“New Campus Bad Neustadt: First cross-sector care model for rural areas in Germany successfully implemented at the beginning of 2019”*



- **RHÖN again performed better** than the German hospital market
  - **Revenues increase** by +3.9%; **EBITDA** by +19.2%
  - **EBITDA** margin at **9.5%** (prior year 8.2%)
  - **Patient number** grows by +0.1% to 432,560
- Nevertheless a **tighter regulation**, an **increasing bureaucratic remuneration system**, the **outmigration effect** and the **shortage of skilled workers** left their mark also on RHÖN
- First months of H1 affected by **ramp-up costs of the newly opened Bad Neustadt Campus**
- Our results benefited in comparison to previous year's H1 from the **new agreement on separate accounting** and **beneficial negotiation outcomes** for our **university outpatient centers** at UKGM
- Likewise, our **corporate improvement program** contributed to a **better earnings situation** by reducing MDK corrections and improving processes in the purchasing division incl. maintenance and repair contracts
- **Follow-up effects** from the **Helios/Fresenius transaction** also had a positive impact on the first half-year results

# Key P&L figures

## First half-year of 2019

Performance* in € millions	H1 2019		vs. H1 2018
Revenue	<b>644.2</b>	100.0%	3.9%
Other income	<b>105.4</b>	16.4%	39.2%
Material exp.	<b>-195.9</b>	30.4%	6.6%
Personnel exp.	<b>-428.3</b>	66.5%	6.7%
Other exp.	<b>-64.3</b>	10.0%	8.4%
EBITDA	<b>60.9</b>	9.5%	19.2%
D&A	<b>-34.3</b>	5.4%	13.6%
EBIT	<b>26.6</b>	4.1%	27.3%
Income tax	<b>-5.4</b>	0.8%	63.6%
Consolidated profit	<b>20.5</b>	3.2%	16.5%

H1 revenue growth of 3.9% in comparison to previous year impacted by additional charges from treatments of multiple sclerosis and cancer-immunotherapy (CART-Cell) as well as a new negotiation outcome for our university outpatient centers

Other income includes a positive effect of €15.3m from the reversal of a provision from lapsed legal and tax warranties; additional income from a newly applied drug for multiple sclerosis as well as cytostatics and first-time refinanced personnel costs for health students

Increase in material expense is affected by the costs for the drug treatment of multiple sclerosis and CAR T-cell, which are reimbursed at the same rate within our top-line and other income; Further effects from the use of cost-intensive services

Aside from an increase in the number of employees, tariff agreement pay rises had an impact on personnel expense. H1 2019 also includes first-time personnel costs for health students, which are fully offset

**Taking these aspects into account, EBITDA rose by 19.2%. EBITDA margin was at 9.5% by the end of H1**

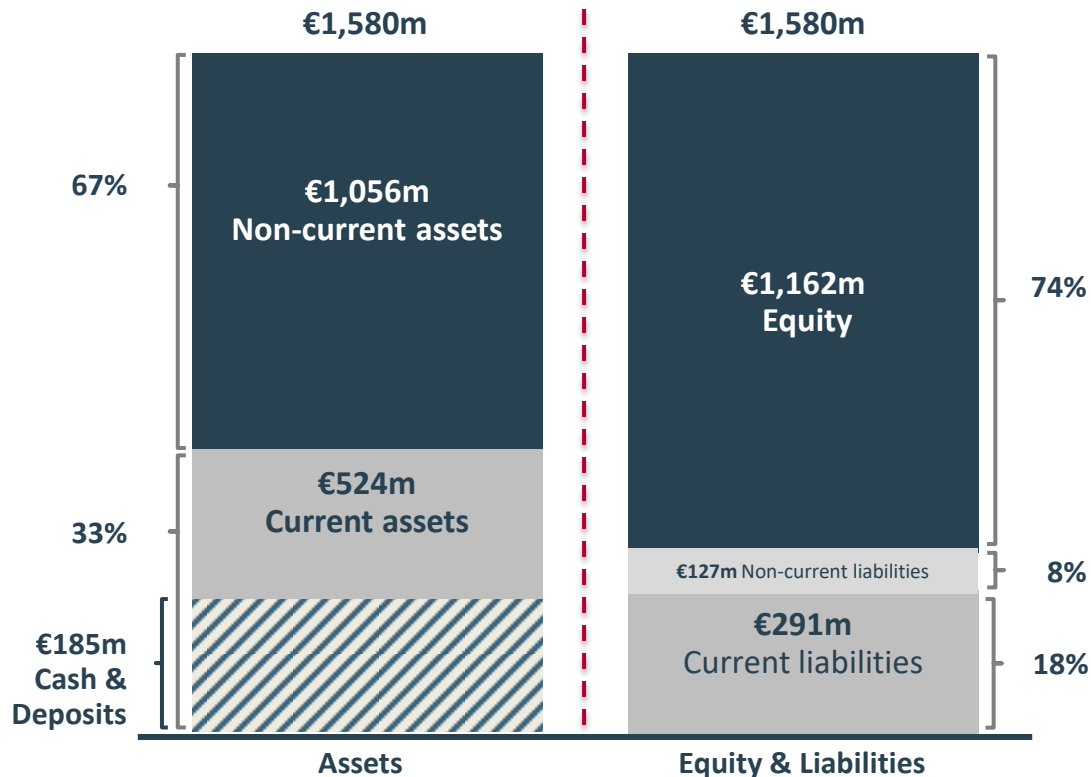
Main reason for the D&A increase is the commissioning of the Bad Neustadt campus and effects from the application of IFRS 16 (leasing)

**Consolidated net profit increased by 16.5% to €20.5m**

\* detailed and comprehensive P&L in H1 2019 report



# Core balance sheet positions as of 30 June 2019



**RHÖN shows a strong financial solvency, solid balance sheet ratios...**

- High Equity ratio of **74%**
- Net Liquidity of **€+71m**
- Net Debt/EBITDA **<0**

**and a well coordinated multi-stage financial strategy...**

- 2017 revolving loan facility of **€100m** (not drawn by 30 June 2019)
- 2018 promissory loan notes of **€100m** (Schuldschein; 5, 7 and 10 year tranches)

#### Outlook

- 2019 registered bonds of **€60m\*** (Namensschuldverschreibungen; maturity of 20 years)

\* Issued in July 2019 and not shown within H1 balance sheet

# Outlook 2019

## Guidance confirmation

*“In an unchanged difficult market environment, RHÖN succeeded in further increasing revenues, EBITDA and patient numbers despite regulatory hurdles and a shortage of specialists.*

*Therefore RHÖN confirms its guidance for 2019.”*

*– Stephan Holzinger, CEO/CFO*

**GUIDANCE  
2019**

**Group REVENUES**

**€ 1.30bn +/- 5%**

**Group EBITDA**

**€ 117.5m to € 127.5m**

**fully  
confirmed**

1

Transformation and strategy

2

Business development

3

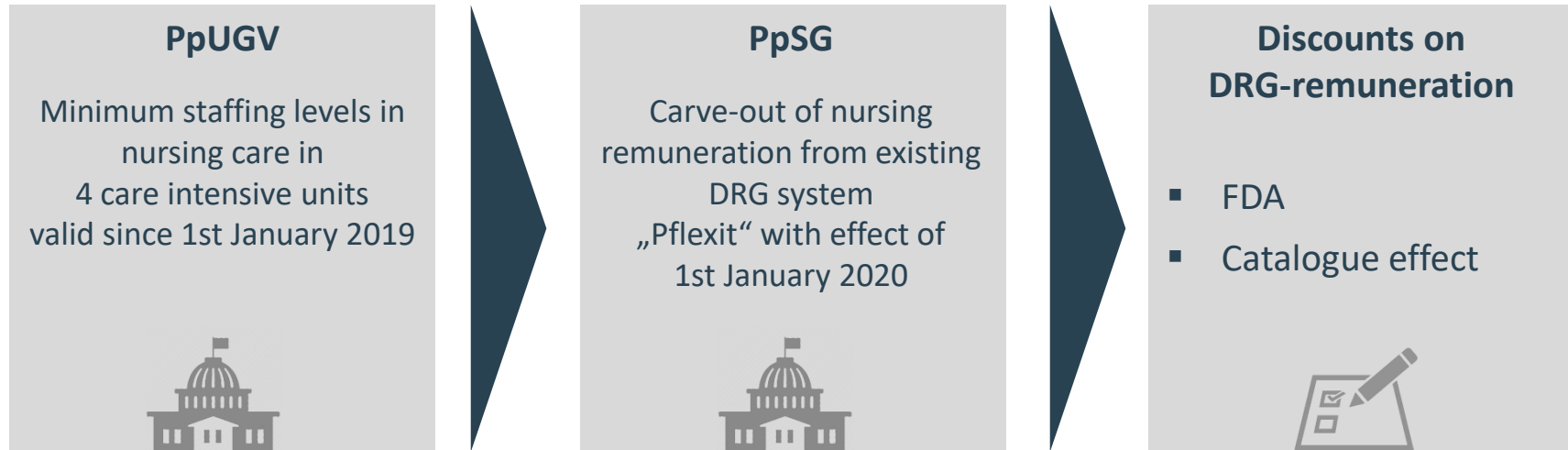
Financials and guidance

4

Regulatory framework and  
staffing policy

# Regulatory framework

## Headwinds for German hospital operators



### Numerous regulatory interventions by the legislator in introduction phase...

- **Right to choose between discounts or case number limitations** in the event that the minimum staffing levels are not reached
- Nursing personnel will be **fully remunerated on a 1:1 basis by 2020**
- Additionally hired nurses are **already fully compensated in transition year 2019**
- **Definition of "nursing care"** and associated occupational profiles that will be carved out still **include room for interpretation**
- The long-term objective of these measures is **to consolidate the sector from which RHÖN will benefit**



### Incentives

- 2018 Start of an exchange program for nursing students between Bad Berka and the University Hospital Marburg
- Assistance in finding accommodation and discounted offers
- Support in finding kindergartens and nursery spaces
- Parcel and grocery delivery directly to the workplace (DHL/Amazon lockers)

### Differentiated patient communications

- Patient needs and tasks are digitally recorded, prioritized and transmitted in a structured way to the ward staff
- More efficient communication between nurses and patients
- Multilingual system used at UKGM; well accepted by staff and patients

### Group-wide nursing integration program

- Program established in Bad Neustadt for the recruitment and integration of nurses from abroad; More than 70 nurses have been recruited in 4 years to date
- Ongoing transition of this programme to other sites

### Nursing Care Summit

- First Group-wide nursing summit for interdisciplinary dialogue and adoption of packages of measures to strengthen nursing care



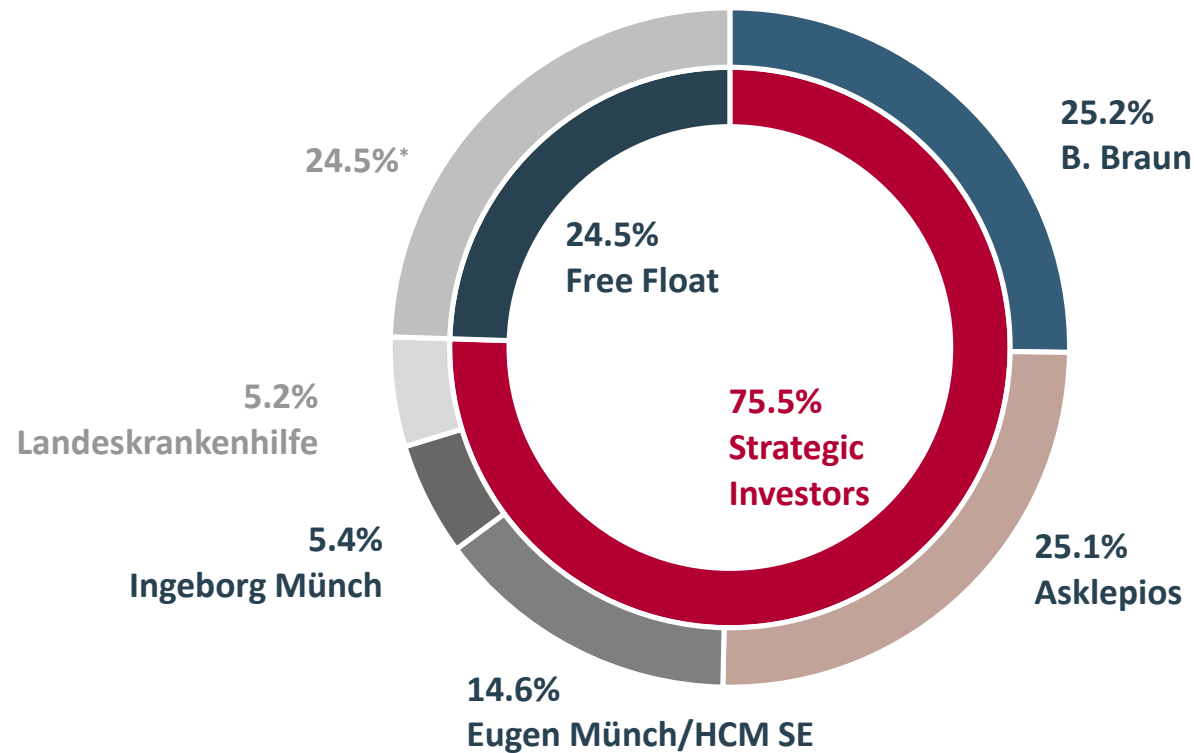
### Digital Medicine, eHealth and Telemedicine

- Cooperation between Justus-Liebig-University Giessen (JLU) and RHÖN-KLINIKUM AG with participation of the Technical University Hessen (THM) and the Center for Telemedicine in Bad Kissingen (ZTM)
- Improving competencies for medical students at the interface between computer science and medicine
- We train the physicians of the future and impart the technological and communicative expertise
- Teaching the basics of artificial intelligence for decision support in medicine
- Theoretical training in Giessen and practical application via internships at the Bad Neustadt Campus



### Shareholder structure

as of **31 July 2019**, according to the  
most recent notifications of voting rights at that time



\* Shareholders with less than 3% of total voting rights



### Contact

#### **Julian Schmitt**

Head of Investor Relations & Treasury

tel +49 9771 65 1536

email [ir@rhoen-klinikum-ag.com](mailto:ir@rhoen-klinikum-ag.com)