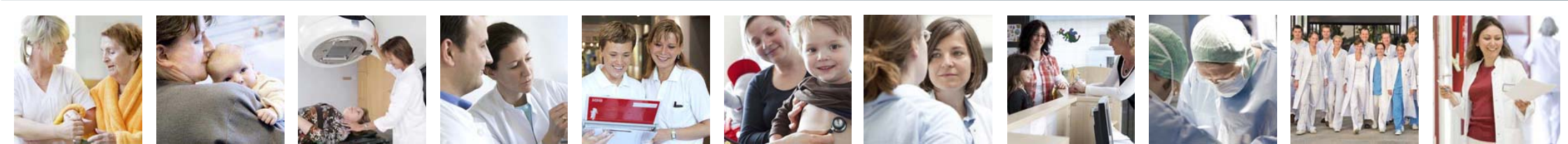


# RHÖN-KLINIKUM AG

## First Nine Months Results of 2016

November 4, 2016



Jens-Peter Neumann, CFO  
Dr. Kai G. Klinger



RHÖN-KLINIKUM  
AKTIENGESELLSCHAFT

- This document has been prepared by RHÖN-KLINIKUM AG (“RHÖN-KLINIKUM” or “the Company”) for information purposes only, solely for use during this presentation. It must be treated confidentially by attendees at such presentation and must not be distributed, passed on or otherwise disclosed.
- This presentation contains forward-looking statements that reflect the management’s current views with respect to certain future events and financial performance. A number of factors could cause actual results to differ materially from those projected or implied in such statements. The Company or its advisers or representatives accept no obligation to update any forward-looking statements set forth herein or to adjust them to future events or developments. Further, this presentation contains market, price and performance data which have been obtained from Company and public sources. The Company believes that such information is accurate as of the date of this presentation. The information contained in this document has not been independently verified, and no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. Neither the Company nor any of its respective affiliates, advisors and representatives shall have any liability whatsoever (in negligence or otherwise) for any loss whatsoever arising from any use of this document, or its contents, or otherwise arising in connection with this document.
- Nothing in this presentation is intended as, or constitutes, an offer or invitation to purchase or sell any RHÖN-KLINIKUM securities, and neither it nor part of it shall form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.
- This presentation is not an offer of securities for sale or any solicitation to buy or sell RHÖN-KLINIKUM securities in the United States of America. Securities may not be offered or sold in the United States of America absent registration or an exemption from registration under the US Securities Act of 1933, as amended.
- This presentation is intended for distribution in the United Kingdom only to: (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order; (ii) persons falling within Article 49(2)(a) to (d) of the Order or to those persons to whom it can otherwise be lawfully distributed, or all such persons together being referred to as relevant persons. This presentation is directed only toward relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.
- The information in this presentation is given in confidence, and the recipients of this presentation should not base any behaviors in relation to qualifying investments or relevant products, as defined in the Financial Services Markets Act 2000, or FSMA, and the Code of Market Conduct, made pursuant to the FSMA, which would amount to market abuse for the purposes of the FSMA on the information in this presentation until after the information has been made generally available. Nor should the recipient use the information in this presentation in any way that would constitute “market abuse.”
- This document is given in conjunction with an oral presentation and should not be taken out of context.
- 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); bn = billion(s);

## A slight change in the strategic investor landscape ...

- **Eugen Münch** increased his shareholding to **10.04%** by end-August and has the option to acquire another **4.38%** by August 2017

## ... and further achievements on key projects

- Venture capital vehicle **RHOEN-Innovations** made an initial investment in Israeli start-up company **“Inovytec”**
- Comprehensive pilot project with **cognitive computing system IBM Watson** at Marburg’s *Center for Undiagnosed and Rare Diseases*
- Notable milestones achieved on construction works at **Bad Neustadt Campus**
- Continued strong **organic volume growth: +1.6%** more **DRG case-mix-points** and +4.6% more inpatient and outpatient cases in first 9 months
- Total number of treated patients grew by +8.0% to **615,629** (incl. Kreisklinik Bad Neustadt)



# Key P&L figures 9M 2016

Performance* in € millions	9M 2016		vs. 9M 2015
Revenue	<b>885.3</b>	100.0%	+6.4%
Personnel exp.	<b>565.2</b>	63.8%	+7.3%
Cost of materials	<b>249.8</b>	28.2%	+4.6%
EBITDA	<b>131.5</b>	14.9%	+12.1%
D & A	<b>44.4</b>	5.1%	-1.4%
EBIT	<b>87.1</b>	9.8%	+20.5%
Interest result	<b>0.2</b>	0.0%	-89.6%
Net profit	<b>82.4</b>	9.3%	+24.9%

## Decent 9M performance with extraordinary impacts on EBITDA and low tax rate

- Organic revenue growth +3.5%
- Mainly from integration of “Kreisklinik” and renewed labor contracts with doctors and admin staff
- Includes €41.4m mandatory provision releases from lapsed SPA warranties
- Escalation of review activities by statutory health system leads to significant higher provisions and adjustments on receivables in Q3
- Low tax ratio of 5.2% supportive for net profit and EPS of €1.20

\* detailed and comprehensive P&L in 9M 2016 report

## UKGM with stable operating performance in 9M\*

- Revenue growth +4.2% yoy
- EBITDA margin 7.8%
- Typical seasonality of Q3 with smaller rise in fixed costs



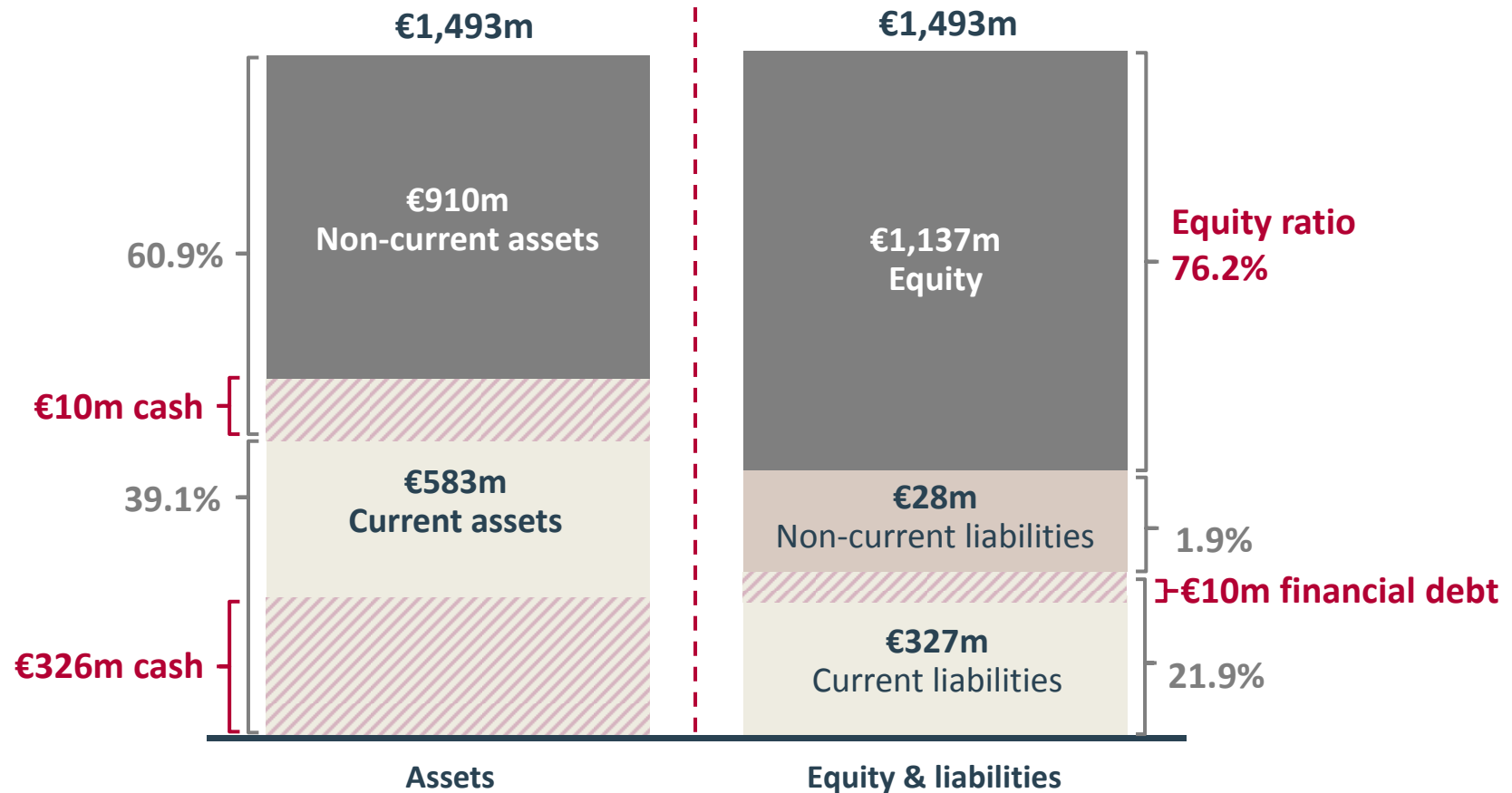
## Stronger headwinds from statutory healthcare system

- Intensified inspections by medical service (MDK)
- Focus of reviews on high and complex CMI cases
- Increasing need for documentation and admin



\* based on local GAAP (HGB), not audited or reviewed, adjusted on annualized accounting correction to previous year

# Core balance sheet figures as of September 30, 2016

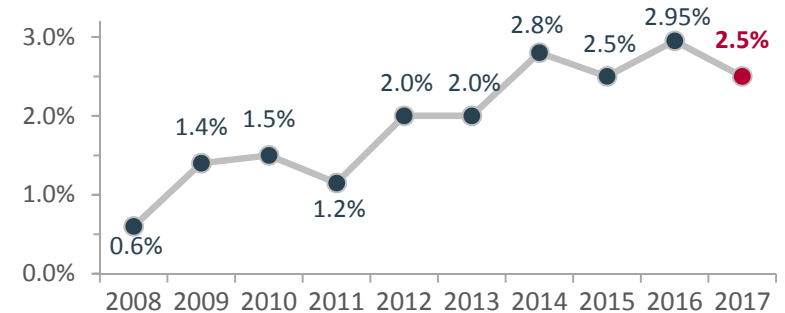


- Net cash position € 326m
- Equity ratio of >76%

## First impetus from 2017 pricing ...

- **+2.5%** as initial **DRG inflator** for 2017
- Actual state base rates to be negotiated in Q1
- In Q2-Q3 usual volume negotiations with discounts on additional volumes for each hospital




General wage sum increase (initial DRG inflator)



## ... and update on regulation for 2017

- Three-year fixed-cost discount replaces discounts on additional volumes (published latest in Q1 with base rates)
- Extra charge for nursing based on staff statistics (€500m) substitutes extra charge for maintenance
- DRG catalogue of 2017 with negative price adjustments on material cost of intensive services (cardio or special orthopedics)

### Impact on portfolio

- ▶  *still open, maybe with higher growth discount*
- ▶  *broadly neutral*
- ▶  *slightly negative*

**GUIDANCE  
FY 2016**

- |                         |                           |   |                              |
|-------------------------|---------------------------|---|------------------------------|
| ▪ <b>Group revenues</b> | <b>€ 1.17bn to 1.20bn</b> | ✓ | } <b>FULLY<br/>CONFIRMED</b> |
| ▪ <b>EBITDA</b>         | <b>€ 155m to 165m</b>     | ✓ |                              |

- **February 24, 2017** Preliminary results for financial year 2016
- **April 7, 2017** Press conference: publication of annual financial report 2016
- **May 5, 2017** Publication of interim report for the quarter ending March 31, 2017
- **June 7, 2017** Annual General Meeting (Jahrhunderthalle Frankfurt)
- **August 3, 2017** Publication of the half-year financial report as of June 30, 2017
- **November 10, 2017** Publication of interim report for the quarter ending Sept 30, 2017

All dates could be subject to modification

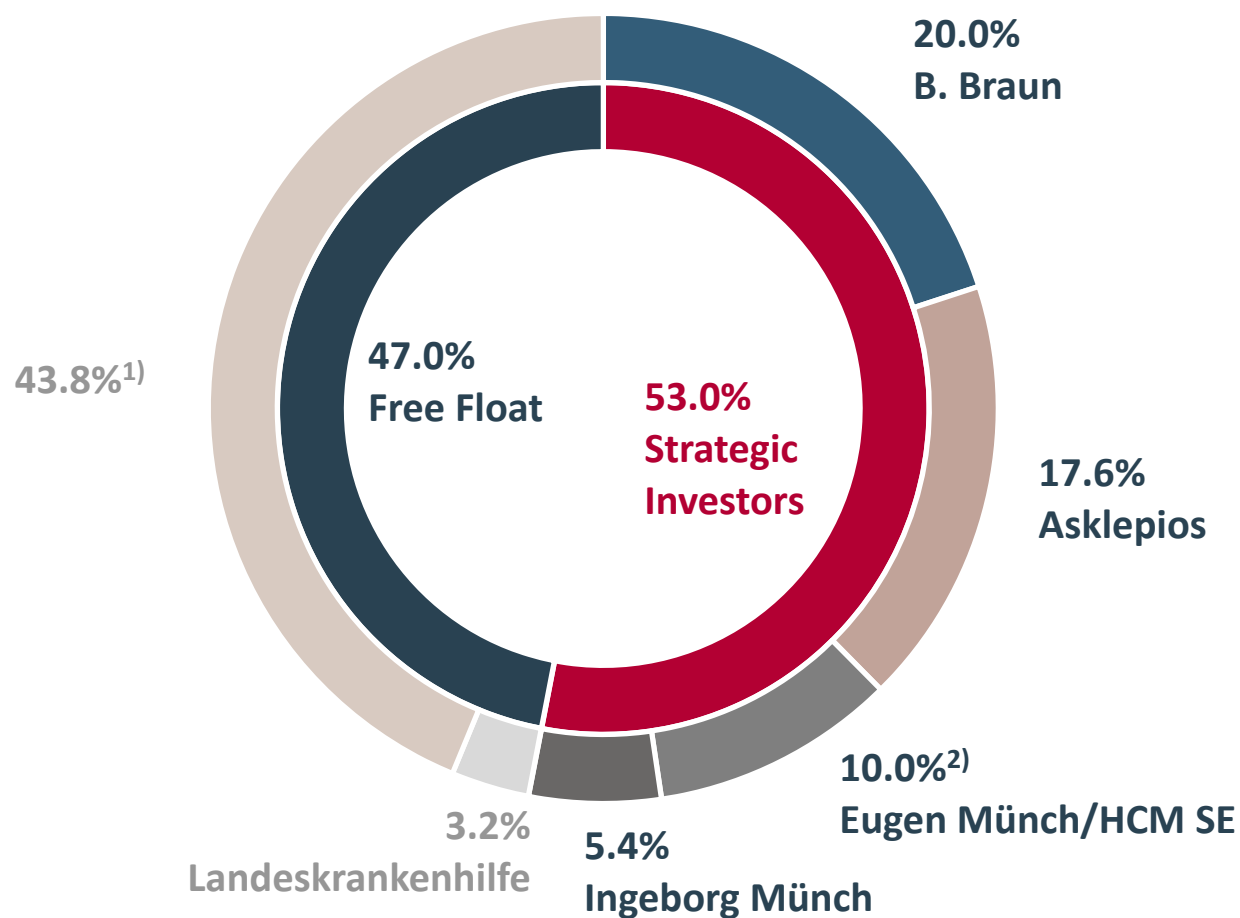
## Contact

**Dr. Kai Gregor Klinger**, SVP, Investor Relations, Corporate Finance, M&A  
phone +49-9771-65.1318, e-mail [ir@rhoen-klinikum-ag.com](mailto:ir@rhoen-klinikum-ag.com)



## Shareholder Structure

as of 30 September 2016, according to the most recent notifications of voting rights at that time



<sup>1)</sup> Shareholders with less than 3% of total voting rights

<sup>2)</sup> According to the notification of August 25, 2016 HCM SE has in addition the option to acquire another 4.38% of the voting rights (2,930,000 voting rights) under a forward purchase agreement within the next twelve months

## Federal Level

Layer

# 1

### Total hospital system budget

- Wage sum increase as main reference number for DRG inflation in **2016: +2.95%** (2015: +2.53%)
- For **2017** wage sum inflator will be at **+2.5%**
- Sector-specific cost index **+1.57%**

## State Level

Layer

# 2

### 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 for RHÖN portfolio **+2.6%** (weak increase in state of Bavaria only at +1.74%)

## Hospital Level

Layer

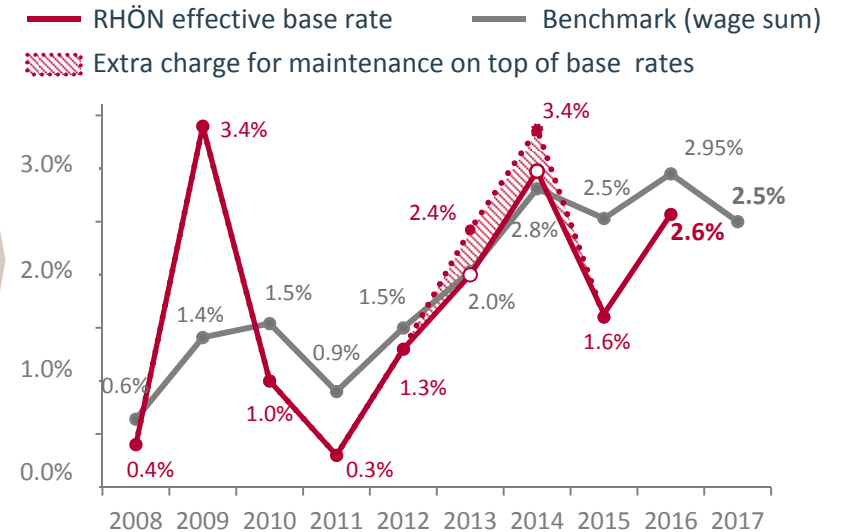
# 3

### 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

