

RHÖN-KLINIKUM AG



ANNUAL REPORT

2006

The sites of RHÖN-KLINIKUM Group





To our shareholders	Market environment	Corporate Governance	Management Report	Consolidated Financial Statements	RHÖN-KLINIKUM AG Annual Financial Statements
---------------------	--------------------	----------------------	-------------------	-----------------------------------	---

2	Key to success: Dedication, hard work and team spirit of all – by Wolfgang Pföhler
6	The RHÖN-KLINIKUM share

8	Looking back at a year's success – by Ute B. Fröhlich
18	The Group's tailor-made hospitals

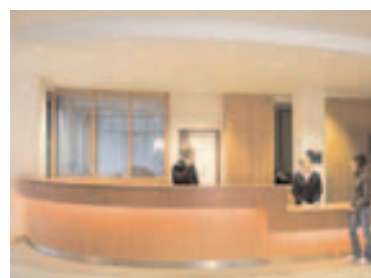
28	Report of the Supervisory Board
36	Corporate Governance Report
42	Corporate bodies and Advisory Board of RHÖN-KLINIKUM AG
44	Medical Quality Management
48	Risks and opportunities

50	Financial Year – an Overview
51	Economic and legal environ- ment
62	Group development
68	Research, teaching and development
69	Events after the Balance Sheet Date in 2006
70	Outlook for 2007

73	Consolidated Income Statement
74	Consolidated Balance Sheet
76	Statement of changes in shareholders' equity
77	Cash flow statement
78	Notes to the Consolidated Financial Statement
126	Auditor's report

128	Balance Sheet and Income Statement
129	Proposed appropriation of profit

Other information	
130	Milestones
132	The addresses of RHÖN-KLINIKUM AG
A	Financial Calendar
B	The pictures



Photos of Nienburg site

The photos inserted on the Contents page picture the new building at the Nienburg site of Mittelweser Kliniken GmbH. The new building was commissioned on 18 November 2006.

RHÖN-KLINIKUM

AKTIENGESELLSCHAFT



RHÖN-KLINIKUM AG
 Schlossplatz 1
 D-97616 Bad Neustadt/Saale
 Telefon +49 (0) 9771-65-0
 Telefax +49 (0) 9771-97467
 rka@rhoen-klinikum-ag.com
 www.rhoen-klinikum-ag.com

Change in aggregate remuneration for the Supervisory Board and the Board of Management for 2006 because of one-off, extraordinary tax effect (e.o. effect)

Dear Sirs, Madams,

In December 2006, Germany's corporation tax law was changed. Based on the amended Section 37 (5) of the German Corporation Tax Act (KStG), it is mandatory for corporation tax credits from profits retained up to 2001 to be capitalised. Accordingly, tax refund claims arising from past financial years had to be recognised in profit or loss as at 31 December 2006.

At the meeting of the Supervisory Board on 17 April 2007, the members of the Supervisory Board and the Board of Management decided to waive the part of the bonuses attributable to this one-off tax effect in financial year 2006. The total amount of this waiver will be about € 1.6 million. Further executive staff members have followed this waiver decision.

As a result, the individually stated remunerations as specified in the Notes and the remuneration report for the Supervisory Board and the Board of Management are reduced by the amounts as specified below.

For formal reasons, this change will take effect only in the annual financial statements for 2007. We have therefore raised our profit forecast for 2007 by € 2.0 million to € 102 million.

	originally in 2006 (incl. e.o. effect)	waiver of e.o. effect	2006 adjusted (excl. e.o. effect)
	€ '000	€ '000	€ '000
Board of Management			
Andrea Aulkemeyer	881	158	723
Heinz Falszewski (until 31 March 2006)	133	24	109
Wolfgang Kunz	742	128	614
Joachim Manz	0	0	0
Gerald Meder	2,091	413	1,678
Eugen Münch	0	0	0
Dietmar Pawlik	582	95	487
Wolfgang Pföhler	2,214	435	1,779
Dr. Brunhilde Seidel-Kwem	582	95	487
Manfred Wiehl	0	0	0
	7,225	1,348	5,877

Aufsichtsratsvorsitzender: Eugen Münch

Vorstand: Andrea Aulkemeyer, Wolfgang Kunz, Gerald Meder, Dietmar Pawlik (stv.), Wolfgang Pföhler (Vors.), Dr. Brunhilde Seidel-Kwem (stv.)

Sitz der Gesellschaft: Bad Neustadt/Saale · Registergericht Schweinfurt HRB 1670 · Bank: Schilling & Co. Bad Neustadt, 0045470-036 (BLZ 790 320 38)

Zuschriften bitte ausschließlich an die Gesellschaft – unter Angabe der Abteilung – und nicht an Einzelpersonen richten.

PTO

	originally in 2006 (incl. e.o. effect)	waiver of e.o. effect	2006 adjusted (excl. e.o. effect)
	€ '000	€ '000	€ '000
Supervisory Board			
Eugen Münch	172	30	142
Wolfgang Mündel	154	28	126
Bernd Becker	115	20	95
Dr. Bernhard Aisch	42	7	35
Gisela Ballauf	42	7	35
Sylvia Bühler	42	7	35
Helmut Bühner	42	7	35
Ursula Derwein (until 31 December 2005)	0	0	0
Prof. Dr. Gerhard Ehninger	39	6	33
Ursula Harres	54	9	45
Caspar von Hauenschild	77	14	63
Detlef Klimpe	77	14	63
Dr. Heinz Korte	77	14	63
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach	29	4	25
Joachim Lüddecke	54	9	45
Michael Mendel	75	13	62
Dr. Brigitte Mohn	35	6	29
Anneliese Noe (until 31 December 2005)	0	0	0
Timothy Plaut	32	5	27
Werner Prange	68	12	56
Dr. Friedrich Wilhelm Graf von Rittberg (until 31 August 2005)	0	0	0
Joachim Schaar	44	8	36
Michael Wendl	77	14	63
	1,347	234	1,113
Total	8,572	1,582	6,990

Bad Neustadt a. d. Saale, 23 April 2007

Eugen Münch
Chairman of the Supervisory Board

Wolfgang Pföhler
Chairman of the Board of Management

Key ratios

	2002	2003	2004	2005	2006
	€'000	€'000	€'000	€'000	€'000
Revenues	879,492	956,265	1,044,753	1,415,788	1,933,043
Material and consumables used	211,691	230,423	252,418	343,611	491,890
Employee benefits expense	456,090	496,032	546,560	793,593	1,127,840
Depreciation and impairment	48,930	49,157	57,052	66,825	75,033
Net consolidated profit according to IFRS	75,128	79,695	80,200	88,300	109,059
– Earnings share of RHÖN-KLINIKUM AG shareholders	67,428	73,132	76,404	83,680	105,200
– Earnings share of minority owners	7,700	6,563	3,796	4,620	3,859
EBT	99,076	111,239	111,922	123,532	125,706
EBIT	115,320	125,619	123,780	140,071	146,143
EBITDA	171,468	174,856	180,832	206,896	221,176
Operating cash flow	131,275	128,932	137,792	155,559	165,020
Property, plant and equipment as well as investment property	717,941	757,755	794,774	978,019	1,140,290
Income tax claims	0	0	0	0	19,055
Other financial assets	1,999	2,014	2,647	2,660	1,436
Equity capital according to IFRS	459,943	508,194	568,711	641,532	728,741
Return on equity, %	17.5	16.4	14.9	14.6	15.9
Balance sheet total according to IFRS	1,003,381	1,108,972	1,155,619	1,622,218	1,979,625
Investments					
– in property, plant and equipment as well as in investment property	168,218	112,454	100,638	290,557	393,517
– in other financial assets	0	15	634	202	610
Earnings per ordinary share (€)	1.30	1.41	1.47	1.61	2.03
Total dividend amount	15,206	17,798	20,390	23,328	25,920
Number of employees (at 31 December)	12,852	13,408	14,977	21,226	30,409
Case numbers (patients treated)	473,775	530,069	598,485	949,376	1,394,035
Beds and places	7,913	8,365	9,211	12,217	14,703

For arithmetic reasons rounding differences of +/- one unit (€, %, etc.) may occur in the tables.



Wolfgang Pföhler, Chairman of the Board of Management

“Expertise in acquisition and restructuring, innovative business and financing concepts, competence at the confluence of health care delivery and research/teaching: we have every opportunity and prospect of taking a proactive part in shaping the competition of privatisation and growth in the health care sector.”

Key to success: Dedication, hard work and team spirit of all

Dear shareholders,

With the results of the past financial year we have continued the success story of RHÖN-KLINIKUM Group seen since 1988. The “2006 Chapter” of this story, in spite of difficult conditions in general with doctors’ strikes and debates on reform, clearly shows that we have been steadfast and unwavering in pursuing our future-oriented growth path.

The marked growth in revenue by 36.5 per cent to € 1.9 billion stemmed above all from the first-time consolidation of the biggest acquisition in our Company’s history, that of Universitätsklinikum Gießen und Marburg. We treated well over one million patients – 1,394,035 to be exact – in a total of 45 hospitals belonging to the Group at year-end. A detailed look at the entire figures of the past financial year is provided further on in this Annual Report.

The debate on health care reform over the past months has once again brought home to the wider public the scale of disarray in health care financing.

Hospital financing in Germany is still essentially split into two parts, which is also why it is referred to as “*dual financing*”. Current operating costs are paid for by the contributions to the statutory health insurance funds and private health insurance schemes. On the other hand investments, i.e. funding for modernisation measures which are vital to a hospital’s survival, are supposed to be financed by government grants from the federal states. Faced with growing budget deficits, though, the state is increasingly opting out of this responsibility. The resulting investment backlog as the measure of “denationalisation” of the system now runs into several tens of billion euros. Where government grants are available, though, their

use by investors is tied to the highly inefficient and awkward public tender system in Germany.

From the outset, we at RHÖN-KLINIKUM AG have therefore quite deliberately in many cases waived our claim to public grants. Instead, we have financed our investments “privately” and – since the IPO in 1989 – have used the capital of our investors for this purpose. This firstly lowers construction costs which otherwise would be higher as a result of expensive and inefficient public tender procedures. Secondly, this allows us to cut construction times significantly. Thirdly, by not being bound by the obligation to tender we are able to establish patient-oriented clinical processes, resulting in a sustainable lowering of a hospital’s future operating costs. Fourthly, we achieve marked growth in case numbers thanks to state-of-the-art medical equipment.

Our financing approach thus not only results in lower investment and operating costs, but returns on these investments are also realised earlier and are more sustained. In the end this means sustained value creation for our shareholders.

By dint of its investment strength and innovative savvy, RHÖN-KLINIKUM AG has always been a model and trailblazer for the future: in 1984 we opened in Bad Neustadt a. d. Saale the first privately financed and operated cardiovascular hospital, which today is one of the world’s largest centres for cardiovascular diseases. In 1989 we became the first German hospital company to go public. In 1994 we opened Herzzentrum Leipzig with the status of a university hospital. This model has increasingly gained recognition, and by it we have shown as the first private operator that economic efficiency, world-class medical services and top-tier medical research and teaching are not contradictory. This was followed in 1995 by the opening of the first privately financed and operated community hospital in Meiningen. On account of its much publicised “short paths” and patient-oriented organisation procedures and care structures, Klinikum Meiningen to this day is a magnet for visiting builders and operators of hospitals. With the takeover and restructuring – among others – of the large hospitals in Frankfurt (Oder) (acquired in 2002), Pforzheim (2004) and Hildesheim (2005), the Group continually confirms its expertise in the field of major regional care centres.

We have always been the trendsetter and the leader of innovation on the German hospital market and in future also will be breaking new ground with a view to our further development in this sector.

For example, in the past financial year we became the first private hospital operator in Germany to take on the challenge of running a university hospital as a business. To give you an idea of the scale of this colossal task, we have provided a more detailed description in the chapter “Looking back at a year’s success” on pages 8 ff.

With the acquisition of Heinz Kalk-Krankenhaus in Bad Kissingen, Frankenwaldklinik in Kronach (each consolidated from 1 January 2006) and Universitätsklinikum Gießen und Marburg (consolidated from 1 February 2006), we have further broadened our product portfolio. There is arguably no other provider in Germany with such an extensive health care offering – from outpatient and inpatient basic and standard care right through to cutting edge medicine at our maximum care facilities. The fundamental principle underlying our business activity



is our generalised health care delivery approach: in many regions throughout Germany we treat all patients, whether covered by statutory health care plans or private health care funds, and in all clinical areas – from emergency patients to just about any conceivable elective operations – by means of a sustainable and efficient organisation of service volumes.

As the dimension of our tasks grows, so too does the interest of the general public and the media and thus also the influence of the capital markets. Being fully aware of this, we provide information as timely and as transparently as possible through press releases, press conferences, the annual analyst conference, as well as on our roadshows at analyst meetings, banks and investment companies. Particularly with a view to keeping the capital markets even more regularly and better informed about our corporate strategy throughout the financial year, we started a Capital Markets Day in Leipzig in September 2006.

The overall success of our Company results from the efforts of all facilities belonging to RHÖN-KLINIKUM Group as at the end of financial year 2006 and thus from the dedication and hard work of our seasoned and well-coordinated team of executives and the combined efforts of our highly qualified and motivated staff. Our sincere thanks goes to them all for their invaluable work.

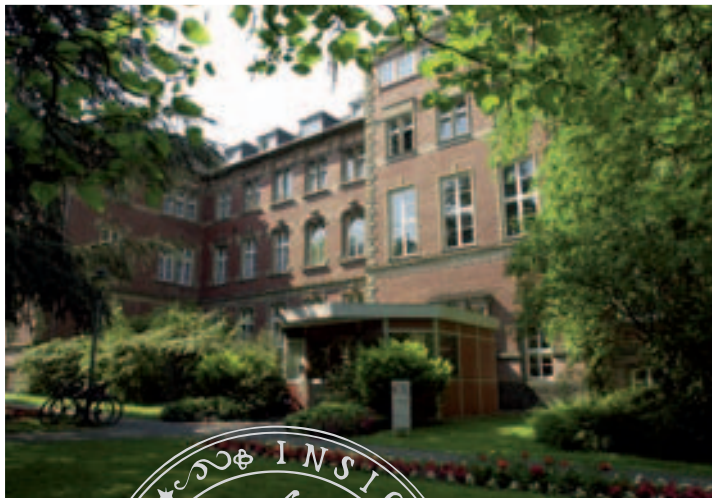
We also thank the Supervisory Board, the Advisory Board and, not least, the employee representatives for their constructive work.

And, last but not least, our thanks goes to you, our shareholders, for your trust in our Company's future prospects and the value you attach to your stake in it.

We shall continue our growth strategy unrelenting, with the same resolve and diligence as in the past, and with sound business judgement.

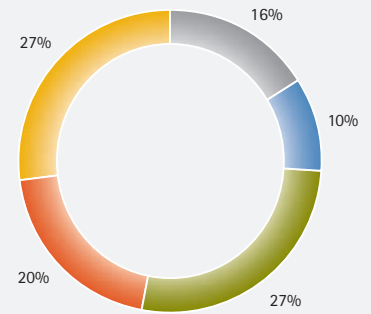
Bad Neustadt a. d. Saale, April 2007

Wolfgang Pföhler
Chairman of the Board of Management



Shareholder structure of RHÖN-KLINIKUM share

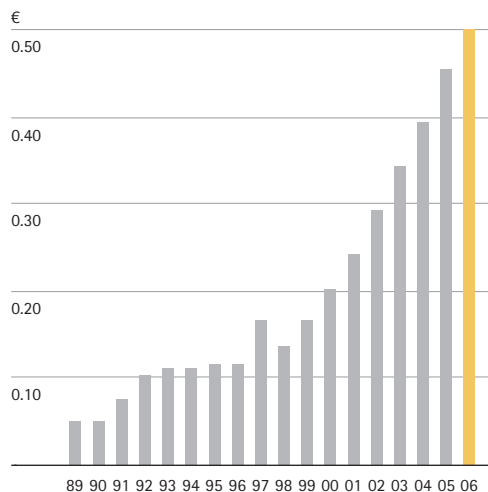
- Münch family
- Institutional investors Germany
- Institutional investors rest of Europe
- Institutional investors North America/Asia/Australia
- Other free float



The RHÖN-KLINIKUM share

RHÖN-KLINIKUM AG share posts significant gain

Proposed increase in dividend to 0.50 euros



Development of dividends

All data adjusted (in €), including all previous capital-related measures (ordinary share):
 2006: proposal to the AGM on 31 May 2007
 1997: One-off bonus of € 0.04

The stock markets in 2006

The equity markets continued their positive performance seen over the past four years. This favourable market trend was driven primarily by the higher-than-expected growth in company profits and upward revisions to economic forecasts. It was also carried to a certain extent by takeover speculation.

The leading index DAX® ended the year 2006 up nearly 22% at 6,597 points, its highest close since February 2001. The MDAX® climbed 28.6% to 9,405 points by year-end, thus outstripping growth in the DAX® stocks for the sixth time in a row.

Stock market quotation

In financial year 2006 the price of the RHÖN-KLINIKUM share rose by 14.3%. In May 2006 the share reached a historical high of € 38.50, and at year-end was quoted at € 36.74. At that time the Company's market capitalisation stood at € 1.91 billion (previous year: € 1.67 billion), ranking us 25th in the MDAX® (after 21st the year before).

Financial year 2006 witnessed a turnover of 35.5 million RHÖN-KLINIKUM shares on the German stock markets including Xetra® trading, or a daily average trading volume of 129,907 shares. Of this, Xetra trading accounted for 94.7 per cent. Thanks to intensive financial communication with institutional investors, trading volume more than doubled compared with the previous year. Interest in growth stocks, particularly from the health care market, continued to rise.



RHÖN-KLINIKUM share
Short-term performance comparison versus MDAX® 2006 (left) and long-term performance versus MDAX® (right)

— RHÖN-KLINIKUM share
— MDAX®

Dividend

Our dividend policy is geared towards both long-term value enhancement and sustained earnings strength. For this reporting year as well, our policy will allow us to raise the dividend for our shareholders. The Supervisory Board and the Board of Management will therefore propose to the Annual General Meeting a dividend of 0.50 (previous year: € 0.45) for financial year 2006. The payout ratio amounts to 24.6% of the net consolidated profit attributable to the shareholders of RHÖN-KLINIKUM AG.

Investor relations

We promote our corporate strategy geared to sustained value growth through timely and open communication with all market participants, since it is only with comprehensive and ongoing reporting that the highest standards in corporate transparency can be ensured.

As an integral part of our investor relations we attach great importance to staying in close contact with shareholders, analysts as well as potential investors. At roadshows, during investor and conference calls, as well as in numerous one-on-one discussions and company presentations, also at our hospital sites, we provide information on our corporate strategy and business developments. In 2006 we held our first Capital Markets Day for analysts and investors. Given the strong turnout and positive feedback, we will continue to organise this event on an annual basis.

Above and beyond this, regular annual events such as our spring press conference and our autumn analyst conference as well as our Annual General Meeting provide our shareholders with further sources of information. We promptly publish current information about the Company as corporate news items released to the capital market and on our website. We inform about our business performance on a quarterly basis as part of our financial reporting.

The RHÖN-KLINIKUM share

ISIN	DE0007042301
Ticker symbol	RHK
Share capital	€ 51,840,000
Number of shares	51,840,000

(in € million)	2006	2005 ¹
Share capital	51.84	51.84
Market capitalisation	1,904.60	1,666.66

Share prices, in €

Year end closing price	36.74	32.15
High	38.50	33.22
Low	28.32	22.90

Key figures per share in €

Dividend ²	0.50	0.45
Profit	2.03	1.61
Cash-Flow ³	3.55	3.00
Equity capital	14.06	12.38

¹ Values adjusted for following capital-related measures in 2005: capital increase from Company funds, conversion of the preference shares into ordinary shares

² Dividend will be proposed to shareholders at the AGM on 31. May 2007.

³ Not including a non-cash one-off effect.

The 2007 Annual General Meeting of RHÖN-KLINIKUM AG will be held on Thursday, 31 May 2007, 10.00 a.m. at the Congress Center Messe Frankfurt.

A financial calendar containing all important financial dates in 2007 is provided on the front inside cover as well as on our website at www.rhoen-klinikum-ag.com under the section "Investors".

Looking back at a year's success

By Ute B. Fröhlich¹

For over one year now, the university hospitals in Gießen und Marburg have been part of the RHÖN-KLINIKUM “family” and the new management of Universitätsklinikum Gießen und Marburg GmbH is now firmly and fully engaged in the operative business of running both sites in Gießen and Marburg.

Justus-Liebig University Gießen and Philipps University Marburg – two universities, two sister university hospitals in central Hesse. Both have a tradition and importance for higher education in Germany stretching back hundreds of years, especially in the faculties of medicine. Both are bound up with names of international recognition. It was Gießen that turned out the first Nobel Prize laureate in physics, Wilhelm Conrad Roentgen, distinguished for his discovery of “X-rays”. And it was while working out of Marburg that Emil von Behring won the Nobel Prize for his discovery of diphtheria serum that led to his becoming the founder of serum therapy.

At Justus-Liebig University Gießen the medical faculty, like the university itself, is now celebrating its 400th anniversary. It was Gießen that in the 17th century led the way in the founding of new universities in German-speaking regions. The impetus for this came from eminent people like Gregor Horstius, personal physician to the Landgrave and one of the most important anatomists of his time; Georg Haas as the pioneer of haemodialysis and founder of modern nephrology; the first two gynaecologists, Josepha von Siebold and her daughter Charlotte Heiland; or Thure von Uexkuell known as the pioneer of psychosomatic medicine until receiving his more recent distinction: in the autumn of 2006 the faculty of medicine won an excellence competition among German universities with the Excellence Cluster Cardio-Pulmonary System – ECCPS. Today it is the largest faculty at the Gießen university with roughly 2,700 students. Its chief interdisciplinary medical and scientific fields are:

cardiovascular and pulmonary diseases, reproduction medicine and in vitro fertilisation, transplantation (kidneys, heart, lung, islet cells), transfusion and stem cell therapy, infectiology and immunology as well as the Interdisciplinary Oncology Centre (IOC) focusing on organ oncology.

The biggest faculty at the 479 year old Philipps University in Marburg is also medicine with some 3,000 students, and also takes up about a third of the budget. Here the integration of science and medical care is lived out, with the broad medical offering from a hospital of the city and the region lending itself especially well to research into the “plagues of our century”: atherosclerosis, tumour and infectious diseases. The scientific areas of focus include cellular biology, tumour biology with a Comprehensive Cancer Centre, and infection biology.

It was in this context that Gerald Meder, chairman of the management board of Universitätsklinikum Gießen und Marburg GmbH, in a new year's address before a large audience at the Gießen site gave a colourful survey of the past year, stating with a sense of pride and great satisfaction that “we have already managed to successfully tackle many big challenges.”

Marburg-Gießen becomes Gießen and Marburg

It is an impressive achievement: within the space of one year and in a number of big steps it was possible to restructure a merged hospital at its two sites. The investment backlog began to clear. Losses were cut sharply, and next year the hospital is expected to break even. At both sites, case figures and the case mix index (CMI) were raised by two to three per cent. And something that many

¹ freelance journalist in Frankfurt am Main

Main entrance of Medical Clinic
in Gießen

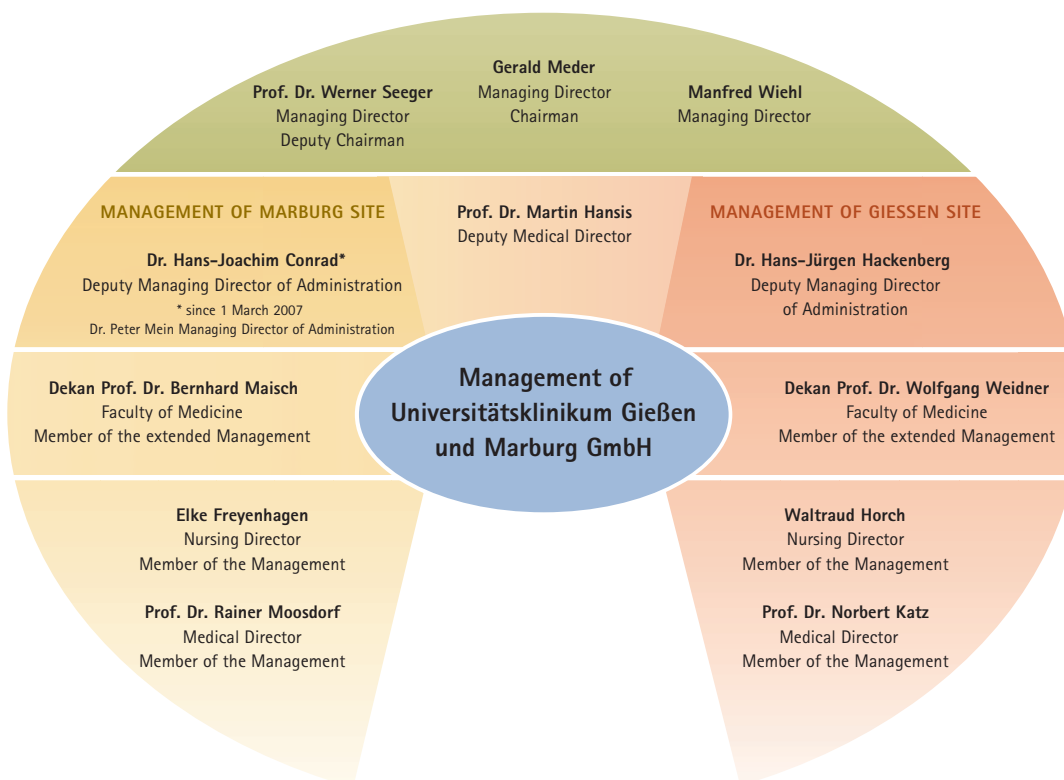


had not expected: research and teaching are benefiting from the investments under a privatised hospital, and not suffering.

Privatisation? The mere thought of it would have been just as inconceivable for the Federal State of Hesse as for the university hospitals Gießen and Marburg themselves. They feared this would bring a loss of independent research and teaching along with other constraints. But the woeful state of hospitals forced all those involved to reconsider and rethink. According to the latest reports of the German Hospital Association DKG, aggregate 2006 funding out of government grants under the Hospital Financing Act (KHG) in Germany had fallen for the eleventh time in a row – by 44.3 per cent compared with 1991. According to a survey by the German Hospital Institute

(DKI) a huge investment backlog of some € 50 billion has built up in the meantime. Due to the uncertain financing basis, outdated hospital buildings, facilities and medical equipment in many cases cannot be renewed. The time had now come for private hospital operators. This is how it all began:

The Hesse State Government saw the urgent need to act in order to preserve the quality and efficiency of the two central Hesse universities. In December 2004 it took the landmark decision to amalgamate the university hospitals of Gießen and Marburg and to look for a strategic partner prepared to make the necessary investments in the merged Gießen und Marburg university hospital within short time.





The right partner was found. For a price of € 112 million, RHÖN-KLINIKUM AG took over 95 per cent of the interest held by the Federal State of Hesse in the hospital and committed itself to invest a total of € 367 million. Of this, about two thirds will go towards the construction of new buildings and refurbishments, and one third for an international particle therapy centre. With the sale proceeds the State of Hesse has established a foundation for promoting research and teaching in the area of university medicine at Gießen and Marburg which is headed by the then undersecretary of state for science, Prof. Dr. Joachim-Felix Leonhard. With this additional state assistance, the independence of research and teaching is to be underscored and central Hesse to reap long-term, sustained benefits from the privatisation.

As further requirements laid down by the Federal State of Hesse, the private hospital operator undertook to ensure delivery of medical care, eliminate the investment backlog and give binding employment commitments to staff. One year on, it can now be said that Germany's fifth largest medical centre has developed in line with expectations and that the prediction of Udo Corts, the Science Minister for Hesse, has come true: "The privatisation of Universitätsklinikum Gießen und Marburg will serve as a model for many similar projects throughout Germany."

According to the Frankfurter Allgemeine Zeitung, health care employed 27,000 more persons in Germany in 2005 than in the year before. As the newspaper further states, health care also accounts for around a tenth of domestic output, providing nearly 4.3 million jobs in hospitals and private medical practices, pharmacies and

GIESSEN

MARBURG

BY 31 DECEMBER 2010 AT THE LATEST

- ◆ New hospital construction incl. paediatric clinic
- ◆ Structural improvements, surgery (building 48)
- ◆ Modernisation and transfer of psychiatric hospital
- ◆ Construction of new multi-storey car park

INVESTMENT SUM 170 MILLION EUROS –
OF WHICH R & T: 20 MILLION EUROS

- ◆ Modernisation of Klinikum Lahnberge (1st constr. stage)
- ◆ New construction of head clinic at Lahnberge site
- ◆ Modernisation of psychiatric hospital at Ortenberg site

INVESTMENT SUM 90 MILLION EUROS –
OF WHICH R & T: 10 MILLION EUROS

IN ADDITION BY 31 DECEMBER 2012 AT THE LATEST
(above and beyond the investment sum):

- ◆ Establishment of a PET/CT unit incl. cyclotron and synthesis laboratory as well as particle therapy
- One of the first units *worldwide* is in Marburg.



Building and floor plan of Marburg Surgical Clinic 1805

pharmaceutical companies and making it the country's "job engine" given the high demand for health care services and products. But the potential of this sector of the economy could be exploited even better if its financing were oriented more towards people's individual needs and wishes.

That fits in well with the philosophy of the RHÖN-KLINIKUM Group which has been key to its long-standing success as the industry's trendsetter. At RHÖN-KLINIKUM Group it has become more or less standard to create individualised solutions for each hospital, drawing on the investment and organisation models developed within the Group. And this same philosophy is now the key ingredient of success at Universitätsklinikum Gießen und Marburg GmbH. Once the conditions for validity were satisfied, the takeover went smoothly. On 2 January 2006, Universitätsklinikum Gießen und Marburg GmbH was recorded in the commercial register, with the Hesse State Government giving its approval on 31 January shortly after clearance by the Federal Cartel Office on 26 January. On 16 December 2005 the Wissenschaftsrat – an advisory body to the Federal Government and the federal states in the area of higher education institutions, science and research – voted for inclusion of Universitätsklinikum Gießen und Marburg GmbH in the list of universities and other institutions of higher education, which was followed by the amendment of its articles of association on 13 April 2006.

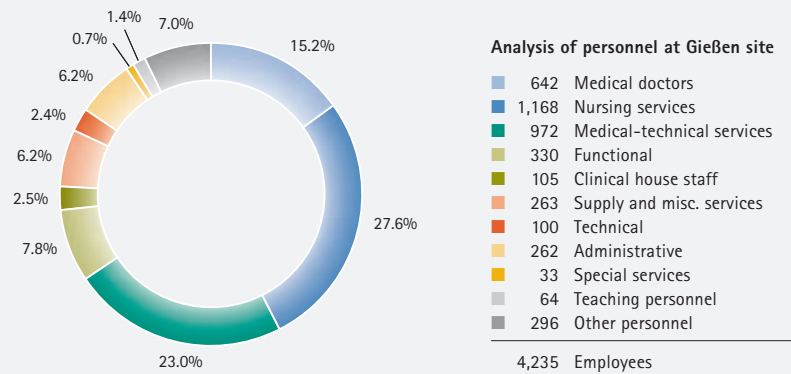
Also offered as part of the purchase deal between the Federal State of Hesse and RHÖN-KLINIKUM AG was the conclusion of agreements with the works councils of both sites on the establishment of a social fund of € 15 million each, the increase in the registered share capital to € 50 million as well as RHÖN-KLINIKUM AG's additional payment to the equity capital of the German limited liability company (GmbH) pursuant to Section 272 (2) No. 4 German Commercial Code (HGB) in the amount of € 50 million.

Key ratios 2006	Gießen	Marburg
Number of beds	1,087	1,140
Inpatient		
Treatments	40,682 cases	40,145 cases
Occupancy	80%	81.2%
Average duration of stay	7.8 days	8.4 days
Day case		
Places	35	33
Treatments	2,027 cases	837 cases
Occupancy	11,644 days	8,192 days
Outpatient services		
University outpatient treatments	70,513	63,208
Emergencies	14,839	12,453
Approved referrals to institutions	26,259	9,575
Outpatient operations	4,662	4,473
Total examinations	319,247	298,684
New outpatient cases	145,547	156,046

First investments

As agreed, both sites will be modernised and rebuilt with an investment volume of € 367 million. In Gießen, Germany's first Paediatric Heart Transplant Centre was opened, the emergency ward Voit A of the medical clinic was refurbished, and the first construction phase of the new paediatric clinic was prepared. In Marburg the Centre for Neurosciences at the Ortenberg site was modernised, the second construction phase – the women's and paediatric clinic – was put into operation at the Lahnberge site, a parking deck was built, the sleep laboratory was extended in the first construction phase, the medical care centre (MVZ) was refurbished, and in the city a mammography screening centre – which is also the reference centre for the Federal State of Hesse – was set up.

Considerable investments are being made in medical equipment. This has begun above all in Gießen with the



first angiography unit as well as the installation of Europe's first mobile computer tomograph (the "O-arm") for neurosurgery, the equipping of the first Paediatric Heart Transplant Centre with a volume of € 4.8 million, and the new ITC (Integrated Therapeutic Centre) of the Psychiatry and Psychotherapy Clinic as well as the modernisation of the lung function laboratory.

In Marburg investments in medical technology are being distributed between the renewal of a stroke unit in the Centre for Neurosciences, the installation at the Ortenberg site of the most modern patient monitoring epilepsy unit in Hesse, as well as the replacement of equipment for the centralised X-ray diagnosis unit, nuclear medicine, the ultrasound centre, the urology polyclinic, the anaesthetics unit as well as the women's and paediatric clinic at the Lahnberge site.

The biggest investment, accounting for over € 100 million, will be made in the particle therapy unit for which a centre will be built in Marburg in the immediate vicinity of the Lahnberge site.

Particle therapy

Particle therapy is a very precise and highly effective way of treating cancer. Protons or carbon ions are released from an accelerator unit and applied to the tumour at very high speed, destroying the tumorous cells. A control system with millimetre precision allows for pin-point irradiation of the target (the tumour), leaving the surrounding tissue undamaged. The treatment can also be performed on an outpatient basis. So far, no side effects have been found. Particle therapy even opens up the possibility of treating what until now were regarded as difficult-to-treat tumour diseases. For patients with tumours in the cartilage of the cranial base, for example, it raises the prospects of being cured to over 90 per cent.

After an agreement was entered into between RHÖN-KLINIKUM AG and Siemens AG for four irradiation places with a capacity of up to 2,500 patients per year, the project team took up its work on 1 September 2006. Construction is slated to begin on 1 August 2007, and the

erection of the particle therapy unit on 1 August 2008. In what will be one of the world's most modern facilities, it is planned for the first patients to be treated in Marburg in the second half of 2010.

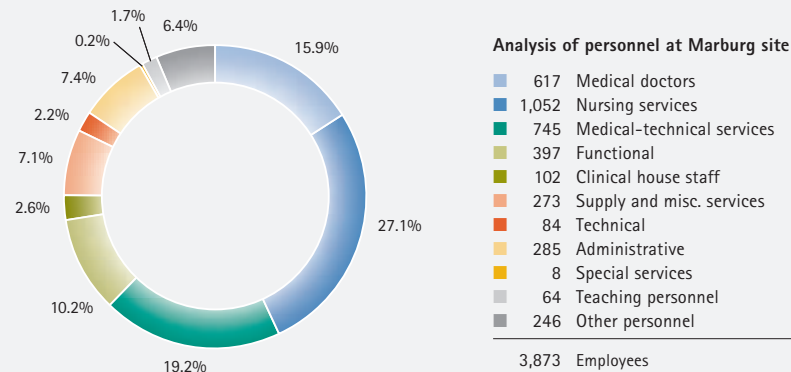
New systems bring standardisation and savings

Following RHÖN-KLINIKUM AG's takeover of the two university hospitals, financial accounting, capital expenditure accounting and controlling standards were simplified and standardised. The switch to SAP, which has been up and running smoothly since November without any start-up problems, was also completed. Existing personnel information systems were successively replaced by the SAP/HR module.

Under the co-operation agreement, Universitätsklinikum Gießen und Marburg GmbH will be reimbursed by the two universities for the costs of scientific staff who are still employed with the Federal State. In the non-scientific (medical technology) area and centralised infrastructure, research and teaching will be separated from medical care. Staff working in the area of research and teaching will be taken over into state employment contracts and thus returned to their university.

For its 45 hospitals, RHÖN-KLINIKUM AG has concluded in-house wage agreements along the lines of the hitherto applied federal wage scales for public sector employees (BAT) and can point to extremely positive results. By no means insignificant at other sites are the advantages conferred by in-house wage agreements compared with the collective agreement system within the public sector. For example, they grant employees premiums on night duty exempt from social insurance contributions and a performance-linked participation in the overall result of "their" hospital.

The in-house collective agreement being sought for Universitätsklinikum Gießen und Marburg GmbH is currently being negotiated with the works council and the trade union ver.di. Scientific and medical personnel remaining in state employment after privatisation will in any case be subject to the collective agreement of the



Federal State of Hesse with the doctors' association Marburger Bund.

The first negotiations on the social fund have proceeded satisfactorily and will be continued. Work together with the employee representative bodies is developing into a constructive dialogue.

What is by no means an insignificant contribution to consolidation was made in the area of materials management. It was possible to pool the necessary expenditures of the two university hospitals and to cut costs significantly by concentrating on a small number of suppliers and by standardising the range of items purchased.

Since 1 January 2006, Universitätsklinikum Gießen und Marburg GmbH has a joint pharmacy and thus a new system of pharmaceutical logistics in the new women's and paediatric clinic at the Marburg site. The value of the dispensed pharmaceuticals, blood products, anaesthetics, X-ray contrast media, skin and hand disinfectants, etc. is about € 26 million.

Working groups and project groups

At RHÖN-KLINIKUM Group, the development and discussion of new concepts and the detailed planning for implementing these is done in interdisciplinary working and project groups. Their success is further enhanced by the fact that the groups draw on the combined know-how of specialists from all levels of the company.

For this reason, project groups have been regularly convened at both sites of the university hospital since the beginning of 2006 in which all those responsible discuss and take decisions on the issues of future organisation, new structures, the further development of strategy and the planning of new buildings. The employee representative bodies are also closely involved.

Moreover, to promote a systematic exchange between the Group's hospitals, working groups were also set up in Gießen and Marburg both for specialist fields and on an interdisciplinary basis for issues such as hygiene, quality management or medical controlling.

Integration bestows benefits on all

A number of co-operation and integration schemes is resulting in better integrative forms of care and standards while improving the quality of medical care for patients.

At the Gießen site the following co-operation schemes are in place:

The research project *CIMECS (Central Interdisciplinary Medicare System)* involves the establishment of a secure web-based portal for data transfer and archiving between various health care system participants. It particularly addresses community-based GPs and specialist physicians as well as regional hospitals that before did not have any secure and fast means of transmitting patient data electronically. In a further phase, data exchange with payers and other institutions is planned.

As co-operation partner, the Hesse physicians' association Landesärztekammer Hessen would like to use CIMECS to test the new doctor's ID with qualified signature for the first time under real conditions. The pilot region is in central Hesse and includes the districts of Gießen, Lahn-Dill and Limburg-Weilburg. The hospital integrated in the pilot phase is the Neurochirurgische Klinik der Universitätsklinikum Gießen und Marburg GmbH, Gießen site, which already has the requisite hardware and software.

In May 2005 the *Interdisciplinary Oncology Centre (IOC)* for integrated treatment of tumours was established. For the first time, outpatient providers worked together with inpatient maximum-care and standard care facilities within an affiliated, contractually agreed structure. The IOC generally reflects the process of consolidation among health care providers being called for in Germany and as such could come to serve as a model for the industry. Its goals were defined as follows:

- bring together the providers of the university hospital into a single, interdepartmental unit
- establishment of an interdisciplinary oncology unit
- integration of the portal clinics into an interdisciplinary health care affiliation

- expansion of interdisciplinary oncological day-care-clinic to include outpatient chemotherapy
- integration of portal medical practices into a single outpatient inpatient care unit
- integration of rehabilitation and palliative facilities as well as common-use hospices
- electronic networking of affiliation participants.

For the outpatient and inpatient care of patients suffering from renal insufficiency in the Gießen/Lich region, *Nephrologisches Netzwerk Gießen-Lich (NNGL)* was established. It is comprised of the university hospital, the foundation Patientenheimversorgung (PHV), and SHI-accredited community-based physicians from the region. This network creates optimum conditions for delivering care to kidney patients.

The *co-operation* of the university hospital in Gießen with one community clinic GmbH in the area of neurology began on 1 July 2005. Gießen assumed all neurological services in the inpatient area, including all required consultation services. This relates to:

- the medical direction of the neurology department at Krankenhaus Wetzlar including responsibility for providing patients with medical care
- daily attendance and visits by specialist physicians to hospital patients as well as up to a thousand consultative examinations including functional diagnosis
- provision of neurological stand-by service of senior physicians.

Enddarmzentrum Mittelhessen started out on 1 April 2005 as a co-operation between the department for general, visceral, thoracic, transplantation and paediatric surgery at the university hospital in Gießen on the one hand and community-based practitioners on the other. The co-operation strives to optimise diagnostics, therapy and follow-up care for patients with colon cancer. This co-operation scheme is now to be re-founded as Darmzentrum Mittelhessen which will be integrated into the Interdisciplinary Oncology Centre (IOC) at the Gießen site of Universitätsklinikum Gießen und Marburg. This will

allow for clinical and outpatient medical facilities from the region of central Hesse to be integrated so that patients with colon cancer benefit from standardised diagnostics, therapy and follow-up treatment. This will be followed by the extension of Darmzentrum Mittelhessen by an analogous module at the Marburg site.

Contracts and agreements on *integrated* care notably are in place for:

- provision of knee and hip endoprostheses, with the participation of SHI-accredited physicians and two rehabilitation facilities, with AOK Hessen
- stroke care, with the participation of rehabilitation facilities and a preventive outpatient unit with BEK
- care of multiple sclerosis patients, with the participation of SHI-accredited doctors and pharmacies with BEK
- care of chronic wounds
- care for Parkinson's patients
- care for patients with chronic obstructive bronchitis and pulmonary emphysemas (COPD).

Forum Telemedizin and Hessenmedia Initiative teamed up to form *Landesinitiative zur Förderung neuer Medien* (state initiative to promote new media in Hesse). Through pilot and model projects, Hessen-Media promotes the development and launch of new technologies in fields such as health care, science and education. The state initiative is supported by Universitätsklinikum Gießen und Marburg GmbH.

Medical care centres (MVZs) can be established under the provisions of the Act on the Modernisation of Statutory Health Insurance (Gesundheitsmodernisierungsgesetz, GMG). This gives hospitals the possibility of participating in patient care in the same way as SHI-accredited physicians while taking advantage of the integration of outpatient and inpatient health care at both the clinical and economic level. On 1 April 2005 the MVZ of the university hospital in Gießen was opened in the premises of the former polyclinic of the women's clinic. The MVZ is



made up of facilities from the disciplines of gynaecology, laboratory medicine and, since October 2006, orthopaedics.

The university hospital in Marburg also established an MVZ in 2005 covering the fields of nuclear medicine as well as laboratory medicine. In 2006 the MVZ was extended to include a medical practice for paediatric and juvenile medicine. In addition, a specialist practice for neurology was acquired.

To further develop MVZs, the Group plans to acquire specialist practices fitting its strategy as they become available, and to staff these with specialist physicians as salaried employees. This is helped by the fact that since 1 January 2007, under the Act Amending the Law of Contracts for Accredited Physicians (Vertragsarztrechtsänderungsgesetz, VÄndG), doctors are allowed to be employed in an MVZ and a hospital at the same time.

Both sites of the university hospital thus recognised early the opportunities for treatment spanning the different health care sectors.

Moreover, at the Marburg site contracts have been concluded with gynaecological practices in Kirchhain and in Biedenkopf under which community-based practitioners can provide care to their patients in the facilities of the university hospital in Marburg. There is also a contractual co-operation scheme in place between the endocrinology department and a community-based practice for outpatient diabetes training.

Marburg is also the site of an allergy centre established as an affiliation of hospitals engaged in field of allergology with a view to providing patients better and more comprehensive care through interdisciplinary co-operation. To achieve this, close co-operation with community-based allergologists is planned.

Since 1998 the department of neuroradiology in Marburg, in addition to diagnostic and interventional neuroradiology, now covers the third clinical field of tele(neuro)radiology. Currently eight hospitals under various ownership types are served teleradiologically in several federal states. Of these there are five neurological or neurosurgical facilities, one specialised orthopaedic

hospital, one specialised hospital for chronic artificial respiration and one general hospital.

Teleradiology enables even small hospitals that do not have their own specialist radiology department to perform a computer tomographic examination together with a specialist physician who is not present on site – via encrypted Internet tunnelling or telephone connection. In addition to faster delivery of care to emergency patients, this also means organisational improvements such as better planning of transfers and therapies or pre-op preparation, reduced waiting and journey times for background services as well as higher quality thanks to expert consultation in the case of unclear findings.

The economic advantages are obvious. Costs of equipment procurement are reduced, and the high expense of specialist physician time is incurred only as required. From a medical standpoint, specialist physician standards are upheld around the clock and specialist know-how in this way can be moved to the periphery.

With this co-operation, three of the long-standing Marburger partners established a stroke unit and thus participate in modern stroke treatment which of necessity has to be broad in geographical coverage. That improves the position of co-operation facilities, raising their occupancy rates.

Promoting research and teaching

The Federal State of Hesse in June 2005 requested the Wissenschaftsrat to review whether the privatised Universitätsklinikum Gießen und Marburg GmbH could be included in the list of universities and institutions of higher education pursuant to the Act on Funding Construction of Higher Education Institutions (Hochschulbauförderungsgesetz, HBFÜG). The general conditions then defined by the Wissenschaftsrat were reflected in the wording of the "Act Amending the Act on University Hospitals in Hesse and Other Regulations" (Gesetz zur Änderung des Gesetzes für die hessischen Universitätskliniken und anderer Vorschriften).



Opened in 2006:
Paediatric Heart Centre in Gießen

On 27 January 2006, Universitätsklinikum Gießen und Marburg was therefore given the "seal of approval" of the Wissenschaftsrat which recommends its inclusion in the list of universities and institutions of higher education of HBFVG (Drs. 7059-06). In its view the existing statutory and contractual framework provides a suitable basis "so that the privatised hospital also satisfies the requirements of a university hospital and helps the two specialist areas in Gießen and Marburg to fulfil its work in research and teaching". Since the privatisation of two university hospitals so far is something unique, the Wissenschaftsrat stated it was willing to conduct an external evaluation after three years. The objective is to clarify whether the statutory and contractual basis proved sufficient or whether changes or deletions are necessary.

RHÖN-KLINIKUM Group lays great store by achieving marked and visible improvements also in the area of research and teaching. On rooms for patient- and ward-based research and teaching alone, at least € 30 million are being invested in adjacent new buildings.

The Hesse State Government made the commitment to use the privatisation proceeds to establish a foundation with funds of € 100 million for new medical research projects in Gießen and Marburg. It will be called *Emil von Behring and Wilhelm Conrad Röntgen Foundation* and was officially recognised by the state government with the delivery of the foundation instrument in November 2006.

Under the co-operation agreement with the Universities of Gießen and Marburg, Universitätsklinikum Gießen und Marburg GmbH undertook towards the other parties to establish a non-profit foundation for promoting science, research and medical care. Its purpose is to promote outstanding achievements by both medical fields in the areas of research, basic research and applied research, to position these competitively both nationally and internationally, and to expand international co-operation in research. At the same time the foundation will promote projects in health care for which no remuneration under statutory health insurance is provided. This is something from which paediatric clinics in particular stand to benefit.

The foundation will have cash assets of one million euros.

Moreover, Universitätsklinikum Gießen und Marburg GmbH entered into the contractual obligation to make available to the faculties of medicine in Gießen and Marburg, as a third-party funder, an annual total amount of at least two million euros for research subjects proposed by the respective specialist departments of the Company. The allocation of the amount will be decided by Universitätsklinikum Gießen und Marburg GmbH. For the period 2006 and 2007, 141 applications were filed. In early February 2007 the management – after intensive consultations with a panel of experts and with the involvement of both deans – approved funding for 55 applications in a total volume of roughly € 4 million.

The German José Carreras Leukemia Foundation in 2006 approved funds of roughly € 1.6 million for the establishment of a Carreras Leukemia Centre (CLC) at the Marburg site. The rest is to be financed by the Federal State of Hesse (€ 0.5 million) and own funds (€ 1.1 million) of the university hospital. This will be used to enable the Lahnberge location to accommodate the CLC.

With the CLC, a new facility from the specialist medical area and the university hospital will be responsible for providing interdisciplinary care to all tumour patients. One big focus of the Centre will be basic research into leukemias. Under this comprehensive concept, unique in Germany, the existing stem cell transplantation unit is to be merged with a new leukemia research unit. Leukemia patients will continue to receive classic treatment.

Special highlights in 2006

- The Federal Ministry of Education and Research, in a multi-stage, highly competitive selection procedure, has chosen to grant funding to the Gießen application for expanding the focus on clinical infectology into clinical research group "pneumonia". The clinical research group is pursuing the goal of defining at the molecular level the clinically relevant interactions between pathogen

and host in the context of the organ-specific peculiarities of the lung, and of developing new diagnosis and treatment strategies for pneumonia by decrypting its molecular pathogenesis. The expansion of the clinical infectiology area of focus into the clinical research group for the economically significant clinical picture of pneumonia, which in the past has been paid too little attention in terms of research, is pursuing an interdisciplinary networking concept.

- Also involved in the application "ECCPS – Excellence Cluster Cardio-Pulmonary System" led by Professors Werner Seeger and Friedrich Grimminger are the Max Planck Institute for Heart and Lung Research in Bad Nauheim and the University of Frankfurt am Main. The success of this excellence initiative is all the more remarkable given that only three main medical subjects passed the selection process with a total of 34 German medical faculties. The grant amounts to € 6.5 million per share and thus corresponds to the grants for several special research areas.
- The following have been integrated into the new Paediatric Heart Centre in Gießen: paediatric surgery unit with two ultra-modern operation theatres, paediatric anaesthesia unit with state-of-the-art anaesthetic equipment, an interdisciplinary paediatric intensive care unit with 20 treatment places, and paediatric cardiology ward with 26 beds. With space of some 3,200 square metres, the Centre can take in and treat children and adolescents of all ages; there are also possibilities for accomodating parents and relatives.

Thanks to the "hybrid treatment" developed by paediatric cardiologists and surgeons in Gießen for newborns with an underdeveloped left ventricle, the

necessary co-operation can now take place under one roof. The Paediatric Heart Centre in Gießen is one of the leading facilities for the catheter-interventional treatment of congenital heart defects. The focus is on heart transplantation, and in the age group for infants and small children the most heart transplants in Europe were performed with above-average results.

- At the Marburg site the second construction phase has been inaugurated. This somewhat unassertive term in fact refers to the new paediatric and women's clinic. Planning and construction was still completed under the responsibility of the Federal State of Hesse. The move of the two clinics from the city centre to Lahnberge was organised while clinical operations were still under way. Particularly for the care of newborns and new mothers, optimum conditions have been created in the mother-child centre.
- One very special highlight is the award of the honorary doctorate title by the faculty of medicine of Philipps University Marburg to José Carreras. The world-famous star tenor was honoured for his support of leukemia research as part of the International José Carreras Leukemia Foundation established in 1988. In the 1980s, Carreras fell ill with leukemia and succeeded in beating the disease.

Gerald Meder summed things up at the new year's reception in Gießen: "At no time have we been able to look back at the experiences made in other federal states and ask: 'How did you solve this problem?' The privatisation of a university hospital like Gießen and Marburg remains an unequalled achievement to this day."

The Group's tailor-made hospitals

In 1970 RHÖN-KLINIKUM was founded, in 1988 it became a German stock corporation, and a year after that went public. Since then the private hospital chain has witnessed continuous, but reasonable and well-measured growth strictly in line with strategic considerations.

As at 31 December 2006, the Group counted 45 individual hospitals at 34 sites organised either as corporate entities in the form of either German limited liability companies (GmbHs) or German stock corporations (AGs), and distributed over eight federal states – from Lower Saxony to Bavaria, Brandenburg to Hesse. In December 2006 the purchase agreement for Kreis-krankenhaus Köthen, from Saxony-Anhalt, was concluded, which will be consolidated in April 2007. This brings the total number of Group-owned facilities to 46 present in nine federal states. These all pursue the common corporate goal of ensuring affordable, high-quality generalised health care delivery to the entire population, regardless of insurance status.

Private operators as health care providers

RHÖN-KLINIKUM AG recognised early on that the woeful state of public finances would come to threaten the very existence of a growing number of hospitals: facilities become less attractive and lose market shares as badly needed investments are held back. This in turn has a particularly negative impact on the quality of health care. As a result, patients quite often do not get optimum care, or no longer find any medical assistance at all close to where they live.

A private hospital chain is able to create sustainable growth and jobs by making ample investments in buildings and medical technology. And it can ease the burden on public finances, especially if at the same time it largely foregoes its legal entitlement to grants from the federal states like RHÖN-KLINIKUM AG. The trend towards privatisation will continue to gather pace as demographic trends spur demand for hospital services at the same

time as the payers – in addition to the public sector investment backlog – continue their efforts to put a lid on costs. Increasingly, private takeover of hospitals with external and internal structures in need of restructuring is the only way of preserving facilities of vital importance to the region.

The structures developed by the Group to ensure successful takeovers have proven themselves over the past ten years – structures which it is continually honing while at the same time pursuing the goal of largely preserving the hospital's character and identity – also in terms of its location and buildings. This enables the hospital to adapt to its surroundings and meet local requirements, which in turn results in the greatest benefit for both patients and the hospital operator. The decision on how to best promote an acquired hospital's further development is taken on a case-by-case basis, the ideal solution generally being the construction of a new building to which the Group frequently commits itself when it purchases a hospital. This provides a new structural platform and the ideal conditions for improving internal procedures, making it possible to implement the Group's "flow principle", or to make room for the latest imaging diagnostics equipment.

Such new buildings, creating the best conditions for the individual facilities to operate successfully, will be provided at the Hildesheim, Pforzheim, Wittingen, Hammelburg and Erlenbach sites. The new hospital building in Nienburg was put into service just before the end of the year, and the new building for one private forensic hospital in Hildburghausen at the middle of the year. At year-end the new building in Pirna was almost ready, and has since been put into service. The Group's facilities in Gifhorn, Bad Kissingen (St. Elisabeth-Krankenhaus), Miltenberg, Cuxhaven, Salzgitter, München-Pasing and

Opened in 2006:
Women's and paediatric Clinic Marburg



München-Perlach were refurbished and considerably expanded. In 2006 the focus of interest was on the university hospitals Universitätsklinikum Gießen und Marburg, the Group's newly acquired "flagship". The Gießen site in particular, where more than one hundred individual buildings are to be amalgamated into a single new structure, clearly reveals the restructuring potential to be realised in terms of buildings and procedures. The Marburg site is also being expanded and refurbished: under a long-standing contract between RHÖN-KLINIKUM AG and Siemens Medical Solutions for the construction and operation of a particle therapy facility, the Group – in addition to the construction investment obligation of more than € 100 million – will invest in the facility to be built in Marburg and operated in close co-operation with Universitätsklinikum Gießen und Marburg. Particle therapy is a high-precision and biologically highly effective procedure for fighting cancer.

The "flow principle" streamlined and optimised

In all this, the focus of interest is on the patient whose treatment is oriented into a graduated accommodation and care concept based on the Group's "flow principle" – a smoothly integrated and graduated accommodation and care concept turned to maximum effect. Here the different tasks blend together in such a way as to ensure a seamless whole in which patients at all times receive optimum care tailored to their individual needs.

This principle covers initial diagnosis, the stay in the day-care-clinic, and full inpatient care which in turn is divided into four levels. The first level and at the same time the main focus of interdisciplinary medical care is the intensive care unit. In the intermediate care unit, the second level, patients no longer requiring artificial respiration are provided with intensive care. The standard unit, level three of this system, provides care to those patients confined to a hospital bed but no longer requiring intensive care. Lastly, the low care unit is made available for taking care of largely mobile patients requiring a low degree of nursing and brief inpatient treatment.

The hospitals that are yet to be rebuilt and/or refurbished but in which in the interim already have an intermediate care unit (IMC) include Cuxhaven, Hildesheim, Gifhorn and Salzgitter.

"Flow principle" not only means a decisive improvement in treatment, but also lower costs per patient.

Portal to optimum treatment

Every patient wants to receive the best hospital treatment possible, however minor the necessary intervention or treatment may be. The mere fact of knowing they are getting optimum care is already a considerable relief to patients, helping them have a speedy recovery. This desire to receive the best possible treatment often means that a highly specialised department has to provide basic care because the patient is in the wrong hospital, or in the right hospital but in the wrong department.

Since this situation can not be reconciled to efficiency any more than to professionalism in patient care, the Group developed the teleportal clinic and its own concept for medical care centres (MVZs). The teleportal clinic moves the "portal" to the expertise of major hospitals right to where patients live. The basic module consists of a day-care-clinic as well as around 70 beds for full inpatient care focused on internal medicine, and dispenses with a fully inpatient general surgery unit; 20 places are available for day-care-clinic and outpatient interventions as well as short inpatient treatments. With modern-day information technology it is possible to make the knowledge and expertise of a specialist who works at a location inaccessible to the patient immediately available to that patient. That means that a specialist working out of a university hospital or other major facility can evaluate images and information forwarded to him from the teleportal clinic and respond by making recommendations on what further treatment the patient should receive. In this way 70 per cent of patients can be treated right where they are, with the other 30 per cent being transferred to the appropriate specialist department.



Psychiatry Centre
in Gießen

The university hospital itself can add on upstream teleportal clinic for its own basic health care delivery to the region, thus making itself more accessible to patients. The concept is particularly valuable when it comes to the practical training of doctors at universities as well as the further training of doctors working with the Group.

Helped by its concept of medical care centres, the Group takes advantage of the new possibilities opened up by the Act on the Modernisation of Statutory Health Insurance (Gesundheitsmodernisierungsgesetz, GMG) for integrated care between sectors. The goal is to win over community-based doctors from various disciplines to join an MVZ affiliated downstream a teleportal clinic, thus forming a centre for regional care; for the doctors the advantage is that they at the same time have access to the facility's state-of-the-art medical technology and equipment. This ensures the most efficient possible capacity utilisation of infrastructure.

The Group's first two teleportal clinics opened their doors in Dippoldiswalde and Stolzenau already at the end of 2005. Further hospitals based on this model will be built at the Hammelburg, Miltenberg and Wittingen sites. At the end of 2006, already ten facilities had a medical care centre.

Intermediate-care facilities, also with model character

The implementation of the concepts developed by the Group can mean that the individual facilities resemble one another in many of their basic characteristics. At the same time certain emphases or other specific features are promoted that secure the facility's position on the health market.

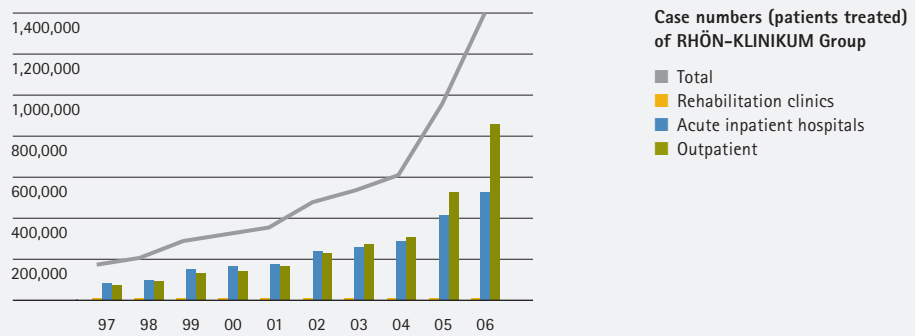
Several Group facilities are academic teaching hospitals closely linked to the respective university, thus allowing them to also benefit from research potential that those universities offer with a view to promoting innovation through the mutual exchange of knowledge and expertise. This rings true especially for the hospitals in Pforzheim,

Frankfurt (Oder), Herzberg, Cuxhaven, Hildesheim, Uelzen, Weißeritztal, the facility Park-Krankenhaus Leipzig-Südost and the intermediate-care facilities in Dachau and München-Pasing. Basic and standard care are ensured, among others, by the hospitals in Erlenbach, Miltenberg, München-Perlach and Salzgitter.

Germany's first privately owned and operated university hospital is Herzzentrum Leipzig, which provides maximum care in the areas of heart surgery, cardiology and paediatric cardiology with clinical research; the new building was put into service in 1995. Other centres for cardiovascular patients including heart surgery are the facilities in Bad Berka, Bad Neustadt, Karlsruhe and, since 2006, the newly acquired university hospitals in Gießen und Marburg. The number of invasive cardiovascular examinations and treatments performed within the RHÖN-KLINIKUM Group rose from some 12,000 cases in 1991 to almost 48,000 cases by 2006. The 29 heart transplants last year were performed at Herzzentrum Leipzig and at Universitätsklinikum Gießen und Marburg, at the Gießen site. It is moreover at the Gießen site that Germany's first Paediatric Heart Transplant Centre was opened in 2006 as part of the Paediatric Heart Centre with a paediatric cardiology unit, paediatric anaesthesia unit and paediatric cardio-surgery unit.

One special area is the transplantation of bone marrow and blood stem cells with which Deutsche Klinik für Diagnostik in Wiesbaden, in addition to its diagnostic works, has earned a strong reputation. This type of treatment is also offered in Frankfurt (Oder), Gießen and Marburg.

Also of tremendous importance is the treatment of acute neurological disorders, particularly in patients having suffered craniocerebral traumas and strokes. The treatment of these clinical pictures can be performed at almost all the Group's facilities – stroke victims as a rule in stroke units as in Meiningen, Bad Neustadt, Gießen, Marburg – but specialisations have long emerged at the Bad Berka, Bad Neustadt and Kipfenberg facilities. The example of Neurologische Klinik Bad Neustadt offers the



entire range of intensive care over early rehabilitation and follow-up treatment including activating nursing, whereas Neurochirurgische und Neurologische Fachklinik in Kipfenberg is specialised in the rehabilitation of patients following various neurological diseases such as those occurring after accidents involving craniocerebral injuries, spinal injuries with paraplegic symptoms, strokes and neurosurgical operations. At the Bad Berka site there is also a department for treatment of paraplegics in addition to acute treatment.

Breast cancer is the most frequent form of malignant tumours among women in Germany. A breast center with combined certification according to DIN EN ISO 9001 (2000) and the requirements of the German Cancer Society is set up at each of the following six Group hospitals: Dachau, Gifhorn, Hildesheim, Marburg, Meiningen and Pforzheim.

Further specialist fields of hospitals from the RHÖN-KLINIKUM Group are the prevention and rehabilitation of cardiovascular diseases in Bad Neustadt, psychosomatics in Bad Neustadt as well as the treatment of liver diseases at Heinz Kalk-Krankenhaus in Bad Kissingen which began in 1966 as the world's first specialised hepatology clinic. Also of tremendous importance are the specialist fields of long-term rehabilitation in Kipfenberg, operative rheumatology and orthopaedics at Aukamm-Klinik Wiesbaden, and last but not least the psychiatric department for adults and juveniles at Park-Krankenhaus in Leipzig.

Deutsche Klinik für Diagnostik based in Wiesbaden, bringing together 23 specialist medical departments under one roof, is unique in Germany. Its specialties include the early detection of cardiac and circulatory diseases, lung disease, gastrointestinal diseases, metabolic disorders, malignant diseases, diabetes, pain therapy, sleep apnoea, infertility, as well as infectious and tropical diseases.

At the Hildburghausen site the Group operates a forensic department now with a total of 128 beds. A special role is assumed by the facilities for addictive diseases and adaptation in Bad Neustadt and Leipzig, as well as the radio-based medical consultation centre for the German

ocean shipping industry in Cuxhaven. Our offerings in the fields of geriatrics in Erlenbach, Dachau and Indersdorf reflect the growing importance of demographics in provision of health care to the elderly.

Growing importance of medical technology

What many state-owned hospitals are denied due to lack of funding, namely the purchase of state-of-the-art medical equipment, is a routine and normal investment for a private operator like RHÖN-KLINIKUM AG. Particularly worthy of note are purchases of major equipment items: two sites – Bad Berka and Frankfurt (Oder) – have one of the few PETs in Germany, a technology at the cutting edge of nuclear medicine. Herz- und Gefäß-Klinik Bad Neustadt a. d. Saale as well as at Zentralklinik Bad Berka already use dual-source computer tomographs as part of state-of-the-art diagnostics. The also powerful previous generation, the "64-line computer tomograph", is found at six sites (Dachau, Frankfurt (Oder), Hildesheim, Meiningen, München-Pasing and Pirna). Herzzentrum Leipzig continues to enjoy international recognition for the robots used in heart surgery since 1999 in the world's first experimental operating theatre.

Training of nursing staff at the Group-owned nursing schools and of young executives at the Group facilities is just as self-evident for RHÖN-KLINIKUM AG as the ongoing further training of the staff as well as quality assurance within the Group's hospitals. Quality reports, which have been legally required for hospitals since 2005 and are to be submitted every two years, are to provide information on structural and performance data as well as on a hospital's quality management. In the quality reports by the Group's hospitals already published in 2004 and 2005, their innovative medical-technical equipment emerges just as clearly as their high degree of competence in the quality of processes and results.

**MEDICAL FIELDS WITHIN
RHÖN-KLINIKUM GROUP**

Hospital

	Anaesthesiology	Anatomy	Occupational medicine	Ophthalmology	Biochemistry	Surgery	Focus: general surgery	Focus: vascular surgery	Focus: heart surgery	Focus: paediatric surgery	Focus: orthopaedics	Focus: orthopaedics and trauma surgery	Focus: plastic and cosmetic surgery	Focus: thoracic surgery	Focus: visceral surgery	Women's medicine	Women's medicine and obstetrics	Focus: gynaecological endocrinology and reproduction medicine	Focus: gynaecological oncology and medicine	Focus: special obstetrics and perinatal disorders	Otorhinolaryngology (ENT)	Focus: speech, voice and child hearing	Skin and venereal diseases	Human genetics	Hygienics and environmental medicine	Internal medicine and general medicine	Focus: angiology	Focus: endocrinology and diabetology	
BADEN-WÜRTTEMBERG																													
Klinik für Herzchirurgie Karlsruhe	♦							♦																					
Klinikum Pforzheim	♦		♦		♦	♦			♦	♦				♦	♦			♦	♦							♦		♦	
BAVARIA																													
Heinz Kalk-Krankenhaus Bad Kissingen																													
St. Elisabeth-Krankenhaus Bad Kissingen	♦					♦						2		♦	♦					♦						♦			
Herz- und Gefäß-Klinik, Bad Neustadt a.d.Saale	♦						♦	♦																					
Klinik für Handchirurgie, Bad Neustadt a.d.Saale	♦																												
Klinik "Haus Franken", Bad Neustadt a.d.Saale																											♦		
Haus Saaletal, Bad Neustadt a.d.Saale																													
Neurologische Klinik Bad Neustadt a.d.Saale																												♦	
Psychosomatische Klinik, Bad Neustadt a.d.Saale																													
Amper Kliniken (Dachau, Indersdorf)	♦					♦	♦				♦	♦	♦	♦	♦				♦							♦		♦ ⁹	
Kliniken Miltenberg-Erlenbach (Miltenberg)	♦					♦					♦								♦							♦			
Kliniken Miltenberg-Erlenbach (Erlenbach)	♦					♦	♦				♦	♦							♦							♦			
Krankenhaus Hammelburg	♦						1																			♦			
Klinik Kipfenberg																													
Frankenwaldklinik Kronach	♦						♦					2		♦	♦											♦			
Klinikum München-Pasing	♦					♦	♦							♦	5					♦						♦		♦ ¹⁰	
Klinik München-Perlach	♦					♦																				♦			
BRANDENBURG																													
Klinikum Frankfurt (Oder)	♦		♦		♦	♦	♦		♦	♦	♦	♦	♦	♦	♦			♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦
HESSE																													
Universitätsklinikum Gießen und Marburg (Gießen)	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦
Universitätsklinikum Gießen und Marburg (Marburg)	♦	♦		♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦
Aukamm-Klinik, Wiesbaden																													
Stiftung Deutsche Klinik für Diagnostik, Wiesbaden	♦			♦																									
LOWER SAXONY																													
Krankenhaus Cuxhaven	♦					♦	♦	♦																					
Kreis Krankenhaus Gifhorn	♦						♦	♦																					
Kliniken Herzberg und Osterode	♦						♦	♦																					
Klinikum Hildesheim	♦			♦			♦	♦																					
Mittelweser Kliniken (Nienburg)	♦																												
Mittelweser Kliniken (Stolzenau)	♦																												
Klinikum Salzgitter (Lebenstedt, Salzgitter-Bad)	♦						♦	♦																					
Kliniken Uelzen und Bad Bevensen	♦						♦	♦																					
Städtisches Krankenhaus Wittingen	♦																												
NORTH RHINE-WESTPHALIA																													
Krankenhaus St. Barbara Attendorf	♦						♦	♦																					
SAXONY																													
Weißeritztal-Kliniken (Freital, Dippoldiswalde)	♦						♦	♦																					
Herzzentrum Leipzig	♦								♦																				
Park-Krankenhaus Leipzig-Südost	♦																												
Soteria Klinik Leipzig																													
Klinikum Pirna	♦					♦	♦																						
THURINGIA																													
Zentralklinik Bad Berka GmbH	♦					♦	♦	♦	♦																				
Krankenhaus Waltershausen-Friedrichroda	♦						♦																						
Fachkrankenhaus Hildburghausen																													
Klinikum Meiningen	♦		♦			♦	♦																						

¹ General and trauma surgery

³ Orthopaedics

⁶ Environmental medicine

⁹ Diabetology and infectiology

² Trauma surgery

⁴ Thoracic and cardiovascular surgery

⁷ Hygienic medicine

¹⁰ Hepatology, diabetology and metabolism, endocrinology, oncology

⁵ Women's medicine

⁸ Internal medicine

**MEDICAL FIELDS WITHIN RHÖN-KLINIKUM GROUP –
ADDITIONAL DISCIPLINES**

Hospital	Acupuncture	Allergology	Andrology	Occupational medicine	Dermatohistology	Diabetology	Geriatrics	Haemostaseology	Hand surgery	Infectiology	Intensive medicine	Paediatric endocrinology and diabetology	Paediatric gastroenterology	Paediatric nephrology	Paediatric orthopaedics	Paediatric pneumology	Paediatric rheumatology	Laboratory diagnostics –specialty focused-	Magnetic resonance –specialty focused-	Manual medicine/chirotherapy	Medicamentous tumour therapy	Naturopathy	Emergency medicine
BADEN-WÜRTTEMBERG																							
Klinik für Herzchirurgie Karlsruhe																							
Klinikum Pforzheim	♦				♦	♦	♦		♦	♦	♦			♦		♦	♦		♦			♦	
BAVARIA																							
Heinz Kalk-Krankenhaus Bad Kissingen																							
St. Elisabeth-Krankenhaus Bad Kissingen																							
Herz- und Gefäß-Klinik, Bad Neustadt a.d.Saale											♦												
Klinik für Handchirurgie, Bad Neustadt a.d.Saale								♦ ^{2,3}		♦													
Klinik "Haus Franken", Bad Neustadt a.d.Saale					♦ ¹																		
Haus Saaletal, Bad Neustadt a.d.Saale																							
Neurologische Klinik Bad Neustadt a.d.Saale																							
Psychosomatische Klinik, Bad Neustadt a.d.Saale																							
Amper Kliniken (Dachau, Indersdorf)					♦	♦		♦		♦													
Kliniken Miltenberg-Erlenbach (Miltenberg)											♦												♦
Kliniken Miltenberg-Erlenbach (Erlenbach)											♦										♦		♦
Krankenhaus Hammelburg																							
Klinik Kipfenberg											♦												
Frankenwaldklinik Kronach						♦					♦												
Klinikum München-Pasing	♦				♦			♦		♦									♦	♦		♦	♦
Klinik München-Perlach				♦				♦		♦													♦
BRANDENBURG																							
Klinikum Frankfurt (Oder)		♦	♦		♦			♦		♦										♦	♦		♦
HESSE																							
Universitätsklinikum Gießen und Marburg (Gießen)		♦	♦	♦	♦	♦		♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦		♦		♦
Universitätsklinikum Gießen und Marburg (Marburg)		♦			♦		♦	♦	♦	♦			♦						♦				
Aukamm-Klinik, Wiesbaden									♦											♦			
Stiftung Deutsche Klinik für Diagnostik, Wiesbaden							♦		♦	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦		♦		
LOWER SAXONY																							
Krankenhaus Cuxhaven	♦				♦			♦		♦		♦									♦		♦
Kreiskrankenhaus Gifhorn											♦												
Kliniken Herzberg und Osterode											♦												
Klinikum Hildesheim		♦			♦	♦		♦		♦	♦								♦				♦
Mittelweser Kliniken (Nienburg)		♦									♦												♦
Mittelweser Kliniken (Stolzenau)																							
Klinikum Salzgitter (Lebenstedt, Salzgitter-Bad)									♦		♦												
Kliniken Uelzen und Bad Bevensen									♦		♦												
Städtisches Krankenhaus Wittingen											♦												
NORTH RHINE WESTPHALIA																							
Krankenhaus St. Barbara Attendorn							♦				♦												
SAXONY																							
Weißeritztal-Kliniken (Freital, Dippoldiswalde)											♦					♦							
Herzzentrum Leipzig											♦									♦			♦
Park-Krankenhaus Leipzig-Südost											♦												♦
Soteria Klinik Leipzig																							
Klinikum Pirna		♦							♦		♦				♦								
THURINGIA																							
Zentralklinik Bad Berka GmbH		♦								♦	♦							♦	♦	♦			♦
Krankenhaus Waltershausen-Friedrichroda											♦												
Fachkrankenhaus Hildburghausen											♦							♦	♦				
Klinikum Meiningen					♦						♦								♦		♦		♦

¹ Diabetology and metabolism
² Hand, micro- and plastic surgery

³ Hand, foot, shoulder and elbow surgery
⁴ Physical therapy

Orthopaedic rheumatology	Palliative medicine	Phlebology	Physical therapy and balneology	Plastic operations	Proctology	Psychoanalysis	Psychotherapy -specialty focused- Rehabilitation	X-ray diagnostics -specialty focused-	Sleep medicine -specialty focused-	Social medicine	Special orthopaedic surgery	Special pain therapy	Special trauma surgery	Sports medicine	Basic care in addictive medicine	Tropical medicine	Hospital
BADEN-WUERTEMBERG																	
	♦										♦	♦			♦		Klinik für Herzchirurgie Karlsruhe
		♦															Klinikum Pforzheim
BAVARIA																	
																	Heinz Kalk-Krankenhaus Bad Kissingen
																	St. Elisabeth-Krankenhaus Bad Kissingen
												♦					Herz- und Gefäß-Klinik, Bad Neustadt a. d. Saale
												♦					Klinik für Handchirurgie, Bad Neustadt a. d. Saale
							♦			♦							Klinik "Haus Franken", Bad Neustadt a. d. Saale
							♦			♦							Haus Saaletal, Bad Neustadt a. d. Saale
							♦			♦							Neurologische Klinik Bad Neustadt a. d. Saale
							♦			♦							Psychosomatische Klinik, Bad Neustadt a. d. Saale
	♦							♦			♦						Amper Kliniken (Dachau, Indersdorf)
											♦	♦	♦				Kliniken Miltenberg-Erlenbach (Miltenberg)
																	Kliniken Miltenberg-Erlenbach (Erlenbach)
																	Krankenhaus Hammelburg
																	Klinik Kipfenberg
																	Frankenwaldklinik Kronach
																	Klinikum München-Pasing
																	Klinik München-Perlach
BRANDENBURG																	
	♦										♦	♦	♦			♦	Klinikum Frankfurt (Oder)
HESSE																	
		♦									♦	♦	♦	♦		♦	Universitätsklinikum Gießen und Marburg (Gießen)
	♦										♦						Universitätsklinikum Gießen und Marburg (Marburg)
	♦										♦			♦			Aukamm-Klinik, Wiesbaden
	♦										♦	♦					Stiftung Deutsche Klinik für Diagnostik, Wiesbaden
LOWER SAXONY																	
																	Krankenhaus Cuxhaven
																	Kreiskrankenhaus Gifhorn
																	Kliniken Herzberg und Osterode
																	Klinikum Hildesheim
																	Mittelweser Kliniken (Nienburg)
																	Mittelweser Kliniken (Stolzenau)
																	Klinikum Salzgitter (Lebenstedt, Salzgitter-Bad)
																	Kliniken Uelzen und Bad Bevensen
																	Städtisches Krankenhaus Wittingen
NORTH RHINE WESTPHALIA																	
																	Krankenhaus St. Barbara Attendorn
SAXONY																	
																	Weißeritztal-Kliniken (Freital, Dippoldiswalde)
																	Herzzentrum Leipzig
																	Park-Krankenhaus Leipzig-Südost
																	Soteria Klinik Leipzig
																	Klinikum Pirna
THURINGIA																	
	♦																Zentralklinik Bad Berka GmbH
																	Krankenhaus Waltershausen-Friedrichroda
																	Fachkrankenhaus Hildburghausen
																	Klinikum Meiningen

BEDS AND PLACES OF RHÖN-KLINIKUM HOSPITAL SITES

Hospital	STRUCTURE OF HEALTH CARE PROVISION													
	Acute inpatient ¹	Day-care clinic/day-case treatment ¹	Rehab/other ²	Total 2006	Total 2005	Centralised care	Basic and standard care	Intermediate care	Maximum care	Specialised hospital	Teleportal clinic	University hospital	Rehabilitation hospital	Academic teaching hospital
BADEN-WÜRTTEMBERG														
Klinik für Herzchirurgie Karlsruhe	75			75	75					♦				
Klinikum Pforzheim	520			520	520	♦								♦
BAVARIA														
Heinz Kalk-Krankenhaus Bad Kissingen	86			86			♦							
St. Elisabeth-Krankenhaus Bad Kissingen	196			196	196		♦							
Herz- und Gefäß-Klinik, Bad Neustadt a.d.Saale	339			339	339					♦				
Klinik für Handchirurgie, Bad Neustadt a.d.Saale	81		44	125	125					♦				
Klinik "Haus Franken", Bad Neustadt a.d.Saale			122	122	122								♦	
Haus Saaletal, Bad Neustadt a.d.Saale			232	232	232								♦	
Neurologische Klinik Bad Neustadt a.d.Saale	139		121	260	260					♦				
Psychosomatische Klinik, Bad Neustadt a.d.Saale	180		160	340	340					♦				
Amper Kliniken (Dachau, Indersdorf)	460	6	70	536	563									♦
Kliniken Miltenberg-Erlenbach (Miltenberg)	140			140	140		♦							
Kliniken Miltenberg-Erlenbach (Erlenbach)	220	4	32	256	256		♦							
Krankenhaus Hammelburg	117			117	117		♦							
Klinik Kipfenberg	80		60	140	124					♦				
Frankenwaldklinik Kronach	282		30	312			♦							
Klinikum München-Pasing	400			400	442			♦						
Klinik München-Perlach	170			170	180		♦							
BRANDENBURG														
Klinikum Frankfurt (Oder)	872	36		908	908			♦						
HESSE														
Universitätsklinikum Gießen und Marburg (Gießen)	1,087	35		1122					♦			♦		
Universitätsklinikum Gießen und Marburg (Marburg)	1,103	37		1140					♦			♦		
Aukamm-Klinik, Wiesbaden	57			57	63					♦				
Stiftung Deutsche Klinik für Diagnostik, Wiesbaden	92	77		169	169	♦								
LOWER SAXONY														
Krankenhaus Cuxhaven	250			250	270		♦							♦
Kreis Krankenhaus Gifhorn	349		6	355	355			♦						♦
Kliniken Herzberg und Osterode	260			260	260		♦							
Klinikum Hildesheim	555		153	708	717			♦						♦
Mittelweser Kliniken (Nienburg)	245			245	228		♦							
Mittelweser Kliniken (Stolzenau)	70			70	105		♦				♦			
Klinikum Salzgitter (Lebenstedt, Salzgitter-Bad)	405			405	464		♦							♦
Kliniken Uelzen und Bad Bevensen	380			380	410			♦						
Städtisches Krankenhaus Wittingen	71			71	71		♦							
NORTH RHINE-WESTPHALIA														
Krankenhaus St. Barbara Attendorn	286	12		298	298		♦							
SAXONY														
Weißeritztal-Kliniken (Freital, Dippoldiswalde)	390			390	400		♦				♦			
Herzzentrum Leipzig	311	10		321	321					♦		♦		
Park-Krankenhaus Leipzig-Südst	470	45		515	525		♦							
Soteria Klinik Leipzig	56		182	238	238					♦				
Klinikum Pirna	432	16		448	468		♦							
THURINGIA														
Zentralklinik Bad Berka GmbH	669			669	669			♦						
Krankenhaus Waltershausen-Friedrichroda	234			234	234		♦							
Fachkrankenhaus Hildburghausen	286	44	186	516	445					♦				
Klinikum Meiningen	568			568	568			♦						
Total				14,703	12,217									

¹ Acute inpatient approved beds and day-clinic/day-case places according to requirement plan and Sec. 108, 109 German Social Insurance Code V (SGB V)

² Other beds: Haus Saaletal Bad Neustadt > Adaptation, Klinik Indersdorf > day-clinical geriatric places, Frankenwaldklinik Kronach > short- and long-term nursing (old-age home), Kreis Krankenhaus Gifhorn > short-term nursing, Klinikum Hildesheim > old-age and nursing home, Krankenhaus Salzgitter-Bad > short-term nursing, Soteria Klinik Leipzig > Adaptation, Fachkrankenhaus Hildburghausen > 58 beds in nursing home area and 128 beds forensic unit





Report of the Supervisory Board

for the financial year of RHÖN-KLINIKUM AG
from 1 January 2006 to 31 December 2006

Ongoing dialogue between the Supervisory Board and the Board of Management

During financial year 2006 the Supervisory Board performed the duties incumbent on it by law and the Articles of Association, regularly advising the Board of Management on the direction of the Company and supervising the management of the Company. The Supervisory Board was involved in all decisions of fundamental importance for RHÖN-KLINIKUM AG.

The Board of Management informed us regularly, through written and oral reports in a regular, timely and comprehensive manner, on all relevant issues of corporate planning and the Group's strategic orientation, on the development of transactions, the position of the Group including its risk position, as well as on risk management. We have also kept ourselves informed of all major projects and developments as well as transactions of major significance. Where business performance deviated from the Company's plans and targets, this was discussed with us and plausibly explained by the Board of Management with reasons for such deviations being stated. Based on the reports of the Board of Management we thoroughly discussed transactions of decisive importance for the Company in the committees and in the plenary meeting and, to the extent required by law and the Articles of Association, voted on the proposed resolutions of the Board of Management after careful and thorough review and consultation.

Moreover the chairman of the Supervisory Board, at individual meetings held at least once a week, was in regular contact with the chairman of the Board of Management in some cases also together with his deputy and advised on the strategy, business performance and risk management of the Company. Likewise, regular co-ordination and information meetings were held as required between the chairman of the Supervisory Board, his deputies and the chairmen of the committees and, with regard to specific issues, with the individual members of the Supervisory Board possessing the requisite expertise for such issues.

Efficient work in the committees of the Supervisory Board

With a view to raising its efficiency, the Supervisory Board has set up a total of five standing committees to which members are appointed not according to proportionality but based on the specific expertise they possess for the special issues dealt with by the committees.

The committees act as bodies with power to pass resolutions within the scope prescribed by law and also in lieu of the Supervisory Board based on the Terms of Reference of the latter adapted to the respective mandates. The composition of each of the committees during the financial year and their current composition is shown in the overview of the Supervisory Board's organisational structure below.

The Personnel Affairs Committee with responsibility for the personnel matters of the Board of Management held one meeting in financial year 2006 and after voting by telephone decided, by way of written procedure to avoid delays, on amendments to the service contracts of members of the Board of Management. The main task performed by it during the year under review was the re-appointment of a member of the Board of Management, the amendment to service contracts of members of the Board of Management, the review of the remuneration structure and the updating of the guidelines on the remuneration of members of the Board of Management as well as the appraisal of the performance and development of the individual members of the Board of Management.

During the past financial year also, the Mediation Committee (pursuant to Section 27 (3) of the Co-Determination Act (MitBestG)) did not have to be convened.

The Audit Committee met three times in the year under review. This committee notably was responsible for reviewing and preparing the RHÖN-KLINIKUM AG consolidated annual financial statements for financial year 2005. Also discussed were the stand-alone financial statements, the management reports and the respective audit reports of the Group subsidiaries which were subjected to critical review by the members of the Committee. The Audit Committee examined the independence of the auditor designated for the auditing of the annual financial statements for financial year 2006, recommended to the plenary meeting of the Supervisory Board a proposal for the election of auditor to be submitted to the Annual General Meeting, and after the election issued the auditor with the audit mandate, defined the scope of the audit as well as concluded the remuneration agreement for the same. Material issues of accounting and corporate planning as well as the controlling and risk management system were discussed with the Board of Management and the auditor. A subject that was examined and deliberated on at all meetings was the establishment and implementation of the "Internal Auditing" department and the development of principles for Co-operation of the Internal Auditing department with the Audit Committee. The auditor attended two meetings of the Audit Committee.

The Investment Committee met four times during the year under review. The Committee passes resolutions in lieu of the Supervisory Board on the acquisition of hospitals, investments subject to approval as well as the financing of such measures. It moreover reviews the reports to be remitted by the Board of Management on the investment and financial development which the latter submits to the plenary meeting of the Supervisory Board. An important duty of the Investment Committee is to discuss the overall and partial strategy of the Board of Management on the development of the Company into which the specific investment projects and financing measures have to fit, which also includes a discussion of technological and social issues as well as developments in medicine. One example of this is the Group's proactive role in shaping developments in a society undergoing major demographic changes. This was appropriately supplemented by the discussions with the Board of Management regarding

the Group's medium- and long-term planning as well as the planning calculations building on these and the new controlling concept in the Group developed to secure the development. As a body with power to adopt resolutions, the Committee at its four meetings discussed and, after thoroughgoing review, approved numerous takeover projects based on extensive written resolution proposals submitted by the Board of Management.

The newly established Anti-Corruption Committee held two meetings. This Committee is the point of contact for employees, suppliers and patients in suspected cases of corruption. The primary task performed by this Committee in the year under review was the development of a concept for efficient corruption prevention measures. The chairman of this Committee is at the same time a member of the Audit Committee, thus providing him with immediate access to the controlling possibilities of the latter Committee.

The chairmen of the committees regularly reported extensively to the plenary meeting of the Supervisory Board in writing and orally on the meetings and work of the committees.

The work of the Supervisory Board's plenary meeting

The Supervisory Board held five meetings during financial year 2006.

At its constituent meeting on 10 January 2006, the Supervisory Board which was newly appointed in financial year 2005 carried out the elections for the chair of the Supervisory Board and adopted resolutions on the establishment of committees and their appointment. To clarify and adjust internal procedures, the Terms of Reference of the Supervisory Board were revised.

Meetings of the Supervisory Board are divided into two blocks, with the first one dealing with internal Supervisory Board issues and special control issues. As a rule, this first part is attended only by the chairman of the Board of Management and his deputy. In the more extensive and longer reporting and proposal part of the meetings, the competent Board members report on their areas of specific competence.

At the ordinary meetings of the Supervisory Board the plenary meeting, based on extensive but concise and systematised written reports by the Board of Management, regularly consulted and discussed with the Board of Management the trend in the revenues and earnings, the performance data, the key ratios and the personnel of the Company and Group as well as the individual Group subsidiaries. In addition to routine subjects, previously defined areas of focus as well as trends impacting the Group's future development were discussed.

On the occasion of the submitted medium-term earnings planning, the meeting on 29 March 2006 discussed as a main issue the principles governing Group management and the defining of targets. The discussions also focused on the integration of the university hospitals Gießen and Marburg into the Group. The risks and impacts of the doctors' strikes initiated by the Marburger Bund were discussed at length with the Board of Management.

At the balance sheet meeting on 25 April 2006 and in the presence of the auditors, the annual financial statements and Management's report of RHÖN-KLINIKUM AG as well as the consolidated financial statements and the Group's management report were discussed

with the Board of Management and the auditor. The auditors reported on the essential findings and results of the audits and were available to the Supervisory Board for questions and additional information. Also discussed at this meeting were the preparations for the 2006 Annual General Meeting and the appointment of the Supervisory Board of Universitätsklinikum Gießen und Marburg GmbH.

The meeting on 18 July 2006 focused on consultations regarding the establishment of the medical care centres (MVZs) as well as a policy discussion on the prospective development of the electronic patient file which is seen as one of the decisive future projects within the Group. As part of the issues relating to the economic development, the economic consequences of the provisions emerging with regard to the health care reform, the increase in value-added tax and the increase in personnel costs in the wake of the doctors' strikes were discussed thoroughly. The measures presented and taken by the Board of Management to counter and compensate for the emerging negative consequences were discussed in detail.

The agenda for the meeting on 8 November 2006 included the preparations for the efficiency audit of the Supervisory Board which again is being carried out externally by Schutzgemeinschaft der Kapitalanleger e.V. (SdK). The earnings and investment planning submitted by the Board of Management for financial year 2007 was discussed thoroughly and critically by the plenary meeting in terms of the premises and the change in the environment of the hospital sector resulting from the health care reform, the increase in value-added tax and doctors' strikes. As already in the preceding meetings, the Supervisory Board examined changes in the distribution-of-business plan within the scope of the General Terms of Reference of the Board of Management. The Board of Management informed on results from the implementation of the 10-point programme to compensate for burdens from the health care reform and on quality management within the Group, and also explained the approach to counteracting and preventing corruption within the Group.

At several meetings of the Supervisory Board a great deal of attention was devoted to the particle therapy project for cancer treatment. The Board of Management informed us fully and in continuously updated reports for the Company and the Group on investment, revenue and liquidity planning for financial year 2006. The Supervisory Board examined all these reports, deliberated with the Board of Management on deviations, with the grounds for these being stated, and adopted the requisite resolutions.

For all subjects, in-depth discussions were held with the Board of Management to which the Supervisory Board members also contributed their experience and know-how.

Corporate governance and Declaration of Compliance

The Supervisory Board took great care in thoroughly considering the issues of the German Corporate Governance Code and in further developing the same, thereby keeping derogations from the Code's recommendations to a minimum. Following the revision of the Code on 12 June 2006, the Declaration of Compliance issued on 9 November 2005 pursuant to Section 161 of the Stock Corporation Act (AktG) was replaced by an updated Declaration of Compliance issued on 8 November 2006 by the Board of Management and the Supervisory Board.

In accordance with Item 3.10 of the German Corporate Governance Code, the Board of Management and the Supervisory Board report on corporate governance on pages 36 of this Annual Report.

The results of the external efficiency audit of our work commissioned in 2006 will only be available in the spring of 2007. A report by the chairman of the Supervisory Board will be made at the 2007 Annual General Meeting.

With respect to the notes to the management's report required in Section 171 (2) sentence 2 AktG in the case of a change in control and to avoid repetitious statements, reference is made to the relevant reporting by the Board of Management in group management report under the section "Corporate Governance – Corporate Constitution".

Mr. Michael Wendl is a member of the Supervisory Board of Städtisches Klinikum München GmbH and Mr. Joachim Lüddecke is a member of the Supervisory Board of Klinikum Region Hannover GmbH. In the view of the Supervisory Board of RHÖN-KLINIKUM AG, the membership in these supervisory boards has not given rise to any conflicts of interest that might result in an impairment in the performance of their mandates.

Composition of the Board of Management

This Annual Report shows the composition of the Board of Management and the personal data, functions and duties of the individual members of the Board of Management under the heading "Corporate bodies of the Company". No changes in personal details occurred.

Mr. Wolfgang Kunz, Board member with responsibility for Group accounting, was appointed member of the Board of Management for a further term of five years from 1 October 2006.

Composition and structure of the Supervisory Board

In accordance with the requirements of the Co-Determination Act (MitBestG), the Supervisory Board of RHÖN-KLINIKUM AG has been comprised of 20 members from 31 December 2005. Ten Supervisory Board members were elected by the shareholders and ten Supervisory Board members by the employees.

No changes in personal details occurred during the year under review.

The personal details of the Supervisory Board members are set out in the section "Corporate bodies of the Company" in this Annual Report; the section also provides information on the professional qualifications of the Supervisory Board members as well as their further mandates. The organisational structure of the Supervisory Board and the composition of the committees during the past financial year and at the present time are set out in overview provided below.

Examination and approval of the 2006 financial statements

The Board of Management has prepared the financial statements of the Company and the Management's report for the year ended 31 December 2006 in accordance with the provisions of the German Commercial Code (HGB), while the consolidated financial statements and Management's consolidated report for the year ended 31 December 2006 have been prepared in accordance with the principles set out in the International Financial Reporting Standards (IFRS). The auditors, PricewaterhouseCoopers Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, have examined the financial statements of the Company and Management's report as well as the consolidated financial statements and Management's consolidated report for the year ended 31 December 2006. Their audit gave no cause for objections; the auditors have issued an unqualified auditor's report.

The financial statements of the Company and Management's report, the consolidated financial statements and Management's consolidated report as well as the reports of the auditors on the result of their audit were provided to all members of the Supervisory Board together with Management's proposal for the appropriation of the net distributable profit for the year. These documents were examined by the Supervisory Board and discussed by the Audit Committee and by the Supervisory Board with representatives of the auditors. Having concluded its own examination, the Supervisory Board concurs with the auditors and sees no grounds for objections.

The Supervisory Board approved the financial statements of the Company and the consolidated financial statements prepared by the Board of Management at the meeting on 17 April 2007 on recommendation of the Audit Committee; the financial statements of the Company are thus adopted as final.

The Supervisory Board concurs with Management's proposal for the appropriation of the net distributable profit.

The Supervisory Board thanks the members of the Board of Management, all employees as well as the employee representatives of the Group's companies for their commitment and work during the past financial year.

Bad Neustadt a. d. Saale, 17 April 2007

The Supervisory Board

Eugen Münch
Chairman

OVERVIEW OF ORGANISATIONAL STRUCTURE OF THE SUPERVISORY BOARD AND THE COMPOSITION OF THE COMMITTEES

Chair of the Supervisory Board

Eugen Münch
Chairman

Bernd Becker
1st Deputy Chairman

Wolfgang Mündel
2nd Deputy Chairman

Composition of the committees

MEDIATION COMMITTEE

Eugen Münch *Chairman*
Bernd Becker
Sylvia Bühler
Dr. Heinz Korte

PERSONNEL AFFAIRS COMMITTEE

Eugen Münch *Chairman*
Bernd Becker
Dr. Brigitte Mohn
Joachim Schaar

ANTI-CORRUPTION COMMITTEE

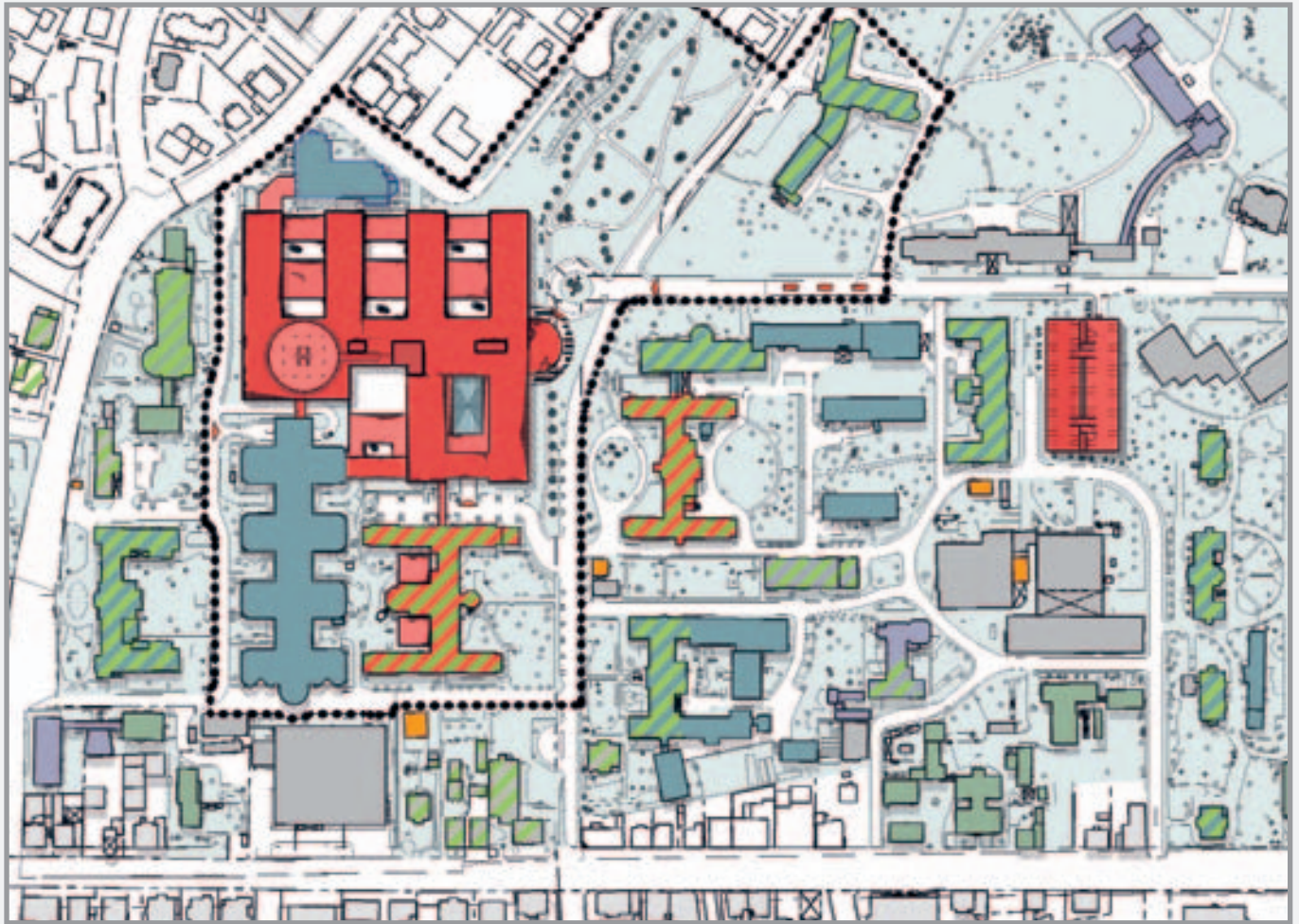
Caspar von Hauenschild *Chairman*
Ursula Harres
Werner Prange

AUDIT COMMITTEE

Wolfgang Mündel *Chairman*
Caspar von Hauenschild
Detlef Klimpe
Dr. Heinz Korte
Michael Mendel
Michael Wendl

INVESTMENT COMMITTEE

Eugen Münch *Chairman*
Bernd Becker
Detlef Klimpe
Dr. Heinz Korte
Joachim Lüddecke
Michael Mendel
Wolfgang Mündel
Werner Prange
Michael Wendl



Planned construction of new buildings for
Universitätsklinikum Gießen

Corporate Governance Report

Our activities as a market-leading company in the health care sector are characterised by the principles of efficient and responsible corporate governance oriented on the long term, and these also underpin the goals pursued by the German Corporate Governance Code. It is our ongoing desire and aim to lastingly further strengthen the trust placed in us by our shareholders, patients, business partners, staff and the general public.

CORPORATE GOVERNANCE CODE

The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG hereby report on corporate governance in accordance with Item 3.10 of the German Corporate Governance Code as amended on 12 June 2006.

The corporate code of RHÖN-KLINIKUM AG summed up in our leading principle "Don't do to others what you would not like done to yourself, and don't leave off doing anything that you would like done to yourself" serves as the guideline for the Board of Management and all the employees of RHÖN-KLINIKUM AG and the Group in their dealings with patients and shareholders.

Statement of Compliance of 8 November 2006 regarding the recommendations of the German Corporate Governance Code

On 8 November 2006 the Board of Management and the Supervisory Board submitted the Statement of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG).

STATEMENT OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

"The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG declare that the recommendations issued by the "Government Commission of the German Corporate Governance Code" as amended on 2 June 2005 and published by the Federal Ministry of Justice in the

official section of the electronic Federal Gazette (eBundesanzeiger) have been implemented in financial year 2006, with the following recommendations – as stated on 9 November 2005 – having been deviated from:

Code Item 5.4.7 *The Supervisory Board and the Board of Management apply Item 5.4.7 of the German Corporate Governance Code subject to the condition that membership of Supervisory Board members on the committees is covered by the general remuneration provision contained in Section 14 (2) of the Articles of Association.*

Code Item 7.1.2 *The Company's and the Group's financial year is the calendar year. The annual financial statements of the Company and the Group are published in the month of April following the end of the financial year.*

The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG furthermore declare that the recommendations issued by the "Government Commission of the German Corporate Governance Code" as amended on 12 June 2006 will be implemented with the following exceptions:

Code Item 7.1.2 *The Company's and the Group's financial year is the calendar year. The annual financial statements of the Company and the Group are published in the month of April following the end of the financial year.*

The Board of Management and the Supervisory Board jointly decide on application of the suggestions contained in the Code on a case-by-case basis; such suggestions may be deviated from without disclosure, as set forth in both the Code and Section 161 AktG."

EXERCISE OF VOTING RIGHTS BY OUR SHAREHOLDERS

Each share shall confer one vote. Shareholders may exercise their voting rights at the Annual General Meeting themselves, through an authorised person of their choice, or may have themselves represented by proxies of the Company for this purpose.

Main entrance of Surgical Clinic
in Gießen



BOARD OF MANAGEMENT AND SUPERVISORY BOARD

RHÖN-KLINIKUM AG is a German corporation with its registered office in Bad Neustadt a.d.Saale. RHÖN-KLINIKUM AG is subject to the two-tier board system comprising a Management Board as well as a Supervisory Board. Under this system the Board of Management directs the Company while the Supervisory Board appoints, supervises and advises the Board of Management. Simultaneous membership in both corporate bodies is not possible.

The close and efficient co-operation between the Board of Management and the Supervisory Board is the basis for good corporate management and governance. The Board of Management reports to the Supervisory Board regularly, without delay and comprehensively on all significant issues relating to the business development and position of the Group and its companies. The Board of Management furthermore coordinates the Group's further strategic development with the Supervisory Board and discusses with the latter the implementation thereof with a view to enhancing the value of the Company on a sustained basis.

Terms of Reference have been adopted for the co-operation between the Board of Management and the Supervisory Board. Regular personal contacts as well as an intensive and comprehensive exchange of information between the chairman of the Supervisory Board and the chairman of the Board of Management ensure close co-operation between both bodies based on mutual trust.

RHÖN-KLINIKUM AG has taken out indemnity insurance cover (D&O insurance) subject to a reasonable deductible amount.

No conflicts of interest of members of the Board of Management and Supervisory Board, which are to be disclosed to the Supervisory Board, occurred.

Board of Management

At the end of financial year 2006 the Board of Management of RHÖN-KLINIKUM AG was comprised of six members. The work of the Board of Management is

co-ordinated by the chairman of the Board of Management or, in his absence, by the deputy chairman. Its members are jointly accountable for the management of the enterprise. Internal rules of procedure regulate the allocation of areas of responsibility and co-operation within the Board of Management. Further information on the Board of Management is provided on page 125 of this Annual Report.

Supervisory Board

In line with the principle of equal representation of shareholders and staff pursuant to the German Co-Determination Act (MitBestG), the Supervisory Board of RHÖN-KLINIKUM AG comprises an equal number of employees' and shareholders' representatives and held five meetings in 2006.

During financial year 2006 the Supervisory Board had 20 members. The chairman of the Supervisory Board is Mr. Eugen Münch who exercises this office in a full-time capacity.

Pursuant to Section 14.1 of the Articles of Association, a Supervisory Board office including a secretariat are available to him for the discharge of his duties.

Since Mr. Eugen Münch took up his duties as chairman of the Supervisory Board of RHÖN-KLINIKUM AG in 2005, the additional workload of the Supervisory Board resulting from the quickened pace of growth at RHÖN-KLINIKUM AG was shifted to the committees and the work of the committees intensified.

In accordance with the recommendations of the German Corporate Governance Code, the shareholders' representatives were elected to the Supervisory Board on an individual basis in 2005. When proposing persons for election as members of the Supervisory Board, due regard was given to the requirements for their qualifications and their independence from RHÖN-KLINIKUM AG to avoid conflicts of interest. The term of office of the Supervisory Board is five years and ends upon conclusion of the Annual General Meeting resolving on the formal approval of the actions of the Supervisory Board for



financial year 2009. Age restrictions are provided for in the Articles of Association.

The Supervisory Board established five committees in 2006: the Personnel Affairs Committee, the Audit Committee, the Investment Committee, the Anti-Corruption Committee and the Mediation Committee. The Audit Committee and the Investment Committee are committees with power to adopt resolutions within the meaning of Section 107 (3) AktG.

The chairman of the Audit Committee is Mr. Wolfgang Mündel. As a long-standing member of the Supervisory Board of RHÖN-KLINIKUM AG he possesses the required knowledge of the Company and its market environment, and as an auditor and tax adviser has the required qualifications for this demanding position in accordance with Item 5.3.2 German Corporate Governance Code.

A detailed overview of the work of the individual committees and their composition is provided in the Report of the Supervisory Board from page 28 of this Annual Report.

Other bodies

The Advisory Board of RHÖN-KLINIKUM AG confers with the Board of Management regarding future trends in the hospital and health care sector as well as on medical development issues.

The composition of the Advisory Board is shown on page 43.

Remuneration of Board of Management and Supervisory Board

The remuneration of the members of the Supervisory Board and the Board of Management comprises fixed and variable components, with variable components predominating. The Group does not provide stock option programmes or similar forms of compensation. Details on the remuneration received by each member of the Supervisory Board and the Board of Management, broken down by fixed and variable components, are set out at the end of this Report from page 40.

Remuneration of the Board of Management

The Supervisory Board of RHÖN-KLINIKUM AG adopted the principles on the remuneration of the members of the Board of Management in the version of 28 March 2006. Pursuant to Item 4.2.3 (3) of the German Corporate Governance Code as amended on 12 June 2006, the remuneration system is published on the Internet under the heading Corporate Governance.

In financial year 2006 the remuneration of the active members of the Board of Management totalled € 7.2 million (€ 8.5 million in previous year). Of this total, € 2.1 million was accounted for by components that are not performance-linked and € 5.1 million by variable remuneration components. Severance claims of the members of the Board of Management amounted to € 2.5 million (previous year: € 8 million).

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is provided for by Section 14.2 of the Articles of Association of RHÖN-KLINIKUM AG.

The remuneration of the active members of the Supervisory Board amounted to € 1.3 million (previous year: € 1.1 million). Of this total, € 0.3 million was accounted for by fixed remuneration components (previous year: € 0.2 million). € 1.1 million was paid as performance-linked remuneration (previous year: € 0.8 million).

Related parties

Prof. Dr. Gerhard Ehninger, member of the Supervisory Board of RHÖN-KLINIKUM AG, as well as enterprises and establishments related to him, have rendered services based on contractual agreements with RHÖN-KLINIKUM AG or its subsidiaries in a volume of € 0.4 million. These are set out in the Notes to the consolidated financial statements on page 121. The contracts and the services rendered were reviewed and approved by the Supervisory Board. In the view of the Board of Management and the Supervisory Board, the contracts have no impact on the

independence of the aforementioned member of the Supervisory Board.

Communication

We engage in active, open and transparent communication with our shareholders.

We publish the dates for release of the Annual Reports and the interim reports, as well as further reports on dates of interest to our investors, on our website at www.rhoen-klinikum-ag.com under the section "Investors". Under the same section, we also publish information about our share and its price trend as well as notices on the acquisition and sale of shares of the Company or of financial instruments relating thereto pursuant to Section 15a of the Securities Trading Act (WpHG).

By participating in capital market conferences and discussions with investors, on trips and visits to our hospitals, and at results press conferences and analyst conferences, we keep our investors informed in an open, regular and timely manner.

Directors' dealings and shareholdings greater than 1%

The members of the Supervisory Board and the Board of Management together hold 16.44% of the Company's registered share capital, of which the Supervisory Board accounts for 16.20% of the shares in issue. Mr. Eugen Münch and his wife Ingeborg together hold 16.16% of the Company's registered share capital and the other members of the Supervisory Board 0.04% of the shares in issue. The members of the Board of Management together hold 0.24% of the Company's registered share capital.

One transaction of members of the Board of Management or Supervisory Board (directors' dealings) subject to notification pursuant to Section 15a of the Securities Trading Act (WpHG) was recorded by RHÖN-KLINIKUM AG during the reporting period. This concerned the purchase by Dr. Brigitte Mohn, a member of our Supervisory Board, of 1,000 ordinary shares on 17 May 2006 at a price of € 36,795 for a total volume of € 36,795.

RISK MANAGEMENT

Our handling of risks and opportunities is also consistent with the principles of responsible corporate behaviour. The risk management system established by RHÖN-KLINIKUM AG with the aim of identifying risks early was established at the level of RHÖN-KLINIKUM AG and at the same time also applied to hospitals and investments. The risk profile and its revision allow the Board of Management to respond early and adequately to changes in the Group's risk position and to exploit opportunities. The risk management system is reviewed by our auditors as part of the annual audit of the financial statements.

Details are provided in the risk report on page 48 of the Annual Report.

REPORTING AND AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

The consolidated financial statements of RHÖN-KLINIKUM AG are prepared and published in accordance with the applicable International Financial Reporting Standards (IFRS) applying Section 315a of the German Commercial Code (HGB).

With the auditor of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, we have concluded the required agreements pursuant to the German Corporate Governance Code for the performance of the audit of the annual financial statements. The auditor shall therefore inform the chairman of the Audit Committee immediately of any grounds for disqualification or partiality occurring during the audit, unless such grounds are eliminated immediately. The auditor shall also report on all facts and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit. In the event that any facts are identified during the performance of the audit of the annual financial statements which show the Statement of Compliance submitted by the Board of Management and the Supervisory Board pursuant to Section 161 AktG to be incorrect, the auditor shall inform the Supervisory Board of this and/or record this in the audit report.



	2006	2005
	€ '000	€ '000
Remuneration of the Supervisory Board	1,347	1,061
Remuneration of the Board of Management	7,225	8,508
Remuneration of the Advisory Board	18	22

Board of Management	Fixed	Performance-linked	Incr. in sever. claims	Total 2006	Total 2005
	€ '000	€ '000	€ '000	€ '000	€ '000
Andrea Aulkemeyer	201	597	83	881	580
Heinz Falszewski (up to 31 March 2006)	43	90	0	133	478
Wolfgang Kunz	181	485	76	742	572
Joachim Manz	0	0	0	0	896
Gerald Meder	288	1,559	244	2,091	1,501
Eugen Münch	0	0	0	0	1,932
Dietmar Pawlik	175	358	49	582	0
Wolfgang Pföhler	392	1,641	181	2,214	1,188
Dr. Brunhilde Seidel-Kwem	175	358	49	582	0
Manfred Wiehl	0	0	0	0	1,361
	1,455	5,088	682	7,225	8,508

Board of Management	Provisions as at 31 Dec. 2006	Provisions as at 31 Dec. 2005	Nominal amount ¹
	€ '000	€ '000	€ '000
Andrea Aulkemeyer	306	223	985
Heinz Falszewski (up to 31 March 2006)	0	64	0
Wolfgang Kunz	264	188	985
Joachim Manz	0	870	0
Gerald Meder	1,492	1,248	2,782
Eugen Münch	0	3,570	0
Dietmar Pawlik	49	0	328
Wolfgang Pföhler	288	107	1,264
Dr. Brunhilde Seidel-Kwem	49	0	328
Manfred Wiehl	0	1,724	0
	2,448	7,994	6,672

¹ Claim according to ordinary expiry of service contract based on remuneration of the past financial year.



Old villas in Gießen:
Left, Clinic for Nuclear Medicine;
right, Paediatric Clinic 1928

Supervisory Board	Fixed	linked	Performance- 2006	Total 2005	Total
		€ '000	€ '000	€ '000	€ '000
Eugen Münch		38	134	172	41
Wolfgang Mündel		28	126	154	187
Bernd Becker		25	90	115	126
Dr. Bernhard Aisch		11	31	42	0
Gisela Ballauf		11	31	42	0
Sylvia Bühler		11	31	42	0
Helmut Bühner		11	31	42	48
Ursula Derwein (up to 31 December 2005)		0	0	0	48
Professor Dr. Gerhard Ehninger		10	29	39	48
Ursula Harres		12	42	54	48
Caspar von Hauenschild		14	63	77	0
Detlef Klimpe		14	63	77	55
Dr. Heinz Korte		14	63	77	0
Professor Dr. Dr. sc. (Harvard) Karl W. Lauterbach		9	20	29	44
Joachim Lüddecke		12	42	54	0
Michael Mendel		14	61	75	86
Dr. Brigitte Mohn		9	26	35	48
Anneliese Noe (up to 31 December 2005)		0	0	0	48
Timothy Plaut		8	24	32	48
Werner Prange		14	54	68	48
Dr. Friedrich Wilhelm Graf von Rittberg (up to 31 August 2005)		0	0	0	27
Joachim Schaar		11	33	44	48
Michael Wendl		14	63	77	63
		290	1,057	1,347	1,061

Corporate bodies and Advisory Board of RHÖN-KLINIKUM AG

SUPERVISORY BOARD

EUGEN MÜNCH

Bad Neustadt a. d. Saale
Chairman

BERND BECKER (NÉ HÄRING)

Leipzig
1st Deputy Chairman
Nurse; BA (VWA)

WOLFGANG MÜNDEL

Kehl
2nd Deputy Chairman
Auditor and tax consultant

DR. BERNHARD AISCH

Hildesheim
Medical control officer

GISELA BALLAUF

Harsum
Children's nurse

SYLVIA BÜHLER

Düsseldorf
Regional Director and Secretary of ver.di

HELMUT BÜHNER

Bad Bocklet
Nurse

PROFESSOR DR. GERHARD EHNINGER

Dresden
MD

URSULA HARRES

Wiesbaden
Medical-technical assistant

CASPAR VON HAUENSCHILD

Munich
Corporate consultant

DETLEF KLIMPE

Aachen
Director of administration

DR. HEINZ KORTE

Munich
Notary

PROFESSOR DR. DR. SC. (HARVARD)

KARL W. LAUTERBACH

Cologne
Member of the German Parliament

JOACHIM LÜDDECKE

Hanover
Regional Director and Secretary of ver.di

MICHAEL MENDEL

Munich

DR. BRIGITTE MOHN

Gütersloh
Member of the Board of Management of
Bertelsmann Stiftung

TIMOTHY PLAUT

London
Investment banker

WERNER PRANGE

Osterode
Nurse

JOACHIM SCHAAR

Wasungen
Administrative Director

MICHAEL WENDL

Munich
Secretary of ver.di, regional directorate Bavaria

Foyer of Women's and Paediatric Clinic
in Marburg



BOARD OF MANAGEMENT

WOLFGANG PFÖHLER

business address in Bad Neustadt a. d. Saale
Chairman of the Board of Management
provisionally responsible for the region of Northern
Germany (Berlin, Brandenburg, Mecklenburg-West
Pomerania, Saxony, Saxony-Anhalt)

GERALD MEDER

business address in Bad Neustadt a. d. Saale
Deputy Chairman of the Board of Management
Regional Division Hesse, Group Labour Relations
(provisionally)

ANDREA AULKEMEYER

business address in Bad Neustadt a. d. Saale
Responsible for Labour Relations
Company Regional Division Southern Germany

HEINZ FALSZEWSKI

business address in Bad Neustadt a. d. Saale
Deputy Board Member,
Company and Group Human Resources,
Works Director (until 31 March 2006)

WOLFGANG KUNZ

business address in Bad Neustadt a. d. Saale
Company and Group Accounting

DIETMAR PAWLIK

business address in Bad Neustadt a. d. Saale
Deputy Board Member (from 1 January 2006)
Finance, Investor Relations, Group EDP

DR. BRUNHILDE SEIDEL-KWEM

business address in Hamburg
Deputy Board Member (from 1 January 2006)
Regional Division Western and Northern Germany
(Bremen, Hamburg, Lower Saxony, North Rhine-
Westphalia, Schleswig-Holstein)

ADVISORY BOARD

WOLF-PETER HENTSCHEL

Bayreuth (Chairman)

HEINZ DOLLINGER

Dittelbrunn (from 29 March 2006)

PROFESSOR DR. ROBERT HACKER

Bad Neustadt a. d. Saale

MINISTERIALRAT A.D.

HELMUT MEINHOLD

Heppenheim

PROFESSOR DR. MICHAEL-J. POLONIUS

Dortmund

HELMUT REUBELT

Dortmund

DR. KARL-GUSTAV WERNER

Düsseldorf

FRANZ WIDERA

Duisburg

PROFESSOR DR. DR. H.C.

KLAUS D. WOLFF

Bayreuth

Medical Quality Management

Group-wide Quality Management at the hospitals of RHÖN-KLINIKUM AG had set itself the goal of "making good medicine easy to plan and visible": the objective was to enhance the quality of diagnostics and treatment by making these increasingly safe and less dependent on chance events, as well as to create the basis for documenting and conveying this quality more plausibly both inwardly and outwardly. Essentially three tools were to be used to achieve this objective: process description and optimisation, results measurement as well as internal and external reporting.

In 2006 efforts were mainly focused on putting the above techniques into day-to-day clinical practice and linking these up to the other aspects of planning and monitoring medical performance (medical controlling).

Quality indicators: Already in 2005 a set of quality indicators was developed within the Group. For the most part, the data for these indicators are derived from routine data. Unlike the efforts being undertaken by other hospitals in this area, the indicators of the RHÖN-KLINIKUM Group are exclusively *results-based* measurements and relate to *all* clinical disciplines; mortality indicators are provided for only in cases where intrahospital mortality is a relevant factor (e.g. in heart surgery, but not e.g. for simple visceral surgery interventions). Since the beginning of 2006, the Group-wide quality management department has calculated the measurement results of all indicators for the end of each quarter, and has passed these on in commented form to the managing directors who make them available to the head physicians. *A case-specific listing of the unusual individual cases is attached*, allowing for further analyses of possible medical improvements to be made without entailing significant additional work. For the clinical departments a guideline setting out the procedures for internal processing with a view to structured mortality-morbidity conferences has been issued. Though the clinical departments do not have to render account to Group Quality Management with regard to the results, the quality management department does look to see whether adequate use was made of the analysis results, and offers

its assistance in introducing improvement processes. Last year the use of the measurement results was escorted and assisted by visits paid by the Group Quality Management team to the Group's hospitals. The cumulative measurement results by facility for 2005 were presented in the 2005 Quality Report. The same will be done for 2006.

Process descriptions: Process descriptions are essential when it comes to managing staff – especially in the case of heterogeneous procedures and those involving risks. The clinical "patchwork" of process descriptions was further integrated in 2006, and subjects were specified for which binding process descriptions are to be established; an Internet-based platform allowed for good process descriptions to be transferred between the hospitals.

Patient surveys: Developing and processing quality indicators is only one aspect of measuring a hospital's quality-relevant results. Particularly given that "objective" medical quality does not always equate with patient satisfaction, measuring patient satisfaction is just as important as classic results measurement. Since 2006 the following method has gradually been introduced at all hospitals:

- standardised, verified questionnaire recording all relevant aspects of patient satisfaction as the "outcome", i.e. of specific results as an empirical report by patients
- post-inpatient written survey as representative sampling spanning all medical disciplines of the hospital
- use of reminder letters to increase the feedback rate

The use of this method ensures comparability of the results from our various hospitals and thus promotes the mutual learning process (benchmarking). The results will be published in the 2006 quality reports.

Above and beyond this, in 2006 the orthopaedic facility orthopädische Klinik Bad Berka and the cardiology department of Herz- und Gefäßklinik Bad Neustadt a. d. Saale – under the co-ordination of the Group Quality Management department – took part in a European pilot project for the development of the International Patient

Planned construction of new buildings for
Universitätsklinikum Gießen
(photomontage)



Satisfaction Index (IPSI) led by the International Hospital Federation (IHF) based in Stockholm, Sweden. The results from a representative written survey were subjected to an all-industry benchmark and reflected back on the hospitals.

Code checks: Correct encoding of services rendered and of the diagnoses on which these services are based is indispensable – not only as the basis for adequate remuneration. The ICD, OPS and DRG codes have now come to be one of the most important basic tools for managing hospitals in various areas – for generating key figures on service volumes and weighted cost of materials and personnel, for describing and planning the service offering and particularly also for producing reliable quality indicators. For a hospital operator as big as RHÖN-KLINIKUM AG it is especially important to have a reliable data basis, since questions in the described areas can only be answered systematically. The correct coding of medical performance is therefore necessary when it comes to ensuring efficient hospital management at all levels.

In 2006 a three-stage system of code checking was established and then introduced at all Group facilities: plausibility test based on discharge data, case-by-case analysis of workflow within the individual Group facilities, and establishment of improvement strategies (aggregated on a decentralised and centralised basis).

Quality reporting: Ensuring regular and structured transparency is an indispensable part of the approach taken by RHÖN-KLINIKUM Group and its hospitals to medical quality management. It therefore was self-evident that hospital-specific quality reports as well as a Group-wide quality report would be published also for the 2005 reporting year.

Above and beyond the requirements of Germany's self-governing health care bodies for 2004, clinical reporting was focused on providing a detailed description of quality efforts being undertaken within the Group as a whole and at the level of the individual specialist departments, as well as on the extensive publication of the quality

assurance results. The development of an independent Group-wide format will allow for the development of the hospitals to be presented in a succinct and comprehensible form. The reports were posted both on the Group's website and into the relevant databases (www.qualitaetsbericht.de) and enable advanced searches using various key words.

Programme for relieving doctors from non-medical work/nursing staff from non-nursing tasks: Every staff member performs best and derives the greatest satisfaction from their work within what they identify as the core competence of their respective profession. At the same time, RHÖN-KLINIKUM AG stands for an optimisation of patient care that also ensures quality and enables efficient organisation of working procedures. Since these valuable and precious resources also include qualified and motivated staff, a programme was launched in 2006 to relieve doctors from non-medical work, and nursing staff from non-nursing tasks.

There were numerous possibilities of achieving this objective, and the first measures taken were to release nursing staff from cleaning and transport tasks and doctors from organisation, typing/writing and coding work. Two new working fields were created – nursing service staff (NSS) and physician patient management assistants (PMA) –, and for these, staff implementation and training programmes were established in co-operation with the employee representative bodies. In the full realisation that these measures involve more than just a shifting of responsibilities but in some cases represent far-reaching changes in firmly established procedures and organisation structures, the Group's hospitals have been given broad scope for implementing the measures.

In the Quality Report for 2007 we will be able to report on concrete experience gained in this area.



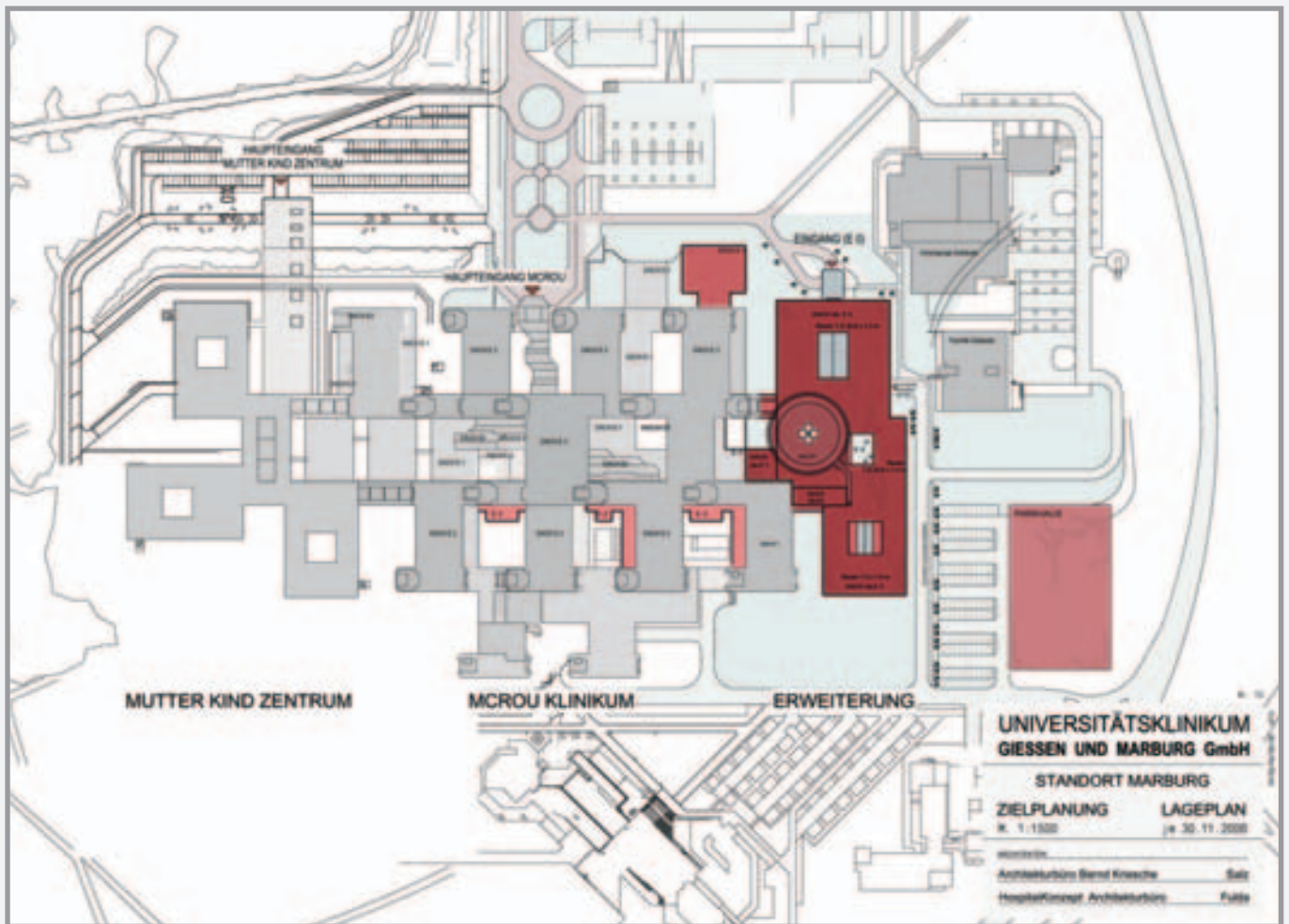
Aerial photograph of Universitätsklinikum Marburg, Lahnberge site

Systematic network creation: Also with regard to expert networking between the Group's facilities, efforts were focused on establishing systematic ways of interacting, communicating and exchanging work experience:

- A get-together (July 2006) with some 250 participants and 150 poster presentations enabled information to be exchanged freely between providers and potential customers – the next event in 2007 will chiefly look at the organisational aspects of work transfer.
- The twelve expert quality circles led by Group Quality Management have become an established force, creating binding internal standards by deciding on quality indicators, process descriptions, certifications and the selection of medical devices (see below). They embody the counterflow principle in expert medical questions – providing for a top-down and bottom-up equilibrium –, which in our view enhances the binding character of

procedures for those with responsibility locally while creating a good measure of "planability" and manageability for those responsible at the Group level.

- As part of the critical review and selection of medical devices it was necessary to question and re-adjust the broadness of the product range in various areas without compromising quality. The quality circles "cardiology" and "orthopaedics/trauma surgery" have taken on this task: based on evidence analyses carried out by their members, the range of implants used was reduced significantly – without compromising quality and notably leaving the final say in any measures taken to medical professionals. With this approach the Group has shown once again how seriously it takes this area of such vital importance, medical quality. Further areas are being developed along similar lines.



Planned construction of new buildings for
Universitätsklinikum Marburg

Risks and opportunities

BASIC PRINCIPLES

At RHÖN-KLINIKUM AG and its subsidiaries, controlling risks and opportunities is enshrined as a permanent part of our management culture aimed at value enhancement.

Our value-oriented corporate strategy duly reflects and protects the different interests of our shareholders and other capital market participants, fully taking account of the legal requirement to have in place a system for early identification of risks jeopardising our corporate existence as well as our corporate opportunities.

Particularly in health care, risks and opportunities are frequently bound up with one another for the patient in a close existential relationship, and it is especially important for companies engaged in this market to constantly be weighing up risks and opportunities. Taking just one example: any medical intervention will expose patients to a risk (which in some cases is life-threatening), but it also holds out the prospect or opportunity of recovery and improvement in their quality of life. This risk posed to the life and health of our patients has always been regarded by us as the greatest risk, and that is why measures taken to prevent or minimise this risk are given top priority.

Hospital operators rely to an especially great extent on advances in medicine. Since these advances involve new technologies, they also carry certain risks but also opportunities both for patients and for the economic development of the hospital operator.

The business model of RHÖN-KLINIKUM AG is growth-oriented. We see ourselves as the leader and trendsetter in the privatisation of Germany's health care system, a system that is characterised by non-viable economic structures and inefficiencies. Naturally, growth presents both opportunities and risks. When acquiring and then integrating new hospitals, we bring our entire experience and expertise to bear in securing our corporate goal of "qualified and sustained growth for achieving generalised health care delivery to the population".

Through a qualified analysis we identify opportunities and risks of potential hospital takeovers. We decide only for those facilities whose risks are acceptable and manageable and which at the same time offer opportunities for corporate value enhancement. In this way we also indirectly secure our strategic market position and corporate independence.

Our risk/opportunities management system is based on the following elements:

– Responsibility of each employee

Every employee has a personal duty to actively prevent harm or damage to our patients, our business partners and the Company with a view to safeguarding the success and continued existence of the Company. Each employee also has to duty to inform superiors without delay about existing and emerging risks or any arising opportunities or prospects.

– Integration of risk identification into business and work procedures

Our work and business procedures are oriented along the lines of the "flow principle" and provide for the obligatory use of division of labour, interfaces and the change in responsibilities along the treatment chain. This ensures the systematic identification of risks. We promote and train our staff to apply our work and business procedures responsibly, thus enabling them also to handle risks and opportunities in a responsible manner.

– Uniform and systematic risk assessment Group-wide

We apply Group-wide uniform and objectively comprehensible procedures to evaluate the likelihood of a risk event occurring and the potential loss involved in order to ensure efficient risk management to uniform standards Group-wide.

Visualisation of new buildings
in Gießen



– Risk control

Based on the value ascertained for risks, these risks are controlled and weighed up against the opportunities they hold. Not all risks can be prevented. Wherever possible we act to pre-empt, prevent or limit damage or to make provision for these. For this purpose we avail ourselves of defined response mechanisms. When weighing up risks and opportunities the interests of patients have top priority, since indirectly this is also the best way of safeguarding the interests of the Company.

– Communication and transparency

By timely and open communication both internally and externally, we create trust and the basis for self-criticism and an ongoing learning process. We regularly review, evaluate and adjust our risk/opportunities management system to constantly changing framework conditions, thus securing its acceptance while promoting its further development.

Results of risk evaluation for 2006

In financial year 2006 we monitored a total of 208 (previous year: 192) single risks. The newly added risks are single risks from all the following risk fields:

- Group-specific risks
- Nursing and medical field
- General business and operator risks
- Safety risks
- Insurance
- EDP and telecommunication
- Personnel
- Materials management
- Technology and equipment
- Real estate risks

For the likelihood of a risk event occurring and potential loss involved there are three levels (low, medium, high) with value weightings ranging from 1 to 3. The value

weighting of the potential loss is oriented on the size parameters of the Company. The risk value is calculated as the product from the likelihood of the risk occurring and potential loss involved and a value weighting of between 1 and 9. We classify risk values of less than 2.0 as small risks, and risk values of 6.0 or higher as high risks (i.e. ones that pose a threat to corporate existence).

For the above risk fields we have not identified any risk values exceeding 3.0 (previous year: 3.42) on a Group average. As in the previous year, the risks in the EDP area in connection with virus attacks are assessed within a relatively high range. Despite our ongoing efforts to ensure data security and data protection, there will always be a residual risk.

We now apply lower risk values for the eleven facilities acquired in 2005 in terms of their business and operator risks, which is thanks to their successful integration.

The risk evaluation for financial year 2006 has yielded the following risk values and risk spread compared with the previous year:

Risk values	2006		2005	
	Number	%	Number	%
less than 1.5	100	48	90	47
between 1.5 and 2.5	99	48	84	44
greater than 2.5	9	4	18	9
Total	208	100	192	100
Average risk value in Group	1.56		1.63	
Maximum risk value in Group	3.00		3.42	

The average risk value in the Group saw a slight decline from 1.63 in the previous year to 1.56. The maximum average risk value for the Group is 3.0 (previous year: 3.42). As in the previous year, we rate the Group-wide overall risk position as low. We see no trends that jeopardise the Group's existence.

Management Report 2006

- ◆ With consolidated profit of € 109.1 million, the company has met its own earnings targets
- ◆ One-off non-cash-effective tax effects have contributed € 19.1 million to consolidated profit
- ◆ Strong growth in case numbers (+ 46.8%) and revenues (+ 36.5%)
- ◆ The losses at the university hospitals were reduced significantly in 2006

FINANCIAL YEAR – AN OVERVIEW

In financial 2006, we boosted consolidated revenues by € 517.2 million (36.5%) to € 1,933 million. With the increase of € 20.8 million in consolidated profit (+ 23.6 %) to € 109.1 million – of this figure, € 19.1 million was attributable to a one-off tax effect – our expectations have been fulfilled.

Operating result (EBIT) increased by € 6 million to € 146.1 million. This figure includes the loss of € 8.4 million attributable to the hospitals in Gießen, Marburg, Kronach and Bad Kissingen which were initially consolidated in 2006. The hospitals consolidated before 2006 have reported aggregate EBIT growth of € 14.4 million and an EBIT-margin of 12.3% (previous year: 11.9%). We have accordingly successfully combated the deteriorating conditions in the hospital market.

The structure of our ratios has undergone significant change compared with last year, particularly as a result of the acquisition of the university hospitals Gießen and Marburg. The deterioration in the personnel ratio to 58.3% (previous year: 56.1%) and the material cost ratio to 25.4% (previous year: 24.3%) is attributable primarily to acquired structures for research and teaching, which are opposed by cost refunds of € 15.1 million shown under other income. As a result of successful integration and restructuring measures, our ratios for personnel and equipment costs at the hospitals which were already consolidated in 2005 have declined to an aggregate 87.9% (previous year: 88.8%).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) has increased by 6.9% to € 221.1 million (previous year: € 206.9 million).

At € 165 million, operating cash flow, excluding the non-cash-effective one-off effect, was € 9.4 million higher than the corresponding previous year: figure of € 155.6 million.

Earnings before taxes (EBT) has increased by 1.8% to € 125.7 million (previous year: € 123.5 million).

As a result of external growth, return on revenues declined as expected from 6.1% to 5.7%.

Of the current investments of € 193.5 million carried out in the course of 2006, we financed € 165 million out of operating cash flow. Together with the hospital acquisitions of € 200.1 million, these were the main reasons behind the increase of € 138 million in net bank borrowings to € 439 million. It is thus equivalent to two times (previous year: 1.4 times) earnings before interest, taxes, depreciation and amortisation.

Our shareholders' equity has increased by € 87.2 million (13.6%) to € 728.7 million. The equity ratio declined from 39.6% to 36.8% as a result of acquisitions.

In addition to the two university hospitals Gießen and Marburg which have been consolidated since 1 February 2006, we have also consolidated Frankwaldklinik Kronach and the Heinz Kalk-Krankenhaus in Bad Kissingen since 1 January 2006. Compared with the last balance sheet date, our bed capacity has increased by 2,486 beds (+20.4%) to 14,703 beds. In December 2006, we signed a notarially attested offer for the acquisition of the district hospital in Köthen (Saxony-Anhalt) with 264 beds. The district of Köthen has accepted the offer in the month of March. Various other acquisition offers have not satisfied our requirements with regard to qualified growth.

Sufficient parking spaces for patients and visitors of Universitätsklinikum Marburg



In our 45 (previous year: 41) Group hospitals, a total of 1,394,035 patients (+46.8%) were treated in financial 2006; of this figure, 526,226 (+28.2%) received acute inpatient treatment, 858,708 (+62.1%) received outpatient treatment and 9,101 (+1.9%) received rehabilitation and other treatment. The above-average increase in outpatient treatment is attributable to the university ("Poliklinik") outpatient operations which have been acquired. Without the hospitals which were acquired in 2006, we report an increase of 3.6% in case numbers out of internal growth.

With our tried-and-tested twin-strategy, consisting of "competence with acquisition and integration and quality ahead of quantity", we will continue to generate growth with promising prospects for the future. We aim to provide high quality health care throughout the whole of Germany for all population groups at socially acceptable prices, and are willing to consider meaningful co-operations.

Our revenues in 2007 will increase to approx. € 2 billion (excluding additional acquisitions); we are expecting to generate consolidated profit of approx. € 100 million. This figure already reflects additional charges attributable to the increase in value added tax, above-average wage increases in medical services and foreseeable below-average developments in fees.

ECONOMIC AND LEGAL ENVIRONMENT

Macroeconomic factors

Following numerous years of economic stagnation, the German economy reported strong growth in 2006. Higher exports as well as stronger domestic demand contributed to the increase of 2.7% in adjusted gross domestic product (GDP) (previous year: 0.9%).

The development on the labour market was also positive. Economic output in Germany was provided by approx. 39.1 million (previous year: 38.8 million) persons in dependent employment in 2006 (annual average), whereas the number of persons unemployed declined by around 0.5 million (approx. 12%) compared with the previous year: to 3.4 million (annual average). This is equivalent to 9.9% of persons in dependent employment.

The government borrowing requirement in 2006 amounted to approx. € 40 billion (previous year: 72 billion) or 1.7% (previous year: 3.2%) of GDP; this is the lowest figure seen since 2001, and Germany accordingly succeeded in meeting the Maastricht criterion of 3% for the first time in four years. Germany has thus caught up again with economic developments in Europe and other economic regions in the world.

The inflation of approx. 1.7% in Germany (previous year: 2%) was attributable mainly to higher prices of food, alcoholic beverages and tobacco products, housing rents and related ancillary costs as well as the costs of purchasing and operating vehicles and passenger transportation.

Despite the good economic situation and the strongest economic growth for six years, available opportunities for reducing government debt were not taken. The trend towards increasingly higher levels of debt is unbroken. However, the latter aspect constitutes a growth opportunity for RHÖN-KLINIKUM AG.

The backlog of reforms, particularly in the field of labour and social policy, which has existed for many years, has not been solved in the first full year of office

"State-of-the-art equipment back then ...
... and today"



of the Grand Coalition. Initial labour market policy measures are evidently having an effect, and have given initial impetus to the labour market in Germany. However, ancillary wage costs continue to be at the top of the league also on the basis of an international comparison, and thus acted as a brake on the economic engine which is in the process of starting up in Germany.

The debate concerning the way of financing health care posed major challenges to the coalition in 2006. Discussions concerning per capita fixed payments or citizen insurance resulted in delays and a compromise which, in the final analysis, is not understood by citizens, prevents competition and also increases costs.

The health care reform which is due to come into force on 1 April 2007 will continue to be financed to a large extent by employment levels and related contributions; with the planned health fund, the reform will not be able to solve the financing problems which are arising as a result of the demographic changes taking place in our society.

Because the reform also does not contain much incentive for the individual insured person to use the services of the system sparingly, the range of the reform will be very moderate. The motto is: "The reform is to be followed by another reform". The restriction to the quality and quantity of services foreseeable due to lack of funding combined with huge misinvestment of funds will result in waiting lists as well as increasing numbers of people being excluded from our health care system.

Developments within the sector

Having been designed as a cognitive, learning system, the DRG remuneration catalogue was revised for a fourth time in 2006 and, in our opinion, to a large extent accurately and properly reflects the procedures to be remunerated in all medical segments. In the DRG remuneration catalogue, semi-inpatient and day-care treatment continues to be reflected only on a rudimentary basis, thus continuing to prevent efficient co-operation between the individual sectors of our health care system.

The year 2006 was the second year of the convergence period, which will last until the year 2009, for earnings-related harmonisation of individual hospital budgets to a single price level set nationally ("convergence phase"). Hospitals with high base rates lost budget and earnings shares in 2006. Hospitals with efficient operations were able to improve their revenues and earnings situation.

The decline in fees for individual services increased cost pressure at all service providers in the health care system. Inadequate health care provision is increasingly becoming apparent in Eastern Germany and also in Western Germany in the field of outpatient care provided by general practitioners. Practices which become available are no longer taken over quickly and in all areas, as was the case in the past. In the field of inpatient care, the process of reducing the number of beds and also closing hospitals continues, because the average amount of time spent in hospital and also case numbers as a result of medical progress are declining and also because the financial situation in many hospitals, and in particular the local authorities, are forcing many hospitals to shut down or merge with other hospitals.

In 2006, the hospital budget growth rates prescribed by law continued to lag behind the actual increase in personnel and equipment costs, and have resulted in a further deterioration in the profitability of those hospitals which do not have any further reorganisation potential. The public sector hospital construction programmes have been cut further, and are not able to stop the disinvestment of public hospital buildings.

In the health care sector in Germany, personnel expenses will increase appreciably and to an above-average extent as a result of the gradual introduction of working hour regulations in compliance with the ECJ as well as the wage increases in the medical service enforced by the Marburger Bund in 2006 by means of strikes.

In 2006, particularly as a result of our in-house policy of performance-linked internal wage agreements, our Group was not affected by wage conflicts with strikes,



whereby we also expect to see an increase in remuneration in 2007. We have brought the working hours of our employees into line with the specifications applicable throughout Europe to a large extent without any impact on costs. In consequence, the distance in terms of financial ratios between ourselves and other, particularly public-sector, competitors in the health care system has increased further.

Although this has considerably increased the pressure towards substantial privatisation, fewer hospital locations were offered and transferred to private ownership in financial 2006 than was the case in the previous year: with the exception of the psychiatry segment. This development may be due to the expectations of central government, regional and local authorities with regard to higher trade tax income.

Despite the fact that the privatisation of the first two university hospitals by RHÖN-KLINIKUM AG in Gießen and Marburg was an unqualified success according to the Federal State of Hesse, and in particular concerns from the fields of research and teaching proved to be without foundation, this example has so far not been repeated despite strong interest from further federal states. Because the take-over capacities of competent private hospital chains are also limited, the privatisation of further university hospitals will only be of significance in the medium term, and ensures that RHÖN-KLINIKUM AG currently enjoys a unique position as the operator of the university hospitals Gießen and Marburg.

The cross-sector co-operation permitted by the legislative authorities to permit better co-operation between the acute inpatient sector and the rehabilitation and outpatient sector has not been considerably expanded any further by the contract partners in 2006. According to our findings, only approx. half of the one percent of inpatient hospital revenues permitted by law has been utilised. The boundaries between the sectors have accordingly not been significantly overcome. With regard to the development of medical care centres, it was again necessary to overcome considerable reservations of professional representatives

and the approval authorities in 2006. Nevertheless, we have made progress in 2006 with the establishment of seven medical care centres.

All of these developments are not holding up the privatisation process in the health care system. Notwithstanding the current reform of the health care system, the hospital operators which are strong in terms of capital, investment and performance, and in particular RHÖN-KLINIKUM AG will increasingly characterise the German health care system as only they can ensure medical progress combined with efficient management of resources for broad strata of the population. Intelligent nation-wide care systems using tele-medical networking and co-operations will gradually replace the rigid state planning arrangements.

Among our private competitors, we have detected initial signs of a concentration process. We consider that this is due to the fact that the inpatient health care market in Germany which is worth approx. € 60 billion is becoming more attractive for domestic and international investors, and a further reason is to be seen in the difficulty experienced by some operators in generating a reasonable return.

We have upheld our stringent corporate guidelines for managing our hospitals and assessing hospitals to be acquired, giving top priority to safeguarding a facility's long-term viability and to the "quality before quantity" principle. With regard to future hospital acquisitions, we will continue our previous policy of ensuring economic success by means of consistent restructuring and investment.

Corporate Governance

Constitution

RHÖN-KLINIKUM AG is committed to responsible corporate management and supervision for long-term value enhancement. Effective co-operation between the Board of Management and the Supervisory Board together with open and timely communication has helped to promote



investor, employee, patient and public confidence in the company and its management. Honouring these corporate principles is one of the mainstays of the ongoing success story of RHÖN-KLINIKUM AG, which looks back on more than 25 years of uninterrupted growth.

By joint resolutions of the Supervisory Board and Board of Management of RHÖN-KLINIKUM AG from March and November 2006, the company made the corresponding declarations pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the application of the code in financial year 2006. These have been published on the homepage of RHÖN-KLINIKUM AG and thus made available to the general public.

Since 2005, all shares have enjoyed voting rights without any restriction. Shareholders are able to exercise their voting rights at the annual shareholders' meeting themselves, or they can appoint proxies. Starting in 2007, we have brought forward the shareholders' meeting from July to May in order to comply with the recommendations of the Corporate Governance Code.

The subscribed capital of € 51,840,000 shown in the consolidated financial statements of RHÖN-KLINIKUM AG consists entirely of ordinary bearer shares (no-par shares) each with a theoretical interest of € 1.00 in the share capital. There are no restrictions relating to the voting rights or the transfer of shares – even if they might result from agreements of shareholders; or such restrictions are not known. None of our shares enjoys exceptional rights which confer controlling rights on their holders. Employees who hold shares exercise their voting right at their own discretion.

According to the notifications in our possession in accordance with the Securities Trading Act, the family of the chairman of the Supervisory Board directly owns a 16.16% share of the voting rights. "Alecta pensions-försäkring, ömsesidigt" has notified us of a 10.12% share of voting rights. We are not aware of any other parties directly or indirectly holding more than 10% of the voting rights.

The process of nominating and dismissing the members of the Supervisory Board and Board of Management is consistent with the stipulations of Stock Corporation Law and the rules of the Co-Determination Law. A majority of 90% of the capital represented at the annual shareholders' meeting is necessary for changes to the articles of association.

In accordance with the resolution adopted by the shareholders' meeting in 2006, the Board of Management is authorised to buy back shares equivalent to max. 10% of the share capital and to sell shares for which the statutory subscription right is excluded. The shareholders' meeting has currently not authorised any capital for issuing shares.

The company purchase agreement regarding the acquisition of the 95% stake in Universitätsklinikum Gießen und Marburg GmbH as well as the contracts relating to the bond issue in 2005 and the syndicated credit in 2006 comprise regulations according to which, in the event of a change of control following a take-over offer, the Federal State of Hesse can demand to repurchase the share or the bond issuers and lenders can demand repayment.

At the beginning of February, we published the preliminary financial figures, and in April we presented our annual financial statements at an accounts press conference. In addition to investor contact talks which take place regularly, we also meet with analysts once every year in November. In view of the strong response, we intend to repeat the Capital Markets' Day which was held for the first time in 2006 as an additional communication instrument between ourselves and investors and analysts.

In accordance with the stipulations of the Co-Determination Law, the Supervisory Board of RHÖN-KLINIKUM AG comprises 10 employee representatives and 10 shareholder representatives, and generally holds four full-day meetings every year (in 2006: five meetings). The period of office of a member is five years. Age restrictions are applicable. The Supervisory Board normally takes decisions in the plenary meeting; in individual cases, it also takes decisions using the circulation method. There



Entrance of
Medical Polyclinic and Neurology of
Universitätsklinikum Gießen

are also the following committees which are authorised to adopt resolutions: A mediation committee, a personnel committee, an audit committee as well as an investment committee. The additionally established anti-corruption committee is available directly to all employees within the Group, also for anonymous information with regard to combating and avoiding corruption issues. Rules of procedure have been set up for the activity of the Board of Management and the Supervisory Board as well as for co-operation between the two bodies.

The Board of Management currently consists of six members. The distribution of duties set out in the articles of association specifies central Group-wide responsibility for certain functions as well as regional responsibilities. The Board of Management is headed by the chairman, who is represented by his deputy in his absence. The chairman of the Board of Management determines the principles of company policy. The full Board of Management is responsible for the continued development, planning and control of the entire Group. Age restrictions are also applicable for the Board of Management.

The compensation for the Supervisory Board and Board of Management consist of fixed and variable components, whereby variable compensation components are predominant. In addition, severance payment regulations are applicable for members of the Board of Management; depending on the length of service, these severance payments can be up to 1.5 times annual salary. The emoluments of the Board of Management and Supervisory Board as well as the severance payment entitlements of members of the Board of Management are listed for individuals in the notes to the consolidated financial statements – broken down according to fixed and variable components. The variable components are based on factors derived from the parent company and consolidated result. There is no compensation with a long-term incentive effect (stock option plans). The Advisory Board receives fixed compensation related to attending meetings. Further details of the compensation structures of the Board of Management are disclosed on the website of RHÖN-

KLINIKUM AG. The compensation of the Supervisory Board is governed in the articles of association. The shares of RHÖN-KLINIKUM AG held by the Board of Management and Supervisory Board are shown in the notes.

The consolidated financial statements are prepared in accordance with the principles of International Financial Reporting Standards (IFRS) and are audited in accordance with national and international audit standards. The annual financial statements of our subsidiaries are based on national Commercial Law regulations. When the services of auditing companies are engaged, due consideration is given to the necessary independence of the auditing company which is engaged. The audit engagement for the consolidated financial statements and also for the audit of the ultimate parent company of the Group is placed by the chairman of the Audit Committee after due consideration in accordance with a resolution adopted at the shareholders' meeting.

The chairman of the Board of Management is responsible for risk management in conjunction with the member of the member of the Board of Management responsible for financing, investor relations and Group IT. In financial 2006, the chairman of the Board of Management has also become responsible for the controlling system which has been established throughout the Group in accordance with uniform standards. There are plans for an internal audit department which also reports directly to the chairman of the Board of Management to be established in the first half of 2007.

A fine-tuned system of rules of procedure for the Board of Management, divisional management and managing directors with the relevant reporting and approval obligation ensures that transactions are properly managed and monitored by the Board of Management and that there is also a direct transfer of information.

Our purchasing organisation follows the principle of local responsibility for results. The project group organisation which has repeatedly demonstrated its value in the Group is responsible for co-ordination of the purchasing departments. Procurement data from all areas of the

Extension for left-heart catheterisation lab
of Universitätsklinikum in Gießen



Group are available to the purchasing managers of the subsidiaries via our Intranet. Price comparisons carried out on the occasion of new acquisitions and comparisons of our equipment cost structures with sector-parameters show that our procurement prices are very favourable. In addition, our profit sharing schemes ensure that our employees are motivated to monitor and optimise the quantity of equipment costs.

Quality assurance

Quality assurance and risk management complement each other in an ideal manner. Our hospitals have set themselves quality targets. By continuously working on meeting and improving these targets, we simultaneously minimise our risks. In the course of operation and time comparisons, we measure developments which are also used as an indication or risk potential.

Medical quality assurance, which is the responsibility of a physician appointed as a university lecturer and a former ordinary professor for the Group of RHÖN-KLINIKUM AG, has also set itself the task of measuring the results of medical services by means of defined quality indicators, interpreting the findings which are obtained in a systematic manner and discussing and implementing them together with the hospitals.

In addition, this department is responsible for Group-wide monitoring of hospital hygiene standards. Quality standards are set and monitored by way of Group-wide recommendations, instructions for action and controls, thus minimising operating risks. For further details, please refer to our quality report for financial 2006.

Opportunities and risks

Our Group has access to opportunities as a result of its presence on the market. At the same time, our activities naturally involve risk. Entrepreneurial action takes place within a context of opportunities and risks.

Our risk policy is consistent with corporate objectives and business strategies, and requires that opportunities

and risks be carefully considered beforehand before any entrepreneurial decision is taken.

Our risk management is regularly improved, monitored and reviewed within the framework of the audit of the annual financial statements.

Uniform planning, monitoring and reporting systems for all subsidiaries as well as rights of intervention enjoyed by the ultimate parent company of the Group constitute the basis for monitoring the risks in the Group. This arrangement always guarantees that risks which occur are recognised at an early stage so that appropriate counteraction can be taken.

The Group companies regularly evaluate approx. 200 individual risks on the basis of the potential extent of claim and probability of occurrence. The estimates made at the individual companies are summarised in order to establish and evaluate the risk position for the Group.

Focal points in 2006

In financial 2006, in the field of general operating risks, we had to cope particularly with the effects of the planned reform of the health care system as well as the wage agreements for medical and non-medical staff in the health care system on the results of operations of our Group.

The reform of the health care system also comprised various charges for hospitals. We attempted to quantify the economic effects arising from the individual reform regulations and to communicate this to relevant politicians. In this way, we have made a contribution towards the equal distribution of burdens arising from the reform and also made our risks easier to calculate and control.

In the wage conflict between the federal states and the trade unions, we were permitted to provide support for a solution. Again, we are convinced that our economic review of the subsequent costs related to the wage agreement has meant that they are to a large extent transparent.

In financial 2006, we focussed particularly on identifying result and other reorganisation potential which is suitable for effectively combating the problems which are becoming apparent for 2007 in the form of a below-average increase in revenues and an above-average increase in costs – particularly as a result of the wage agreements and the increase in turnover tax to 19%. In the summer of 2006, all of these deliberations were summarised to form a 10-point programme, which was communicated to the subsidiaries and implemented. The results have been included in planning for 2007, and the economic success of the individual measures is directly monitored and followed up by the chairman of the Board of Management.

Risk fields

The following risk fields in particular have a decisive influence on general business performance as well as the development of our net assets, financial position and results of operations.

Macroeconomic and legislation risks

We are to a large extent not affected by international economic factors as we operate exclusively on the German health care market.

Similarly, our exposure to interest rate developments is minimal thanks to our sound financial structures and interest rate hedges.

We are indirectly affected by developments within the German economy since health care spending depends to a large extent on contribution volumes of the insured and thus on the labour market situation. We are less affected by tax revenues at the various levels of government (local, state and federal) since our investments for the most part are financed from our own funds and not by public grants.

The health care market in Germany is highly regulated. The Cartel Law provisions which will have to be observed in future in addition to the hospital requirement planning rules which we have had to follow so far will not

have a major impact on the future development of our Group.

Changes in legislation can have both positive and negative effects. On the revenue side, these regulations relate to the nature and scope of the services provided and the amount of remuneration paid. Risks and opportunities relating to revenues will arise to the same extent that performance-unrelated hospital budgets are gradually replaced by performance-related prices for patient treatment in the course of a convergence phase until 2009. Revenue-opportunities will tend to rise in line with the advancing reorganisation particularly of our newly acquired hospitals.

On the expenditure side, we will be indirectly affected in 2007 by wage agreements for the public service sector, the developments in energy prices and also the increase in value-added tax as of 1 January 2007. In our wage policy, we have long since abandoned the rigid structures of public-service collective bargaining law in favour of flexible working time and compensation models. We respond to rising energy prices by making efficient use of resources. In the field of equipment costs, we have started to reduce the number of our suppliers in the interest of pooling our market force. We have placed major emphasis on ensuring that we do not become dependent on individual suppliers. With regard to cleaning and to food services which we have so far outsourced, we have developed a model of intelligent insourcing whilst maintaining elements of competition. On the basis of the initial results which are now available, we anticipate that the above-mentioned measures will enable us to compensate to a large extent for the additional costs attributable to value-added tax.

RHÖN-KLINIKUM AG will continue to consistently apply its concepts for improving the health care system and will continue to be the trend setter and innovation leader. With our "GKV plus" model, we have for many years been demanding the current introduction of new optional tariffs with income-linked excesses in the statutory health insurance scheme.

Our new hospital buildings allow for variable space use concepts. The current transformation in the treatment concepts towards increasing day-care and outpatient treatment can be organised optimally in our hospital buildings at no significantly higher costs. We are accordingly able to respond to changed demand and maintain our margins with appropriately adjusted cost structures even in conjunction with reduced fees.

Market or revenue risks

In Germany, hospitals approved under state hospital planning enjoy de facto state regulated protection in their respective catchment area. Traditional market and revenue risks exist only where site closures are imminent due to revisions in state hospital planning or where the quality of medical care is considered to be significantly lower than in surrounding hospitals.

Within a given region, the boundaries between outpatient or inpatient treatment are breaking down and giving way to integrated health care across sectors. We consider that this process will also give rise to opportunities for our hospitals. With flexibility and investment, we are therefore accompanying the structural change in a constructive manner and are simultaneously minimising our risks.

Financial market risks

Because we operate exclusively in Germany, there are no transaction and currency risks. The Group is exposed to interest risks for financial debt and interest-bearing investments; however, overall, these are of minor significance in view of our low net debt and also in view of the low volume of securities within the Group.

At the balance sheet date, our long-term financial debt stood at € 594.8 million, of which € 548.3 million on conditions of fixed interest rates within the range of 3.32% to 5.35%. These rates are locked in until 2012. The risk attributable to long-term financial debt of € 46.5 million is limited by rate hedging instruments from 2006 onwards.

Financial derivatives are not used for any purpose other than hedging.

Operating and production risks

Treating patients involves complex organisational processes characterised by division of labour. Whenever these processes are disrupted, this signals poor quality and risks for both patients and the hospital. High quality of treatment forms the basis for patient's trust in our work and at the same time ensures that operating and production risks are kept to a minimum.

We deliver quality by dividing the entire treatment process for a patient into individual treatment stages and by ensuring that each of these steps along the hospital service chain is the responsibility of those staff members with the highest professional qualification and expertise.

This flow design in patient care not only makes for top professional performance at each individual workplace but also creates a type of self-controlling system through division of labour. We have begun to define quality targets for all medical service providers and to measure quality changes in terms of how well these targets are achieved. This, in combination with regular, systematic employee training courses, stringent surveillance of procedures and processes, and equally strict orientation towards patients' needs helps further reduce operating and production risks.

Hygiene and sterility in hospital are essential when it comes to delivering flawless treatment to patients. New hospital buildings designed and realised by us meet the highest standards of hygiene and sterility. Where we take over hospital buildings as a part of new acquisitions, they are upgraded and adapted to Group standards. Ongoing controlling and checks carried out by internal and external experts combined with continuous training and higher-qualification measures for our staff ensure the highest standards of hygiene and sterility in our hospitals.

The operating safety of our hospitals is secured by keeping in readiness several independent power sources. Supply levels are graduated interruption-free, tuned to the likelihood of risks for patients. Our substitute (stand-by)



energy sources undergo regular service trials at short time intervals, ensuring reliable availability in case of damage or failure (of the main network). With coverage gaps in public power grids becoming more common, we are increasingly providing our hospitals with permanent operational readiness independent of public supply structures.

That said, even the best preventive measures cannot completely exclude poor services or mistakes, occasionally leading to complaints which we take very seriously. A copy of every patient complaint is presented to the chairman of the Board of Management. He intervenes in individual cases in order to analyse the complaints and, where necessary, to take corrective action.

For risks that cannot be fully averted, the Group has adequate insurance coverage which is regularly reviewed and updated.

Procurement risks

Since we operate in the area of medial facilities, equipment and supplies and rely on external providers, these dependencies can lead to risks that are triggered, for example, by supply and quality problems.

RHÖN-KLINIKUM Group ensures by ongoing market and product monitoring that dependency on sole suppliers, single products and service providers does not occur. Potential risk from temporary dependence on innovative products is judged to be negligible across the Group. Strict organisational separation of procurement and use – which we require of all our hospitals – is seen to be an indispensable means to counter corruption.

Default risks

Defaults of receivables are combated by regularly monitoring payment terms. There are no exceptional default risks.

Performance and liquidity risks

The monthly, quarterly and annual reports of our subsidiaries are prepared promptly to uniform standards and analysed at Group level. Regular time series and inter-operation comparisons of expenses, earnings, performance figures and other indicators enable us to identify negative developments and take action at an early stage, where appropriate and necessary. Monthly performance and liquidity analyses back up our published forecasts as well as our liquidity status.

Overall risk assessment

Based on our analysis of the overall risk position of the RHÖN-KLINIKUM Group for financial year 2006, we have concluded that there are no risks that could endanger the existence of RHÖN-KLINIKUM AG or any of its subsidiaries. Compared with the previous year, there has been a slight improvement in the overall risk position as defined by the various single risks.

Corporate responsibility

The central principle of our entrepreneurial actions is our long-term commitment in our society – as a health care provider as well as an employer and also with regard to increasing enterprise value. However, we do not consider sustainable value creation to be only an economic consequence of sound continuous corporate growth. On the contrary, we consider that economic success is inseparably linked with ecological and social responsibility. Permanently successful health care provision requires a healthy working and living environment. With regard to the confidence of our patients, employees and investors, we have taken on an ethical commitment to ensure that reality and appearance coincide in the long term.

Our business activities are thus based on a balanced and proper relationship with our society, with our employees, as well as a careful and responsible approach to our environment.



Helicopter landing pad
of Universitätsklinikum in Marburg

Our responsibility to society

As a trend setter in the health care system, our key objective is to offer high quality medical care which is available and affordable for everybody. For this reason, we continuously develop models which can contribute towards achieving this objective and we also communicate these models to persons with political responsibility. At the same time, we are very critical with regard to reforms in which this objective is not evident. In this connection, we focus particularly on the responsibility of each individual with regard to encouraging efficient and cost-effective use of the services provided by the system, and combat bureaucratic developments which damage the system and increase costs.

Honesty and integrity are extremely important factors in our Group. For many years, RHÖN-KLINIKUM AG and its employees have been committed to these values via the code of corporate conduct. In financial 2006, the Anti-Corruption Committee, which had been set up by the Supervisory Board, commenced its operations. The purpose of this committee is to efficiently prevent corruption, and in particular by way of informing staff and drawing their attention to appropriate aspects. In the case of specific cases of corruption or corresponding suspicions, the Anti-Corruption Committee can be approached by employees for a direct interchange of information.

Our responsibility to the environment

Our company considers itself to be an innovation leader on the hospital market, and has been setting standards throughout the sector for many years as a result of developing and implementing forward-looking operating and investment concepts. We also intend to comply with this requirement – in the interests of sustainability – in the field of environmental protection.

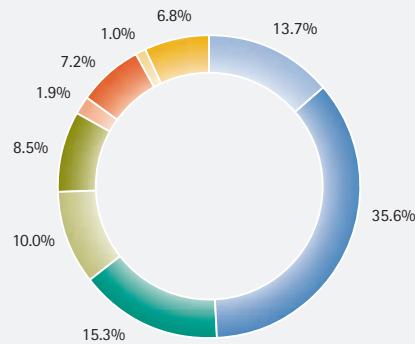
Our environmental management department has identified a wide range of areas for action, such as the reduction of primary energy consumption, efficient use of drinking water as well as the reduction and avoiding of waste and exhaust gases. These measures are supported

by enterprise-wide knowledge management in the field of the environment. In this way, we ensure an effective transfer of know-how between our hospitals. New hospitals which are taken on generally have considerable room for ecological improvement compared with our Group standards. However, if we identify environmental strengths in new hospitals, we forward this knowledge to Group-wide environmental management. Apart from ecological improvements, we thus also achieve economic benefits. Particularly in view of the increasing cost pressure in the health care system, this is a particularly important factor.

For this reason, we continuously invest in research and development and press on ahead particularly with using innovative and sustainable energy supply technologies; accordingly, with the commissioning of the first high-temperature fuel cells in the world at two of our Group hospitals, we have been setting the scene for the future since the year 2001 and are now anticipating a broad roll-out of this technology in the near future.

We are currently implementing a further innovative energy concept by means of intelligent building technology at our location in Cuxhaven. We are currently erecting a partial new building on 350 energy pillars. The geothermal energy recovered in this way will be used for cooling the building in the summer and heating it in the winter. This technology is the ideal solution from the ecological and economic point of view particularly in areas close to the coast where, as a result of the damp soil, the stability of building foundations always has to be supported by means of foundations pillars. We are assuming that renewable energies in future will become more and more important within the framework of innovative operating and construction concepts at our hospital locations.

We have included detailed information concerning the progress of our environmental management in our annual environmental report.



Analysis of personnel at RHÖN-KLINIKUM Group

4,180	Doctors' services
10,823	Nurses' services
4,635	Medical-technical services
3,047	Functional
2,592	Supply and misc. services
573	Technical
2,190	Administrative
314	Special services
2,055	Other personal
<hr/>	
30,409	Employees

Employees

In our sector, there is fierce competition for certain personnel groups. In addition to senior executives in the medical and administrative field, particularly qualified medical personnel is also in demand. With the increasing networking and co-operation of our hospital locations, demand for qualified IT and logistics staff is also increasing.

At service operations, and thus also at our hospitals, failure to appoint staff to key positions results immediately in quality problems and operating risks; it is not possible for growth opportunities to be utilised. Timely and qualified staff recruitment is becoming increasingly important.

We use internal promotion opportunities, attractive further and vocational training and a special trainee management programme to establish the conditions in which we are not only able to recruit staff but also to ensure that we retain them. Our innovative remuneration policy also forms the basis for constructive negotiations with the trade unions and the establishment of incentive systems for remuneration.

The Group employed 30,409 persons (previous year: 21,226; +43.3%) as of 31 December 2006. Medical staff accounted for 13.7% of the overall work force as of the reference date (previous year: 12.9%), and nursing and medical specialists accounted for 60.9% (previous year: 63.9%). On an annual average basis, we reported an increase of 53.1% in full-time staff; this growth was higher than the corresponding growth achieved with revenues (+ 36.6%). This is due particularly to the absorption of staff who are not used entirely or partially in health care and are instead employed in research and teaching, and for whom cost refunds are shown under operating income, as well as the fact that the personnel structures of the new hospital which have been acquired have not yet been optimised.

Statutory social charges including retirement pension expenses accounted for 23% (previous year: 22.1%) of wages and salaries. The increased cost is due to the fact that the hospitals which have been taken on are mainly members in additional health care funds and other care facilities.

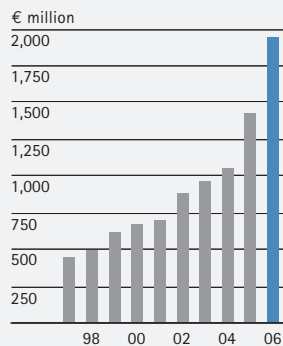
As a personnel-intensive health-service provider, we are dependent throughout the Group on our employees showing a professional approach and a high degree of commitment in their work. At the same time, we expect that our employees focus their work entirely on the needs and wishes of our patients.

In return, we offer our employees modern and attractive work places, profit sharing schemes and bonus arrangements which maintain and encourage motivation as well as flexible working time models.

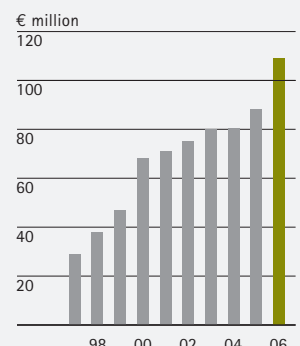
By means of regular basic training, vocational training and further training, we promote the professional approach of our employees at all levels throughout the hierarchy. The Group continues to focus on training qualified nursing staff in 16 (previous year: 14) of its own nursing schools with a total of 2,072 (previous year: 1,359) training places for nursing professions.

The ability to find, motivate and retain qualified senior executives is a particularly important challenge for a future-oriented Group. In order to recruit our future managers, we therefore work closely with several high schools and are offering more and more entry-level programmes for specialists in the health-care sector as well as opportunities for qualified persons wishing to join the industry from other professions. At present, we are co-operating with the Fachhochschule Friedberg to design a part-time course of MA-studies which is to be available to our commercial trainees starting in 2007.

Development of revenues



Net profit according to IFRS



GROUP DEVELOPMENT

Locations, capacities, services and case revenues

The RHÖN-KLINIKUM AG Group features a horizontal structure. The hospital companies are legally independent corporations, and their registered offices are to be found at the corresponding operating facility. They are direct subsidiaries of the ultimate parent of the Group, which has its registered offices in Bad Neustadt a. d. Saale. Major locations, apart from the hospitals at the company's base in Bad Neustadt, are our science locations in Gießen, Marburg and Leipzig as well as the hospital locations with a supra-regional catchment area in Bad Berka, Frankfurt (Oder), Hildesheim, Karlsruhe, Munich, Pforzheim and Wiesbaden.

Compared with the previous year, the following locations and bed capacities have been included in the Group. Bed adjustments have also been made at the existing hospitals.

	Hospitals	Beds
As at 31 December 2005	41	12,217
Heinz Kalk-Krankenhaus Bad Kissingen	1	86
Frankenwaldklinik Kronach	1	312
Universitätsklinikum Gießen	1	1,122
Universitätsklinikum Marburg	1	1,140
Beds, new hospitals		2,660
Net change in beds in existing hospitals		-174
As at 31 December 2006	45	14,703

Approvals of the cartel authorities have been obtained for all company take-overs of financial 2006.

In December 2006, we submitted a notarial offer for the district hospital in Köthen. The district hospital in Köthen in Saxony-Anhalt is a hospital providing basic and regular care with a capacity of 264 beds. The district parliament has approved the acceptance of our offer subject to the agreement of the relevant local regulatory

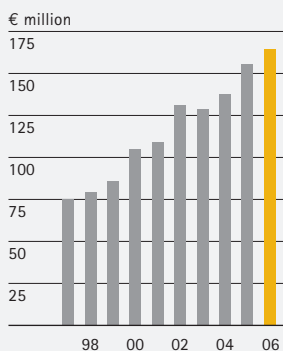
authority. After various effectiveness criteria have been satisfied, we are anticipating consolidation as of 1 April 2007. The cartel authority has already approved this company take-over.

The acquisition of the two hospitals in the district of Rhön-Grabfeld in Bad Neustadt and Mellrichstadt with a total of 278 beds was not approved by the cartel authority in 2005. The district and our company have appealed against this decision. A minister approval of the Federal Economics Ministry initiated by the district of Rhön-Grabfeld has been rejected with a resolution. We anticipate a decision of the OLG Düsseldorf concerning the main issue in the first half of 2007.

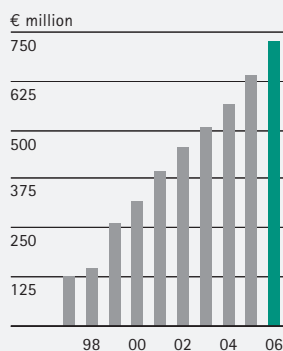
The company purchase agreement which was signed conditionally still exists, although the district has had to close the hospital in Mellrichstadt as a result of the chronic loss-making situation. A hospital which in our opinion is capable of being maintained has thus been eliminated. The cost will be paid by citizens who have to travel further to the next hospital. Apart from this individual case, we attempt to demonstrate the disadvantages of such market intervention of the cartel authorities to the persons with powers of taking political decisions in the interests of high quality and efficient patient care.

	Beds/places		Change	
	2006	2005	Absolute	%
Inpatient capacities				
Acute hospitals	12,983	10,663	2,320	21.8
Rehabilitation hospitals	975	959	16	1.7
Other inpatient capacities	423	353	70	19.8
	14,381	11,975	2,406	20.1
Semi-inpatient and day-care capacities				
	322	242	80	33.1
Total	14,703	12,217	2,486	20.3

Cash flow



Equity according to IFRS



Our acute hospital capacity (beds and places) has increased by approx. 21% (on an annual average basis), whereas the case numbers in our acute hospitals have increased to an even greater extent, namely by 28.2%. Because the amount of time spent by patients in hospitals has declined by 2.5% (0.2 days) to 7.2 days, the annual average utilisation of our acute capacities increased by 3.9 percentage points or 5.2% to 79.1% (previous year: 75.2%). This development is also due to Group-wide adjustments to hospital durations which are normal under DRG, stronger day care operations and the fact that newly acquired hospitals reported lower utilisation levels before the necessary restructuring.

Rehabilitation capacity has increased by 16 beds to 975 beds as a result of an expansion in our hospital in Kipfenberg. Annual average utilisation in the rehabilitation field was 88.2% (previous year: 88.9%) with patients spending 34.5 days in care (previous year: 36.3 days).

	Patients		Change	
	2006	2005	Absolute	%
Patients receiving inpatient and semi-inpatient treatment in our				
Acute hospitals	526,226	410,585	115,641	28.2
Rehabilitation hospitals and other facilities	9,101	8,931	170	1.9
	535,327	419,516	115,811	27.6
Patients receiving outpatient treatment in our acute hospitals				
	858,708	529,860	328,848	62.1
Total	1,394,035	949,376	444,659	46.8

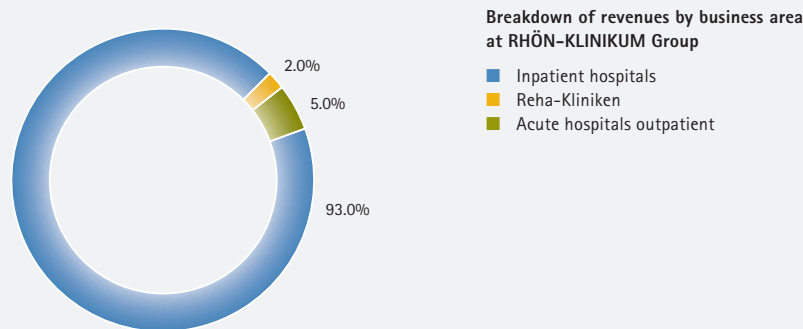
The number of patients has increased by 46.8% compared with last year, namely to 1,394,035, mainly as a result of acquisitions. Of this figure, our newly acquired hospitals accounted for approx. 410,400 patients, and the hospitals which belonged to the Group before 2006 accounted for growth of approx. 34,300 patients (+ 3.6%).

January to December	2006	2005
Case revenues, inpatient and semi-inpatient acts (€)	3,483	3,276
Case revenues, outpatient activities (€)	80	79
Average case revenues (€)	1,387	1,491

The case revenues in inpatient and semi-inpatient activities have increased by 6.3% compared with last year, and the corresponding increase for outpatient activities was 1.3%. This is due primarily to the fact that inpatient and outpatient case revenues at the university hospitals Gießen and Marburg are considerably higher than the average for the Group. The university hospital Gießen and Marburg has reported inpatient case revenues of € 4,232 and outpatient case revenues of € 111, which are considerably higher than the Group average.

Average case revenues in the Group declined by 7% as a result of the above-average increase in the number of patients in outpatient care due to the outpatient departments of the "Poliklinik" universities which have also been acquired.

At the existing hospitals, inpatient case revenues increased by approx. 2.2%. The increase is attributable mainly to higher fees for implants and a change in the method of billing the training facility charge, which are also opposed by correspondingly higher material costs and other operating expenses.



By 31 January 2007, we had opened a total of 10 Medical Care Centres (MVZ) throughout the Group, with a total of 28 medical facilities at or in the vicinity of our hospital locations. These round off our health care provision at the following locations:

Location	Established	Specialist facilities
Bad Neustadt a. d. Saale, Krankenhaus	2005	5
Gießen	2005	3
Marburg	2005	3
Friedrichroda	2005	3
Weimar	2005	2
Pirna	2006	3
Bad Neustadt a. d. Saale, Stammsitz	2006	2
Meiningen	2006	3
Kronach	2007	2
Leipzig	2007	2

Business development

Our hospitals have achieved a positive performance in 2006 within the context of a deterioration in the fee situation and significant cost increases in certain areas, e.g. energy prices and social charges, and have fulfilled the expectations which have been placed in them.

Our hospitals which belonged to the Group in 2005 have succeeded in boosting earnings before interest and taxes (EBIT) by € 14.4 million to € 182.2 million. The EBIT margin has increased by 0.4 percentage points to 12.3% (previous year: 11.9%). This performance has been achieved only as a result of consistently utilising all revenues potential from internal growth. These figures include exceptional charges incurred in connection with the elimination of residual carrying amounts of old buildings in Nienburg and Pirna (€ 2.7 million) and personnel

restructuring measures at various locations (€ 1.5 million). Our hospital in Attendorn has again reported a net loss of € 0.5 million (previous year: net loss of € 0.3 million), but has not yet completed the process of developing its range of medical products and services. We expect to see results at least breaking even in 2007. All other hospitals have maintained their high level of earnings.

Our MVZ companies have reported a total shortfall of € 1.1 million in 2006 (previous year: € 0.1 million). We consider that the reason for this still unsatisfactory situation is the fact that there is still room for improvement in the business processes with our hospitals. We have already initiated essential changes to procedure.

In 2006, we acquired the Universitätsklinikum Gießen und Marburg GmbH, the Frankwaldklinik in Kronach and the Heinz Kalk-Krankenhaus in Bad Kissingen. The restructuring measures at all hospitals have made a successful start.

We have already considerably reduced the loss-making structures which we have taken on at the two university hospitals and the Frankwaldklinik in Kronach. Accordingly, the two university hospitals reported a negative EBIT of € 9.8 million in 2006 (previous year: € 15.6 million) and Frankwaldklinik is already reporting a positive EBIT of € 0.6 million (previous year: loss of € 3 million).

We have succeeded in stabilising the Heinz Kalk hospital at the previous high earnings level with an EBIT contribution of € 0.8 million as a result of the successful change in medical management.

The economic development of the Group in accordance with the parameters which we use for management purposes is shown in the following:

	2006	2005	Change	
	€ million	€ million	€ million	%
Revenues	1,933.0	1,415.8	517.2	36.5
EBITDA	221.1	206.9	14.2	6.9
EBIT	146.1	140.1	6.0	4.3
EBT	125.7	123.5	2.2	1.8
Operating cash flow	165.0	155.6	9.4	6.0
Consolidated profit	109.1	88.3	20.8	23.6

	2006	2005
	%	%
Return on equity (after taxes)	15.9	14.6
Return on revenues	5.6	6.2
Material ratio	25.4	24.3
Personnel ratio	58.3	56.1
Depreciation ratio	3.9	4.7
Other cost ratio	10.9	8.3
Tax ratio	13.2	28.5

Revenues and result

In financial 2006, revenues increased by € 517.2 million (approx. 36.5%) to € 1,933 million). Of this increase, external growth accounted for approx. 87%, approx. 3.5% is attributable to changes in the statement of income for financing training facilities and utilisation fees due to the change in the recognition of doctor's bills with no impact on profit or loss, and approx. 9.5% is attributable to internal growth. In relation to previous year: revenues, internal growth amounted to € 49 million (approx. 3.4%).

Our operations contributed € 16.3 million to the increase of € 14.2 million in EBITDA, whereby the negative

EBITDA of the hospitals acquired in 2006 (a net figure of € 1.8 million) is already reflected in these figures. Additional costs of € 1.5 million were incurred compared with the previous year: as a result of the increased quality and quantity of our Group-wide structures.

	2006	2005	Change	
	€ million	€ million	€ million	%
Cost of materials	491.9	343.6	148.3	43.2
Personnel expense	1,127.8	793.6	334.2	42.1
Depreciation	75.0	66.8	8.2	12.3
Other operating expense	211.1	118.4	92.7	78.3
Total	1,905.8	1,322.4	583.4	44.1

Of the € 8.2 million in depreciation (12.3%), € 6.6 million is attributable to the hospitals which were initially consolidated in 2006. The commissioning of our new hospital buildings in Stolzenau, Dippoldiswalde, Nienburg, Hildburghausen and Frankfurt (Oder) have also been reflected in the income statement.

The depreciation ratio has declined from 4.7% to 3.9% as the new hospitals in particular still have to implement their investment projects financed out of their own resources. In 2006, depreciation also included impairments of € 2.7 million for the locations in Nienburg, Salzgitter and Pirna. The impairments in the previous year: amounted to € 5.5 million.

Earnings before interest and taxes (EBIT) has increased by € 6 million (4.3%) compared with the previous year. Earnings have been depressed by € 8.4 million as a result of the new hospitals which were initially consolidated in 2006. The hospitals which were already included in the group of consolidated companies in 2005 were able to increase EBIT by € 14.4 million (8.8%) and report an EBIT margin of 12.3% (previous year: 11.9%).

Negative net interest income has increased by € 3.8 million (22.9%) to € 20.4 million. Compared with the previous year, net borrowing has increased by approx.



46.1% to € 439.7 million (annual average). The below average increase in negative net interest income is attributable to internal financing extended on more favourable terms than those available on the market.

Earnings before taxes (EBT) increased by € 2.2 million (1.8%) compared with the previous year. The hospitals which were already consolidated in 2004 succeeded in boosting EBT by € 2.7 million, and the hospitals which were initially consolidated in 2005 increased EBT by € 14.3 million. Offsetting factors were the negative EBIT of the hospitals which were acquired in 2006 (€ 5.1 million) as well as the € 9.4 million increase in the negative net financing situation at the ultimate parent company of the Group.

Tax expenses have declined by € 18.6 million to € 16.6 million compared with the previous year. The tax ratio was 13.2% (previous year: 28.5 %).

As a result of a change in tax law in 2006, it is a mandatory requirement for corporation tax credits arising from profits retained up to the year 2001 to be recognised in the balance sheet. Throughout the Group, credits of € 24.1 million existed as of the balance sheet date. These reduced current tax expense with the discounted present value of € 19.1 million. The current tax expense also includes payments made as a result of a tax audit as well as refunds (a net amount of € 2 million; (previous year: € 0.2 million). If the above non-recurring corporation tax effect is disregarded, the tax charge was unchanged at 28.5% (previous year: 28.5%). The inflows of liquidity resulting from the credits to be recognised will be shown in the years 2008 to 2017.

Minority interests in earnings have declined by € 0.7 million to € 3.9 million. Minorities accounted for € 4.3 million (previous year: 4.6 million) of the earnings at the hospitals consolidated before 2006. Of the losses at the university hospitals and the Frankenwaldklinik in Kronach, € 0.4 million was attributable to minorities.

The other operating income of € 118.9 million (previous year: € 46.7 million) mainly comprises income from ancillary and auxiliary transactions, rental and lease

income, income from the reversal of impairments relating to receivables and provisions as well as income from operating cost grants for teaching and research, which was a considerable item for the first time in financial 2006. The increase of € 72.2 million in revenues relates entirely to the hospitals which were initially consolidated in 2006, and in particular Universitätsklinikum Gießen und Marburg GmbH. Mainly due to the grant for financing hospital-related research projects recognised for this hospital, other operating income expressed as a percentage of revenues has increased from 3.3% to 6.2%. At our other hospitals, we have reported a slight decline due to one-off effects recognised in the previous year.

The growth of cost of materials has been slightly lower than the growth in revenues, with the cost of materials ratio increasing to 25.4% (previous year: 24.3%). Of the € 148.3 million increase in cost of materials, approx. 86% are attributable to the hospitals which were initially consolidated in 2006. At the hospitals which were initially consolidated in 2005, we have reported increases in medical equipment due to our policy of consistently focussing on high quality products as well as higher energy prices, whereby the additional costs of special implants are also opposed by higher revenues. At our other hospitals, costs of materials have declined slightly, namely to 24.8% of overall revenues (previous year: 25.4%); we consider that this is an initial success of our Group-wide efforts aimed at achieving higher levels of standardisation.

Personnel expenses have increased by € 334.2 million (42.1%) to € 1,127.8 million; this growth is stronger than the growth in revenues. Accordingly, the personnel expense ratio has increased from 56.1% to 58.3%. This development has been attributable to a change in the method of recognising senior physician bills (increase of € 5 million in costs) and also in particular to the personnel structures of the new hospitals which were initially consolidated in 2006. The personnel expense ratio at the university hospitals of Gießen and Marburg is also above average because the staff are in certain cases used in overlapping areas of research activities at the two universities; for

these activities, the universities pay an operating cost subsidy which is recognised under other operating income.

At the hospitals which belonged to the Group in 2005, we have achieved a significant reduction in personnel expenses from 56.1% in 2005 to the current figure of 53.9%.

The increase in other operating expenses has also been higher than the increase in revenues due to the initially consolidated hospitals. Of the total increase of € 92.7 million, initially consolidated hospitals accounted for € 65.4 million. At all other hospitals, taking account of the payments into the funds set up in the individual federal states for financing training facilities as well as exceptional charges attributable to building demolition costs in Nienburg (€ 1.8 million), the increase in costs was below average.

Net assets and capital structure

	31 Dec. 2006		31 Dec. 2005	
	€ million	%	€ million	%
ASSETS				
Non-current assets	1,403.6	70.9	1,069.7	65.9
Current assets	576.0	29.1	552.5	34.1
	1,979.6	100.0	1,622.2	100.0
LIABILITIES				
Shareholders' equity	728.7	36.8	641.5	39.5
Non-current debt	683.8	34.5	415.5	25.6
Current debt	567.1	28.7	565.2	34.9
	1,979.6	100.0	1,622.2	100.0

Group net assets have increased by 22% as a result of acquisitions and investments.

The equity ratio has declined from 39.5 to 36.8% due to the higher level of external debt taken on for our acquisitions and investments. We now report shareholders' equity of € 728.7 million (previous year: € 641.5 million).

The increase is attributable to the consolidated profit (€ 109.1 million), as well as minority contributions (€ 4.6 million) less the dividend payments to shareholders and minority shareholders (€ 26.5 million). Non-current assets are 100.6% (previous year: 98.8%) financed by shareholders' equity and long-term liabilities. In financial 2006, we provided sound long-term finance for our previous growth by issuing a syndicated loan with a nominal amount of € 400 million. Net bank borrowings increased by € 138 million compared with the previous reference date to € 439 million. Our balance sheet and finance structures are sound.

After eliminating the non-cash-effective corporation tax effect, operating cash flow increased by € 9.4 million compared with the previous year to € 165 million. We have used these funds for financing our current investments (€ 193.7 million) and for paying the dividends to our shareholders (€ 23.3 million). The remaining current investments and the hospital acquisitions have been financed by utilising our free credit lines.

Investments

The total investments of financial 2006, amounting to € 929.6 million (previous year, € 492.6 million), are broken down as follows:

	Application of subsidies	Application of own funds	Total
	€ million	€ million	€ million
Ongoing investments	158.5	193.5	352.0
Hospital acquisitions	377.5	200.1	577.6
Total	536.0	393.6	929.6

In financial 2006, we invested a total of € 929.6 million (previous year: € 492.6 million) in intangible assets and property, plant and equipment. Of these investments, € 536 million (previous year: 201.9 million) were financed out of KHG subsidies, which, in accordance with IAS, are deducted from the total investments.

We have shown net investments of € 393.6 million (previous year: € 290.7 million) in the consolidated financial statements. Of the net investments, € 200.1 million (previous year: € 172.6 million) are attributable to fixed assets which were acquired within the framework of take-overs, and € 193.5 million (previous year: € 118.1 million) are attributable to current investments of the financial year.

Our investments are broken down over the following regions:

	€ million
Bavaria	103.6
Baden-Wuerttemberg	6.2
Brandenburg	24.9
Hesse	657.7
Lower Saxony	53.0
North Rhine-Westphalia	2.7
Saxony	48.8
Thuringia	32.7
Total investment	929.6
Financed under KHG	536.0
Net investment	393.6

We started up the childrens heart clinic in Gießen, the mother-child centre in Marburg, a new specialist hospital in Nienburg, a new building for forensic psychiatry in Hildburghausen and a new function building in Frankfurt (Oder). We have made initial advance payments for the particle therapy installation in Marburg. In the first quarter of 2007, we have opened the new building of a specialist hospital in Pirna.

Within the Group, there are investment obligations of € 596 million which were taken on in connection with the acquisitions at Marburg, Gießen, Cuxhaven, Hildesheim, Salzgitter, Gifhorn, Bad Kissingen, Pforzheim, Erlenbach, Munich-Pasing, Hammelburg and Wittlingen. The obligations are mainly new hospital buildings or hospital

conversions and technical-medical equipment which are due to be put into operation by 2010. A binding commitment for completion of the particle therapy installation with an investment volume of € 107 million has been provided for 2012; we invested a figure of € 9.5 million in the year under review for this facility.

RESEARCH, TEACHING AND DEVELOPMENT

As a leading private hospital group, we are also required to operate research and development in order to meet the objectives which we have set ourselves. We focus our research activities mainly on patient-related medical application research and on the development of diagnosis and therapy procedures which involve more gentle treatment for patients.

We have also opened up a new chapter in terms of research and development with the acquisition of the university hospitals in Gießen and Marburg.

As part of the acquisition, we have given a commitment to provide a grant of at least € 1 million p.a. to each of the university locations in order to support research and teaching. In addition, we have also committed a figure of € 1 million as capital for setting up a foundation. The foundation is intended to act as a platform for public-sector and private funding for medical research from Germany and abroad.

We are very much interested in achieving close co-operation between research and hospital care on the one hand and nation-wide health care and leading medicine on the other. For this reason we invited all persons with medical responsibility at our Group hospitals to attend a "medical get-together" in Bad Neustadt a.d.Saale. All medical departments were given the opportunity to present their special features and achievements. The meeting resulted in numerous new personal contacts between specialist colleagues and a wide range of information for smaller Group hospitals concerning the specific services provided by the university facilities. The specialist quality circles of the Group will be responsible for



Main entrance of Ophthalmology Clinic
of Universitätsklinikum in Gießen

translating the cooperation ideas into specific business models.

We are pleased to report that the Medical Faculty of the University of Gießen was awarded the excellence cluster "Cardio-Pulmonary System" by the Approval Committee for the excellence initiative in October 2006. The science location in Gießen will become even more attractive as a result of this award, which is based on the assessment of an international specialist commission. Gießen is one of the total of three clinically oriented science locations whose excellence application in 2006 was successful.

Our cardiac centre in Leipzig is part of the medical faculty of the university, and is responsible for research and teaching the field of cardiology and cardio-surgery, and is thus a further centre of research activities in the RHÖN-KLINIKUM AG Group. In financial 2006, we opened new premises for the newly established centre for clinical studies. The aim is to develop the centre into a brand name for the competence of our cardiac centre in the field of planning and carrying out clinical studies. At the cardiac centre in Leipzig, internationally recognised specialists work on the development of procedures which are designed to assure patient care at the highest level. At present, approximately 125 research projects and 56 clinical trials are being carried out at the cardiac centre in Leipzig. Research focuses on the field of developing new operation techniques, improving existing techniques as well as pathophysiological- and pharmacological-oriented cardiovascular basic research.

At the end of the year, we handed over new laboratory premises to the surgical research department at the cardiac centre in Leipzig. The focus is on the modern isotope laboratory, which is to be used for research into the metabolism on the heart and the processes of receptors by means of tracer technology and auto-radiography.

In financial 2006, we made further strong progress together with Siemens on technological development of a particle therapy installation based on protons and heavy ions. Marburg has been defined as the location for this

high-technology installation. Construction planning is proceeding at full speed ahead. We expect that initial work on the building will commence in the summer of 2007. In parallel with this process, the medical fields of application for this installation are also the subject of further research.

We defined our teaching activities not only as a university task for theoretical and practical training of future medical practitioners; we are also committed to communicating medical knowledge in an application-oriented manner to interested public circles near to our hospitals.

In the field of university training the universities in Gießen and Marburg as well as the Herzzentrum Leipzig GmbH as part of the University of Leipzig are responsible for theoretical as well as practical training. A further twelve Group hospitals are also recognised as academic teaching hospitals, and their responsibilities also include practical training for doctors.

EVENTS AFTER THE BALANCE SHEET DATE IN 2006

As of 1 January 2007, we established a total of ten service companies which we have used for intelligently integrating (insourcing) cleaning and food services which had previously been outsourced. This means that our work force has increased by approx. 1,500 employees; moreover, the previous figures for personnel and material cost ratios will shift slightly to the detriment of the personnel ratio. We hope to achieve cost savings as well as an improvement in service quality.

In the month of March, the district of Köthen has accepted our notarially attested offer, and the company purchase agreement will accordingly become effective.

OUTLOOK FOR 2007

Strategic objective

Our aim is to continuously improve revenues and earnings. As a result of the statutory situation, internal revenues growth is only possible to a limited extent – generally less than 5%. We can only meet our own objective – namely that of establishing nationwide health care provision – by way of acquisitions and possibly also cooperations.

We will therefore consistently take advantage of every financially meaningful opportunity for expanding our provision network. We are very much able to actively integrate several specialist hospitals or a university hospital simultaneously every year in a qualified manner. We expect to achieve strong external revenues growth by way of hospital take-overs. In recent years, revenues growth has been running at approx. 20%. Our long-term aim is to establish a market share of more than 8%.

We continue to expect that public hospital subsidies will be cut in the individual federal states, and are thus assuming stronger disinvestment impetus. In our opinion, the negative development in results of public sector hospitals will continue. We are therefore anticipating further take-overs in the short and medium term, and have based our structures on this expectation.

In our opinion, the reform of the health care system which will come into force on 1 April 2007 will not meet the expectations which have been placed in it. We are assuming that the intended higher efficiency and stronger competition in the health care system will not be achieved. The continued absence of market mechanisms in the health care system will result in mismanagement of the limited resources and demand for health care services which is not satisfied, whereby wealthy patients will be able to purchase services by means of private payments and the rest of the population will have to accept the risk of waiting lists in the medium term.

We are pressing on ahead with setting up medical care centres (Facharzt-MVZ) at our university locations and

also setting up Tele-Portal hospitals in their surroundings as regional health centres. In this way, we achieve quality improvements, savings by way of avoiding duplicate examinations, better utilisation of existing resources and extended or improved services at small and mid-size hospitals.

We will continuously expand the medical and science aspects of the university hospitals which we have acquired in Gießen and Marburg and we will aim to transfer the diagnosis and therapy methods developed at these hospitals to other Group hospitals.

The economy and legal conditions

For 2007, despite additional charges resulting from the increase in value-added tax and the consequences of higher wage settlements, we anticipate that the economic upswing in the German economy will continue moderately and we also anticipate a further recovery of the labour market.

We also expect that the revenues of the central, regional and local authorities will increase, which means that individual public sector hospital funding bodies should at least partially be able to provide subsidies to the current operations of their hospitals, meaning that there might be delays in hospital privatisations at individual locations. However, the expected revenue growth will by no means be sufficient to resolve the investment and maintenance backlog in the foreseeable future, and this means that there will continue to be a need for privatisation.

Due to demographic considerations, we have identified a further increase in demand for hospital services in the health care system. However, we expect that the funding bodies will continue their policy of cutting costs unchanged.

We are also anticipating cuts in public sector hospital funding in the individual federal states, and accordingly anticipate stronger disinvestment effects.

Bus stops in front of main entrance
of Universitätsklinikum in Marburg –
Lahnberge site



Business development

RHÖN-KLINIKUM AG and its subsidiaries have made a successful start to 2007. Patient numbers have been rising continuously. Results are in line with our expectations.

For 2007, we are anticipating a further increase in margins at the hospitals which are currently undergoing restructuring. For Universitätsklinikum Gießen und Marburg GmbH, we expect that the result will roughly break even. Hospitals which have been part of the Group network for quite some time are doing their utmost to further improve their earnings situation at a high level.

The statutory fee regulations comprise continuously improved conditions for remunerating additional services by 2009, and we intend to take advantage of these regulations. The exceptional charge imposed on all hospitals as part of the reform of the health care system in the form of a revenue deduction of 0.5%, as well as the expected higher charges for start-up financing of the integrated

health care system will be offset by reorganisation measures. Our aim is therefore also to achieve internal revenue growth in our hospitals in 2007.

As a result of past experience, and despite all imponderable aspects, we expect that our favourable cost structures will provide us with more opportunities than risks in the remainder of the convergence phase up to 2009.

Without additional acquisitions, we are forecasting revenues of approx. € 2 billion and Group profit of around € 100 million for financial 2007. We have already recognised additional charges resulting from the increase in VAT to 19% and unscheduled salary increases for the medical service. Investments in the Group will be approx. € 210 million in financial 2007 – excluding hospital acquisitions.

We also expect that the positive trend in earnings will continue in 2008.

Bad Neustadt a. d. Saale, 2 March 2007

The Board of Management

Andrea Aulkemeyer

Wolfgang Kunz

Gerald Meder

Dietmar Pawlik

Wolfgang Pföhler

Dr. Brunhilde Seidel-Kwem



Consolidated Income Statement

1 January to 31 December 2006

	Notes	2006		2005
		€ '000	€ '000	€ '000
Revenues	6.1	1,933,043		1,415,788
Other operating income	6.2	118,915		46,739
			2,051,958	1,462,527
Material and consumables used	6.3	491,890		343,611
Employee benefit expense	6.4	1,127,840		793,593
Depreciation/amortisation and impairment	6.5	75,033		66,825
Other operating expenses	6.6	211,052		118,427
			1,905,815	1,322,456
Operating earnings			146,143	140,071
Finance income	6.8	7,198		3,041
Finance expenditure	6.8	27,635		19,580
Financial result (net)			-20,437	-16,539
Earnings before income taxes			125,706	123,532
Income taxes	6.9	16,647		35,232
Net consolidated profit			109,059	88,300
of which attributable				
to minority owners	6.10	3,859		4,620
to the shareholders of RHÖN-KLINIKUM AG			105,200	83,680
Earnings per ordinary share in EUR (diluted/undiluted)	6.11		2.03	1.61

Consolidated Balance Sheet

31 December 2006

ASSETS	Notes	31 Dec. 2006		31 Dec. 2005
		€ '000	€ '000	€ '000
Non-current assets				
Goodwill and other intangible assets	7.1	242,841		88,975
Property, plant and equipment	7.2	1,135,952		973,516
Investment property	10.3.3	4,338		4,503
Income tax claims	7.3	19,055		0
Other financial assets	7.4	1,436		2,660
			1,403,622	1,069,654
Current assets				
Inventories	7.5	39,035		27,816
Accounts receivable, other receivables and other financial assets	7.6	339,927		257,677
Current income tax claims	7.7	20,905		12,727
Cash and cash equivalents	7.8	176,136		254,344
			576,003	552,564
			1,979,625	1,622,218

EQUITY AND LIABILITIES	Notes	31 Dec. 2006		31 Dec. 2005
		€ '000	€ '000	€ '000
Equity				
Subscribed capital	7.9	51,840		51,840
Capital reserve		37,582		37,582
Other reserves		496,552		436,194
Net cons. profit attr. to shareholders of RHÖN-KLINIKUM AG		105,200		83,680
Treasury shares		-77		-77
Equity attributable to shareholders of RHÖN-KLINIKUM AG		691,097		609,219
Outside owners' minority interests in group equity		37,644		32,313
			728,741	641,532
Long-term debt				
Financial debt	7.10	566,576		371,984
Deferred tax liabilities	7.11	23,381		18,178
Provisions for post-employment benefits	7.12	7,289		12,942
Other provisions	7.13	4,514		6,121
Accounts payable	7.14	0		6
Other liabilities	7.15	81,989		6,297
			683,749	415,528
Short-term debt				
Accounts payable	7.14	166,020		79,269
Current income tax liabilities	7.16	18,407		10,182
Financial debt	7.10	49,219		184,478
Other provisions	7.13	19,707		6,291
Other liabilities	7.15	313,782		284,938
			567,135	565,158
			1,979,625	1,622,218

Statement of changes in shareholders' equity

	Subscribed capital		Capital reserve	Other Reserves	Net consolidated profit attributable to shareholders of RHÖN-KLINIKUM AG	Treasury shares	Equity attributable shareholders of RHÖN-KLINIKUM AG	Outside owners' minority interests in group equity	Equity
	Ordinary shares	Preference shares							
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance at 31 Dec. 2004/ 1 Jan. 2005	17,280	8,640	37,582	406,095	76,404	-77	545,924	22,787	568,711
Net consolidated profit					83,680		83,680	4,620	88,300
Dividends paid					-20,385		-20,385	-2,750	-23,135
Allocation to reserves				56,019	-56,019		0		0
Capital increase/conversion of preference shares	34,560	-8,640		-25,920			0		0
Change in scope of consolidation								7,656	7,656
Balance at 31 Dec. 2005/ 1 Jan. 2006	51,840	0	37,582	436,194	83,680	-77	609,219	32,313	641,532
Net consolidated profit					105,200		105,200	3,859	109,059
Dividends paid					-23,322		-23,322	-3,189	-26,511
Allocation to reserves				60,358	-60,358		0		0
Capital increase							0	5,358	5,358
Change in scope of consolidation							0	-496	-496
Other changes							0	-201	-201
Balance at 31 Dec. 2006	51,840	0	37,582	496,552	105,200	-77	691,097	37,644	728,741

Cash flow statement

	Notes	31 Dec. 2006		31 Dec. 2005
		€ million	€ million	€ million
Earnings before taxes		125.7		123.5
Financial result (net)	6.8	20.4		16.5
Depreciation and losses on the disposal of assets	6.5	75.0		67.3
Non-cash-effective income tax claims	6.9	-19.1		0.0
			202.0	207.3
Change in net current assets				
Change in inventories	7.5	-3.8		-0.8
Change in accounts receivable	7.6	-1.9		-2.9
Change in other receivables	7.6	88.2		4.5
Change in liabilities (excluding financial debts)	7.14	-32.1		-8.3
Change in provisions	7.13	3.6		3.1
Income taxes paid	6.9	-33.2		-36.2
Interest paid		-27.6		-19.6
Cash generated from operating activities			195.2	147.1
Investments in property, plant and equipment and in intangible assets	7.2	-198.1		-110.8
Acquisition of subsidiaries, net of cash acquired	4	-125.1		-64.6
Sale of interests in subsidiaries		0.0		1.7
Sale proceeds from disposal of assets		4.2		0.3
Interest received		7.2		3.1
Net cash used in investing activities			-311.8	-170.3
Payments on issuance of a bond	7.10	0.0		110.0
Payments on taking out long-term financial debts	7.10	219.2		45.0
Repayment of financial debts	7.10	-18.2		-61.6
Deposits from minorities		5.2		11.7
Dividend payments to shareholders of RHÖN-KLINIKUM AG	7.9	-23.3		-20.4
Dividends paid to minority owners	7.9	-3.2		-2.7
Cash generated from financing activities			179.7	82.0
Change in cash and cash equivalents	7.8	63.1		58.8
Cash and cash equivalents at beginning of the year		92.7		33.9
Cash and cash equivalents at end of year			155.8	92.7

Notes to the Consolidated Financial Statement

Contents

1	GENERAL INFORMATION	80
2	ACCOUNTING AND VALUATION METHODS	80
2.1	Basic principles of the consolidated financial statements	80
2.2	Consolidation	81
2.3	Segment reporting	81
2.4	Goodwill and other intangible assets	81
2.4.1	Goodwill	81
2.4.2	Computer software	81
2.4.3	Other intangible assets	82
2.4.4	Research and development costs	82
2.4.5	Government grants	82
2.5	Property, plant and equipment	82
2.6	Impairment of assets	83
2.7	Financial assets and investment property	83
2.7.1	Assets at fair value through profit or loss	84
2.7.2	Loans and receivables	84
2.7.3	Available-for-sale financial assets	84
2.7.4	Investment property	84
2.8	Inventories	84
2.9	Accounts receivable	84
2.10	Cash and cash equivalents	85
2.11	Equity	85
2.12	Financial liabilities	85
2.13	Deferred tax	85
2.14	Employee benefits	86
2.14.1	Pension obligations and other long-term benefits due to employees	86
2.14.2	Termination benefits	87
2.14.3	Director's fees and profit-sharing bonuses	87
2.15	Provisions	87
2.16	Realisation of revenue	87
2.16.1	Inpatient and outpatient hospital services	87
2.16.2	Interest revenue	88
2.16.3	Dividend revenue	88
2.17	Leasing	88
2.18	Borrowing costs	88
2.19	Dividend payments	88
2.20	Financial risk management	88
2.20.1	Financial risk factors	88
2.20.2	Market risk	89
2.20.2.1	Foreign currency risk	89
2.20.2.2	Price risks	89
2.20.3	Credit risk	89
2.20.4	Liquidity risk	89
2.20.5	Cash flow and fair value interest rate risk	89
3	CRITICAL ESTIMATES AND ASSESSMENTS IN ACCOUNTING AND VALUATION	90
3.1	Estimated impairment of goodwill	90
3.2	Revenue realisation	90
3.3	Income taxes	91
4	COMPANY ACQUISITIONS	91

5	SEGMENT INFORMATION	94
6	NOTES TO THE CONSOLIDATED INCOME STATEMENT	94
6.1	Revenues	94
6.2	Other income	95
6.3	Material and consumables used	95
6.4	Employee benefits' expense	96
6.5	Depreciation/amortisation and impairment	96
6.6	Other expenses	96
6.7	Research costs	97
6.8	Financial result - net	97
6.9	Income taxes	98
6.10	Minority interests in profit	99
6.11	Earnings per share	99
7	NOTES TO THE CONSOLIDATED BALANCE SHEET	100
7.1	Goodwill and other intangible assets	100
7.2	Property, plant and equipment	102
7.3	Income tax claims	103
7.4	Other financial assets (non-current)	103
7.5	Inventories	104
7.6	Accounts receivable, other receivables and other financial assets (current)	104
7.7	Current income tax claims	104
7.8	Cash and cash equivalents	105
7.9	Shareholders' equity	105
7.10	Financial debt	107
7.11	Deferred tax liabilities	109
7.12	Provisions for post-employment benefits	110
7.13	Other provisions	112
7.14	Accounts payable	113
7.15	Other liabilities	113
7.16	Current income tax liabilities	113
7.17	Derivative financial instruments	114
8	NOTES TO THE CASH FLOW STATEMENT	114
9	SHAREHOLDINGS	115
9.1	Companies included in the consolidated financial statements	115
9.2	Companies not included in the consolidated financial statements	118
10	OTHER INFORMATION	118
10.1	Annual average number of employees	118
10.2	Other financial obligations	118
10.3	Leases within the Group	119
10.3.1	Obligations as lessee of operating leases	119
10.3.2	Obligations as lessee of finance leases	119
10.3.3	Investment property	120
10.4	Related parties	120
10.5	Total remuneration of the Supervisory Board, the Board of Management and Advisory Board	121
10.6	Statement of compliance with the German Corporate Governance Code	123
10.7	Disclosure of the fees recognised as expenses (incl. reimbursement of outlays and VAT) for the statutory auditor of the consolidated financial statements.	123
11	CORPORATE BODIES AND ADVISORY BOARD OF RHÖN-KLINIKUM AG	124

1 GENERAL INFORMATION

RHÖN-KLINIKUM AG and its subsidiaries build, acquire and operate primarily acute-care hospitals of all categories. We provide our services exclusively in Germany.

These hospital services are provided in a statutorily regulated market which is subject to strong political influences.

The company is an Aktiengesellschaft (joint stock corporation) constituted in accordance with German law, and has been listed on the stock market (MDAX) since 1989. The registered office of the company is in Bad Neustadt a.d.Saale, Salzburger Leite 1, Germany.

2 ACCOUNTING AND VALUATION METHODS

The consolidated financial statements have been prepared on the basis of uniform accounting and valuation principles. The functional currency of the Group is the Euro, which is also the currency used for preparing the financial statements. The nature of expense method has been used for presenting the income statement.

2.1 Basic principles of the consolidated financial statements

The consolidated financial statements of RHÖN-KLINIKUM AG for the year ended 31 December 2006 have been prepared applying Section 315a German Commercial Code (Handelsgesetzbuch – HGB) in accordance with the International Financial Reporting Standards (IFRS) and the corresponding interpretations of the International Accounting Standards Board (IASB) which are the subject of mandatory adoption in accordance with the European Parliament and Council Directive number 1606/2002 concerning the application of international accounting standards in the European Union in financial year 2006. The consolidated financial statements will be approved by the Supervisory Board for publication – probably on 17 April 2007. The consolidated financial statements have been prepared on the basis of historical purchase or production costs qualified by the financial assets and financial liabilities (incl. financial derivatives) recognised at fair value through profit or loss.

RHÖN-KLINIKUM AG always applies standards, interpretations and changes to existing standards starting at the point at which their adoption becomes mandatory. The company does not take advantage of the option of voluntary early adoption. The following standards and interpretations which have already been published will be adopted when they come into force in financial year 2007:

- IAS 1 "Presentation of financial statements – Disclosures concerning capital"
- IFRS 7 "Financial instruments: Disclosures"

The standards will result in extended disclosures in the Notes starting in 2007.

Preparing consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made. Moreover, the application of Group-wide accounting and valuation principles means that the Management has to exercise its reasonable judgement. Areas that call for a greater degree of judgement to be exercised or that are characterised by a higher degree of complexity, or areas for which assumptions and estimates are of decisive importance for the consolidated financial statements, are set out and explained.

IFRS 6, IFRIC 5, IFRIC 6 and IFRIC 8 do not have any effects on the consolidated financial statement of RHÖN-KLINIKUM AG given their non-relevance for RHÖN-KLINIKUM AG.

2.2 Consolidation

Subsidiaries are all companies (including special-purpose companies) in which the Group exercises control over finance and business policy; this is normally accompanied by a share of more than 50% in the voting rights. When assessing whether the Group exercises control, the existence and impact of potential voting rights that are currently exercisable or convertible are considered. Subsidiaries are included in the consolidated financial statements (full consolidation) from the date that the Group obtains control and are deconsolidated when the control ends. Acquired subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured at the fair value, at the transaction date (date of exchange), of assets given, equity instruments issued, and liabilities incurred or assumed plus any costs directly attributable to the acquisition. At the point of initial consolidation, assets, liabilities and contingent liabilities identifiable within the scope of a business combination are recognised separately at their fair values at the acquisition date, regardless of the scope of minority interests. Any excess in the cost of the acquisition over the Group's interest in the fair value of the net assets is recognised as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the consolidated income statement.

Group-internal transactions, balances and unrealised gains from transactions between Group companies are eliminated, but can provide indications of potential impairments. Unrealised losses are also eliminated unless the transaction indicates an impairment on the asset transferred. To the extent necessary, the accounting and valuation principles of subsidiaries were amended to ensure application of uniform accounting principles within the Group.

Participating interests are included in the consolidated financial statements at the lower of cost or fair value.

2.3 Segment reporting

A business segment is a group of assets and business activities that is engaged in providing products or services and that is subject to risks and returns that are different from those of other business areas. A geographical segment is one that provides products or services within a particular economic environment and that is subject to risks and returns different from those of other economic environments.

2.4 Goodwill and other intangible assets

2.4.1 Goodwill

Goodwill is the excess of the cost of the company acquisition over the Group's interest in the fair value of the net assets of the acquired company at the acquisition date. Goodwill arising on acquisitions is attributed to intangible assets. Goodwill is subjected to an impairment test once a year and measured at its historical cost less any impairment losses. Reversals of prior impairments are not recognised. Profits and losses arising on the revenue of a company include the carrying amount of the goodwill attributed to the company sold.

For the purpose of the impairment test, goodwill is allocated to cash-generating units. At RHÖN-KLINIKUM AG these correspond to the individual hospitals.

2.4.2 Computer software

Acquired computer software licences are recognised at the cost of purchase or cost of production plus the costs of bringing them to a ready-for-use condition. These costs are amortised using the straight-line method over the estimated useful life (3 to 5 years), and are shown under "Depreciation and impairments" in the income statement.

Costs relating to the development or maintenance of computer software are expensed as incurred.

2.4.3 Other intangible assets

Other intangible assets are stated at historical cost and – if subject to wear-and-tear – are amortised over their respective useful lives (3 to 15 years) using the straight-line method, and are shown under "Depreciation and impairment" in the income statement.

2.4.4 Research and development costs

Research costs are recognised as current expenditure in accordance with IAS 38. Development costs are capitalised if the criteria of IAS 38 are satisfied. There are no development costs that meet the criteria for capitalisation.

2.4.5 Government grants

Government grants are recognised at fair value if it can be assumed with reasonable assurance that the grants will be received and that the Group has satisfied the necessary conditions for this. Government grants for investments are deducted from cost to arrive at the carrying amount for the assets to which they relate. They are written back in the income statement using the straight-line method over the expected useful life of the related assets. Such grants are received within the framework of investment finance legislation for hospitals.

Government grants received for current business expenses are recognised in the income statement over the respective periods necessary to match them with the related costs which they are intended to compensate. Government grants are generally given with conditions attached that must be observed within a certain period. Grants promised by government entities in connection with the acquisition of hospitals are also accounted for as described above.

Grants not yet used for their intended purpose are stated separately under "Other liabilities" at the balance sheet date.

2.5 Property, plant and equipment

Land and buildings are stated under "Property, plant and equipment" and mainly comprise hospital buildings. In the same way as the other items of property, plant and equipment, they are measured at cost less any depreciation. Purchase costs include the expenditure directly attributable to the acquisition. Production costs also include the overheads attributable to production.

Subsequent costs are recognised as being attributable to costs of the asset or – where applicable – as a separate asset only if it is probable that future economic benefits associated with the asset will accrue to the Group and if the cost of the asset can be measured reliably. All other repair and maintenance work is recognised as expenditure in the income statement in the financial year in which it is incurred.

Land is not depreciated. All other assets are depreciated using the straight-line method, with costs being depreciated to the residual carrying amount at the end of the useful life over the expected useful life of the assets as follows:

Buildings	33 ¹ / ₃ years
Machinery and equipment	5 to 15 years
Other plant and equipment	3 to 12 years

The residual carrying amounts and useful economic lives are reviewed at each balance sheet date and adjusted where applicable.

If the carrying amount of an asset exceeds its estimated recoverable amount, an impairment is recognised.

Profits and losses on disposal of assets are measured as the difference between the disposal income and the carrying amount and recognised through profit or loss.

2.6 Impairment of assets

Assets subject to depreciation or amortisation are tested for impairment if relevant events and/or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognised in the amount exceeding the recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and its value in use. For the impairment test, the lowest aggregation of assets is determined for which separate cash flows can be identified (cash-generating units). Non-financial assets (other than goodwill) for which an impairment loss was recognised are examined in the following years to determine whether a reversal of the impairment loss is required.

2.7 Financial assets and investment property

Financial assets comprise the receivables, equity instruments, financial derivatives with positive fair values, and cash.

These financial assets are divided into the following categories:

- A financial asset or financial liability at fair value through profit or loss
- Loans and receivables, held-to-maturity investments and
- Available-for-sale financial assets

The classification depends on the purpose for which the respective financial assets were acquired. The Management determines the classification of financial assets when they are recognised initially, reviewing this classification thereafter at each balance sheet date.

At the balance sheet date, the Group did not have any available-for-sale financial assets.

All purchases and revenues of financial assets are recognised at the settlement date, i.e. the date when the purchase or, as the case may be, the revenue is transacted.

Financial assets not classified as at fair value through profit or loss are initially measured at fair value plus transaction costs.

Financial assets recognised at fair value through profit or loss are recognised at fair value at the date of acquisition; transaction costs are recognised as expenditure.

Financial assets are derecognised if the rights to payments from the investment expire or have been transferred and the Group has substantially transferred all the risks and rewards of ownership of the financial asset. After initial recognition, available-for-sale financial assets and assets at fair value through profit or loss are measured at their fair values. Loans and receivables as well as held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains or losses arising from fluctuations in the fair values of financial assets classified as at fair value through profit or loss, including dividends and interest payments, are carried in the income statement under finance expenditure and income in the period in which they arise.

If no active market exists for financial assets or if these are assets that are not quoted, the fair values are calculated using suitable calculation methods. These include references to recently concluded transactions between independent business partners, the use of current market prices of other assets that are substantially similar to the asset under consideration, discounted cash flow methods, as well as option price models which make use as far as possible of market data and as little as possible of individual company data. At each balance sheet date, a review is carried out to assess whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

2.7.1 *Assets at fair value through profit or loss*

This category is divided into two sub-categories: financial assets which from the outset were classified as "held for trading" and those which from the outset were classified as "at fair value through profit or loss". A financial asset is assigned to this category if it was acquired principally for the purpose of selling it in the near term, or has been designated accordingly by the Management.

Also deemed to be financial instruments held for trading as defined in IAS 39 are certain hedging instruments which, though used by RHÖN-KLINIKUM AG for interest-rate hedging based on business management criteria, do not satisfy the strict criteria of IAS 39 for hedge accounting. These are derivative financial instruments such as interest-rate caps and options. Assets of this category are stated as current assets if they are either held for trading or are likely to be realised within twelve months of the balance sheet date.

2.7.2 *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are deemed to be current assets provided their maturity does not exceed 12 months from the balance sheet date. Otherwise they are stated as non-current assets. Loans and receivables are reflected on the balance sheet under "Accounts receivable" and "Other receivables".

2.7.3 *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either explicitly assigned to this category or could not be assigned to any of the other categories described. They are assigned to non-current assets provided that the Management does not have the intention of selling them within 12 months from the balance sheet date.

2.7.4 *Investment property*

Investment properties comprise land and buildings which are held for the purpose of generating rental income or for achieving capital gains, and which are not used for the company's own provision of services, for administrative purposes or for revenues within the framework of ordinary operations. Investment property is shown at cost less cumulative depreciation.

If we as a lessor retain economic ownership in leased assets (operating leases), these assets are identified as such and stated separately in the balance sheet. Leased assets are recognised at cost and depreciated in accordance with the accounting principles for property, plant and equipment. Lease income is recognised on a straight-line basis over the term of the lease.

2.8 **Inventories**

Inventories comprise materials and supplies. These are measured at the lower of cost (including ancillary costs) and net realisable value. Cost of inventories is determined by the weighted-average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the revenue.

2.9 **Accounts receivable**

Accounts receivable are initially stated at fair value and subsequently measured at amortised cost using the effective interest method as well as deducting any impairments. An impairment of accounts receivable is recognised when there is evidence that the receivable amounts owed are not fully collectible. The amount of the impairment is recognised in profit or loss under the item "Other expenditure". Significant financial difficulty of a debtor, the probability that a debtor will enter insolvency, become bankrupt or be liquidated can be indicators of the impairment of accounts receivable. The impairment is measured by the difference between the current carrying amount of a receivable and the expected cash flows of the receivable discounted at the effective interest rate.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term, highly liquid financial assets with original maturities of up to three months. Utilised bank overdrafts are shown on the balance sheet as liabilities to banks under the item "Short-term financial debts".

2.11 Equity

Ordinary shares are classified as equity. Costs that are directly attributable to the issuance of new shares are reflected in equity (net of tax) as a deduction from the issuance proceeds.

If a company belonging to the Group acquires treasury shares of RHÖN-KLINIKUM AG, the value of the consideration paid including directly attributable additional costs (net of tax) is deducted from the equity capital to which the shareholders of the company are entitled until the shares are either redeemed, re-issued or re-sold. If such shares are subsequently re-issued or re-sold, the consideration received, net of directly attributable additional transaction costs and related income tax, is recognised in the equity to which the shareholders of RHÖN-KLINIKUM AG are entitled.

2.12 Financial liabilities

Financial liabilities comprise liabilities and the negative fair values of financial derivatives. Liabilities are measured at their amortised cost. For current liabilities this means that they are recognised at their repayment or settlement amount.

Non-current liabilities as well as financial debts, after initial recognition, are stated at fair value after deduction of transaction costs. In the ensuing periods, they are measured at amortised cost; every difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is recognised over the term of the lending in the income statement under the financial result using the effective interest method. Loan liabilities are classified as current liabilities provided that the Group does not have the unconditional right to postpone settlement of the liability to a point in time no earlier than 12 months from the balance sheet date.

2.13 Deferred tax

Deferred tax is recognised using the liability method for all temporary differences between taxable carrying amounts of the assets and liabilities and the respective IFRS consolidated carrying amounts. If, however, in a transaction which is not a business combination, a deferred tax liability arises from the initial recognition of an asset or liability which at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax liability is recognised. Deferred taxes are measured at the tax rates (and tax laws) that apply or have been substantively enacted on the balance sheet date and that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred taxes have been calculated using a corporation tax rate of 25% (plus the 5.5% solidarity surcharge on corporation tax).

Deferred tax assets are recognised to the extent it is probable that they will result in a tax benefit when offset against taxable profits.

Deferred tax liabilities in connection with temporary differences arising from participating interests in subsidiaries are as a rule recognised unless the time of the reversal of the temporary differences can be controlled by the Group and a reversal of the temporary differences is not probable in the foreseeable future.

2.14 Employee benefits

2.14.1 Pension obligations and other long-term benefits due to employees

Various pension plans exist within the Group. These plans are financed by payments to insurance companies or pension funds or through the formation of provisions (direct commitments) whose amount as a rule is based on actuarial calculations. The Group has both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (insurance company or pension fund). The Group does not have any legal or constructive obligation to pay further contributions if this entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that does not fall under the definition of a defined contribution plan. It typically stipulates the amount of pension benefits that an employee will receive on retirement which is usually dependent on one or several factors such as age, length of service and salary.

The provision stated in the balance sheet for defined benefit plans is equal to the present value of the defined benefit obligation (DBO) at the balance sheet date, adjusted for cumulative unrecognised actuarial gains and losses and unrecognised past service costs not yet recognised.

The DBO is calculated annually by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting the expected future cash outflows with the interest rate of high-quality corporate bonds which are issued in the currency in which the benefits are also paid and whose terms are consistent with those of the pension obligation.

Actuarial gains and losses resulting from experience-based adjustments and changes in actuarial assumptions are recognised in profit or loss if the net amount from both of these exceeds the greater of 10% of the DBO and of any existing plan assets (corridor method). The amount thus calculated is recognised over the expected average remaining working lives of the employees.

Past service cost is recognised immediately in profit or loss unless changes to the pension plan depend on the employee remaining in the company for a fixed period (period until vesting). In this case the past service cost is recognised in profit or loss on a straight-line basis over the period until vesting.

For defined contribution plans the Group pays contributions to state or private pension insurance plans based on statutory or contractual obligations and to the statutory pension scheme. The Group has no further payment obligations other than the payment of the contributions. The contributions are recognised in personnel expenditure when due.

On the basis of collective agreement provisions the Group pays contributions on a pay-as-you-go basis to the federal and state pension scheme (Versorgungswerk des Bundes und der Länder – VBL) and other public service pension schemes (Zusatzversorgungskassen – ZVK) for a certain number of employees. Both of these are essentially variants of pay-as-you-go plans. Given the numerous VBL and ZVK member companies, these pension schemes must be regarded as multi-employer pension plans subject to the special rules of IAS 19. According to IAS 19, VBL/ZVK schemes are to be classified as defined benefit plans since the employees are legally entitled to the benefits as defined in the statutes, irrespective of the contributions actually paid. The benefit schemes (VBL/ZVK) constituted under public law and for which the Federal Republic of Germany has given a state guarantee are obliged to fulfil the legal claims of the employees. If the Federal Republic of Germany fails to meet its obligations, a subsidiary obligation can exist for the employer under certain circumstances. It would only be appropriate to create a resultant provision if the assets of such insurance funds are not sufficient to cover the obligations and if the Federal Republic of Germany defaults as the guarantor for assuring the claims of the employees. A possible gap in coverage can be measured and calculated based on the cash assets attributable to the beneficiaries of the plans. Since no information in this regard could be obtained from the organisations concerned, we have recognised these plans as defined contribution plans.

Current contributions to the VBL/ZVK are reflected as expenses for retirement for the respective years in the operating result.

Provided that membership in VBL and ZVK is continued, there are no other obligations for RHÖN-KLINIKUM companies besides paying in regular contributions.

The other long-term benefits due to employees relate to obligations arising from semi-retirement schemes. These obligations are valued in accordance with IAS 19 by an independent actuarial expert. The semi-retirement benefits are recognised with the present value of the obligations. During the phase during which the employees continue to work, a fulfilment back-log builds up at the company as the employees do not receive the full payment for the work which they provide in the work phase (block model). The 2005G mortality tables of Prof. Dr. Klaus Heubeck with a discount rate of 4.25% have been used as the basis for calculating the value of the semi-retirement obligations. A salary trend of 1.5% has also been assumed. The top-up amount is recognised immediately through profit-and-loss.

2.14.2 Termination benefits

Termination benefits are paid if an employee is made redundant before the normal retirement date or accepts voluntary redundancy in return for severance compensation. The Group recognises severance compensation payments if it is demonstrably committed to terminate the employment of current employees subject to a detailed formal plan which cannot be rescinded, or is demonstrably committed to pay severance compensation if employees accept voluntary redundancy. Termination benefits which fall due more than 12 months after the balance sheet date are discounted to their present value.

2.14.3 Directors' remuneration and profit-sharing bonuses

Directors' remuneration and profit-sharing bonuses are recognised as liabilities using a valuation method based on the consolidated result or the results of the consolidated subsidiaries. The Group recognises a liability in the cases in which a contractual obligation exists or a constructive obligation arises from a past practice.

2.15 Provisions

Provisions for restructuring and legal obligations are recognised when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the value of the outflow of resources can be reliably determined. Restructuring provisions essentially include the costs of early termination of employment contracts with employees. In particular, no provisions are formed for future operating losses.

Where there are a number of similar obligations, the probability of an outflow of resources being required for settlement is assessed based on an aggregate view of such similar obligations. A provision is also formed if the likelihood of outflow for any one of such obligations is deemed to be small.

Provisions are measured as the present value of the expenditure expected to be required to settle the obligation applying a pre-tax rate as a discount rate reflecting current market assessments of the time value of money and the risks specific to the liability. Increases in the value of provisions based on interest effects reflecting the passage of time are stated in the income statement as interest expenditure.

2.16 Realisation of revenue

Revenue is recognised at the fair value of the consideration received for the provision of services and for the revenue of products. Revenue from intra-group revenues and services is eliminated by way of consolidation. Revenue is realised as follows:

2.16.1 Inpatient and outpatient hospital services

Hospital services are recognised by reference to the stage of performance based on the proportion of the services rendered to aggregate services rendered in the financial year in which the services are performed. Consideration agreed with the payers is essentially invoiced at flat remuneration rates depending on duration of stay (in particular diagnosis-related groups). In certain segments daily nursing rates are invoiced.

Hospital services are capped under an agreed budget during the convergence phase (gradual transition until 2009 from hospital-specific base rates to uniform base rates at the federal state level). As a result, service volumes exceeding the budget and service volumes falling short of the budget are offset by statutory provisions.

2.16.2 *Interest revenue*

Interest revenue is recognised on a pro-rata basis using the effective interest method. If a non-interest-bearing receivable is impaired, it is written down to the recoverable amount by way of an impairment. The recoverable amount is measured on the basis of the expected payments discounted using the original effective interest rate. The discounting amount is based on the calculation of the interest revenues by ongoing application of the original effective interest rate.

2.16.3 *Dividend revenue*

Dividend revenue is recognised when the right to receive payment is established.

2.17 Leasing

Leasing transactions within the meaning of IAS 17 can result from rental and lease arrangements, and are classified either as a finance lease or an operating lease.

Leasing transactions in which the Group in its capacity as the lessee bears all the major risks and rewards associated with ownership are normally treated as finance leases, i.e. as actually acquired assets. The assets are capitalised and written down over their normal economic life; the future lease payments are shown with their present value as a liability.

Leasing transactions are classified as operating leases if substantially all the risks and rewards incidental to ownership remain with the lessor. Payments made in connection with an operating lease are recognised on a straight-line basis over the term of the lease in the income statement.

2.18 Borrowing costs

Borrowing costs are recognised as current expenditure.

2.19 Dividend payments

Shareholders' claims to dividend payments are recognised as a liability in the period in which the corresponding resolution is adopted.

2.20 Financial risk management

2.20.1 *Financial risk factors*

Given its field of activity, the Group is exposed to various financial risks:

- The market risk
- The credit risk
- The liquidity risk and
- The cash flow interest rate risk

The Group's comprehensive risk management focuses on the unpredictable nature of developments on the financial markets and aims at minimising the potentially adverse impacts on the Group's financial position. To a very limited extent, the Group uses derivative financial instruments to hedge against the cash flow interest rate risk. Contracts on derivative financial instruments and financial transactions are only concluded with credit institutions of the highest credit standing. Risk management is conducted by the CFO in line with the guidelines adopted by the Board of Management and the Supervisory Board. He identifies, measures and hedges financial risks in close co-operation with the operative units of the

Group. The CFO defines both the principles for interdivisional risk management and the guidelines for certain areas such as the management of interest and credit risks, the use of derivative and non-derivative financial instruments as well as the investment of liquidity surpluses.

2.20.2 Market risk

2.20.2.1 Foreign currency risk

A foreign currency risk arises if future business transactions, recognised assets and liabilities are denominated in a currency other than the functional currency of the company. The Group has no foreign currency risks since all transactions in the Group are effected in Euro as the functional currency.

2.20.2.2 Price risks

The Group is not exposed to the risk of fluctuations in prices since no interests held by the Group were classified either as "available for sale" or as "at fair value through profit or loss".

2.20.3 Credit risk

The Group provides more than 90% of its services to members of the statutory social insurance scheme, and the remainder to persons who pay medical invoices themselves and who have taken out private health insurance. There are no significant concentrations with respect to individual payers. The hospital services of our companies as a rule are settled by payers within the legally prescribed period.

2.20.4 Liquidity risk

Careful liquidity management includes holding a sufficient reserve of liquid funds, having the possibility of obtaining finance for an adequate amount under agreed credit lines, and being able to raise liquidity from market issuances. Given the dynamic nature of the business environment in which the Group operates, the objective of the Group's CFO is to maintain the necessary flexibility in finance matters by having sufficient credit lines available and access to the capital markets at all times.

2.20.5 Cash flow and fair value interest rate risk

Since the Group, with the exception of balances on current account with banks, does not have any interest-bearing assets, the net consolidated profit and the operating cash flow are to a large extent not affected by changes in the market interest rate. The Group's interest rate risk arises from non-current interest-linked liabilities. Floating-rate liabilities expose the Group to a cash flow interest rate risk. Fixed-rate liabilities result in a fair value interest rate risk.

3 CRITICAL ESTIMATES AND ASSESSMENTS IN ACCOUNTING AND VALUATION

All estimates and assessments are subject to ongoing review and are based on historical experience and other factors, including expectations with respect to future events which appear reasonable under the given circumstances.

The Group makes assessments and assumptions relating to the future. The estimates derived from these of course only rarely reflect actual future circumstances. These uncertainties in particular concern the following:

The planning parameters taken as a basis of the impairment test for goodwill

Assumptions made in determining pension obligations

Assumptions and probabilities for determining provision requirements

Assumptions relating to the credit risk of accounts receivable

The estimates and assumptions that entail a significant risk of a substantial adjustment in carrying amounts of assets and liabilities during the next financial year are discussed in the following.

3.1 Estimated impairment of goodwill

To determine goodwill at fair value less cost of revenue, the operating cash flows of the individual hospitals were discounted using the weighted average cost of capital (WACC) after tax of 6.1%. Based on this calculation no impairment requirement was ascertained. The cash flows of the hospitals, according to the values on the date of measurement, are also able to operate free from losses based on an assumed alternative investment of 7.5%.

3.2 Revenue realisation

The hospitals of RHÖN-KLINIKUM AG, like all other hospitals in Germany, are subject to the statutory regulations on remuneration.

In order to create planning and revenue certainty, the regulations normally provide for prospective remuneration agreements. In practice, however, these negotiations take place only in the course of the financial year or even thereafter, creating uncertainties as to the remunerated service volume at the balance sheet date. These are reflected in the balance sheet through objective estimates either as claims or liabilities. Past experience has shown that the inaccuracies relating to the estimates represent well under 1% of our revenues.

The Group generates over 90% of its revenue from the statutory health insurance funds. As a general rule, the various budgets for the individual hospitals are defined together with the statutory health insurance funds at the beginning of each year. The agreed volumes and the aggregate budget results in the individual hospital base rate that serves as a basis for calculating the prices of DRGs. DRGs are valued nationally on a uniform basis through the DRG catalogue. The valuation ratios are reviewed and adjusted each year by InEK (Institut für das Entgeltsystem im Krankenhaus gGmbH).

If service volumes exceed or fall short of the agreed aggregate budget, only the variable costs additionally incurred or additionally saved are remunerated or deducted for the surplus or shortfall service volumes, respectively. Up to the preparation of the consolidated balance sheet, remuneration agreements existed in almost all hospitals, making it possible to precisely calculate any compensation of excess or shortfall volumes. In hospitals in which no budget agreements had yet been concluded for 2006, we adhered strictly to the legal framework conditions in our accounting. We assume that the agreements for 2006 will not have any negative impact on the result in 2007.

3.3 Income taxes

Estimates are required for the formation of tax provisions as well as deferred tax items.

For determining the actual value of deferred tax assets, it is essential to assess the likelihood of the reversal of the valuation differences and the extent to which it is possible to use the tax loss carry-forwards that led to the recognition of deferred tax assets. This depends on the generation of future taxable profits during the periods in which tax valuation differences reverse and tax loss carry-forwards can be utilised. Uncertainties exist with regard to the interpretation of complex tax regulations and the amount and timing of future taxable income that result in changes in the tax result in future periods. The Group forms adequate provisions for the possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience from past tax audits and differing interpretations of substantive tax law by the taxable entity and the competent tax authorities on specific issues.

4 COMPANY ACQUISITIONS

The Group's ultimate parent company is RHÖN-KLINIKUM Aktiengesellschaft headquartered in Bad Neustadt a. d. Saale. Apart from RHÖN-KLINIKUM AG as the ultimate parent company, the scope of consolidation comprises 87 domestic subsidiaries.

During the financial year under review, three business combinations were effected by way of a share deal:

Hospitals	Hospital sites	Number of beds	Interest acquired in %
Universitätsklinikum Gießen und Marburg GmbH	2	2,262	95.0
Frankenwaldklinik Kronach GmbH	1	312	94.9
Heinz Kalk-Krankenhaus Bad Kissingen GmbH	1	86	100.0

Hospitals	Date of acquisition	Interest acquired %	Costs			Earnings share since inclusion in consolidated financial statements	
			Purchase price cash € million	Ancillary costs € million	Total € million	Revenue € million	Earnings € million
Universitätsklinikum Gießen und Marburg GmbH	1 Feb. 2006	95.0	117.0	3.2	120.2	388.2	-6.8
Frankenwaldklinik Kronach GmbH	1 Jan. 2006	94.9	12.9	0.2	13.1	33.9	0.9
Heinz Kalk-Krankenhaus Bad Kissingen GmbH	1 Jan. 2006	100.0	5.5	0.1	5.6	8.1	0.8
Totals for first-time consolidation acquisitions in 2006			135.4	3.5	138.9	430.2	-5.1

The inclusion of these acquisitions has had the following impact on net assets:

Universitätsklinikum Gießen und Marburg	Carrying amount before acquisition	Adjustment amount	Carrying amount after acquisition
	€ million	€ million	€ million
Acquired assets and liabilities			
Intangible assets	1.8		1.8
Property, plant and equipment	13.0	26.3	39.3
Accounts receivable	62.4		62.4
Cash and cash equivalents	27.5		27.5
Other assets	95.4		95.4
Minorities	1.1		1.1
Financial debt	0.0		0.0
Accounts payable	-56.0		-56.0
Provisions	-3.8		-3.8
Other liabilities	-158.4	-29.1	-187.5
Net assets acquired			-19.8
+ Goodwill			140.0
Cost			120.2
Less purchase price payments outstanding (property purchase tax)			-2.5
Less acquired cash and cash equivalents			-27.5
Cash outflow on transaction			90.2

Heinz Kalk-Krankenhaus Bad Kissingen	Carrying amount before acquisition	Adjustment amount	Carrying amount after acquisition
	€ million	€ million	€ million
Acquired assets and liabilities			
Property, plant and equipment	0.4		0.4
Accounts receivable	1.0		1.0
Cash and cash equivalents	0.1		0.1
Other assets	0.8		0.8
Financial debt	-0.6		-0.6
Accounts payable	-0.5		-0.5
Provisions	-1.0		-1.0
Other liabilities	-1.0		-1.0
Net assets acquired			-0.8
+ Goodwill			6.4
Cost			5.6
Less acquired cash and cash equivalents			0.5
Cash outflow on transaction			6.1

Frankenwaldklinik Kronach	Carrying amount before acquisition	Adjustment amount	Carrying amount after acquisition
	€ million	€ million	€ million
Acquired assets and liabilities			
Intangible assets	0.4	-0.1	0.3
Property, plant and equipment	8.8	-0.5	8.3
Accounts receivable	2.9		2.9
Cash and cash equivalents	0.2		0.2
Other assets	9.5		9.5
Minorities	-0.5		-0.5
Financial debt	0.0		0.0
Accounts payable	-1.9		-1.9
Provisions	0.0		0.0
Other liabilities	-7.7	-1.5	-9.2
Net assets acquired			9.6
+ Goodwill			3.5
Cost			13.1
Less acquired cash and cash equivalents			-0.2
Cash outflow on transaction			12.9

Goodwill arising from the acquisitions is mainly reflected in revenue opportunities and reorganisation potential. In particular, inclusion in the hospital requirement plan (a transaction similar to a concession agreement) was not to be identified as a separate intangible asset in the purchase price allocation as it could not be reliably measured.

In December 2006 a notarial offer was submitted for the district hospital in Köthen. The district hospital in Köthen in Saxony-Anhalt is a hospital providing basic and standard care with a capacity of 264 beds. The Kreistag (district parliament) has approved the acceptance of the offer subject to the consent of the relevant regulatory authorities. After our offer has been accepted by the District of Köthen and after conditions agreed in the purchase agreement have been met, we will include the acquisition in the consolidated financial statements. The agreed purchase price is to be paid in cash. No information can be provided with regard to the assets, liabilities and contingent liabilities existing at the acquisition date, as the annual financial statements of the company were not yet available at the point at which the consolidated financial statements were prepared and because it was not yet possible for the purchase price allocation to be made.

We have modified the provisional purchase price allocation of Amper Kliniken AG (initial consolidation: 1 February 2005) in one point, and have reduced the figure stated for the market value of a building by € 0.8 million. This has increased goodwill by € 0.6 million and reduced minorities by € 0.2 million. The other comparison information of the previous year has not been changed.

5 SEGMENT INFORMATION

Our hospitals are operated in the legal form of independent subsidiaries which carry on their business activities in their respective regional markets in line with the guidelines and specifications of the parent company. There are no dependent hospital operations or branches within the RHÖN-KLINIKUM AG Group.

IAS 14 (revised 1997) requires a segmentation by business and geographical units that are characterised by different risks and rewards and that meet certain size criteria.

RHÖN-KLINIKUM AG operates exclusively on the German market which is highly homogenised due to uniform regulations under federal law. As a result, our acute hospitals' business risks and opportunities are the same in the various federal states. Since the Group's rehabilitation business as well as other operations do not show the minimum size as defined by IAS 14 (revised 1997), there are no reportable segments.

6 NOTES TO THE CONSOLIDATED INCOME STATEMENT

The acquisition of the university hospitals Gießen and Marburg has resulted in significant changes in the individual items shown in the consolidated income statement and the key ratios based on these items compared with the previous year. A particularly significant effect is that university hospitals have comparatively large out-patient facilities and that, at university hospitals, considerable numbers of employees and substantial volumes of infrastructure are made available to the medical faculties for research and teaching in return for appropriate consideration.

6.1 Revenues

The development of revenues by business areas and federal states has been as follows:

	2006	2005
	€ million	€ million
Business areas		
Inpatient hospitals	1,797.7	1,321.3
Acute outpatient hospitals	97.0	57.3
Rehabilitation hospitals	38.3	37.2
	1,933.0	1,415.8
Federal states		
Bavaria	441.3	351.9
Lower Saxony	318.8	313.4
Saxony	254.2	243.5
Thuringia	250.7	233.5
Brandenburg	93.5	91.6
Baden-Wuerttemberg	110.3	103.8
Hesse	436.4	50.9
North Rhine-Westphalia	27.8	27.2
	1,933.0	1,415.8

Of the increase in revenues, € 433 million before consolidation or 83.2% is attributable to acquisitions effected in the course of financial year 2006. Taking account of acquisitions which took place in the course of the previous year, external growth amounted to approx. 87%. A further approx. 3.5% is attributable to changes in the items shown for income for financing training facilities with no impact on the income statement as well as for the fees resulting from the changed method of recognising senior physicians' bills.

The remaining 9.5% of revenue growth is attributable to internal growth. In relation to previous year revenues, internal growth is 3.4%.

6.2 Other income

Other income comprises:

	2006	2005
	€ million	€ million
Income from services rendered	90.2	25.8
Income from adjustment of receivables	4.7	6.2
Income from grants and other allowances	11.5	4.7
Income from the release of provisions	1.9	0.5
Indemnities received	0.8	0.6
Other	9.8	8.9
	118.9	46.7

Income from services rendered includes income from ancillary and incidental activities as well as income from rental and lease agreements.

The Group received grants and other allowances as compensation for current expenditures (e.g. use of subsidised assets of the hospitals, employment of persons carrying out social work as an alternative to military service, benefits under German legislation governing part-time employment for senior workers, and for other subsidised measures).

The increase in other income is entirely attributable to acquisitions effected in the course of financial year 2006.

6.3 Material and consumables used

	2006	2005
	€ million	€ million
Expenditure for materials and supplies	377.8	261.1
Expenditure for services	114.1	82.5
	491.9	343.6

Compared with the previous year, the cost of materials increased by € 148.3 million to € 491.9 million. Acquisitions account for € 127.6 million (86%) of the increase in material and consumables used in financial year 2006.

6.4 Employee benefits expense

	2006	2005
	€ million	€ million
Wages and salaries	916.9	649.9
Social insurance contributions (excl. contributions to pensions)	86.8	61.9
Expenditure for post-employment benefits		
defined contribution plans	123.0	79.7
defined benefit plans	1.1	2.1
	1,127.8	793.6

Expenditures for the defined contribution plans concern payments to statutory pension insurance as well as to the supplementary insurance funds (Zusatzversorgungskassen – ZVK) and to the federal and state pension scheme (Versorgungsanstalt des Bundes und der Länder – VBL).

Of the figure stated for wages and salaries, € 3.8 million is attributable to severance payments upon termination of employment contracts.

Acquisitions account for € 317.3 million or 94.9%, of the increase in the employee benefits expense in financial year 2006.

6.5 Depreciation/amortisation and impairment

Besides depreciation and amortisation on intangible assets, on tangible fixed assets (property, plant and equipment) and on investment property, this item also includes impairment losses on tangible fixed assets recognised for adjusting residual carrying amounts to an appropriate lower fair value less costs of revenue totalling € 2.7 million (previous year: € 8.8 million). These relate to impairment losses on buildings which resulted in additional expenditure of € 2.7 million (previous year: € 3.3 million) due to a changed utilisation concept as well as impairments attributable to lower earnings expectations for land, buildings and machinery.

6.6 Other expenses

Other expenses break down as shown in the following table:

	2006	2005
	€ million	€ million
Maintenance	66.5	43.9
Charges, subscription and consulting fees	41.8	15.2
Administrative and IT costs	17.6	13.5
Impairments on receivables	10.4	3.1
Insurance	10.8	8.2
Rents and leaseholds	8.1	6.7
Travelling, entertaining and representation expenses	4.5	3.7
Other personnel and continuing training costs	6.1	4.3
Losses on disposal of non-current assets	0.8	0.8
Secondary taxes	0.8	0.8
Other	43.7	18.2
	211.1	118.4

Acquisitions account for € 65.4 million, or 70.2% of the increase in other expenses in financial year 2006. The remaining increase in other expenditure is attributable to the payments into the funds for financing training facilities which have been set up in the individual federal states and which have been recognised for the first time.

6.7 Research costs

The Group's annual research costs amount to approx. 4% of revenues (previous year: 3%). They are primarily made up of personnel expenses and other operating expenses. As part of the process of acquiring the two university and science locations Gießen and Marburg, we have undertaken to provide at least € 2 million every year to the two medical faculties.

6.8 Financial result – net

The financial result is broken down as follows:

	2006	2005
	€ million	€ million
Finance income		
Cash at banks	6.8	3.0
Profits due to change in market value of derivative financial instruments	0.4	0.0
	7.2	3.0
Finance expenditure		
Bonds	3.9	1.9
Liabilities to banks	23.4	17.3
Losses due to change in market value of derivative financial instruments	0.0	0.4
Other interest expenses	0.3	0.0
	27.6	19.6
	-20.4	-16.6

In accordance with IAS 17 (Leases) finance lease contracts are shown under property, plant and equipment, and the interest component of € 0.3 million included in the leasing instalments is shown under financial result. Finance lease contracts are attributable exclusively to new acquisitions of the financial year 2006.

6.9 Income taxes

Income taxes consist of the corporation tax and the solidarity surcharge. This item also reflects deferred taxes provided on differences in valuations in the tax balance sheets and commercial balance sheets of subsidiaries as well as on consolidation adjustments and realisable tax-loss carry forwards which, as a rule, have no expiry date. In addition, non-cash-effective tax refund claims which have to be recognised on a single occasion with their present value in connection with the revised Section 37 (5) of the German Corporation Tax Act (Körperschaftsteuergesetz – KStG) are shown in financial year 2006.

Income tax comprises the following:

	2006	2005
€ million	€ million	€ million
Current income tax	35.0	34.7
Deferred taxes	2.4	0.5
Refund claims pursuant to Section 37 KStG		0.0
2006	-1.7	
2008-2017	-19.1	0.0
	16.6	35.2

The nominal tax expense on earnings before taxes is reconciled with the income tax expense as follows:

	2006		2005	
	€ million	%	€ million	%
Earnings before taxes	125.7	100.0	123.5	100.0
Nominal tax expense ¹	31.4	25.0	30.9	25.0
Solidarity surcharge (tax rate 5.5%)	1.7	1.4	1.7	1.4
Additional expense from dividend payment	0.8	0.6	1.3	1.1
Increase in tax liability due to non-deductible charges	0.5	0.4	0.6	0.5
Tax expense for previous periods	2.0	1.6	0.2	0.2
Corporation tax offset credit Section 37 KStG	-20.8	-16.5	0.0	0.0
Goodwill amortisation	-0.7	-0.6	-0.8	-0.6
Derecognition of hitherto deferred loss carry forwards	5.0	4.0	2.1	1.7
Other	-3.3	-2.6	-0.8	-0.6
Effective income tax expense	16.6	13.2	35.2	28.5

¹ Tax rate 25%

The income tax expense declined by € 18.6 million to € 16.6 million compared with the previous year. The effective income tax rate is 13.2% (previous year: 28.5%).

As a result of a change in tax law in 2006, corporation tax credits resulting from profits retained up to 2001 have to be shown in the balance sheet. Throughout the Group, there are credit balances of € 24.1 million which have reduced the current tax expense with their discounted present value of € 19.1 million. Corporation tax credit balances of € 1.7 million for the current financial year are also shown under this item.

Further details of how tax deferrals break down by assets and liabilities are given in the Notes to the consolidated balance sheet. After the adoption of impairment tests for goodwill, the Group has discontinued goodwill amortisation from 2005 onwards.

6.10 Minority interests in profit

These are profit shares to which other owners are entitled.

6.11 Earnings per share

Earnings per share are calculated using the ratio between net consolidated profit to which the shareholders of RHÖN-KLINIKUM AG are entitled and the weighted average number of shares in issue during the year.

The following table sets out the development of ordinary shares in issue:

	Number of shares on 1 Jan. 2006	Number of shares on 31 Dec. 2006
Ordinary shares	51,840,000	51,840,000
Treasury shares	-13,430	-13,045
Ordinary shares in issue	51,826,570	51,826,955

For further details, please refer to the explanations regarding shareholders' equity (point 7.9).

Earnings per share are calculated as follows:

	Ordinary shares
Share in net consolidated profit (€'000)	105,199
(previous year)	(83,680)
Weighted average number of shares in issue (in '000 units)	51,827
(previous year)	(51,833)
Earnings per share in €	2.03
(previous year)	(1.61)
Dividend per share in €	0.50
(previous year)	(0.45)

Diluted earnings per share are identical to undiluted earnings per share, as there were no stock options or convertible debentures outstanding at the respective balance sheet dates.

7 NOTES TO THE CONSOLIDATED BALANCE SHEET

The acquisitions of financial year 2006 have also resulted in a considerable increase in Group assets (+22%) in our consolidated balance sheet. Because the acquisitions were financed by debt, the equity ratio declined to 36.8% (previous year: 39.5%). Long-term assets are completely financed by long-term funds.

7.1 Goodwill and other intangible assets

	Goodwill	Other intangible assets	Total
	€ million	€ million	€ million
Cost			
1 January 2006	83.9	13.3	97.2
Additions due to change in scope of consolidation ¹	149.9	0.6	150.5
Additions	0.7	5.7	6.4
Disposals	0.0	0.1	0.1
Transfers	0.0	0.5	0.5
31 December 2006	234.5	20.0	254.5
Cumulative depreciation and impairment			
1 January 2006	0.0	8.3	8.3
Amortisation	0.0	3.5	3.5
Disposals	0.0	0.1	0.1
31 December 2006	0.0	11.7	11.7
Balance sheet value at 31 December 2006	234.5	8.3	242.8

¹ incl. acquisitions

The item "Other intangible assets" primarily includes software.

	Goodwill	Other intangible assets	Total
	€ million	€ million	€ million
Cost			
1 January 2005	58.3	8.9	67.2
Elimination of cumulative amortisation prior to adoption of IFRS 3	-12.0	0.0	-12.0
Additions due to change in scope of consolidation ¹	36.7	0.6	37.3
Additions	0.9	4.0	4.9
Disposals	0.0	0.2	0.2
31 December 2005	83.9	13.3	97.2
Cumulative depreciation and impairment			
01 January 2005	12.0	6.2	18.2
Elimination of cumulative amortisation prior to adoption of IFRS 3	-12.0	0.0	-12.0
Amortisation	0.0	2.3	2.3
Disposals	0.0	0.2	0.2
31 December 2005	0.0	8.3	8.3
Balance sheet value at 31 December 2005	83.9	5.0	88.9

¹ incl. acquisitions

There are no restrictions on title and/or other rights related to the assets.

Goodwill is subject to an annual impairment test for the respected cash generating unit (each hospital). This impairment test is performed on 1 October of each year, and compares the carrying amount of the cash generating unit with the recoverable amount for the unit calculated as the fair value less costs to sell the unit. The fair value is calculated on the basis of a cash flow-oriented valuation method (DCF method). In this connection a corresponding present value is calculated on the basis of a detailed ten-year plan and subsequent recognition of a perpetual yield. A growth mark-down of -0.5% has been recognised in order to calculate the present value of the perpetual yield. This forms an integral part of the company's planning and insofar is based on the management's actual expectations for the respective unit as well as on the statutory conditions in the health system. We believe that it is only with this longer detailed view that the measures already planned at the time of the company acquisition (e.g. demolition and rebuilding, modernisation measures) can be correctly recognised. At the end of the year a review is carried out in order to establish whether the economic situation continues to support the results of the impairment test in the same way as before. This was the case on 31 December 2006.

The weighted cost of capital of a potential investor from the health care sector is taken as the discount rate at the time of valuation, with due consideration being given to a tax shield arising from theoretical debt financing. We have used a figure of 6.1% for this discount rate for 2006. This corresponds to a rate of 7.74% before taxes.

Significant goodwill relates to the following cash generating units:

Company	Stated goodwill € million
Universitätsklinikum Gießen und Marburg GmbH	140.0
Zentralklinik Bad Berka GmbH	13.8
Klinikum Hildesheim GmbH	13.6
Klinikum Salzgitter GmbH	6.5
Heinz Kalk-Krankenhaus	6.4
Krankenhaus Waltershausen-Friedrichroda GmbH	6.2
Klinikum Pirna GmbH	6.0
Klinikum Pforzheim GmbH	5.8
Kreis Krankenhaus Gifhorn GmbH	5.6
Amper Kliniken AG	5.2
Other goodwill of less than € 5 million	25.4
	234.5

7.2 Property, plant and equipment

	Land and buildings	Technical equipment, plant and machinery	Operational and office equipment	Plant under construction	Total
	€ million	€ million	€ million	€ million	€ million
Cost					
1 January 2006	1,035.4	42.6	233.7	50.2	1,361.9
Additions due to change in scope of consolidation ¹	41.2	0.1	8.3	0.0	49.6
Additions	52.7	6.1	82.2	46.1	187.1
Disposals	0.5	0.5	14.2	0.9	16.1
Transfers	40.6	1.8	1.2	-44.1	-0.5
31 December 2006	1,169.4	50.1	311.2	51.3	1,582.0
Cumulative depreciation and impairments					
1 January 2006	216.1	26.8	145.5	0.0	388.4
Depreciation	31.0	3.4	34.3	0.0	68.7
Impairments	2.7	0.0	0.0	0.0	2.7
Disposals	0.1	0.3	13.4	0.0	13.8
Transfers	0.0	0.3	-0.3	0.0	0.0
31 December 2006	249.7	30.2	166.1	0.0	446.0
Balance sheet value at 31 December 2006	919.7	19.9	145.1	51.3	1,136.0

¹ incl. acquisitions

The Group has registered charges on real property as collateral for bank loans with a total residual carrying amount of € 111.5 million (previous year: € 126.6 million).

Public grants related to assets are deducted from the cost of the asset for which they are given, reducing the depreciation over the period. The deducted amortised amount of assistance which was granted under the Hospital Financing Act (KHG) and which was invested in line with the applicable conditions totals € 801.3 million (previous year: € 437.9 million). To secure conditionally repayable single grants under the Hospital Financing Act (e.g. for the construction of new hospitals or major extensions) totalling € 259 million (previous year: € 287.2 million), the Group has registered charges on real property in the amount of € 407.1 million (previous year: € 386.5 million). Nothing has come to the attention of the Group to indicate that these grants will have to be repaid.

	Land and buildings	equipment, plant and machinery	Technical Operational and office equipment	Plant under construction	Total
	€ million	€ million	€ million	€ million	€ million
Cost					
1 January 2005	865.7	37.5	208.3	22.6	1,134.1
Additions due to change in scope of consolidation ¹	112.2	4.0	8.7	10.2	135.1
Additions	43.5	1.2	33.2	35.3	113.2
Disposals	2.8	0.4	17.2	0.1	20.5
Transfers	16.8	0.3	0.7	-17.8	0.0
31 December 2005	1,035.4	42.6	233.7	50.2	1,361.9
Cumulative depreciation and impairments					
1 January 2005	184.5	24.2	135.3	0.0	344.0
Depreciation	28.9	2.8	27.0	0.0	58.7
Impairments	5.3	0.2	0.0	0.0	5.5
Disposals	2.6	0.4	16.8	0.0	19.8
Transfers	0.0	0.0	0.0	0.0	0.0
31 December 2005	216.1	26.8	145.5	0.0	388.4
Balance sheet value at 31 December 2005	819.3	15.8	88.2	50.2	973.5

¹ incl. acquisitions

Technical equipment, plant and machinery include the following amounts for which the Group is the lessee in a finance lease:

	31 Dec. 2006 ¹	31 Dec. 2005
	€ million	€ million
Purchase costs – capitalised assets from finance lease	8.8	0.0
Cumulative depreciation	2.1	0.0
Net carrying amount	6.7	0.0

¹ Relates to Universitätsklinikum Gießen und Marburg GmbH, consolidated since February 2006.

7.3 Income tax claims

Corporation tax offset credits shown under this item primarily relate to claims which have to be shown in the balance sheet in 2006 pursuant to Section 37, KStG (new version) and which will be paid out in ten equal annual instalments during the period from 2008 to 2017. They are shown with their present value of € 19.1 million, and have been valued on the basis of an interest rate of 4%.

7.4 Other financial assets (non-current)

	2006	2005
	€ million	€ million
Investments	0.1	1.9
Other financial assets	1.3	0.8
Balance sheet value at 31 December	1.4	2.7

Investments are shown with their fair value which in general corresponds to amortised purchase costs. This is also applicable for the other financial assets.

7.5 Inventories

Materials and supplies of € 39 million (previous year: € 27.8 million) mainly consist of medical supplies. Impairments of € 4.4 million were recognised in financial year 2006 (previous year: € 3.5 million). All inventories are owned by the RHÖN-KLINIKUM Group. There are no assignments or pledges of inventories.

7.6 Accounts receivable, other receivables and other financial assets (current)

	31 Dec. 2006 < 1 year	31 Dec. 2005 < 1 year
	€ million	€ million
Accounts receivable (gross)	278.1	205.0
Impairments on accounts receivable	-17.4	-12.9
Receivables under the hospital financing law	22.8	40.4
Other receivables	43.9	25.0
Other financial assets	12.6	0.2
	340.0	257.7

Accounts receivable totalling € 260.7 million (previous year: € 192.1 million) reflect identifiable risks from impairments which are determined on the basis of the likelihood of a default. Additions to impairments are shown under "Other expenditure" in the income statement, and reversals of impairments are shown under "Other income". There are no concentrations of credit risks in relation to accounts receivable because virtually all the public payers are legal entities not subject to insolvency.

Receivables under the hospital financing law mainly relate to compensation claims for services rendered under federal hospital compensation legislation (Hospital Remuneration Act – Krankenhausentgeltgesetz) and the Federal Nursing Rate Ordinance (Bundespfllegesatzverordnung).

Other receivables include reimbursement claims against insurers for loss events in the amount of € 4 million. No impairments and no reversals of prior impairments were recognised in relation to the other receivables. The increase is attributable exclusively to new acquisitions.

The fair values of accounts receivable and other receivables essentially correspond to their carrying amounts since they are primarily short-term in character.

The other financial assets show derivative financial instruments (interest swaps and interest caps) as well as short-term securities with their market values. The increase is attributable to two rate caps of RHÖN-KLINIKUM AG taken out in financial year 2006 (€ 2.9 million) as well as short-term securities of the university hospitals Gießen and Marburg which were initially consolidated for the first time in financial year 2006 (€ 9.5 million).

7.7 Current income tax claims

Current income tax claims include claims against tax authorities for reimbursement of corporation tax.

7.8 Cash and cash equivalents

	31 Dec. 2006	31 Dec. 2005
	€ million	€ million
Cash in hand and cash in banks	141.0	194.8
Short-term bank deposits	35.1	59.5
Total	176.1	254.3

The effective interest rate for short-term bank deposits was 2.7% (previous year: 2%). These deposits have an average term of 30 days.

Cash and bank overdrafts are aggregated as follows for the purpose of the cash flow statement:

	31 Dec. 2006	31 Dec. 2005
	€ million	€ million
Cash and cash equivalents	176.1	254.3
Bank overdrafts	-20.3	-161.6
	155.8	92.7

7.9 Shareholders' equity

As of 31 December 2006 subscribed capital was unchanged compared with the previous year, and consisted of 51,840,000 ordinary shares.

These are no-par value shares, each having a nominal interest in the share capital of € 1.00.

Overview of development in the share capital of RHÖN-KLINIKUM AG:

	Number of shares on 1 Jan. 2006	Number of shares on 31 Dec. 2006	Arithmetic interest in share capital €
Ordinary shares	51,840,000.0	51,840,000.0	51,840,000.0
	51,840,000.0	51,840,000.0	51,840,000.0

Capital reserves are unchanged at € 37.6 million, and include the premium resulting from capital increases.

The "Other reserves" include earnings the results generated in prior years of consolidated subsidiaries, to the extent that these earnings have not been paid out to shareholders, as well as effects of consolidation measures.

Treasury shares of € 0.1 million (previous year: € 0.1 million) are deducted from shareholders' equity. Holdings amounted to 13,045 treasury shares (previous year: 13,430) as of the balance sheet date.

In accordance with the provisions of the German Stock Corporation Act, the amount of dividends distributable to shareholders is based on the net distributable profit shown in the annual financial statements of RHÖN-KLINIKUM AG, which are prepared in accordance with the German Commercial Code (HGB). The Board of Management and the Supervisory Board will propose to the shareholders at the forthcoming Annual General Meeting that the net distributable profit of € 37.3 million (previous year: € 29.8 million) be appropriated as follows and that the amount attributable to the treasury shares be carried forward to the new account:

	Total
	€
Distribution of a dividend of € 0.50 per ordinary share (previous year € 0.45)	25,920,000.00
Allocations to other retained earnings	11,386,205.20
	37,306,205.20

Minority interests of € 37.6 million (previous year: € 32.3 million) relate to held directly or indirectly by shares outside shareholders in the shareholders' equity of the following consolidated subsidiaries:

	Outside shareholders' interests	
	31 Dec. 2006	31 Dec. 2005
	%	%
incos Gesellschaft für Informations- und Kommunikationsmanagement mbH, St. Wolfgang	56.5	56.5
UKG Dienstleistungsgesellschaft GmbH Gießen, Gießen	51.5	0.0
UKM Service GmbH Marburg, Marburg	51.5	0.0
Altmühltalklinik-Leasing GmbH, Kipfenberg	49.0	49.0
SGHi-Service-Gesellschaft Hildesheim GmbH, Hildesheim	49.0	49.0
Kurverwaltung Bad Neustadt GmbH, Bad Neustadt a. d. Saale	40.0	40.0
Amper Kliniken Dachau AG, Dachau	25.1	25.1
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	25.1	25.1
KDI Klinikservice GmbH, Dachau	25.1	25.1
Zentralklinik Bad Berka GmbH, Bad Berka	12.5	12.5
Dienstleistungs- und Service Gesellschaft Kronach mbH, Kronach	5.1	0.0
Frankenwaldklinik Kronach GmbH, Kronach	5.1	0.0
Krankenhaus Hammelburg GmbH, Hammelburg	5.1	5.1
Klinikum Pforzheim GmbH, Pforzheim	5.1	5.1
Klinikum Salzgitter GmbH, Salzgitter	5.1	5.1
Universitätsklinikum Gießen und Marburg GmbH, Gießen	5.0	0.0
MVZ Universitätsklinikum Gießen GmbH, Gießen	5.0	0.0
MVZ Universitätsklinikum Marburg GmbH, Marburg	5.0	0.0
Kreiskrankenhaus Gifhorn GmbH, Gifhorn	4.0	4.0
Städtisches Krankenhaus Wittingen GmbH, Wittingen	4.0	4.0

7.10 Financial debt

	31 Dec. 2006		31 Dec. 2005	
	Residual term > 1 year	Residual term up to 1 year	Residual term > 1 year	Residual term up to 1 year
	€ million	€ million	€ million	€ million
Non-current financial debts, bond	109.4	1.9	109.3	1.9
Liabilities to banks	457.2	26.3	262.7	19.9
Total non-current financial debts	566.6	28.2	372.0	21.8
Current financial debts				
Liabilities due to banks	0.0	20.3	0.0	161.6
Negative market values of derivative financial instruments	0.0	0.7	0.0	1.1
Total current financial debts	0.0	21.0	0.0	162.7
Total financial debts	566.6	49.2	372.0	184.5

In 2005 RHÖN-KLINIKUM AG financed the rise in its current interest-bearing liabilities in connection with the business combinations in the financial year by issuing a bond on the capital market in the amount of € 110 million. The term of the bond runs from 7 July 2005 until 7 July 2010. The coupon will pay a nominal rate of 3.5%. Interest will be paid in arrears on 7 July of each year, for the first time on 7 July 2006. The transaction costs totalled € 0.8 million and are written back using the effective interest method.

In financial year 2006 a syndicated loan was taken out under the lead management of Dresdner Bank AG, Luxembourg branch, for financing investments. The minimum term of the agreement is five years, with a credit limit of € 400 million. As of the reference date € 213 million of the total volume had been drawn down. The term-linked interest rate is between 3.55% p.a. and 4.32% p.a. in the year under review. Interest is charged on the credit volume which has not been drawn down at a rate of 0.23% p.a. The transaction costs totalled € 1.4 million and are written back using the effective interest method.

The decline in liabilities on current account stems from rescheduling the funding of the acquisition of the university hospitals in Gießen and Marburg.

Of the non-current financial debts, variable interest (based on EURIBOR) is charged on € 46.5 million (previous year: € 51.3 million). To limit exposure to interest rates we have taken out interest rate hedging agreements which cap interest rates at 5.7% p.a. until 2006 and 4% from 2006 to 2009. The interest fluctuation risks and contractual interest adjustment dates relating to the interest bearing liabilities are shown as follows:

Duration of fixed interest agreements	31 Dec. 2006			31 Dec. 2005		
	Interest rate ¹	Original value	Carrying amount of loans	Interest rate ¹	Original value	Carrying amount
	%	€ million	€ million	%	€ million	€ million
Bond	3.65	110.0	111.3	3.65	110.0	111.2
Liabilities to banks						
2006				4.25	129.3	102.7
2007	4.41	377.1	335.4	5.24	44.9	33.6
2008	4.36	23.1	15.0	4.20	23.1	16.4
2009	4.45	56.0	50.3	4.20	56.0	52.9
2010	4.27	52.3	49.1	4.09	50.2	24.9
2011	3.32	50.4	14.6	4.83	39.2	35.3
2012	5.35	3.6	3.2	5.51	14.4	12.3
2013	4.66	19.6	15.9	3.42	4.9	4.5
		582.1	483.5		362.0	282.6
		692.1	594.8		472.0	393.8

¹ Weighted interest rate

The original values, carrying amounts and fair values of the financial debts were as follows as at 31 December 2006:

	31 Dec. 2006		
	Original value	Carrying amount	Fair value
	€ million	€ million	€ million
Bond	110.0	111.3	106.2
Liabilities to banks			
Loans without agreed interest rate (variable)	57.2	46.5	46.5
Loans with fixed interest rates	524.9	437.0	437.0
	692.1	594.8	589.7

The carrying amount of the bond includes ancillary costs and interest deferrals.

The original values, carrying amounts and fair values of the financial debts were as follows as at 31 December 2005:

	31 Dec. 2005		
	Original value	Carrying amount	Fair value
	€ million	€ million	€ million
Bond	110.0	111.3	113.0
Liabilities to banks			
Loans without agreed interest rate (variable)	57.2	51.3	51.3
Loans with fixed interest rate	304.8	231.3	232.5
	472.0	393.8	396.8

The effective interest rates at the balance sheet date are:

	31 Dec. 2006	31 Dec. 2005
	%	%
Bond	3.65	3.65
Liabilities to banks	4.24	4.17
Liabilities on current accounts to banks	4.67	3.00

The remaining terms of the financial debt are as follows:

	31 Dec. 2006	31 Dec. 2005
	€ million	€ million
Up to 1 year	49.2	184.5
Between 1 and 5 years	466.9	225.8
More than 5 years	99.7	146.2
Total	615.8	556.5

Of the financial debt stated, € 111.5 million is secured by registered charges on real property and € 7 million is secured by assignment of receivables.

7.11 Deferred tax liabilities

Deferred tax assets and liabilities are netted if there is a recoverable right to offset current tax assets against current tax liabilities and if the deferred taxes exist against the same tax authority. The following amounts were netted:

	31 Dec. 2006		31 Dec. 2005	
	Assets	Liabilities	Assets	Liabilities
	€ million	€ million	€ million	€ million
Tax loss carry-forwards	7.6	0.0	9.8	0.0
Property, plant and equipment	0.0	29.5	0.0	28.9
Interest-bearing debt	0.0	0.6	0.0	0.3
Tax liabilities	0.0	0.9	0.0	0.8
Other assets and liabilities	5.1	5.1	4.5	2.5
Total	12.7	36.1	14.3	32.5
Balance		23.4		18.2

Deferred tax assets for tax loss carry-forwards are recognised at the amount at which the realisation of the tax benefits in connection therewith is probable as a result of future taxable profits. Loss carry-forwards in connection with hospital take-overs are included in the calculation base for accruing deferred tax assets if they are sufficiently determinable for tax purposes. Unused tax loss carry-forwards of € 35.6 million (previous year: € 41.7 million) exist on the balance sheet date. They have no expiry date. The tax base used for deferred tax is € 30.6 million (previous year € 37 million). When tax-loss carry-forwards exist, the current taxable result in Germany can be netted with tax loss carry-forwards fully up to an amount of € 1 million; in excess of this figure, they can only be offset at the rate of 60%.

Deferred taxes from property, plant and equipment result from the useful lives defined in tax law and the existing economic depreciation periods in accordance with IFRS. In addition, tax impairments were corrected in IFRS.

Interest bearing debts are deferred tax differences resulting from the treatment of liabilities with a term of over one year and from differences in the tax treatment of costs in connection with borrowing.

Deferred tax liabilities for non-distributed profits of subsidiaries totalling € 63.5 million, which at the parent company lead to non-tax-deductible expenditures amounting to 5% of the distributed amounts, were stated in the consolidated financial statements.

Changes in deferred taxes are shown as follows:

	31 Dec. 2006	31 Dec. 2005
	€ million	€ million
Deferred tax liability at the beginning of the year	18.2	24.4
Liabilities acquired on company acquisitions	2.8	-6.7
Expenditure in income statement	2.4	0.5
Deferred tax liability at end of year	23.4	18.2

7.12 Provisions for post-employment benefits

The Group provides post-employment benefits for eligible employees under its company pension scheme which comprises both defined benefit and defined contribution pension plans. Obligations under this scheme include current pension payments and future entitlements. Defined benefit obligations are financed by forming provisions.

Amounts relating to defined contribution plans are recognised immediately in profit or loss.

Obligations under defined benefit plans relate to pension commitments of four Group companies in the form of retirement, disability and surviving dependant pensions. Provisions cover commitments to existing eligible employees as well as former employees with vested benefits and pensioners. Benefits are determined on the basis of length of service and pensionable salaries.

Apart from general pension plans the members of the Board of Management are covered by a plan providing for post-employment compensation benefits. In addition to their regular remuneration the members of the Board of Management, on termination of their employment as Board members, receive a severance payment depending on the length of service and level of remuneration and not exceeding 1.5 times the last annual remuneration. The scope of the obligation was calculated based on the individual contract terms and not on a uniform retirement age as with the other pension plans.

The expenditure for defined benefit plans recognised under personnel expense is calculated as follows:

	2006	2005
	€ million	€ million
Current service cost	0.6	0.8
Interest cost	0.4	0.5
Netted actuarial gains and losses	0.1	0.7
	1.1	2.0

The actuarial gains/losses attributable to changes in the portfolio (so-called experience adjustment) amounted to € 0.7 million, as was the case in the previous year.

The provision stated in the balance sheet is calculated as follows:

	31 Dec. 2006	31 Dec. 2005
	€ million	€ million
Defined benefit obligation	9.6	14.5
Actuarial gains and losses not yet netted	-2.3	-1.6
Provisions for pensions (defined benefit liability)	7.3	12.9

Movements in the amounts shown in the provision in the balance sheet are as follows:

	2006	2005
	€ million	€ million
As at 1 January	12.9	11.1
Additions due to extended scope of consolidation	0.0	0.3
Current service cost	0.6	0.8
Interest cost	0.4	0.5
Netted actuarial gains and losses	0.1	0.7
Payments rendered	-6.7	-0.5
As at 31 December	7.3	12.9

The calculation is based on the following assumptions:

	31 Dec. 2006	31 Dec. 2005
	%	%
Rate of interest	4.25	4.25
Projected increase in wages and salaries	1.50	1.50
Projected increase in pensions	1.00	1.00

The 2005G mortality tables of Prof. Dr. Klaus Heubeck were again used as the basis of biometric calculations (unchanged compared with last year).

7.13 Other provisions

Other provisions developed in financial year 2006 as follows:

	1 Jan. 2006	Change in scope of consoli- dation	Con- sumption	Write- back	Addition	31 Dec. 2006	of which < 1 year	of which > 1 year
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Demolition obligations	6.1	1.0	1.2	1.1	0.0	4.8	0.3	4.5
Liability risks	6.1	10.0	0.2	0.3	2.4	18.0	18.0	0.0
Provisions for onerous contracts	0.0	1.2	0.5	0.0	0.3	1.0	1.0	0.0
Other provisions	0.2	0.0	0.0	0.0	0.2	0.4	0.4	0.0
	12.4	12.2	1.9	1.4	2.9	24.2	19.7	4.5

The provisions for demolition obligations are attributable to contractually agreed services within the framework of company purchase agreements. The amounts falling due over the long term are discounted at a rate of 3.5% p.a.

The provisions for liability risks relate to claims for damages of third parties. The provisions of € 18 million are opposed by claims against insurers of € 4 million. These are shown under other receivables.

Provisions for onerous contracts relate mainly to rental guarantees.

Expected future claims:

	31 Dec. 2006	2007	2008	2009
	€ million	€ million	€ million	€ million
Demolition obligations	4.8	0.3	4.5	0.0
Liability risks	18.0	18.0	0.0	0.0
Onerous contracts	1.0	1.0	0.0	0.0
Other	0.4	0.4	0.0	0.0
	24.2	19.7	4.5	0.0

The terms of the "Other provisions" compared with the previous year are set out in the following:

	31 Dec. 2006	of which < 1 year	of which > 1 year	31 Dec. 2005	of which < 1 year	of which > 1 year
	€ million	€ million	€ million	€ million	€ million	€ million
Demolition obligations	4.8	0.3	4.5	6.1	0.0	6.1
Liability risks	18.0	18.0	0.0	6.1	6.1	0.0
Provisions for onerous contracts	1.0	1.0	0.0	0.0	0.0	0.0
Other provisions	0.4	0.4	0.0	0.2	0.2	0.0
	24.2	19.7	4.5	12.4	6.3	6.1

With respect to other contingent liabilities, the budgets for the years 2005 and 2006 negotiated with the payers for two of the hospitals included in the consolidated financial statements were approved by the competent authorities subject to the condition that administrative complaints lodged by the payers do not invalidate the approved budgets for 2004. We do not believe at present that the payers are likely to prevail, and have therefore not recognised possible repayment obligations as liabilities. It is not practicable to make a reliable estimate of the impact of these factors.

7.14 Accounts payable

	31 Dec. 2006		31 Dec. 2005	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Accounts payable	166.0	0.0	79.3	0.0

Accounts payable existed with regard to third parties. Of the total amount of € 166.0 million (previous year: € 79.3 million), € 166.0 million (previous year: € 79.3 million) was due within one year. The change compared with the previous year largely stems from the addition of new hospitals.

7.15 Other liabilities

	31 Dec. 2006		31 Dec. 2005	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Personnel liabilities	118.6	39.8	112.2	0.0
Liabilities under the Hospital Financing Act	112.7	6.5	87.0	0.0
Operating taxes and social security contributions	19.7	0.0	24.5	0.0
Payments received	1.0	0.0	0.3	0.0
Purchase prices	10.0	5.5	9.6	5.3
Other	51.8	30.2	51.3	1.0
	313.8	82.0	284.9	6.3

Personnel liabilities mainly relate to performance-linked remuneration, obligations arising from still outstanding vacation entitlement, semi-retirement obligations as well as severance payment obligations.

The liabilities under the German Hospital Financing Act relate to public grants not yet spent in accordance with the conditions for their use granted under state legislation as well as repayment obligations under the Federal Hospital Compensatory Schemes (Federal Nursing Rate Ordinance – Bundespflegesatzverordnung) and Hospital Remuneration Act (Krankenhausentgeltgesetz).

The purchase prices relate to contractually stipulated obligations subject to conditions.

The carrying amounts of the current monetary liabilities recognised under these items correspond to their fair values. Non-current obligations under purchase price payments as well as other non-current liabilities are discounted using a market interest rate of 3.5%.

Of the figure stated for other non-current liabilities, € 23.6 million is attributable to obligations arising from research grants of the University of Gießen and Marburg.

Other liabilities with a residual term of more than five years amount to € 0.2 million (previous year € 0.3 million).

7.16 Current income tax liabilities

Current income tax liabilities in the amount of € 18.4 million (previous year € 10.2 million) comprise corporation tax and solidarity surcharge not yet assessed for the past financial year and previous years.

7.17 Derivative financial instruments

The Group is exposed to fluctuations of market interest rates with respect to its financial debts and interest-bearing investments. Our long-term financial debt totalled € 594.8 million (previous year € 393.8 million); of this figure, € 548.3 million (previous year € 342.5 million) was subject to fixed interest rates and terms running until 2017. The remaining financial debts, financed on variable rates to take advantage of market interest rates, are hedged by interest rate caps in a volume of € 39.4 million (previous year € 43 million). Interest rate swaps in a volume of € 12.5 million (previous year € 13.6 million) are in place for long-term financial debts.

Financial derivatives measured at fair value in profit or loss resulted in losses of € 0.3 million.

Financial derivatives are stated at market values (as measured on the balance sheet date on the basis of recognised valuation models using current market data).

Financial derivatives are monitored and controlled directly by the Board of Management.

2006	Fair value	Term	Interest rate	Interest	Reference
	€ million		31 Dec. 2006	rate cap	amount
			%	%	31 Dec. 2006
					€ million
Interest rate swaps, assets	0.0	4 May 2004 to 31 Dec. 2011	8.01	5.70	3.8
Interest rate swaps, liabilities	0.7	28 Feb. 2012	5.99/6.30	5.99/6.30	8.7
Interest rate caps, assets	3.1	30 Jun. 2009/30 Sep. 2009/ 26 Feb. 2010/31 Mar. 2010	3.74/4.00	4.00/4.00	39.4

2005	Fair value	Term	Interest rate	Interest	Reference
	€ million		31 Dec. 2005	rate cap	amount
			%	%	31 Dec. 2005
					€ million
Interest rate swaps, assets	0.0	4 May 2004 to 31 Dec. 2011	5.68	5.70	4.6
Interest rate swaps, liabilities	1.1	28 Feb. 2012	5.99/6.30	5.99/6.30	9.0
Interest caps, assets	0.2	30 Jun. 2009/30 Sep. 2009/ 26 Feb. 2010/31 Mar. 2010	3.08/3.38	4.00	43.8

8 NOTES TO THE CASH FLOW STATEMENT

The cash flow statement shows how the item "Cash and cash equivalents" of the RHÖN-KLINIKUM Group has changed in the year under review as a result of cash inflows and outflows. The impact of acquisitions, divestments and other changes in the scope of the consolidation has been eliminated. In accordance with IAS 7 (Cash Flow Statements), a distinction is made between cash flows from operating activities, investing activities and financing activities. The liquidity shown in the financing statement includes cash in hand, cheques as well as cash with banks. For the purposes of the cash flow statement, bank overdrafts are deducted from cash and cash equivalents. Reconciliation is provided in the Notes on cash and cash equivalents. Construction invoices outstanding in the amount of € 8.8 million (previous year: 12.9 million) were included under accounts payable and property, plant and equipment as non-cash items.

The cash flow statement presents the change in cash and cash equivalents between two balance sheet dates. At the RHÖN-KLINIKUM Group such cash and cash equivalents exclusively contain inflows from continuing operations as we have not discontinued any operations.

9 SHAREHOLDINGS

9.1 Companies included in the consolidated financial statements

	Interest held	Shareholders' equity	Result for the year
	%	€ '000	€ '000
Hospital companies			
Amper Kliniken AG, Dachau	74.9	49,990	2,843
Aukamm-Klinik für operative Rheumatologie und Orthopädie GmbH, Wiesbaden	100.0	1,094	7
Fachkrankenhaus für Psychiatrie und Neurologie Hildburghausen GmbH, Hildburghausen	100.0	30,293	5,309
Frankenwaldklinik Kronach GmbH, Kronach	94.9	17,123	-3,997
Haus Saaletal GmbH, Bad Neustadt a. d. Saale	100.0	170	60
Heinz Kalk-Krankenhaus GmbH, Bad Kissingen	100.0	3,901	3,782
Herz- und Gefäß-Klinik GmbH, Bad Neustadt a. d. Saale	100.0	7,928	0
Herzzentrum Leipzig GmbH, Leipzig	100.0	22,500	15,899
Klinik "Haus Franken" GmbH, Bad Neustadt a. d. Saale	100.0	578	71
Klinik für Herzchirurgie Karlsruhe GmbH, Karlsruhe	100.0	13,618	6,708
Klinik Kipfenberg GmbH Neurochirurgie und Neurologische Fachklinik, Kipfenberg	100.0	4,700	1,598
Klinik Herzberg und Osterode GmbH, Herzberg am Harz	100.0	16,002	1,119
Kliniken Miltenberg-Erlenbach GmbH, Erlenbach	100.0	8,741	1,425
Kliniken München Pasing und Perlach GmbH, Munich	100.0	30,494	3,261
Kliniken Uelzen und Bad Bevensen GmbH, Uelzen	100.0	28,889	1,785
Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder)	100.0	89,434	5,576
Klinikum Hildesheim GmbH, Hildesheim	100.0	7,046	2,813
Klinikum Meiningen GmbH, Meiningen	100.0	18,684	10,625
Klinikum Pforzheim GmbH, Pforzheim	94.9	44,659	3,176
Klinikum Pirna GmbH, Pirna	100.0	25,601	3,278
Klinikum Salzgitter GmbH, Salzgitter	94.9	22,336	2,009
Krankenhaus Cuxhaven GmbH, Cuxhaven	100.0	11,391	575
Krankenhaus Hammelburg GmbH, Hammelburg	94.9	4,383	417
Krankenhaus St. Barbara Attendorn GmbH, Attendorn	100.0	11,272	-572
Krankenhaus Waltershausen-Friedrichroda GmbH, Friedrichroda	100.0	18,271	2,047
Kreiskrankenhaus Gifhorn GmbH, Gifhorn	96.0	19,467	2,682
Mittelweser Kliniken GmbH Nienburg Hoya Stolzenau, Nienburg	100.0	22,297	-2,858
Neurologische Klinik GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale	100.0	2,484	1,276
Park-Krankenhaus Leipzig-Südost GmbH, Leipzig	100.0	9,214	1,472
Soteria Klinik Leipzig GmbH, Leipzig	100.0	3,337	1,183
Städtisches Krankenhaus Wittingen GmbH, Wittingen	96.0	863	-795
St. Elisabeth-Krankenhaus GmbH, Bad Kissingen	100.0	6,437	400
Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden	100.0	21,538	1,997
Universitätsklinikum Gießen und Marburg GmbH, Gießen	95.0	31,202	-7,475
Weißeritztal-Kliniken GmbH, Freital	100.0	32,295	2,899
Zentralklinik Bad Berka GmbH, Bad Berka	87.5	89,316	25,233

	Interest held	Shareholders' equity	Result for the year
	%	€ '000	€ '000
MVZ companies (Medical Care centres)			
MVZ Franken GmbH, Bad Neustadt a. d. Saale	100.0	130	-654
MVZ Management GmbH Attendorn, Attendorn	100.0	193	-1
MVZ Management GmbH Baden-Württemberg, Pforzheim	100.0	193	-1
MVZ Management GmbH Brandenburg, Frankfurt (Oder)	100.0	189	-1
MVZ Management GmbH Leipzig, Leipzig	100.0	191	-1
MVZ Management GmbH Niedersachsen, Nienburg	100.0	194	-1
MVZ Management GmbH Sächsische Schweiz, Pirna	100.0	136	-58
MVZ Management GmbH Thüringen, Bad Berka	100.0	198	-202
MVZ Management GmbH Weißeritzkreis, Freital	100.0	193	-1
MVZ Management GmbH Hessen, Wiesbaden	100.0	157	-31
MVZ Service Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	1,276	-354
MVZ Universitätsklinikum GmbH, Gießen	95.0	183	-27
MVZ Universitätsklinikum Marburg GmbH, Marburg	95.0	30	3

	Interest held	Shareholders' equity	Result for the year
	%	€ '000	€ '000
Property companies			
Altmühltalklinik-Leasing GmbH, Kipfenberg	51.0	4,317	514
BGL Grundbesitzverwaltungs GmbH, Bad Neustadt a. d. Saale	100.0	23,581	-622
GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH, Leipzig	100.0	332	69
Grundstücksgesellschaft Park Dösen GmbH, Leipzig	100.0	6,585	16
GTB Grundstücksgesellschaft mbH, Leipzig	100.0	36,906	1,108

	Interest held	Shareholders' equity	Result for the year
	%	€ '000	€ '000
Shelf companies/other companies			
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	74.9	75	8
Dienstleistungs- und Servicegesellschaft Kronach mbH, Kronach	94.9	53	10
ESB-Gemeinnützige Gesellschaft für berufliche Bildung mbH, Bad Neustadt a.d.Saale	100.0	1,703	-173
Gemeinnützige Gesellschaft zur Förderung der klinischen Forschung auf dem Gebiet der Humanmedizin und zur Betreuung von Patienten an den Universitäten Gießen und Marburg mbH, Gießen	100.0	81	36
Heilbad Bad Neustadt GmbH, Bad Neustadt a.d.Saale	100.0	1,868	360
incos Gesellschaft für Informations- und Kommunikationsmanagement mbH, St. Wolfgang	43.5	93	38
KDI Klinikservice GmbH, Dachau	74.9	78	-5
Kinderhort Salzburger Leite gGmbH, Bad Neustadt a.d.Saale	100.0	366	23
Klinik Feuerberg GmbH, Bad Neustadt a.d.Saale	100.0	34	-2
Krankenhaus Einrichtungs- und Ausstattungsverwaltungsgesellschaft mbH, Bad Kissingen	100.0	120	94
Krankenhausreinigungsgesellschaft Bad Kissingen mbH, Bad Kissingen	100.0	46	9
Kurverwaltung Bad Neustadt GmbH, Bad Neustadt a.d.Saale	60.0	69	23
Psychosomatische Klinik GmbH, Bad Neustadt a.d.Saale	100.0	14	-4
RK-Bauträger GmbH, Bad Neustadt a.d.Saale	100.0	160	-31
RK Klinik Betriebs GmbH Nr. 11, Bad Neustadt a.d.Saale	100.0	110	-10
RK Klinik Betriebs GmbH Nr. 16, Bad Neustadt a.d.Saale	100.0	33	-2
RK Klinik Betriebs GmbH Nr. 19, Bad Neustadt a.d.Saale	100.0	42	-2
RK Klinik Betriebs GmbH Nr. 20, Bad Neustadt a.d.Saale	100.0	42	-3
RK Klinik Betriebs GmbH Nr. 21, Bad Neustadt a.d.Saale	100.0	42	-2
RK Klinik Betriebs GmbH Nr. 22, Bad Neustadt a.d.Saale	100.0	46	-5
RK Klinik Betriebs GmbH Nr. 23, Bad Neustadt a.d.Saale	100.0	46	-5
RK Klinik Betriebs GmbH Nr. 24, Bad Neustadt a.d.Saale	100.0	46	-5
RK Klinik Betriebs GmbH Nr. 25, Bad Neustadt a.d.Saale	100.0	46	-5
RK Klinik Betriebs GmbH Nr. 26, Bad Neustadt a.d.Saale	100.0	46	-5
RK Klinik Betriebs GmbH Nr. 27, Bad Neustadt a.d.Saale	100.0	46	-5
RK Klinik Betriebs GmbH Nr. 28, Bad Neustadt a.d.Saale	100.0	46	-5
RK Klinik Betriebs GmbH Nr. 29, Bad Neustadt a.d.Saale	100.0	46	-5
RK Klinik Betriebs GmbH Nr. 30, Bad Neustadt a.d.Saale	100.0	46	-5
RK Klinik Betriebs GmbH Nr. 31, Bad Neustadt a.d.Saale	100.0	46	-5
SGHi-Service Gesellschaft Hildesheim mbH, Hildesheim	51.0	197	85
UKG Dienstleistungsgesellschaft GmbH Gießen, Gießen	48.5	345	134
UKM Service GmbH, Marburg	48.5	221	69
Wolfgang Schaffer GmbH, Bad Neustadt a.d.Saale	100.0	522	9

9.2 Companies not included in the consolidated financial statements

	Interest held	Shareholders' equity	Result for the year
	%	€ '000	€ '000
Hospiz Mittelhessen gGmbH, Wetzlar ¹	15.9	190	59
Imaging Service AG, Niederpöcking ¹	18.8	297	55
IVM GmbH Gesellschaft für integrative Versorgung in der Medizin, Gießen	48.5	60	-14
miCura Pflegedienste Dachau GmbH, Dachau ¹	36.7	-16	-116
Seniorenpflegeheim GmbH Bad Neustadt a.d.Saale, Bad Neustadt a.d.Saale	25.0	-916	-235
Soemmering GmbH, Bad Nauheim	31.7	-52	-39

¹ according to the financial statements for the period ending 31 Dec. 2005

10 OTHER INFORMATION

10.1 Annual average number of employees

	2006	2005	Changes	
	Number ¹	Number ¹	Number ¹	%
Medical services	2,805	2,668	137	5.1
Nursing services	10,190	8,276	1,914	23.1
Medical-technical services	4,266	2,884	1,382	47.9
Functional	2,872	2,111	761	36.0
Supply and misc. services	2,572	1,269	1,303	102.6
Technical	568	377	191	50.7
Administrative	2,022	1,451	571	39.4
Other personnel	370	198	172	86.9
	25,665	19,234	6,431	33.4

¹ Headcount, excl. board members, managing directors, apprentices, trainees and persons working on alternative national service.

The rise in the number of employees stemmed mainly from the acquisitions of 2006.

10.2 Other financial obligations

	31 Dec. 2006	31 Dec. 2005
	€ million	€ million
Order commitments	36.1	27.3
Operating leases		
Maturity subsequent year	2.7	6.4
Maturity 2 to 5 years	3.1	0.0
Maturity after 5 years	1.0	0.0
Finance leases		
Maturity subsequent year	2.4	0.2
Maturity 2 to 5 years	4.2	0.0
Maturity after 5 years	0.1	0.0
Other		
Maturity subsequent year	61.2	52.1
Maturity 2 to 5 years	22.4	15.5
Maturity after 5 years	4.9	7.8

Other financial obligations result mainly from outsourcing contracts.

Company purchase agreements which have been completed and which are fully effective have resulted in purchase price and investment obligations totalling € 596 million (previous year: € 320.5 million); most of these obligations have to be settled within a period of up to 72 months. Company purchase agreements which have been completed and which are not yet fully effective will result in further current liabilities of € 10 million (previous year: € 7.5 million) when the agreements enter into force.

10.3 Leases within the Group

Leasing transactions are classified as finance leases or operating leases. Leasing transactions in which the Group acts as the lessee and bears all the major opportunities and risk associated with ownership are treated as finance leases. This is applicable particularly with regard to Universitätsklinikum Gießen und Marburg GmbH. Accordingly, the Group capitalises the assets at the present value of the minimum leasing payments of € 7.1 million, and subsequently depreciates the assets over the estimated economic useful life or the shorter term of the contract. At the same time a corresponding liability is shown; this is subsequently amortised and redeemed using the effective interest method. All other leases in which the Group acts as the lessee are treated as operating leases. In this case the payments are recognised as expense on a straight-line basis.

10.3.1 Obligations as lessee of operating leases

The Group rents medical equipment as well as residential and office space; these are classified as cancellable operating leases. Under these lease agreements the Group has a maximum termination notice of 12 months.

10.3.2 Obligations as lessee of finance leases

The Group mainly rents medical equipment within the framework of finance leases. In the hospitals consolidated up to 2005 the principle was for ownership to be always acquired in relation to operating assets. As a result of the acquisitions which took place in 2006, the Group took on finance leases which resulted in first time recognition under IFRS.

Liabilities from finance leases - minimum payments	2006	2005
	€ million	€ million
Maturity in subsequent year	2.4	0.0
Maturity 2 to 5 years	4.2	0.0
Maturity after 5 years	0.1	0.0
	6.7	0.0

Present value of liabilities from finance leases	2006	2005
	€ million	€ million
Maturity in subsequent year	2.3	0.0
Maturity 2 to 5 years	3.4	0.0
Maturity after 5 years	0.1	0.0
	5.8	0.0

10.3.3 Investment property

The Group lets residential space to employees, office and commercial space to third parties (e.g. cafeteria), as well as premises to doctors co-operating with the hospital and to joint laboratories as part of cancellable operating leases.

The most significant operating lease contracts by amount stem from the letting of property to third parties.

The largest item in absolute terms is the letting of a building to a nursing home operator. On the basis of income valuations we see no material differences between the fair value of the properties and the carrying amounts shown below:

	€ '000
Cost at 1 January 2005	4,946
Cumulative depreciation at 1 January 2005	277
Carrying amount at 1 January 2005	4,669
Depreciation in 2005	166
Carrying amount at 31 December 2005	4,503
Depreciation in 2006	165
Carrying amount at 31 December 2006	4,338

Depreciation is recognised on a straight-line basis over a useful life of 33 ¹/₃ years. Rental income of € 0.4 million (previous year: € 0.4 million) was received in 2006.

Other spaces let under operating leases are insignificant and dependent partial areas of building sections. We have therefore not shown them separately.

The minimum lease payments to be received in future (up to one year) are stated as € 1.1 million. The minimum lease payments for the period of up to five years are stated as € 2.1 million. The corresponding figure for the period in excess of five years is € 0.6 million.

10.4 Related parties

Companies in the RHÖN-KLINIKUM Group enter into transactions with related parties in certain cases. Such service or lease relations are arranged on an arm's length basis.

Members of the Supervisory Board of RHÖN-KLINIKUM AG or companies and entities related to them, have provided the following services subject to arms' length conditions:

Related party	Companies as defined by IAS	Nature of service	€ '000
Professor Dr. Gerhard Ehninger	AgenDix - Applied Genetic Diagnostics - Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	162.2
	DKMS - Deutsche Knochenmarkspenderdatei gemeinnützige Ges. mbH, Tübingen	Transplants/removals	253.7

These expenses are shown under other operating expenses in the income statement, and resultant open items are shown under accounts payable.

The employee representatives on the Supervisory Board employed at RHÖN-KLINIKUM AG or its subsidiaries received the following compensation within the scope of their employment contracts last year:

	Fixed	Performance-linked	Total
	€ '000	€ '000	€ '000
Dr. Bernhard Aisch	67	0	67
Gisela Ballauf	32	0	32
Bernd Becker	29	5	34
Helmut Bühner	41	3	44
Ursula Harres	37	2	39
Werner Prange	47	2	49
Joachim Schaar	45	31	76
	298	43	341

In addition, the Group paid employers statutory social insurance contributions totalling € 73 thousand. The above costs are shown under personnel expenses in the income statement.

10.5 Total remuneration of the Supervisory Board, the Board of Management and Advisory Board

	2006	2005
	€ '000	€ '000
Remuneration of the Supervisory Board	1,347	1,061
Remuneration of the Board of Management	7,225	8,508
Remuneration of the Advisory Board	18	22

No loans were granted to members of the Supervisory Board, the Board of Management, or the Advisory Board. The members of the Board of Management and the members of the Supervisory Board – except the chairman of the Supervisory Board, Mr. Eugen Münch – together have a shareholding interest in RHÖN-KLINIKUM AG which does not exceed 1% of total equity capital. The family of the chairman of the Supervisory Board, Mr. Eugen Münch, holds 16.16% of the shares of RHÖN-KLINIKUM AG.

In the period under review there was one notifiable transaction pursuant to Section 15a WpHG of members of the Board of Management and of the Supervisory Board (directors' dealings) at RHÖN-KLINIKUM AG. This transaction concerned the purchase by our Supervisory Board member Dr. Brigitte Mohn of 1,000 ordinary shares on 17 May 2006 at a price of € 36.795 with a total volume of € 36,795.

Details of the remuneration for Supervisory Board members are given in the table below:

Expenses for members of the Supervisory Board	Performance-linked		Total 2006	Total 2005
	Fixed			
	€ '000	€ '000	€ '000	€ '000
Eugen Münch	38	134	172	41
Wolfgang Mündel	28	126	154	187
Bernd Becker	25	90	115	126
Dr. Bernhard Aisch	11	31	42	0
Gisela Ballauf	11	31	42	0
Sylvia Bühler	11	31	42	0
Helmut Bühner	11	31	42	48
Ursula Derwein (up to 31 December 2005)	0	0	0	48
Prof. Dr. Gerhard Ehninger	10	29	39	48
Ursula Harres	12	42	54	48
Caspar von Hauenschild	14	63	77	0
Detlef Klimpe	14	63	77	55
Dr. Heinz Korte	14	63	77	0
Professor Dr. Dr. sc. (Harvard) Karl W. Lauterbach	9	20	29	44
Joachim Lüddecke	12	42	54	0
Michael Mendel	14	61	75	86
Dr. Brigitte Mohn	9	26	35	48
Anneliese Noe (up to 31 December 2005)	0	0	0	48
Timothy Plaut	8	24	32	48
Werner Prange	14	54	68	48
Dr. Friedrich Wilhelm Graf von Rittberg (up to 31 August 2005)	0	0	0	27
Joachim Schaar	11	33	44	48
Michael Wendl	14	63	77	63
	290	1,057	1,347	1,061

The aggregate remuneration of the Board of Management breaks down as follows:

	Performance-linked		Increase in severance claims	Total 2006	Total 2005
	Fixed				
	€ '000	€ '000	€ '000	€ '000	€ '000
Andrea Aulkemeyer	201	597	83	881	580
Heinz Falszewski (up to 31 March 2006)	43	90	0	133	478
Wolfgang Kunz	181	485	76	742	572
Joachim Manz	0	0	0	0	896
Gerald Meder	288	1,559	244	2,091	1,501
Eugen Münch	0	0	0	0	1,932
Dietmar Pawlik	175	358	49	582	0
Wolfgang Pföhler	392	1,641	181	2,214	1,188
Dr. Brunhilde Seidel-Kwem	175	358	49	582	0
Manfred Wiehl	0	0	0	0	1,361
	1,455	5,088	682	7,225	8,508

On termination of their service contracts, the board members receive severance compensation when certain conditions are met. This compensation amounts to 12.5% of the annual remuneration owed on the date of termination of the service contract for each full year (12 full calendar months) of service as a member of the Board of Management, but not

exceeding 1.5 times such latter remuneration. For such post-termination entitlements of the members of the Board of Management, the following provisions have been formed for severance compensation:

	Provision as at 31 Dec. 2006	Provisions as at 31 Dec. 2005	Nominal amount of compensation ¹
	€ '000	€ '000	€ '000
Andrea Aulkemeyer	306	223	985
Heinz Falszewski (up to 31 March 2006)	0	64	0
Wolfgang Kunz	264	188	985
Joachim Manz	0	870	0
Gerald Meder	1,492	1,248	2,782
Eugen Münch	0	3,570	0
Dietmar Pawlik	49	0	328
Wolfgang Pföhler	288	107	1,264
Dr. Brunhilde Seidel-Kwem	49	0	328
Manfred Wiehl	0	1,724	0
	2,448	7,994	6,672

¹ Claim according to ordinary expiry of service contract based on remuneration of the past financial year.

The Group does not have any long-term incentive plans (e.g. stock options) for executives.

The members of the Board of Management each hold less than 1% of the shares of RHÖN-KLINIKUM AG. The entire interest held by these Board members in shares issued by the company is also less than 1%. The entire shareholding of all members of the Supervisory Board – except Mr. Eugen Münch – amounts to less than 1% of the shares in issue. There are no options or other derivatives. The family of the chairman of the Supervisory Board, Mr. Eugen Münch, holds 16.16% of the shares of RHÖN-KLINIKUM AG.

Last year, the total emoluments of the former members of the Board of the Management amounted to € 6,164 thousand. It was not necessary for provisions to be created for current pensions and entitlements to pensions for former members of the executive bodies or their surviving dependants.

10.6 Statement of compliance with the German Corporate Governance Code

By joint resolutions of the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG of 8 November 2006, the company made the corresponding declarations pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the application of the German Corporate Governance Code in financial year 2006. These have been published on the homepage of RHÖN-KLINIKUM AG and thus made available to the general public.

10.7 Disclosure of the fees recognised as expenses (incl. reimbursement of outlays and VAT) for the statutory auditor of the consolidated financial statements

	2006
	€ '000
Audit of the annual financial statements	1,389
Other auditing or valuation services	304
Tax advice	331
Other services	66
	2,090

11 CORPORATE BODIES AND ADVISORY BOARD OF RHÖN-KLINIKUM AG

1. The Supervisory Board of RHÖN-KLINIKUM AG consists of the following:

EUGEN MÜNCH

Bad Neustadt a. d. Saale, Chairman
Also a member of the Supervisory Board of:
Universitätsklinikum Gießen und Marburg GmbH
(since 7 November 2006)

BERND BECKER (NÉ HÄRING)

Leipzig, 1st Deputy Chairman
Nurse, economist (VWA)

WOLFGANG MÜNDEL

Kehl, 2nd Deputy Chairman
Auditor and tax advisor
Other mandate: Jean d'Arce Cosmétique GmbH & Co. KG, Kehl
(Chairman of the Advisory Board)

DR. BERNHARD AISCH

Hildesheim
Medical control officer

GISELA BALLAUF

Harsum
Children's nurse
Further Supervisory Board mandate: Klinikum Hildesheim GmbH,
Hildesheim (Deputy Chair)

SYLVIA BÜHLER

Düsseldorf
Regional Director and Secretary of ver.di

HELMUT BÜHNER

Bad Bocklet
Nurse

PROFESSOR DR. GERHARD EHNINGER

Dresden
Doctor
Further mandates: Universitätsklinikum Carl Gustav Carus Dresden
ÄoR, Dresden (Supervisory Board); DKMS Deutsche Knochenmark-
spenderdatei gemeinnützige Gesellschaft mbH, Tübingen (Chairman
of the Administrative Board); Stiftung Leben spenden (member of the
Board of Trustees), Universitätsklinikum Gießen und Marburg GmbH
(Supervisory Board)

URSULA HARRIS

Wiesbaden
Medical-technical assistant

CASPAR VON HAUENSCHILD

Munich
Management consultant
Also a member of the Supervisory Board of:
St. Gobain ISOVER AG, Ludwigshafen

DETLEF KLIMPE

Aachen
Commercial Director
Also a member of the Supervisory Board of:
Universitätsklinikum Gießen und Marburg GmbH
(since 7 November 2006)

DR. HEINZ KORTE

Munich
Notary
Also a member of the Supervisory Board of:
Universitätsklinikum Gießen und Marburg GmbH

PROFESSOR DR. DR. SC. (HARVARD)

KARL W. LAUTERBACH
Cologne
Member of the German Parliament

JOACHIM LÜDDECKE

Hanover
Regional Director and Secretary of ver.di
Also a member of the Supervisory Board of: Klinikum Region
Hannover (Deputy Chairman), member of the Mediation and
Executive Board Committee of this Supervisory Board

MICHAEL MENDEL

Munich
Also a member of the Supervisory Board of: Bank Austria Creditanstalt
AG, Vienna (Chairman) (up to 31 January 2006); German Incubator GI
Ventures AG, Munich; MAHAG Münchner Automobil-Handel Haberl
GmbH & Co. KG, Munich (up to 28 February 2006); Aveco AG

DR. BRIGITTE MOHN

Gütersloh
Member of the Board of Management of Bertelsmann
Stiftung
Other mandates: Stiftung Deutsche Schlaganfall-Hilfe (CEO);
Mediclin AG (member of the Advisory Board)

TIMOTHY PLAUT

London
Investment banker

WERNER PRANGE

Osterode
Nurse

JOACHIM SCHAAR

Wasungen
Administrative Director

MICHAEL WENDL

Munich
Secretary of ver.di, regional directorate, Bavaria
Other mandates: Städtisches Klinikum München GmbH (Supervisory
Board); Zusatzversorgungskasse Bayer. Gemeinden (Advisory Board)

**2. The Board of Management of
RHÖN-KLINIKUM AG consists
of the following persons:**

WOLFGANG PFÖHLER

business address in Bad Neustadt a.d.Saale
Chairman of the Board of Management
also temporarily responsible for the region of North-
Eastern Germany (Berlin, Brandenburg, Mecklenburg-
Western Pomerania, Saxony, Saxony-Anhalt).

*Other mandates: Deutsche Krankenhausgesellschaft e.V., 1st Vice
President; Baden-Württembergische Bank AG (Advisory Board);
Zentralinstitut für Seelische Gesundheit, Stiftung ö.R. Mannheim
(Advisory Board) (up to 19 May 2006); Stiftung Deutsche Klinik für
Diagnostik GmbH, Wiesbaden (Supervisory Board); gemeinnützige
Diakoniekrankenhaus Mannheim GmbH (Deputy Chairman of the
Supervisory Board); gemeinnützige Heinrich-Lanz-Stiftung,
Mannheim (Chairman of the Supervisory Board)*

GERALD MEDER

business address in Bad Neustadt a.d.Saale
Deputy Chairman of the Board of Management,
director for Hesse, human resources director
(on a temporary basis)

*Also a member of the Supervisory Board of: Stiftung Deutsche Klinik
für Diagnostik GmbH, Wiesbaden (Chairman); Amper Kliniken AG,
Dachau (Chairman)*

ANDREA AULKEMEYER

business address in Bad Neustadt a.d.Saale
Human Resources Director AG, South Germany, Thuringia

HEINZ FALSZEWSKI

business address in Bad Neustadt a.d.Saale
deputy member of the Board of Management,
Human Resources AG and Group, works director
(up to 31 March 2006)

WOLFGANG KUNZ

business address in Bad Neustadt a.d.Saale
Company and Group Accounting

DIETMAR PAWLIK

business address in Bad Neustadt a.d.Saale
Deputy member of the Board of Management
(since 1 Jan. 2006), Finance, Investor Relations, Group IT
*Also a member of the Supervisory Board of: Amper Kliniken AG,
Dachau*

DR. BRUNHILDE SEIDEL-KWEM

business address in Hamburg
deputy member of the Board of Management
(since 1 January 2006), regional division Western and
Northern Germany (Bremen, Hamburg, Lower Saxony,
North-Rhine Westphalia, Schleswig-Holstein),
*Also a member of the Supervisory Board of: Klinikum Hildesheim
GmbH, Hildesheim; Klinikum Salzgitter GmbH, Salzgitter*

3. Advisory Board of RHÖN-KLINIKUM AG

WOLF-PETER HENTSCHEL

Bayreuth (Chairman)

HEINZ DOLLINGER

Dittelbrunn (since 29 March 2006)

PROFESSOR DR. ROBERT HACKER

Bad Neustadt a.d.Saale

MINISTERIALRAT A.D. HELMUT MEINHOLD

Heppenheim

PROFESSOR DR. MICHAEL-J. POLONIUS

Dortmund

HELMUT REUBELT

Dortmund

DR. KARL GUSTAV WERNER

Düsseldorf

FRANZ WIDERA

Duisburg

PROFESSOR DR. DR. H.C. KLAUS D. WOLFF

Bayreuth

Bad Neustadt a.d.Saale, 2 March 2007

The Board of Management

Andrea Aulkemeyer

Wolfgang Kunz

Gerald Meder

Dietmar Pawlik

Wolfgang Pföhler

Dr. Brunhilde Seidel-Kwem

Auditor's report

Based on the result of our audit, we have issued the following unqualified auditor's report dated 2 March 2007:

“Auditor's report

We have audited the consolidated financial statements prepared by RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a.d.Saale, comprising the consolidated balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and the notes to the consolidated financial statements together with the Group management report, for the financial year ended 31 December 2006. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRS as adopted by the EU and the additional requirements of section 315a (1) HGB of the German Commercial Code (Handelsgesetzbuch – HGB) is the responsibility of the Board of Management of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit. We were also instructed to give an opinion on whether the consolidated financial statements also comply with the IFRS as a whole.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted accounting standard for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) as well as the International Standards on Auditing (ISA). The standards require an audit to be planned and performed in such a way that misstatements having a material impact on the view of the assets, financial and earnings position as presented by the consolidated financial statements in compliance with the applicable accounting principles and by the Group management report are identified with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of the audit procedures. We have examined, primarily on a test basis, the effectiveness of the accounting-related internal control system as well as evidence supporting the disclosures in the consolidated financial statements and management report. Our audit also included an assessment of the annual financial statements of those companies included in the scope of consolidation, the determination of the companies included in the scope of consolidation, the accounting and consolidation principles applied and significant estimates made by the Board of Management, as well as an evaluation of the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not given rise to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRS as adopted in the EU, the additional requirements of section 315a (1) HGB, as well as the IFRS as a whole, and give a true and fair view of the asset, financial and earnings position of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and presents a true and fair view of the Group's overall position and the potential risks and rewards for its future development.”

Frankfurt am Main, 2 March 2007

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Schmidt)
Wirtschaftsprüfer

(Burkhart)
Wirtschaftsprüfer



Balance Sheet and Income Statement

Balance Sheet

ASSETS	31 Dec.	31 Dec.
	2006	2005
	€ million	€ million
Intangible assets	1.3	0.8
Tangible assets	40.0	27.1
Financial assets	850.3	624.3
Fixed assets	891.6	652.2
Inventories	3.3	2.6
Receivables and other assets	101.0	79.6
Securities, cash and cash equivalents	2.6	13.3
Current assets	106.9	95.5
Prepaid expenses	3.1	0.5
	1,001.6	748.2

EQUITY AND LIABILITIES	31 Dec.	31 Dec.
	2006	2005
	€ million	€ million
Subscribed capital	51.8	51.8
Capital reserve	37.6	37.6
Retained earnings	287.1	243.4
Net distributable profit	37.3	29.8
Equity	413.8	362.6
Tax provisions	2.5	0
Other provisions	31.0	34.1
Provisions	33.5	34.1
Liabilities	554.3	351.5
	1,001.6	748.2

Income Statement

	2006	2005
	€ million	€ million
Revenues	129.2	123.6
Changes in services	-0.1	0.4
Other operating income in progress	13.8	12.0
Cost of materials	34.9	33.7
Personnel costs	69.7	66.7
Depreciation	5.4	4.0
Other operating expenses	34.9	31.4
Operating result	-2.0	0.2
Investment result	74.4	71.2
Financial result	-16.8	-9.8
Earnings from ordinary operations	55.6	61.6
Taxes	-19.0	2.1
Net profit for the year	74.6	59.5
Allocation to retained earnings	37.3	29.7
Net distributable profit	37.3	29.8

The annual financial statements of RHÖN-KLINIKUM AG, which have been audited and certified by PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, will be published in the Federal Gazette (Bundesanzeiger) and deposited with the Commercial Register of the Local Court of Schweinfurt.

Should you wish to receive a full copy, please write to RHÖN-KLINIKUM AG.

Proposed appropriation of profit

The annual financial statements of RHÖN-KLINIKUM AG for the year ended 31 December 2006, which have been prepared by the Board of Management, approved by the Supervisory Board and thus adopted as final, show a net distributable profit of € 37,306,205.20. The Board of Management will propose to shareholders at the forthcoming annual general meeting that this profit be appropriated as follows:

	€
Distribution of a dividend of € 0.50 per ordinary share	25,920,000.00
Allocation to other retained earnings	11,386,205.20
Net distributable profit	37,306,205.20

Bad Neustadt a. d. Saale, 7 February 2007

RHÖN-KLINIKUM Aktiengesellschaft
The Board of Management

Andrea Aulkemeyer

Wolfgang Kunz

Gerald Meder

Dietmar Pawlik

Wolfgang Pföhler

Dr. Brunhilde Seidel-Kwem

Milestones

Updated on 5 February 2007



1970

Establishment of the Kurbetriebs- und Verwaltungsgesellschaft m.b.H., predecessor of RHÖN-KLINIKUM GmbH

1973

Takeover of management of Kur- und Therapiezentrum Bad Neustadt a.d.Saale comprising 1,500 condominium units as a rehabilitation centre

1975

Opening of psychosomatic hospital Psychosomatische Klinik Bad Neustadt a.d.Saale

1977

Development of a training concept for ethnic German immigrants in partnership with a non-profit associated company providing room and board

1984

Opening of the cardiovascular hospital Herz- und Gefäß-Klinik Bad Neustadt a.d.Saale

1988

Inception of RHÖN-KLINIKUM AG with an initial capital of DM 10 million (€ 5.11 million), through conversion of the share capital of RHÖN-KLINIKUM GmbH (limited liability company) into ordinary share capital. Resolution on approved capital

1989

Increase in share capital of RHÖN-KLINIKUM AG by DM 5 million (€ 2.56 million) to DM 15 million through issuance of 100,000 non-voting preference shares

Takeover of majority of condominium rights; on 27 November 1989 IPO of first German hospitals group: listing of preference shares for official trading on the stock exchanges in Munich and Frankfurt am Main

Takeover of 50% of the shares of DKD – Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden

Takeover of all shares of Heilbad Bad Neustadt GmbH & Co. Sol- und Moorbad

1991

Opening of neurological hospital Neurologische Klinik Bad Neustadt a.d.Saale

Founding and takeover of 75% of shares in Zentralklinik Bad Berka GmbH, Bad Berka

Listing of the ordinary shares and placement of 25% of ordinary shares

Increase in the share capital of RHÖN-KLINIKUM AG against cash contributions from DM 15 million (€ 7.67 million) by DM 15 million (€ 7.67 million) to DM 30 million (€ 15.34 million); admission of all ordinary and preference shares to the stock exchanges in Munich and Frankfurt am Main

Commissioning of the extension of Herz- und Gefäß-Klinik Bad Neustadt a.d.Saale

1992

Opening of the hand surgery clinic Klinik für Handchirurgie in Bad Neustadt a.d.Saale

1993

Opening of a specialist centre for addictive diseases as temporary solution until the opening of a planned new facility (opened in January 1997)

Opening of specialist hospital for neurology Neurologische Klinik in Kipfenberg

Increase in the share capital of RHÖN-KLINIKUM AG against cash contributions from DM 30 million (€ 15.34 million) by DM 6 million (€ 3.07 million) to DM 36 million (€ 18.41 million)

1994

Opening of operative and intensive care centre of Zentralklinik Bad Berka with 14 operating rooms and 88 intensive care beds

Opening of Herzzentrum Leipzig with the status of a university hospital

1995

Opening of Klinikum Meiningen, with 532 beds

Opening of replacement bed facility of Zentralklinik Bad Berka with 488 beds

Opening of heart surgery clinic Klinik für Herzchirurgie in Karlsruhe with 65 beds

Reduction in nominal value of RHÖN-KLINIKUM shares from DM 50.00 to DM 5.00

Increase in the share capital of RHÖN-KLINIKUM AG against cash contribution from DM 36 million (€ 18.41 million) by DM 7.2 million (€ 3.68 million) to DM 43.2 million (€ 22.09 million)

1996

Takeover of a further 50% of the shares of DKD – Stiftung Deutsche Klinik für Diagnostik in Wiesbaden, making us sole shareholder

Commissioning of reconstructed central facility of Zentralklinik Bad Berka

1997

Opening of Soteria Klinik in Leipzig-Probstheida

Takeover of Krankenhaus Waltershausen-Friedrichroda with 248 beds

1998

Takeover of Kliniken Herzberg und Osterode with 279 beds

Opening of west wing of Zentralklinik Bad Berka including centre for paraplegia (66 beds), central diagnostics, PET and low-care ward

Commissioning of vascular centre at Herz- und Gefäß-Klinik Bad Neustadt

1999

Takeover of Kreiskrankenhaus Freital (near Dresden) with 301 beds

Opening of world's first robot-assisted operation wing in Herzzentrum Leipzig-Universitätsklinik



Takeover of Städtische Klinik Leipzig Süd-Ost (Park-Krankenhaus) with 526 beds

Takeover of Städtisches Krankenhaus St. Barbara Attendorn GmbH with 297 beds

Increase in share capital of RHÖN-KLINIKUM AG from own funds to € 25.92 million as well as 1:3 stock split

2000

Takeover of Kreiskrankenhaus Uelzen and Hamburgisches Krankenhaus Bad Bevensen with 410 beds

Takeover of Krankenhaus in Dippoldiswalde (near Freital and Dresden) with 142 beds

2001

Commissioning of extension of Kliniken Herzberg und Osterode GmbH/amalgamation of Herzberg and Osterode locations

2002

Takeover of hospitals in Nienburg/Weser, Hoya and Stolzenau with a total of 388 beds

Takeover of Klinikum Frankfurt (Oder) with 910 beds

Takeover of Fachkrankenhaus für Psychiatrie und Neurologie Hildburghausen with 405 beds

Takeover of Aukamm Klinik für operative Rheumatologie und Orthopädie in Wiesbaden with 63 beds

Takeover of Klinikum Pirna (near Dresden) with 342 beds

2003

Takeover of Johanniter-Krankenhaus in Dohna-Heidenau (near Pirna, today amalgamated with Pirna) with 142 beds

Opening of new facility of Kliniken Uelzen und Bad Bevensen GmbH/amalgamation of Uelzen and Bad Bevensen locations

Takeover of 12.5% interest of Free State of Thuringia in Zentralklinik Bad Berka GmbH

Takeover of Stadtkrankenhaus Cuxhaven with 270 beds

2004

Takeover of Carl von Heß-Krankenhaus in Hammelburg with 130 beds

Takeover of St. Elisabeth-Krankenhaus in Bad Kissingen with 196 beds

Opening of new facility for neurology, child and youth psychiatry, extension of adult psychiatry – at Fachkrankenhaus in Hildburghausen

Commissioning of extension and refurbishment at St. Barbara Krankenhaus in Attendorn

Takeover of Stadtkrankenhaus in Pforzheim with 602 beds

2005

Takeover of Stadtkrankenhaus in Hildesheim with 570 beds

Takeover of Kreiskrankenhaus in Gifhorn with 360 beds (interest of 95%)

Takeover of Städtisches Krankenhaus in Wittlingen with 71 beds (interest of 95%)

Takeover of Kreiskrankenhaus in München-Pasing with 442 beds

Takeover of Kreiskrankenhaus in München-Perlach with 180 beds

Takeover of Klinikum in Dachau with 443 beds (interest of 74.9%)

Takeover of Klinik Indersdorf with 50 beds (interest of 74.9%)

Takeover of Kreiskrankenhaus in Salzgitter-Lebenstedt with 258 beds (interest of 94.9%)

Takeover of Kreiskrankenhaus in Salzgitter-Bad with 192 beds (interest of 94.9%)

Takeover of Kreiskrankenhaus in Erlenbach with 220 beds

Takeover of Kreiskrankenhaus in Miltenberg with 140 beds

Capital increase from company funds from 25,920,000 shares to 51,840,000 shares

Conversion of preference shares into ordinary shares

Opening of the first two teleportal clinics: in Dippoldiswalde (refurbishment and extension) and Stolzenau (new construction)

Takeover of 25.27% interest of Free State of Thuringia in Fachkrankenhaus für Psychiatrie und Neurologie in Hildburghausen GmbH

2006

Takeover of Frankwaldklinik in Kronach with 282 beds

Takeover of Heinz Kalk-Krankenhaus in Bad Kissingen with 86 beds

Takeover of Universitätsklinikum Gießen und Marburg GmbH with 2,262 beds (interest of 95%)

Opening of new building for forensic unit at Fachkrankenhaus Hildburghausen

Opening of new building in Nienburg/Weser

2007

Takeover of Kreiskrankenhaus in Köthen with 264 beds

Opening of new hospital building in Pirna

The addresses of RHÖN-KLINIKUM AG

BADEN-WUERTTEMBERG

Klinik für Herzchirurgie Karlsruhe GmbH

Franz-Lust-Straße 30
76185 Karlsruhe
Phone: +49 721 9738-0
Fax: +49 721 9738-111
gf@herzchirurgie-karlsruhe.de

Klinikum Pforzheim GmbH

Kanzlerstraße 2-6
75175 Pforzheim
Phone: +49 7231 969-0
Fax: +49 7231 969-2417
gf@klinikum-pforzheim.de

BAVARIA

Heinz Kalk-Krankenhaus GmbH

Am Gradierbau 3
97688 Bad Kissingen
Phone: +49 971 8023-0
Fax: +49 971 8023-555
info@heinz-kalk.de

St. Elisabeth-Krankenhaus GmbH Bad Kissingen

Kissingener Straße 150
97688 Bad Kissingen
Phone: +49 971 805-0
Fax: +49 971 805-281
info@elisabeth-online.de

Herz- und Gefäß-Klinik GmbH

Salzburger Leite 1
97616 Bad Neustadt a.d.Saale
Phone: +49 9771 66-0
Fax: +49 9771 65-1221
gf@herzchirurgie.de

Klinik für Handchirurgie der Herz- und Gefäß-Klinik GmbH

Salzburger Leite 1
97616 Bad Neustadt a.d.Saale
Phone: +49 9771 66-0
Fax: +49 9771 65-1221
gf@handchirurgie.de

Klinik "Haus Franken" GmbH

Salzburger Leite 1
97616 Bad Neustadt a.d.Saale
Phone: +49 9771 67-04
Fax: +49 9771 67-3300
fk@frankenlinik-bad-neustadt.de

Haus Saaletal GmbH

Salzburgweg 7
97616 Bad Neustadt a.d.Saale
Phone: +49 9771 905-0
Fax: +49 9771 905-4610
stk@saaletalklinik-bad-neustadt.de

Neurologische Klinik GmbH Bad Neustadt

Von-Guttenberg-Straße 10
97616 Bad Neustadt a.d.Saale
Phone: +49 9771 908-0
Fax: +49 9771 991464
gf@neurologie-bad-neustadt.de

Psychosomatische Klinik

Salzburger Leite 1
97616 Bad Neustadt a.d.Saale
Phone: +49 9771 67-01
Fax: +49 9771 65-9301
psk@psychosomatische-klinik-bad-neustadt.de

Amper Kliniken AG

Krankenhausstraße 15
85221 Dachau
Phone: +49 8131 76-0
Fax: +49 8131 76-530
info@amperkliniken.de

– Dachau site

Krankenhausstraße 15
85221 Dachau
Phone: +49 8131 76-0
Fax: +49 8131 76-530
info@amperkliniken.de

– Indersdorf site

Maroldstraße 45
85229 Markt Indersdorf
Phone: +49 8136 939-0
Fax: +49 8136 939-444
info@amperkliniken.de

Kliniken

Miltenberg-Erlenbach GmbH

Krankenhausstraße 45
63906 Erlenbach am Main
Phone: +49 9372 700-0
Fax: +49 9372 700-1009
gf@krankenhaus-gmbh.de

– Erlenbach site

Krankenhausstraße 45
63906 Erlenbach am Main
Phone: +49 9372 700-0
Fax: +49 9372 700-1009
gf@krankenhaus-gmbh.de

– Miltenberg site

Fabrikstraße 10
63897 Miltenberg
Phone: +49 9371 500-0
Fax: +49 9371 500-209
gf@krankenhaus-gmbh.de

Krankenhaus Hammelburg GmbH

Ofenthaler Weg 20
97762 Hammelburg
Phone: +49 9732 900-0
Fax: +49 9732 900-113
gf@klinik-hammelburg.de

**Klinik Kipfenberg GmbH
Neurochirurgische und
Neurologische Fachklinik**

Kindinger Straße 13
85110 Kipfenberg
Phone: +49 8465 175-0
Fax: +49 8465 175 -111
gf@neurologie-kipfenberg.de

Frankenwaldklinik Kronach GmbH

Friesener Straße 41
96317 Kronach
Phone: +49 9261 59-0
Fax: +49 9261 59-6199
info@frankenwaldklinik.de

**Kliniken München Pasing
und Perlach GmbH**

Steinerweg 5
81241 Munich
Phone: +49 89 8892-0
Fax: +49 89 8892-2599
gf@kliniken-pasing-perlach.de

– Munich Pasing site

Steinerweg 5
81241 Munich
Phone: +49 89 8892-0
Fax: +49 89 8892-2599
gf@kliniken-pasing-perlach.de

– Munich Perlach site

Schmidbauerstraße 44
81737 Munich
Phone: +49 89 67802-1
Fax: +49 89 67802-434
gf@kliniken-pasing-perlach.de

BRANDENBURG**Klinikum Frankfurt (Oder) GmbH**

Müllroser Chaussee 7
15236 Frankfurt (Oder)
Phone: +49 335 548-0
Fax: +49 335 548-2003
gf@klinikumffo.de

HESSE**Universitätsklinikum Gießen und
Marburg GmbH**

Rudolf-Buchheim-Straße 8
35385 Gießen
Phone: +49 6421 28-66000
Fax: +49 6421 28-66002
gf@uniklinikum-giessen.de,
gf@med.uni-marburg.de
– **Gießen site**
Rudolf-Buchheim-Straße 8
35385 Gießen
Phone: +49 641 99-40100
Fax: +49 641 99-40109
kaufmaennischer.direktor@uniklini-
kum-giessen.de

– Marburg site

Baldingerstraße
35043 Marburg
Phone: +49 6421 28-66300
Fax: +49 6421 28-63370
kaufmdir@med.uni-marburg.de

**Aukamm Klinik für operative
Rheumatologie und Orthopädie
GmbH**

Leibnizstraße 21
65191 Wiesbaden
Phone: +49 611 572-0
Fax: +49 611 565681
gf@aukammklinik.de

**Stiftung Deutsche Klinik
für Diagnostik GmbH**

Aukammallee 33
65191 Wiesbaden
Phone: +49 611 577-0
Fax: +49 611 577-320
gf@dkd-wiesbaden.de

LOWER SAXONY**Krankenhaus Cuxhaven GmbH**

Altenwalder Chaussee 10
27474 Cuxhaven
Phone: +49 4721 78-0
Fax: +49 4721 78-1200
info@skh-cux.de

Kreiskrankenhaus Gifhorn GmbH

Bergstraße 30
38518 Gifhorn
Phone: +49 5371 87-0
Fax: +49 5371 87-1008
info@kkhgifhorn.de

**Kliniken Herzberg und Osterode
GmbH**

Dr.-Frössel-Allee
37412 Herzberg am Harz
Phone: +49 5521 866-0
Fax: +49 5521 5500
gf@klinik-herzberg.de

Klinikum Hildesheim GmbH

Weinberg 1
31134 Hildesheim
Phone: +49 5121 89-0
Fax: +49 5121 89-4110
gf@stk-hildesheim.de

Mittelweser Kliniken GmbH**Nienburg Hoya Stolzenau**

Ziegelkampstraße 39
31582 Nienburg a. d. Weser
Phone: +49 5021 9210-0
Fax: +49 5021 9210-7019
gf@mittelweser-kliniken.de

– Nienburg site

Ziegelkampstraße 39
31582 Nienburg a. d. Weser
Phone: +49 5021 9210-0
Fax: +49 5021 9210-7019
gf@mittelweser-kliniken.de

– Stolzenau site

Holzhäuser Weg 28
31592 Stolzenau
Phone: +49 5761 9007-0
Fax: +49 5021 809-119
gf@mittelweser-kliniken.de

Klinikum Salzgitter GmbH

Kattowitzer Straße 191
38226 Salzgitter
Phone: +49 5341 835-0
Fax: +49 5341 835-1515
gf@klinikum-salzgitter.de

– Salzgitter-Lebenstedt site

Kattowitzer Straße 191
38226 Salzgitter
Phone: +49 5341 835-0
Fax: +49 5341 835-1515
gf@klinikum-salzgitter.de

– Salzgitter-Bad site

Paracelsusstraße 1-9
38259 Salzgitter
Phone: +49 5341 835-4
Fax: +49 5341 835-1515
gf@klinikum-salzgitter.de

Kliniken**Uelzen und Bad Bevensen GmbH**

Hagenskamp 34
29525 Uelzen
Phone: +49 581 83-0
Fax: +49 581 83-1004
gf@klinikum-uelzen.de

Städtisches Krankenhaus

Wittingen GmbH
Gustav-Dobberkau-Straße 5
29378 Wittingen
Phone: +49 5831 22-0
Fax: +49 5831 22-99
geschaeftsfuehrer@krankenhaus-
wittingen.de

NORTH RHINE-WESTPHALIA**Krankenhaus St. Barbara**

Attendorn GmbH
Hoher Weg 9
57439 Attendorn
Phone: +49 2722 60-0
Fax: +49 2722 60-2430
gf@krankenhaus-attendorn.de

SAXONY**Weißeritztal-Kliniken GmbH**

Bürgerstraße 7
01705 Freital
Phone: +49 351 646-60
Fax: +49 351 646-7010
gf@weisseritztal-kliniken.de

– Freital site

Bürgerstraße 7
01705 Freital
Phone: +49 351 646-60
Fax: +49 351 646-7010
gf@weisseritztal-kliniken.de

– Dippoldiswalde site

Rabenauer Straße 9
01744 Dippoldiswalde
Phone: +49 3504 632-0
Fax: +49 3504 632-5010
gf@weisseritztal-kliniken.de

Herzzentrum Leipzig GmbH**– Universitätsklinik –**

Strümpellstraße 39
04289 Leipzig
Phone: +49 341 865-0
Fax: +49 341 865-1405
gf@herzzentrum-leipzig.de

Park-Krankenhaus

Leipzig-Südost GmbH
Strümpellstraße 41
04289 Leipzig
Phone: +49 341 864-0
Fax: +49 341 864-2108
gf@parkkrankenhaus-leipzig.de

Soteria Klinik Leipzig GmbH

Morawitzstraße 4
04289 Leipzig
Phone: +49 341 870-0
Fax: +49 341 870-3000
gf@soteria-klinik-leipzig.de

Klinikum Pirna GmbH

Struppener Straße 13
01796 Pirna
Phone: +49 3501 7118-0
Fax: +49 3501 7118-1211
gf@klinikum-pirna.de

SAXONY-ANHALT

Kreis Krankenhaus Köthen

Friederikenstraße 30
06366 Köthen
Phone: +49 3496 52-0
Fax: +49 3496 52-1101
koehler@kh-koethen.de

THURINGIA

Zentralklinik Bad Berka GmbH

Robert-Koch-Allee 9
99437 Bad Berka
Phone: +49 36458 50
Fax: +49 36458 42180
gf@zentralklinik-bad-berka.de

Krankenhaus Waltershausen- Friedrichroda GmbH

Reinhardsbrunner Straße 17
99894 Friedrichroda
Phone: +49 3623 350-0
Fax: +49 3623 350-630
gf@krankenhaus-waltershausen-
friedrichroda.de

Fachkrankenhaus für Psychiatrie und Neurologie Hildburghausen GmbH

Eisfelder Straße 41
98646 Hildburghausen
Phone: +49 3685 776-0
Fax: +49 3685 776-940
gf@fachkrankenhaus-
hildburghausen.de

Klinikum Meinigen GmbH

Bergstraße 3
98617 Meinigen
Phone: +49 3693 90-0
Fax: +49 3693 90-1234
gl@klinikum-meiningen.de

*For further information on our hospitals, visit our website
at www.rhoen-klinikum-ag.com under
the section "Hospitals".*

Financial Calendar 2007

Dates for RHÖN-KLINIKUM shareholders and financial analysts

14 February 2007	Publication of preliminary results for financial year 2006
19 April 2007	Press conference – presentation of 2006 results
3 May 2007	Publication of Q1 Interim Report
31 May 2007	Annual General Meeting 2007
9 August 2007	Publication of Q2 Interim Report
25 October 2007	Publication of Q3 Interim Report
8 November 2007	Analyst conference

The pictures of this Annual Report

In the previous years the themes pictured in the Annual Reports for the most part were devoted to reflecting various opinions, either of the Group's executives or employees regarding their work area and environment or of passers-by on privatisation in the hospital sector.

The pictures of this year's Annual Report look at the Group's "architectural" development by which challenges are met and future visions are successfully realised. The motto is "renewal, change, creative development and progress".

In 2006 the integration of Universitätsklinikum Gießen und Marburg GmbH, in which RHÖN-KLINIKUM AG acquired a majority interest from 1 February 2006, was an important subject of discussion throughout the Group. It marked the first time that the private hospital operator headquartered in the Rhön had wholly taken over a university hospital. For RHÖN-KLINIKUM Group, the consolidation of an entire university hospital also symbolises an ongoing orientation towards renewal and innovation. The work of the project groups, which is reported at length later on in this Annual Report, was swiftly taken up in order to meet the new requirements. The project groups decide on high investments not only in state-of-the-art medical technology but also in new buildings and the modernisation of existing buildings.

To convey some kind of impression of this renewal, the pictures presented in the main part of this Annual Report show a small selection both of photos of existing buildings and of architectural drawings.

But Gießen and Marburg are not the only construction sites. The photos following the Contents, on the inside cover page, picture the construction work on the new Mittelweser Kliniken facilities at the Nienburg site. After a construction time of 24 months, the new € 47 million building was officially inaugurated on 18 November 2006. This was followed one week later by the move of 154 patients into the new facilities, which proceeded smoothly in only six and a half hours.

The most recent inauguration of a new hospital building took place on 2 March 2007 in Pirna, with the move following on 10 March 2007. The section portraying the milestones for the year 2006 (see page 131) shows views of the completely new replacement building for the somatics unit of Klinikum Pirna. The € 52 million project with 312 beds was put into service after a construction time of 33 months.

The pictures of this Annual Report reflect RHÖN-KLINIKUM AG's ongoing innovation and development. Numerous projects have been taken on, completed or pursued over the past years. Moving ahead and renewal instead of stagnation, that is the goal being pursued.

RHÖN-KLINIKUM AG

Postal address:

D-97615 Bad Neustadt a.d. Saale

Visitors' address:

Salzburger Leite 1

D-97616 Bad Neustadt a.d. Saale

Phone: +49 (0) 9771-65-0

Fax: +49 (0) 9771-97467

Internet: <http://www.rhoen-klinikum-ag.com>

E-Mail: rka@rhoen-klinikum-ag.com

This Annual Report is also available in German and Spanish.

This Annual Report was printed on paper bleached without chlorine.