ANNUAL REPORT 2010

RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

CONTENTS

FINANCIAL CALENDAR 2011

DATES FOR RHÖN-KLINIKUM SHAREHOLDERS AND FINANCIAL ANALYSTS

10 February 2011	Preliminary results for financial year 2010
28 April 2011	Results Press Conference: publication of 2010 annual financial report
28 April 2011	Publication of interim report for the quarter ending 31 March 2011
8 June 2011	Annual General Meeting (Jahrhunderthalle Frankfurt)
4 August 2011	Publication of half-year financial report as at 30 June 2011
27 October 2011	Publication of interim report for the quarter ending 30 September 2011

DISCLAIMER

Any market, price or performance data provided herein are for information purposes only. Nothing contained in this Report is intended as, or constitutes, an offer to buy or sell or any solicitation of an offer to buy or sell any RHÖN-KLINIKUM shares. RHÖN-KLINIKUM AG believes that the information is accurate as of the date of this Report.

However, although the information has mainly been obtained from company sources and is deemed to be reliable, RHÖN-KLINIKUM AG does not guarantee or make any warranty regarding the accuracy, suitability or completeness of such information.

Any decision to invest in RHÖN-KLINIKUM shares should not be made solely on the basis of the information contained in this Report.

Additional information is available upon request.

KEY RATIOS Q1–Q4 2010

	Jan.–Dec. 2010 € '000	Oct.–Dec. 2010 € '000	July–Sept. 2010 € '000	April–June 2010 € '000	Jan.–March 2010 € '000
Revenues	2,550,384	647,022	640,446	638,691	624,225
Materials and consumables used	656,902	171,481	163,239	160,998	161,184
Employee benefits expense	1,513,848	375,764	381,746	381,579	374,759
Depreciation/amortisation and impairment	109,399	28,839	27,452	26,724	26,384
Net consolidated profit according to IFRS[1]	145,069	37,919	36,176	36,684	34,290
– Earnings attributable to RHÖN-KLINIKUM AG shareholders	139,693	36,706	34,949	34,838	33,200
– Earnings attributable to minority interests	5,376	1,213	1,227	1,846	1,090
Return on revenue (%)	5.7	5.9	5.7	5.7	5.5
EBT	173,852	43,345	43,525	44,897	42,085
EBIT	197,857	49,947	49,588	51,572	46,750
EBIT ratio (%)	7.8	7.7	7.7	8.1	7.5
EBITDA	307,256	78,786	77,040	78,296	73,134
EBITDA ratio (%)	12.0	12.2	12.0	12.3	11.7
Operating cash flow	255,889	67,179	64,398	63,466	60,846
Property, plant and equipment as well as investment property	1,832,361	1,832,361	1,744,047	1,694,834	1,624,476
Non-current income tax claims	13,616	13,616	15,292	17,501	17,354
Equity according to IFRS[1]	1,495,195	1,495,195	1,450,123	1,416,336	1,428,831
Return on equity (%)	9.9	10.3	10.1	10.3	9.6
Balance sheet total according to IFRS[1]	3,058,244	3,058,244	2,965,618	2,925,044	2,920,457
Investments[2]					
– in goodwill, in other intangible assets, as well as in property, plant and equipment and in investment property	348,428	124,292	79,478	97,848	46,810
– in other assets	178	107	63	0	8
Earnings per ordinary share (€)	1.01	0.27	0.25	0.25	0.24
Number of employees (headcount)	38,058	38,058	37,688	37,058	36,915
Case numbers (patients treated)	2,041,782	507,494	510,443	514,052	509,793
Beds and places	15,900	15,900	15,900	15,728	15,723

[1] *International Financial Reporting Standards*

[2] *from own funds*

KEY RATIOS 2006–2010

	2006 € '000	2007 € '000	2008 € '000	2009 € '000	2010 € '000
Revenues	1,933,043	2,024,754	2,130,277	2,320,089	2,550,384
Materials and consumables used	491,890	496,517	539,863	595,203	656,902
Employee benefits expense	1,127,840	1,203,979	1,270,593	1,379,245	1,513,848
Depreciation/amortisation and impairment	75,033	91,772	90,680	101,996	109,399
Net consolidated profit according to IFRS[1]	109,059	111,194	122,644	131,652	145,069
– Earnings attributable to RHÖN-KLINIKUM AG shareholders	105,200	106,292	117,299	125,721	139,693
– Earnings attributable to minority interests	3,859	4,902	5,345	5,931	5,376
EBT	125,706	137,085	142,912	158,709	173,852
EBIT	146,143	157,490	172,077	181,998	197,857
EBITDA	221,176	249,262	262,757	283,994	307,256
Operating cash flow	165,020	190,975	213,745	238,286	255,889
Property, plant and equipment as well as investment property	1,140,290	1,209,442	1,391,019	1,604,930	1,832,361
Income tax receivables	19,055	20,577	18,776	17,149	13,616
Other financial assets	1,436	1,556	2,308	1,788	1,724
Equity according to IFRS[1]	728,741	810,831	889,263	1,422,939	1,495,195
Return on equity (%)	15.9	14.4	14.4	11.4	9.9
Balance sheet total according to IFRS[1]	1,979,625	2,073,099	2,140,894	2,858,548	3,058,244
Investments[2]					
– in goodwill, in other intangible assets, as well as in property, plant and equipment and in investment property	393,517	180,677	278,784	414,413	348,428
– in other assets	610	257	103	199	178
Earnings per ordinary share (€)	1.01	1.03	1.13	1.07	1.01
Total dividend amount	25,920	29,030	36,288	41,462	51,137
Number of employees (headcount)	30,409	32,222	33,679	36,882	38,058
Case numbers (patients treated)	1,394,035	1,544,451	1,647,972	1,799,939	2,041,782
Beds and places	14,703	14,647	14,828	15,729	15,900

[1] *International Financial Reporting Standards*
[2] *from own funds*

Wolfgang Pföhler
Chairman of the Board of Management

GOOD MEDICAL CARE – GOOD PROSPECTS:

DEVELOPING PATH-BREAKING SERVICE OFFERINGS WITH QUALITY, INNOVATIVE POWER AND RELIABILITY

" The tremendous trust that our shareholders, employees and patients continue to put in our Company's future viability provides the basis for our continued growth course. For the first time last year, our network of facilities provided medical care to over 2 million patients. Rest assured that, this year also, we will use the 'down payment' of trust you have placed in us to promote the successful further development of RHÖN-KLINIKUM AG. "

Dear Shareholders,

RHÖN-KLINIKUM AG has continued its growth course with another successful financial year in 2010, thus making an important contribution to healthcare delivery in Germany.

For the first time last year, our network of facilities provided medical care to over 2 million patients. This bears testimony to a high level of trust not only in the quality of the work performed by our facilities, but also in our corporate philosophy.

By acquiring the MEDIGREIF group we were able to expand our care network to the Federal State of Mecklenburg-West Pomerania.

Strong demand for our healthcare services led to a rise in revenues by 9.9 per cent to 2.55 billion euros. Our net consolidated profit in 2010 stood at 145.1 million euros. With this positive development we have once again demonstrated that good medical care and economic efficiency belong together.

By ensuring that a large share of profits is put back into future medical, medical technology and construction projects, we create the basis for modern medical care and our growth of tomorrow. For this reason, even during the financial and economic crisis, we made investments of roughly 403 million euros in promising fields of the future. With the move of the University Hospital of Giessen and Marburg into central and modern new buildings in spring 2011, we are once again setting further milestones in our Company's development. Patients benefit from the high quality of treatment tailored to their needs.

Securing the future sustainability of good medical care is one of the key aims pursued by our Group. Demographic trends and the related growing need for high-quality medical care for the elderly present new challenges for our healthcare system. We are committed to meeting these needs by creating medical care offerings tailored to the individual needs of patients. We have started doing this by strengthening our medical care networks within our Group, for example in the area of acute geriatrics. The groundwork for this has been laid with the acquisition of the Salze Klinik hospital and the integration of a geriatric focus within our hospital network – an outstanding medical concept in which we are once again setting standards nationally. We are forging ahead with efforts to implement viable and path-breaking service offerings.

At the same time, we continue to be committed to seeing through our development from classic hospital operator to integrated healthcare provider. The emerging structural transformation shows that we have come a good way towards successfully completing the process begun two years ago: advances in medicine and medical technology are giving rise to more and more opportunities for outpatient treatment. There is hardly any better example of how inpatient services are thus being shifted into the outpatient segment than the specialist field of ophthalmology. We identified the opportunities it holds early on, and are able to offer patients innovative care services after our market entry into the field of ophthalmology at the beginning of the year.

Right now the basis is being created for new legislation governing outpatient care. This new healthcare provision act has been prompted by the shortage of doctors that is in the offing, especially in rural and structurally weak regions. As one of the largest providers of healthcare in Germany, we want to participate in shaping the required system change. And we view the integration of outpatient and inpatient care and the creation of attractive working conditions for doctors designed to harmonise family and career as an important first step towards this goal. In addition, we are striving to bring about a greater integration of our facilities and a more structured division of labour amongst our doctors within the hospital network, among other things through telemedicine.

For this reason we regard the development and establishment of IT-based communication means as playing a key role in this overall approach. For example, telemedicine can be used to uphold the level of medical care for the benefit of patients, even in regions with insufficient healthcare offerings. We have steadfastly moved forward with telemedical networking and already today have a broad, national medical network. Moreover, with our web-based electronic patient file (WebEPA) we have created a bridge of communication for doctors, regardless of whether they work in a hospital, an MVZ or a doctor's practice. This year, our hospital network (through our Neurology Clinic in Bad Neustadt and the Giessen-Marburg University Hospital) for the first time presented our successful Stroke Angel and Cardio Angel concepts together with the WebEPA patient file at the CeBit in Hanover, the world's biggest IT trade fair.

We will meet and adapt to foreseeable structural changes in care requirements with targeted acquisitions, and in this way will steadfastly pursue our growth course. Thanks to our long-standing restructuring expertise and experience in medical care delivery, we are poised for promising acquisitions during the current financial year. We are convinced that general economic conditions will lead to a further consolidation on the German hospital market. In March 2010 we further optimised the basis for future growth by placing a bond on the international capital market.

In financial year 2011 as in the past, the rise in prices for services rendered will not succeed in offsetting the actual increases in personnel and material expenses. As a consequence of the reform measures, this task in 2011 will certainly prove more challenging than in past years. The reduction in the rate of increase and price discounts on additional treatment cases will deprive the hospital sector of a total of 500 million euros in 2011 alone. We are used to dealing with cost pressures in the healthcare system and have prepared ourselves for the special burdens this brings by adopting a panoply of extensive measures.

As a driver of innovation within the sector, we explore every possible means of harmonising high-quality medical care with economic efficiency. For this reason it is important for us to subject our own processes to repeated and consistent scrutiny so that we can stay on course, particularly in a difficult environment like the one we are experiencing in 2011.

Despite the burdens resulting from the reform legislation – the Act relating to Financing of Statutory Health Insurance (Gesetz zur nachhaltigen und sozial ausgewogenen Finanzierung der Gesetzlichen Krankenversicherung, GKV-FinG) – we expect our profits to rise once again in 2011: barring further acquisitions, we are targeting revenues of 2.65 billion euros, operating earnings (EBITDA) of 340 million euros and net consolidated profit of 160 million euros. As in the previous year we see the possibility, given the potential risks and opportunities, of EBITDA and net consolidated profit fluctuating within a range of plus or minus five per cent with reference to our initial figure.

During the past year, our dedicated and hard working staff have demonstrated yet again that high motivation, quality and reliability are the bedrock of our success, even in the face of mounting challenges presented by the general conditions within the healthcare system. We are well aware of the efforts being made by each individual and are pleased that our employees value the same qualities as we do. For that I would like to express my sincere thanks, also on behalf of the entire Board of Management.

We also thank the members of the Supervisory Board, the Advisory Board and the employee representatives for their trusted collaboration. They all support us constructively at all times, thus making their contribution to the Company's success.

Our particular thanks goes to you, our shareholders: with your continued unfailing trust in our Company's future viability, you lay the foundation for us to continue our ongoing growth course. Rest assured that, this year also, we will successfully employ the 'down payment' of trust you have placed in us in promoting the further development of RHÖN-KLINIKUM AG.

Yours sincerely,

Wolfgang Pföhler
Chairman of the Board of Management of RHÖN-KLINIKUM AG

Bad Neustadt a. d. Saale, April 2011

COMPANY ON THE MOVE

In 2010, RHÖN-KLINIKUM Group steadfastly continued its path from being an operator of hospitals to becoming an integrated healthcare provider both medically and in terms of its organisation. This also meant adapting its management structures to this concept.

Easy orientation on campus thanks to site model at Marburg University Hospital.

CONTINUING ON OUR GROWTH COURSE

We are pursuing two paths in the integration. Firstly, we are aiming in future also to further expand our acute inpatient structures both quantitatively and qualitatively. Secondly, in the outpatient area we see considerable growth prospects in establishing medical care centres (MVZs). For us, two types of MVZ in particular come to the fore here: hospital-affiliated MVZs (by which we want to expand the healthcare offering of our hospitals within their respective catchment area) and specialist physician MVZs (which we plan to develop in those specialist medical fields that will be removed from the area of inpatient treatment in the foreseeable future).

DATES AND FACTS

We have also forged ahead with the further expansion of our own medical offering, also in our 21st year as a publicly listed company. In financial year 2010, we invested 403.3 million euros – of which 348.4 million euros from own funds – in the expansion, modernisation and acquisition of outpatient and inpatient sites. At the end of 2010, we had 53 hospitals with a total of 15,900 beds as well as 33 MVZs with 125.5 doctor's practices in Germany. Currently, we have some 38,000 persons working for us, with the share of women at 75 per cent.

In terms of service volumes, revenues and earnings, we once again reached record levels in the past financial year 2010. Our business model once again proved itself to be resistant to the economic cycle, crisis-proof and stable. More than 2,042,000 patients, 13.4 per cent or around 242,000 more than in 2009, put their trust in us in 2010.

Since the beginning of the year, the consolidation of the MEDIGREIF Group as of 31 December 2009 has been reflected in the consolidated income statement for 2010.

The MEDIGREIF Group is comprised of five hospitals with a total capacity of 842 beds and two MVZs in Mecklenburg-West Pomerania and Saxony-Anhalt. Since July 2010, we have consolidated Klinik Hildesheimer Land GmbH, a facility with 165 beds operating in the areas of acute geriatrics and geriatric, cardiological and orthopaedic rehabilitation. The newly acquired facilities added 97.7 million euros to revenues as well as 9.2 million euros to net consolidated profit.

Consolidated revenues rose by 9.9 per cent to 2.55 billion euros, net consolidated profit by 10.2 per cent to 145.1 million euros. Both key ratios have fully satisfied our expectations.

Compared with the previous year, operating cash flow, calculated from net consolidated profit plus depreciation/amortisation and other non-cash items, rose by 7.4 per cent to reach 255.9 million euros. This growth was mainly attributable to the 13.4 million euros increase in net consolidated profit.

Group equity increased by 72.3 million euros to 1,495.2 million euros. Since the balance sheet total increased somewhat more sharply as a result of investments, the equity capital ratio declined slightly from 49.8 per cent to 48.9 per cent. Net financial debt – also driven by investments – rose by 35.8 per cent to 551.5 million euros. It is 1.8 times Group EBITDA (previous year: 1.4 times).

THE MAJOR MILESTONES OF OUR GROWTH IN 2010:

- After we had raised considerable equity in the previous year with a capital increase, we also expanded our debt capital in 2010: we issued a bond with a volume of 400 million euros and negotiated a new credit line in form of a club deal with a volume of 150 million euros. We thus succeeded, firstly, in shifting our liabilities into the non-current area. At the same time we also increased our available credit lines to roughly 400 million euros.

- As in the previous years, our long-standing facilities were able to generate organic growth of more than 3 per cent. That puts them well above the emerging national average. In other words: we expanded our market share in Germany.

- The acquisitions made in the acute inpatient area in financial year 2010 (1,007 beds with a total revenue of roughly 98 million euros) already contributed to the earnings trend noticeably.

THE PICTURES

The success of our hospitals depends decisively on outstanding medical services.

To find out which subjects are of interest for aspiring doctors and what expectations they have regarding their future profession, we accompanied the photographer Sylvia Willax to the university towns of Giessen and Marburg. We took pictures of medical students there who had the choice of answering five questions:

- *Why are you studying medicine?*
- *When will you be finished with your studies and in which area will you want to work afterwards (as community-based practitioner, in a hospital, in research, the pharmaceutical area, not in the medical field at all, etc.)?*
- *What professional goals do you associate with the study of medicine?*
- *How can you imagine harmonising your professional and private life?*
- *What do you especially like about your current studies and place of studies?*

In this Annual Report we present a selection of the answers given by the students from Giessen and Marburg. We would like to thank all of them for their kind assistance.

Stephanie Hellmann, Giessen
"I will be through in 1 ½ years and would like to work in the fields of orthopaedics, rehab, sports medicine since I am also completing secondary studies in exercise and health."

Fabian Münch, Giessen
"I am studying medicine because it is a profession where people are the focus of interest. Also, I was inspired by my Mother (children's nurse) and there are good job prospects."

- In the outpatient area, we succeeded in entering the field of ophthalmological specialist-practice MVZs with the acquisition of ten ophthalmological specialist practices in Düsseldorf. During the current year, we are planning to expand this specialist offering at further sites in North Rhine-Westphalia (Wuppertal, Solingen, Krefeld) as well as at existing hospital sites that already have inpatient ophthalmological capacities.

- After investing some 399 million euros in our existing facilities, we created the basis for continuing our growth also in the coming years.

- Together with the company Siemens, we are pressing ahead with efforts to complete the particle therapy facility at the Marburg site. After being completed, this will be the world's first facility of its kind enabling the use of both proton and heavy ion beams for therapy purposes.

TAKING NEW PATHS IN TRANSPARENCY

Our objective was to provide the public with more comprehensive and different information than in the past on important performance characteristics of hospitals, for example on treatment quality, patient satisfaction and patient safety. For this purpose we joined up last year with Asklepios Kliniken GmbH and Sana Kliniken AG to establish "4QD – Qualitätskliniken.de GmbH" for the purpose of developing and operating the Internet portal "Qualitätskliniken.de" for the general public.

Any hospital in Germany, regardless of its size and ownership structure, may participate in this Internet portal at the edical as well as corporate level. The common objective pursued here is to develop the most comprehensive approach to date for presenting the quality of hospitals and establishing a far-reaching standard for transparency that will benefit patients in particular but also the participating hospitals. Our objective here is to enable patients to gain trust in medical competence and in the quality of the treatment they receive.

OUTLOOK FOR 2011

RHÖN-KLINIKUM AG and its subsidiaries have made a successful start into financial year 2011. Patient numbers continue to rise steadily, and results achieved in the first months are in line with our targets. Overall, though, the Management is confident that we will succeed in meeting the challenges of financial year 2011.

Barring additional acquisitions, we expect revenues to reach roughly 2.65 billion euros in financial year 2011. This revenue target assumes a moderate development in wages, and is accompanied by a forecast for EBITDA of 340 million euros and net consolidated profit of 160 million euros, both of which may fluctuate within a range of plus or minus 5 per cent. In financial year 2011, investments – excluding new acquisitions – will be in the order of 362 million euros. Also in future, we want to equally promote the Group's organic and acquisition-driven growth. In the outpatient area we already succeeded in doing this at the beginning of the year: after commissioning an additional MVZ in Pforzheim with two specialist doctor practices as at 1 January 2011, we have started out into financial year 2011 with a total of 35 MVZs and 138.5 specialist practices.

THE RHÖN-KLINIKUM SHARE

Earnings expectations once again met – share burdened by very difficult policy environment. Board of Management and Supervisory Board propose dividend of 0.37 euros per share

The University Hospital in Giessen and Marburg harmonises a long tradition as well as cutting-edge medicine. One good example of this: Medical Clinic 1 in Giessen.

THE STOCK MARKETS IN 2010

On the international capital markets in 2010, all eyes were almost entirely on the recovery of the global economy following the financial and economic crisis. Particularly the German economy witnessed a comparatively strong rebound, with the jobless rate falling significantly. By contrast, the sovereign debt crises of Greece and Ireland put the euro under considerable pressure. This diverging trend was also reflected on the international equity markets: whereas the US lead index S&P 500 gained 12.8 per cent, the EURO STOXX 50 gave up 5.8 per cent. The DAX®, standing out from the other major European indices, performed very well with a powerful gain of 16.1 per cent. On 7 December 2010, the DAX® closed above the mark of 7,000 points for the first time since 2 June 2008 and ended the year at 6,914 points. The second-tier index MDAX® recorded an impressive rise of 34.9 per cent to 10,128 points.

RHÖN-KLINIKUM SHARE PRICE AFFECTED BY DEBATE ON THE GERMAN HEALTHCARE REFORM

Whereas the share of RHÖN-KLINIKUM AG was still closely correlated to the MDAX® in the first half of the year, gaining roughly 6.7 per cent, it largely decoupled from the trend of German second-tier stocks in the second half: the MDAX® benefited enormously from the economic recovery, with many cyclical stocks in particular putting in a positive price performance. But defensive stocks, especially those from the healthcare sector, lagged behind the market upswing. The DJ EURO STOXX Health Care Index, for example, lost 7.3 per cent over the year. Although RHÖN-KLINIKUM AG succeeded once again in meeting its profit expectations, the share nevertheless also declined in this market environment. Persisting uncertainty and discussion on what specific structure the German healthcare reform would take proved to be a particular strain, especially in the second half of the year. At the end of 2010, the share of RHÖN-KLINIKUM AG was quoted at 16.47 euros, which

translates into a price decline of 3.8 per cent over the year. After including the dividend payment, net performance for 2010 stood at minus 2.2 per cent.

Volatility of the RHÖN-KLINIKUM share was 21.3 per cent (MDAX®: 21.6 per cent). This is a decline of 6.4 percentage points compared with the previous year. By market capitalisation, the RHÖN-KLINIKUM share ranked 13th (previous year: 7th) in the MDAX® as at 31 December 2010. Daily average trading volume on the German stock exchanges including XETRA® trading stood at 436,721 shares (or roughly 7.7 million euros) in reporting year 2010. At year-end, the 138.2 million non-par shares in issue had a market capitalisation of 2.3 billion euros (previous year: 2.4 billion euros).

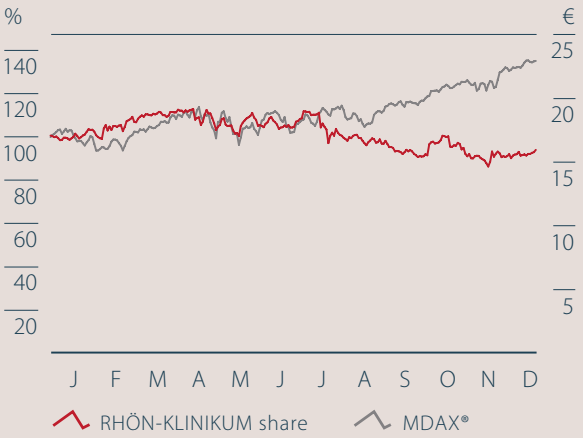
DIVIDEND

Our dividend policy is geared towards both long-term value enhancement and sustained earnings strength of the Company. For reporting year 2010 as well, our dividend policy allows us to once again propose a higher dividend to be distributed to our shareholders. The Board of Management and the Supervisory Board will therefore propose to the Annual General Meeting to distribute 0.37 euros per non-par share. out of the shareholder profit of 139,693,136.23 euros.

INVESTOR RELATIONS ACTIVITIES

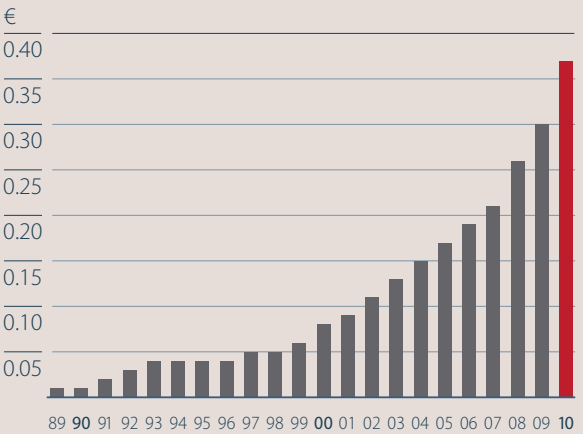
At RHÖN-KLINIKUM AG, the relations we have with our shareholders are given high priority. This area reports directly to the chief financial officer (CFO). As part of our financial market communication, we strive to convey a realistic picture of our Company so as to enable market participants to properly assess and value our share and our bonds. For this purpose we provide investors, analysts and all other interested market participants with a platform with comprehensive and timely information regarding the RHÖN-KLINIKUM Group. As part of international investor conferences, on roadshows and through personal dialogue, we maintain close and continuous contact with our investors and analysts, and are committed to fair and transparent communication. Our work fully complies with the requirements of the German Issuer Compliance Regulation (Emittenten- Compliance-Verordnung, ECV).

RHÖN-KLINIKUM SHARE ON A SHORT-TERM COMPARISON . . .



. . . AND A LONG-TERM COMPARISON WITH THE MDAX®

DIVIDEND DEVELOPMENT



All data adjusted in euros (138,232,000 ordinary shares)
2010: dividends will be proposed to the shareholders at the AGM on 8 June 2011

Viktor Schröder, Giessen

"Medical studies are the essential basis for working as a doctor. For me, the doctor's profession combines the possibility of understanding the relationships of natural sciences within the human organism whilst performing clinical work for and with people."

Lena Koch, Giessen

"I will finish my studies in October 2012 and would then like to set up my own practice in the field of anaesthesia, general medicine or paediatrics."

RHÖN-KLINIKUM share	
ISIN	DE0007042301
Ticker symbol	RHK
Share capital	€ 345,580,000
Number of shares	138,232,000

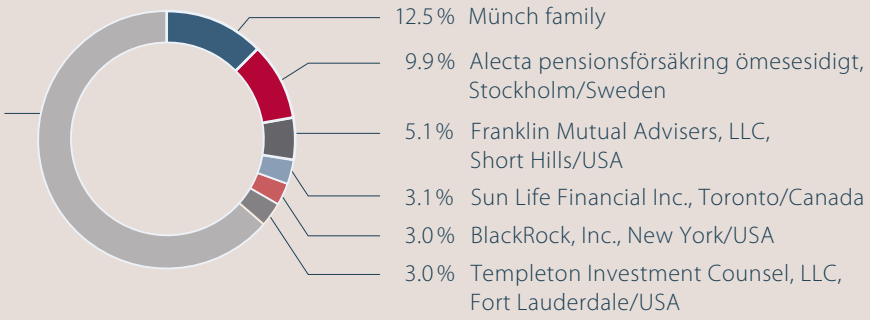
	2010	2009*
Share prices, in €		
Year-end closing price	16.47	17.12
High	19.44	17.62
Low	15.26	14.00
Market capitalisation (€ m, to 31 Dec.)	2,276.68	2,366.53
Key ratios per share (€)		
Dividend	0.37	0.30
Earnings	1.01	1.07
Cash flow	1.85	2.03
Shareholders' equity	10.82	12.10

** Key ratios for 2009 calculated according to IAS 33 on the basis of weighted shares. (6 August 2009: capital increase by 86,38 million euros to 345,58 million euros, issuance of 34,552,000 non-par shares).*

As part of our financial reporting, we report on our operating business performance each quarter. We provide investors, analysts and the media with current and share price-relevant information on our Company in real time and promptly publish the same as investor relations news items on our website. Further sources of information we provide our shareholders with are the regular annual events in our financial calendar, such as our spring press conference and our Annual General Meeting in the middle of the year. In September 2010 our 5th Capital Markets Day for analysts was held in Hildesheim. Given the strong turnout and positive feedback, we are planning to hold the event this year as well.

SHAREHOLDER STRUCTURE OF RHÖN-KLINIKUM AG

as of 31 December 2010, according to the most recent notifications of voting rights at that time



The next Annual General Meeting will take place on 8 June 2011, at 10.00 a.m. (admission from 9.00 a.m.) at the Jahrhunderthalle Frankfurt.

A financial calendar containing all important financial dates in 2011 is provided on the cover page in the first section as well as on our website at www.rhoen-klinikum-ag.com under the section "Investors".

Eugen Münch
Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

FOR THE FINANCIAL YEAR OF RHÖN-KLINIKUM AG FROM 1 JANUARY 2010 TO 31 DECEMBER 2010

MONITORING AND CONSULTATION IN AN ONGOING DIALOGUE WITH THE BOARD OF MANAGEMENT

During financial year 2010 the Supervisory Board performed the duties incumbent on it by law and the Articles of Association, regularly advising the Board of Management on the strategic direction of the Company as well as carefully and regularly supervising the Board of Management regarding the management of the Company. The Supervisory Board was involved in all strategic decisions of significance for the Company directly and at an early stage.

The Board of Management informed us regularly, through written and oral reports in a timely and comprehensive manner, on all relevant aspects of corporate planning and strategic further development of the Group, on the development of transactions, the position of the Group including its risk position, as well as on risk management. We have 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 being stated for such deviations. The Board of Management co-ordinated with us the Group's strategic orientation. Based on the reports of the Board of Management we thoroughly discussed transactions of decisive importance for the Company in the competent committees and in the plenum 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. Where required in the case of pressing business matters, the Supervisory Board or, as the case may be, the competent committee adopted resolutions by written vote.

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, where required also consulting further members of the Board of Management or specialised employees, and conferred on the strategy, business performance and risk management of the Company. The personal meetings lasting several hours, which as a rule take place on a weekly basis and if required are also supplemented by telephone calls, are used for an exchange of mutual impressions and assessments.

The drastic changes faced by the healthcare system as a result of demographic trends mean that, over a period of perhaps twenty years, a declining birth rate will raise the relative share of the elderly in the population and, consequently, lead to a declining share of younger persons. So far, policy-makers and society have been responding to the foreseeable rising demand of the older generation for products and services from the healthcare sector (which will come at the expense of general consumption) by cost-cutting, restrictions and rationing measures. Such measures, however, are not being discussed openly but instead carried through as *faits accomplis*. For this reason, the Company is developing viable, forward-looking provider concepts and detailed, convincing programmes in an effort to foster the emergence of a contemporary healthcare system. For a company at the vanguard of sweeping changes in society, this is a necessary and normal function, far exceeds the normal potential for internal change within an established industry, and also calls for constant co-ordination and consultation between the Supervisory Board and the Board of Management on the evaluation of trends and the orientation of measures as well as continuous corrections. This also has ramifications for the work of the Supervisory Board, since the standards of co-operation between the chairman of the Supervisory Board and the twenty-member supervisory body cannot be derived from traditional structures but have to be adapted to the specific requirements in the case of a company at the vanguard of sweeping changes.

In the regular meetings with the chairman of the Board of Management – and thus also in the information provided to the plenary body and to the committees – a great deal of attention was devoted to the changing health policy environment as a result of the Statutory Health Insurance Financing Act (Gesetz zur nachhaltigen und sozial ausgewogenen Finanzierung der Gesetzlichen Krankenversicherung, GKV-FinG) and the restrictions it places on the hospital sector. The new challenges that this presents to the Group requires adjustments in the corporate strategy and the instruments of corporate governance so that it can continue further on its path of transition from hospital operator to provider of healthcare services. In this context, the reorganisation of the management and re-allocation of responsibilities within the Board of Management at the beginning of financial year 2011 was also an important subject of discussion.

Other important routine issues relate to the internal workings of the Board of Management as well as personnel prospects and the appraisal of the performance of the individual members of the Board of Management and of the Board of Management as a whole.

The Supervisory Board discussed the issues of provision of information by the Board of Management and within the Supervisory Board in connection with the evaluation of its work and, overall, agreed with the information policy practised. Understandably, certain members of the Supervisory Board take up different personal positions in this area and therefore have different expectations as well. Thus, an employee released from working duties to serve on a supervisory board will take a greater interest in information oriented on the interests of employees, whereas a financial expert devoting his full working capacity to matters relating to the capital markets will be more interested in the results than the underlying motives of demographic trends in society. The established practice of reporting by the chairman of the Supervisory Board and the chairmen of the committees at the beginning of every Supervisory Board meeting in which all Supervisory Board members make ample use of this right of inquiry forms the basis of a comprehensive transfer of information. The starting point and basis of such practice of providing information to the plenum is for the complete minutes of committee meetings to be made available in a timely manner to all members.

The chairman of the Supervisory Board maintains working contacts with the other chairmen only in the presence or upon clear consultation with the chairman of the Board of Management, and almost never with other employees. For the same reason, contact between the members of the Board of Management and the Supervisory Board is confined to the meetings unless individual members of the Supervisory Board conduct certain consultations with the consent of the chairman of the Supervisory Board and with the knowledge of the plenum. Since the chairman of the Supervisory Board strictly observes the prohibition of working on an operative basis, contacts with members of the Board of Management or employees of the Company take place only in the presence of the chairman of the Board of Management. This ensures that the relationship between the Board of Management and the Supervisory Board is critical but also built on mutual trust, and that a clear distance is kept from the operative sphere. The plenary and committee meetings do not impose any restrictions in terms of questions or issues, but an effort is made to avoid prior arrangements and the formation of groups, since even merely de facto groupings could not be reconciled with the principle of a Supervisory Board member acting personally and under his or her own responsibility.

The significant change in the composition of the Supervisory Board following the elections in 2010 requires the body's working principles to be redefined. It also calls for the formation of a new consensus which to a certain extent is still ongoing.

INTENSIVE AND EFFICIENT WORK IN THE COMMITTEES OF THE SUPERVISORY BOARD

With a view to efficiently performing its tasks, the Supervisory Board has set up a total of seven 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 in the committees. After the re-election of the Supervisory Board at the 2010 Annual General Meeting, this principle was also maintained for the re-appointment of the committees, thus allowing for the different skills of members to be combined and exploited optimally. The committees act as bodies with power to pass resolutions within the scope prescribed by law, the Articles of Association – also in lieu of the Supervisory Board – based on the Terms of Reference of the latter adapted to the respective committee mandates to the extent permitted by law and defined by the Supervisory Board.

Members of the Supervisory Board who are not represented on a committee or do not belong to the committee for which a plenary meeting has been convened must ensure the responsible involvement of the plenary body as one of their most vital tasks in enforcing their claim to information. They are to act as a counterweight to the closer contact a committee might have with the Board of Management and potential weaknesses in supervision by reason of its more intensive co-operation with the Board of Management. It is accepted and useful for members less knowledgeable in the subject currently being deliberated on to ask the experts to comprehensibly explain their position, thus providing a broad basis for the work of the Supervisory Board. Since the members of the Supervisory Board are required to maintain strict secrecy, a proposal was put forth within the Board to take advantage of the expertise of specific persons on special issues through mutual contacts and to communicate such expertise directly.

The composition of the standing committees during the financial year and their current composition is shown below in the overview of the Supervisory Board's organisational structure.

The **Investment, Strategy and Finance Committee** held three ordinary meetings during the year under review (attendance rate: 100 per cent), of which one meeting was held as a combined meeting together with the Audit Committee because of issues involving different fields. The Committee consults on the development and implementation of corporate strategy together with the Board of Management and passes resolutions in lieu of the Supervisory Board on the acquisition of healthcare facilities, 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, Strategy and Finance Committee is to discuss the overall and part-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 of the main points of negotiation in the work of this Committee at the beginning of the year under review was the rescheduling of the Group's debt financing, which among other things ultimately resulted in the successful issuance of a bond with a volume of 400 million euros. Together with the equity capital increase carried out in the previous year, it allows us to finance investments and acquisitions planned as part of our growth strategy on a secure basis and independent from the banks. As an objective consequence of the deterioration in public finances in the wake of the economic and financial crisis and the resulting loss of tax revenues, public hospital owners will no longer be able to provide their facilities with the requisite funding. It will no longer be possible for them to finance investments, modernisation measures and the settlement of annual operating losses, and these will be the drivers of an expected privatisation wave. Subjectively, however, many municipalities and their elected representatives are trying to deny these unpopular consequences, arguing that solving their hospital problems would not bring any breakthrough given the looming mountain of problems. No solutions are being proposed in the run-up to elections. Since this is only leading to further backlogs, the privatisation question at most will be put off, but will not take care of itself. The Group's task, then, is to use this time for structural improvements and preparation, since experience shows that the time and effort required to resolve problems is all the greater when they have been put off.

The currently prepared restructuring of Group financing, which is being actively escorted by the Committee, will put the Company in a position to act quickly – with a precise and direct internal controlling capability – in the case of acquisition proposals meeting our qualitative requirements.

A further focus of the strategy discussion at all meetings of this Committee related to the proposals being debated by policymakers regarding healthcare reform legislation and their foreseeable impact on the hospital sector, as well as the counteracting and compensatory measures open to the Group to prevent adverse impacts on its net assets and results of operations, as well as exploiting any opportunities arising from the new legislation. Since so far all legislative approaches have lead to a rationing of service volumes, the Group as provider will respond with qualified healthcare offerings and thus further improve its position versus the reactive participants in the healthcare market.

The structuring and implementation of the two divisions Outpatient and Inpatient Basic and Standard Care, Medical Development and Quality Management (Division 1) and Specialised, Intermediate and Maximum Care (Division 2) was critically monitored and regularly discussed by the Committee. This also applies for the corporate and investment planning of the university hospital subsidiary Universitätsklinikum Gießen und Marburg GmbH, at its two sites of Giessen and Marburg where the current large-scale investments are nearing the completion and commissioning stage. The investment requests required for these sites were approved.

The focus of the combined meeting of the Investment, Strategy and Finance Committee with the Audit Committee, which took place in the presence of the auditor, was on discussions of fundamental and strategic significance relating to Group financing, the restructuring of the capital base of the subsidiaries and considerations regarding the tax-efficient use of profit-and-loss transfer agreements.

In addition to the report of the chairman of the Board of Management on current developments, the Board of Management routinely remitted an acquisitions report which, along with providing an overview of the national hospital market, also served as the basis of discussion for planned and ongoing acquisition projects with the Board of Management.

The 2010 investment plan was approved after being discussed critically and in terms of content. At each meeting the Board of Management reported on the development of investments and financing in a continuously updated investment and finance plan discussed as part of a critical dialogue. Specific motions for approval of investment projects were subsequently discussed based on detailed written resolution proposals of the Board of Management, including market studies and investment calculations. By critical inquiry and questioning, the Committee reviewed the investment projects for compatibility with the newly structured divisions and approved these where the requirements were met.

The **Personnel Affairs Committee**, which is responsible for the personnel matters of the Board of Management and which prepares the personnel decisions of the Supervisory Board, also held three meetings (attendance rate: 100 per cent). The Committee examined the change in the personnel structures of the Board of Management and the reorganisation of duties and Board divisions that were required after the departure of Mr. Ralf Stähler as at 30 April 2010 and the deputy chairman of the Board of Management, Mr. Gerald Meder, and of Ms. Andrea Aulkemeyer as at 31 December 2010.

The Act on the Appropriateness of Executive Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG) and amendments to the German Corporate Governance Code necessitated a revision of the remuneration scheme for the Board of Management to comply with these new requirements. The Committee discussed the subsequent revision of the guide-

lines on the remuneration of the members of the Board of Management which also took account of the results of an external remuneration expertise, and adopted a draft resolution for the full Supervisory Board. Details on the revised remuneration scheme, which was approved by resolution at the Annual General Meeting on 9 June 2010, are set out in the Corporate Governance Report ("Remuneration report" section), on pages 30 ff.

Other points of discussion were the appointments of Mr. Volker Feldkamp and Mr. Martin Menger as members of the Board of Management and the review and preparation of service contracts for members of the Board of Management. This also included examining service contracts of former members of the Board of Management. The Committee also dealt with the appraisal of the performance and development of specific members of the Board of Management and of the Board of Management as a whole, as well as the remuneration commensurate therewith. Draft resolutions for such adjustments to remuneration provisions in the service contracts of members of the Board of Management were submitted to the full Supervisory Board giving due regard to the new remuneration scheme.

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

The **Audit Committee** held five meetings during the year under review (attendance rate: 97 per cent), of which one meeting was held as a combined meeting together with the Investment, Strategy and Finance Committee because of issues involving different fields. The meetings were attended regularly by the chairman of the Board of Management as well as the responsible members of the Board of Management for Accounting, Finance/Investor Relations and Internal Auditing/Compliance. The auditor attended three meetings. This Committee notably was responsible for reviewing and preparing the RHÖN-KLINIKUM AG consolidated annual financial statements for financial year 2009. Also reviewed and discussed at the meetings 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, as well as the proposal on the appropriation of the net distributable profit.

The Audit Committee examined the independence of the auditor designated for the auditing of the annual financial statements for financial year 2010 and for the review of the Half-Year Financial Report, obtained the statement regarding the auditor's independence pursuant to Item 7.2.1 of the German Corporate Governance Code, recommended to the plenary meeting of the Supervisory Board a proposal for the election of the auditor to be submitted to the Annual General Meeting, and after the election issued the auditor with the audit mandate and concluded the remuneration agreement for the same. For the audit in 2010 a comprehensive list of audit items was defined. Also examined was the award of consulting contracts for non-auditing services to the statutory auditors within the Group. The qualification of the statutory auditor was monitored.

The Committee moreover examined questions of fundamental importance relating to accounting, corporate planning, the capital base, the supervision of the accounting process, as well as the effectiveness of the internal controlling system, risk management system, internal audit system and compliance system. The interim reports were discussed regularly with the Board of Management prior to their publication, and the half-year financial report was thoroughly discussed with the Board of Management and the auditor. The members of the Committee also continue to critically monitor, based on the figures submitted by the Board of Management, the ongoing financial integration of Universitätsklinikum Gießen und Marburg GmbH into the Group and the related changes made in this enterprise as well as the trend in service volumes in connection with the large-scale investments made.

The Committee was and is kept informed by the Board of Management on the course and content of the audit by the German Financial Reporting Enforcement Panel – FREP – (normal audit conducted on a random sampling basis without any immediate cause).

The Group controlling report on performance and finance controlling submitted quarterly, which forms part of our risk management system, was discussed with the Board of Management in depth and critically at the Committee's meetings. Here the performance trend of the Group's individual hospitals is presented, critically examined and discussed by the Board of Management both at the hospital level and at the level of the specialist department.

The body kept itself regularly informed about the activity of the Internal Auditing department by the responsible member of the Board of Management, and by reports submitted by the head of Internal Auditing who attended three meetings. The Committee approved the auditing plan of the Internal Auditing department for 2010 as well as its update. The audit reports of the Internal Auditing department as well as the 2009 action report were then submitted and discussed with the Board of Management. We kept ourselves informed by the Board of Management on the implementation of the recommendations by the Internal Auditing department through information on the results of follow-up reporting and inspection.

Also covered by the consultations and the reporting by the Board of Management in the meetings were the organisation and introduction of the compliance management system. The concept and structure submitted by the Board of Management for this purpose were approved by the Committee and released for implementation. The compliance officer appointed in the second half of the year attended one meeting of the Audit Committee. The audit reports of the Compliance department as well as the 2009 action report were then submitted and discussed with the Board of Management, and the 2010 compliance programme was approved. Regular reporting of the Board of Management also includes the quarterly report on notified violations, doubtful cases and problems from the area of compliance, each of which is the subject of intensive discussion with the Board of Management.

In preparing the Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) relating to the recommendations of the German Corporate Governance Code, the amendments by the Government Commission of 26 May 2010 were reviewed as to their application and duly reflected, with a corresponding resolution proposal being submitted to the Supervisory Board as a whole.

The **Anti-Corruption Committee** is the point of contact for employees, suppliers and patients in suspected cases of corruption. During the past financial year, no employee, supplier or patient turned to the Committee to notify a suspected case of corruption. For this reason, no meetings of the Committee were necessary. The reports of the Auditing department confirm the impression that parties are increasingly turning directly to the Auditing or Compliance department.

One employee turned to the chairman of the Committee to notify a possible conflict of interests of an office holder at one hospital. In a direct query to the Board of Management through the chairman of the Committee, this notice was investigated. The Board of Management assured that corrective measures would be taken.

The **Medical Innovation and Quality Committee** advises the Board of Management and the Supervisory Board on developments and trends in medicine and monitors the development of medical quality. No meetings were held during the period under review so as to allow the Board of Management time to implement a number of measures which it plans to develop in the current decade.

The **Nomination Committee,** in preparation for the nomination of candidates for the upcoming re-election of Supervisory Board members of the shareholders at the Annual General Meeting on 9 June 2010, has drawn up a profile of specialist requirements for members of the Supervisory Board in which knowledge and expertise were defined as part of a list of qualifications as the prerequisite for Supervisory Board candidacy. All Supervisory Board candidates, including those seeking re-election, were required to disclose their current qualifications in accordance with the requirements profile.

At its meeting on 26 April 2010 (attendance rate: 100 per cent), the Nomination Committee once again nominated the existing members of the Supervisory Board as candidates for election to the Supervisory Board by reason of their proven service in the past and their knowledge and expertise documented in the profile of specialist requirements. As an additional candidate to succeed Dr. Heinz Korte, who is leaving the Supervisory Board for age reasons, Dr. Rüdiger Merz was nominated. A higher participation of women on the Supervisory Board and the Board of Management, provided that the candidates have the required qualifications, is desirable and is being further pursued by the Supervisory Board.

THE WORK OF THE SUPERVISORY BOARD'S PLENARY MEETING

The Supervisory Board held a total of five meetings during financial year 2010 (attendance rate: 98 per cent), of which four ordinary meetings and the constituting meeting immediately following the Annual General Meeting at which re-election of the Supervisory Board took place as planned. No member attended fewer than half the meetings.

Ordinary meetings of the Supervisory Board are divided into two blocks, with the first block dealing with internal Supervisory Board issues and the second one with special issues of supervision. In this regard considerable attention is devoted to the reports of the committee chairmen on the work of the committees. These reports as well as the questions and the discussions of the same go beyond the content of the minutes of meetings of the committees available in advance to all members of the Supervisory Board and give the members not represented on the committees the opportunity to obtain comprehensive information on the items dealt with and the resolutions adopted. In principle, this first part was attended only by the chairman of the Board of Management and his deputy where the specific situation did not call for a meeting in the absence of the entire Board of Management. Given that, after Mr. Meder left the Board of Management, the concept of the deputy function is being changed into that of a leave-of-absence replacement function, it is planned that in future only the chairman of the Board of Management will be called for this part of the meeting.

In the usually more extensive and longer reporting and proposal part of the meetings, the chairman of the Board of Management – and to the extent required the chairman of the Supervisory Board from his viewpoint – normally first reports on current developments in the healthcare system and on the current status of the Group's development. The ensuing analytical discussions also routinely promote the further development of insight and knowledge regarding the matters at hand on the part of the Board of Management and Supervisory Board members.

At all four ordinary meetings of the Supervisory Board the plenary meeting, based on extensive but concise and systematised written reports and presentations by the Board of Management, regularly consulted on 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 and events impacting the Group's future development were discussed. To prepare individual agenda items, the Supervisory Board availed itself of external expert legal advice and on several occasions requested and received separate reports by the Board of Management.

At the meeting on 10 February 2010, the Supervisory Board addressed matters relating to the Board of Management and on recommendation of the Personnel Affairs Committee approved the revised remuneration guidelines and decided to submit these to the Annual General Meeting for approval as well as to appoint an independent remuneration adviser to assess the reasonable and customary nature of the remuneration of the Board of Management and the provisions set out in this regard in the remuneration guidelines. The profile of specialist requirements for members of the Supervisory Board was adopted and released to be applied to all shareholders' representatives.

The Supervisory Board elected Mr. Joachim Lüddecke as first deputy chairman of the Supervisory Board to replace Mr. Bernd Becker who resigned his office on 2 December 2009, and re-appointed members to succeed Mr. Becker on the committees. A further focus of consultations regarding the operative area was the development of a generalised healthcare contract concept giving due regard to the relevant framework conditions on provision of services.

At the balance sheet meeting on 27 April 2010 and with the attendance of the auditors, the annual financial statements and management report of RHÖN-KLINIKUM AG as well as the consolidated financial statements and the Group management report for financial year 2009 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 2010 Annual General Meeting, in particular the adoption of resolution recommendations of the Supervisory Board on the resolution proposals in the agenda items to the Annual General Meeting after a prior discussion of the agenda items. On proposal by the Nomination Committee, the candidates for re-election to the Supervisory Board as representatives of the shareholders were presented. As part of the discussions on matters related to the Board of Management, resolutions on the approval of the resignation of office by Mr. Ralf Stähler and for the appointment of Mr. Volker Feldkamp as member of the Board of Management were adopted on recommendation of the Personnel Affairs Committee, and the conclusion of a termination agreement and service contract, respectively, submitted for this purpose was approved.

At the constituting meeting of the Supervisory Board on 9 June 2010 immediately following the Annual General Meeting, Mr. Eugen Münch was once again elected as chairman of the Supervisory Board and Mr. Joachim Lüddecke as first deputy and Mr. Wolfgang Mündel as second deputy. Mr. Eugen Münch (chairman), Joachim Lüddecke, Dr. Rüdiger Merz and Ms. Sylvia Bühler were then appointed as members of the Mediation Committee. The existing Terms of Reference of the Supervisory Board were confirmed.

At the meeting on 7 July 2010, the further committees of the Supervisory Board were formed and appointed. Reference is made to the "Overview of organisational structure of the Supervisory Board and the composition of the committees (period of 9 June to 31 December 2010)" provided hereafter. The points of focus of the consultations at the meeting were the current resolutions of the German Government on the austerity programme for the healthcare sector and its impact on hospitals as well as the burdens this is expected to bring about for the Group and the possibilities arising to counteract them. At this meeting, the Supervisory Board gave its approval to launch the project of Medical Care Centres (MVZs) in Ophthalmology.

At the Supervisory Board meeting on 3 November 2010, we discussed the result of the efficiency audit of our Supervisory Board activities together with the external moderator and discussed further possible ways of optimising the work of the Supervisory Board. In the absence of the members of the Board of Management except the chairman of the Board of Management, matters relating to the Board of Management were dealt with and on recommendation of the Personnel Affairs Committee the negotiating powers for preparing the financial statements and amending the service contracts of current and former members of the Board of Management were granted.

The earnings targets submitted by the Board of Management for financial year 2011 were discussed thoroughly and critically by the plenary meeting in terms of their premises and the targets specified for the Group companies. Following this meeting, Mr. Martin Menger was appointed in a written resolution procedure as a further member of the Board of Management and the service contracts of current and former members of the Board of Management finally negotiated by the chairman of the Supervisory Board were approved.

The Board of Management informed us fully and in continuously updated reports for the Company and the Group on investment, revenue and liquidity planning and earnings projections for financial year 2010. At all Supervisory Board meetings the Supervisory Board examined all these reports and deliberated with the Board of Management on deviations, with the grounds for these being stated. Risks were reported on regularly at every meeting with the written reports of the Board of Management which were carefully scrutinised by the Supervisory Board.

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.

Separate meetings with the Board of Management on a proportionality basis are not held because the exchange of information between all members of the Supervisory Board is sensible and useful, and encouraging the formation of groups, however, is not in the best interests of the eminently independent and self-responsible Supervisory Board. Only for preparing the balance sheet meeting does a meeting of the employee representatives on the Supervisory Board take place without the participation of the Board of Management which other members of the Supervisory Board are entitled to attend on request, at which the employee representatives represented on the Audit Committee for the most part assist in an explanatory capacity. The room expenses arising from this are borne by the Company.

CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE

During the past financial year, the Supervisory Board examined the issues of the German Corporate Governance Code on an ongoing basis, with the body taking a particularly close look at the most recent Code amendments regarding the composition of supervisory boards in terms of the diversity and reasonable consideration of women. In its appointments, the Supervisory Board will give regard to the criteria of internationality, conflicts of interests, age limits, diversity as well as reasonable participation of women. However, it expressly refrains from stating any specific time- or quota-related targets for its composition. The Supervisory Board considers the qualification of the candidates to be the exclusive criterion for re-appointments and therefore sees no need to depart from this practice. For this reason it will not comply with the recommendations in Code Item 5.4.1 (2) and (3).

In respect of ongoing and higher-qualification training being advocated for Supervisory Board members, the chairman of the Supervisory Board and the majority of the members of the Supervisory Board take the view that each member of the Supervisory Board must have responsibly acquired the basic knowledge required by their duties within this corporate body if they accept the mandate, and that each has an obligation to complete further training as required on an ongoing basis on the one hand through internal communication of the actual tasks and on the other, to the extent required externally, by higher-qualification courses of training completed by the members individually and under their own responsibility (which, given the reasonable remuneration that they also receive for this purpose for their Supervisory Board work, is possible for each member). The chairmen of the committees and the chairman of the Supervisory Board additionally refer to certain measures of particular interest. Assistance in the form of assumption of costs as part of non-cash benefits is not admissible since the remuneration of the Supervisory Board work is exhaustively covered in the Articles of Association and the latter do not provide for any special remuneration.

Overall, derogations from the Code's recommendations were kept to a minimum. Giving due regard to the revision of the Code on 26 May 2010, the Declaration of Compliance issued on 28 October 2009 pursuant to section 161 of the Stock Corporation Act (AktG) was replaced by an updated Declaration of Compliance issued on 3 November 2010 by the Board of Management and the Supervisory Board. This updated Declaration of Compliance was then permanently made available to shareholders on the Company's homepage.

In accordance with Item 3.10 of the German Corporate Governance Code, the Board of Management reports, at the same time also on behalf of the Supervisory Board, on corporate governance on pages 30 ff. of this Annual Report.

If members of this Supervisory Board also exercise mandates on supervisory boards or similar bodies of other companies or organisations, membership on these supervisory boards, in the view of the Supervisory Board of RHÖN-KLINIKUM AG, has not given rise to any conflicts of interest that might result in an impairment in the performance of their mandates.

EXAMINATION AND APPROVAL OF THE 2010 FINANCIAL STATEMENTS

The Board of Management has prepared the financial statements of the Company and the management report for the year ended 31 December 2010 in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB), whilst the consolidated financial statements and Group management report for the year ended 31 December 2010 have been prepared pursuant to section 315a HGB in accordance with the principles set out in the International Financial Reporting Standards (IFRS) as applicable within the European Union. The auditors, PricewaterhouseCoopers Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, have examined the financial statements of the Company and management report as well as the consolidated financial statements and Group management report for the year ended 31 December 2010. Their audit gave no cause for objections; the auditors have issued an unqualified auditor's report.

The financial statements of the Company and the management report, the consolidated financial statements and the Group management report as well as the reports of the auditors on the result of their audit were submitted 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 thoroughly discussed by the Audit Committee and by the Supervisory Board with representatives of the auditors at the respective balance sheet meetings. Based on the findings of the preliminary review by the Audit Committee, the Supervisory Board concurs with the finding of the auditors and, having conducted its own review, has determined that it 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 27 April 2011 on recommendation of the Audit Committee; the financial statements of the Company are thus adopted as final.

The Supervisory Board approves the Board of Management's proposals for the appropriation of net distributable profit.

CHANGES AND COMPOSITION OF THE BOARD OF MANAGEMENT

The composition of the Board of Management and the personal data, duties and responsibilities of the specific members of the Board of Management are set out in the Notes to the consolidated financial statements.

Mr. Ralf Stähler left the Board of Management on 30 April 2010 for health reasons; Ms. Andrea Aulkemeyer and the deputy chairman of the Board of Management Mr. Gerald Meder left the Board of Management on expiry of their appointment as at 31 December 2010. Mr. Meder will continue to be available to the Company as divisional head. The Supervisory Board thanks all members leaving the Board of Management for the successful work with them over the past years.

Mr. Volker Feldkamp was appointed as of 1 September 2010 for the period of five years and Mr. Martin Menger as of 1 January 2011 for the period of three years as members of the Board of Management. Both members of the Board of Management are assigned to Division 2, Specialised, Intermediate and Maximum Care.

Members of the Supervisory Board from left to right, front row: Dr. Rüdiger Merz, Annett Müller, Jens-Peter Neumann, Michael Mendel, Dr. Brigitte Mohn, Wolfgang Mündel, Professor Dr. Dr. sc. Karl W. Lauterbach, Detlef Klimpe, Professor Dr. Jan Schmitt, Werner Prange; back row: Caspar von Hauenschild, Dr. Rudolf Schwab, Eugen Münch, Bettina Böttcher, Professor Dr. Gerhard Ehninger, Joachim Lüddecke, Stefan Härtel, Sylvia Bühler, Georg Schulze-Ziehaus, Peter Berghöfer

CHANGES AND COMPOSITION 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.

In the period under review, the period of office of the previous Supervisory Board ended on conclusion of the Annual General Meeting on 9 June 2010. The Annual General Meeting elected as shareholders' representatives on an individual basis Dr. Brigitte Mohn as well as Professor Dr. Gerhard Ehninger, Caspar von Hauenschild, Detlef Klimpe, Professor Dr. Dr. sc. Karl W. Lauterbach, Michael Mendel, Eugen Münch, Wolfgang Mündel, Jens-Peter Neumann and Dr. Rüdiger Merz as successor to Dr. Heinz Korte who was no longer able to submit his candidacy for re-lection after reaching the age limit. Of the employee representatives, the following members were elected to the Supervisory Board: Ms. Bettina Böttcher, Ms. Sylvia Bühler, Ms. Annett Müller, Mr. Peter Berghöfer, Mr. Stefan Härtel, Mr. Joachim Lüddecke, Mr. Werner Prange, Professor Dr. Jan Schmitt, Mr. Georg Schulze-Ziehaus and Dr. Rudolf Schwab.

At the constituting meeting of the Supervisory Board on 9 June 2010, Mr. Eugen Münch was re-elected as chairman of the Supervisory Board, Mr. Joachim Lüddecke as first deputy and Mr. Wolfgang Mündel as second deputy. At its meeting on 7 July 2010, the Supervisory Board appointed Mr. Michael Mendel, Dr. Rüdiger Merz and Mr. Wolfgang Mündel as financial experts pursuant to section 100 (5) AktG.

The personal details of the members of the Supervisory Board in 2010 are set out in the Notes to the consolidated financial statements. 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 the overview provided further on in this Report. The Supervisory Board thanks all members leaving the Supervisory Board for their good work and dedication to the Company over the past years.

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

Bad Neustadt a. d. Saale, 27 April 2011

The Supervisory Board

Eugen Münch
Chairman

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

(period of 1 January to 9 June 2010)

CHAIR OF THE SUPERVISORY BOARD

Chairman
Eugen Münch

1st Deputy Chairman
Joachim Lüddecke
(from 10 February 2010)

2nd Deputy Chairman
Wolfgang Mündel

COMPOSITION OF THE COMMITTEES

INVESTMENT, STRATEGY AND FINANCE COMMITTEE

Eugen Münch
Chairman
Helmut Bühner
(from 10 February 2010)
Detlef Klimpe
Dr. Heinz Korte
Joachim Lüddecke
Michael Mendel
Wolfgang Mündel
Werner Prange
Michael Wendl

PERSONNEL AFFAIRS COMMITTEE

Eugen Münch
Chairman
Joachim Lüddecke
(from 10 February 2010)
Dr. Brigitte Mohn
Joachim Schaar

MEDIATION COMMITTEE

Eugen Münch
Chairman
Joachim Lüddecke
(from 10 February 2010)
Sylvia Bühler
Dr. Heinz Korte

AUDIT COMMITTEE

Wolfgang Mündel
Chairman
Caspar von Hauenschild
Detlef Klimpe
Dr. Heinz Korte
Jens-Peter Neumann
Michael Wendl

ANTI-CORRUPTION COMMITTEE

Caspar von Hauenschild
Chairman
Ursula Harres
Werner Prange

MEDICAL INNOVATION AND QUALITY COMMITTEE

Eugen Münch
Chairman
Gisela Ballauf
Professor Dr. Gerhard Ehninger
Ursula Harres
(from 10 February 2010)
Professor Dr. Dr. sc. Karl W. Lauterbach

NOMINATION COMMITTEE

Eugen Münch
Chairman
Dr. Heinz Korte
Wolfgang Mündel

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

(period of 9 June to 31 December 2010)

CHAIR OF THE SUPERVISORY BOARD

Chairman
Eugen Münch

1st Deputy Chairman
Joachim Lüddecke

2nd Deputy Chairman
Wolfgang Mündel

COMPOSITION OF THE COMMITTEES

INVESTMENT, STRATEGY AND FINANCE COMMITTEE (from 7 July 2010)

Eugen Münch
Chairman
Peter Berghöfer
Stefan Härtel
Detlef Klimpe
Joachim Lüddecke
Michael Mendel
Wolfgang Mündel
Jens-Peter Neumann
Werner Prange

PERSONNEL AFFAIRS COMMITTEE (from 7 July 2010)

Eugen Münch
Chairman
Joachim Lüddecke
Dr. Brigitte Mohn
Annett Müller

MEDIATION COMMITTEE

Eugen Münch
Chairman
Joachim Lüddecke
Sylvia Bühler
Dr. Rüdiger Merz

AUDIT COMMITTEE (from 7 July 2010)

Wolfgang Mündel
Chairman
Sylvia Bühler
Caspar von Hauenschild
Detlef Klimpe
Michael Mendel
Dr. Rüdiger Merz
Jens-Peter Neumann

ANTI-CORRUPTION COMMITTEE (from 7 July 2010)

Caspar von Hauenschild
Chairman
Bettina Böttcher
Dr. Rudolf Schwab
Werner Prange

MEDICAL INNOVATION AND QUALITY COMMITTEE (from 7 July 2010)

Eugen Münch
Chairman
Professor Dr. Gerhard Ehninger
Professor Dr. Dr. sc. Karl W. Lauterbach
Professor Dr. Jan Schmitt
Georg Schulze-Ziehaus

NOMINATION COMMITTEE (from 7 July 2010)

Eugen Münch
Chairman
Dr. Rüdiger Merz
Wolfgang Mündel

CORPORATE GOVERNANCE REPORT

Joint report on corporate governance by the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG.

With an eye on the big picture: a transparent corporate culture ensures long-term corporate success of RHÖN-KLINIKUM AG.

CORPORATE GOVERNANCE AT RHÖN-KLINIKUM GROUP

The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG are wholly guided in their actions by efficient and responsible decision and control processes geared to the Company's long-term success. With circumspection and sound judgment, and in a transparent manner, we co-ordinate the management of opportunities and risks as well as the interests of our shareholders and employees. We give high priority to good corporate governance which, together with a transparent as well as legally and ethically sound corporate culture, is the prerequisite for sustaining and strengthening the trust that shareholders, business partners, patients and employees place in us and for securing and for enhancing the value-added of our enterprises on a sustainable basis.

In financial year 2010, the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG conducted a thorough regular examination of the German Corporate Governance Code, its development and amendments as well as compliance with the Code at RHÖN-KLINIKUM AG and its subsidiaries. In particular, discussions were held on the revisions to the German Corporate Governance Code. We concluded that the Supervisory Board will not state any specific time- or quota-related objectives for its composition within the meaning of Code Item 5.4.1 para. 2. In its appointments, the Supervisory Board will give regard to the criteria of internationality, conflicts of interests, diversity as well as suitable participation of women. However, it considers candidates' suitability as the sole criterion for nominations, and for this reason sees no need to depart from this practice. In respect of the reasonable assistance called for in Code Item 5.4.1 para. 4 in the training and higher-qualification of supervisory board members, we take the view that providing assistance by assuming costs in the form of non-cash benefits is not permissible since the remuneration of the Supervisory Board's activity is set out exhaustively in the Articles of Association and the latter do not provide for special remuneration. However, we will actively assist our Supervisory Board members by re-

ferring them to further training measures. Since in future also we wish to continue presenting the annual financial statements of the Company and the Group only in April due to the Group's special internal quality requirements, we depart from the Code's recommendations in a total of two disclosed exceptions. We observe the non-mandatory suggestions of the German Corporate Governance Code to a very large extent.

DECLARATION OF COMPLIANCE

As a result of these deliberations, a jointly issued and updated Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) was submitted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG on 3 November 2010 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 26 May 2010, which is published on our website:

DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTIENGESETZ, "AKTG")

(as issued on 3 November 2010)

"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 18 June 2009 and published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (eBundesanzeiger) have been implemented since issuance of the last Declaration of Compliance – as declared on 28 October 2009 – with the following exception:

Item 7.1.2 sentence 4

Deadline for making available the Consolidated Financial Statement

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 annual financial statements of the Company and the Group are completed only at the time specified in the foregoing due to the Group's special internal quality requirements.

The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG further declare that the recommendations issued by the 'Government Commission of the German Corporate Governance Code' as amended on 26 May 2010 and published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (eBundesanzeiger) will be implemented with the following exceptions:

Item 7.1.2 sentence 4

Deadline for making available the Consolidated Financial Statement:

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 annual financial statements of the Company and the Group are completed only at the time specified in the foregoing due to the Group's special internal quality requirements.

Item 5.4.1 para. 2, 3

Stating specific objectives regarding the composition of the Supervisory Board

The Supervisory Board does not state any specific objectives regarding its composition within the meaning of Code Item 5.4.1 para. 2. Consequently, it is not possible to comply with the recommendations based on this pursuant to Code Item 5.4.1 para. 3.

In the past the Supervisory Board, when nominating candidates for membership on the Supervisory Board, has been guided solely by the qualification of such candidates.

The Supervisory Board is convinced that this practice has proven itself, and consequently no need to change this practice can be seen.

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."

Julia Wenzel, Giessen
"What I particularly like about my studies and place of studies is that many internships are done in which you can already gain some practical experience needed for work later on."

Peter Schulte, Giessen
"It's a pleasant and quiet atmosphere, the buildings are well laid out and there are often interesting lecturers. Unfortunately, there are not enough excellence initiatives."

MANAGEMENT AND SUPERVISORY STRUCTURE

In keeping with the requirements of German legislation governing joint stock corporations and corporations, RHÖN-KLINIKUM AG has a dual management system subject to the strict separation at the personnel level between the management and supervisory bodies. The Board of Management has powers to direct the Company and the Supervisory Board powers to supervise the Company. Simultaneous membership in both corporate bodies is excluded.

With a view to achieving sustainable value-added for the Company, the Board of Management and the Supervisory Board have committed themselves to co-operate through mutual trust in the best interests of the Company on the basis of a balanced allocation of duties and responsibilities as defined by law, the Articles of Association and the Terms of Reference. No conflicts of interests of members of the Board of Management and Supervisory Board subject to disclosure to the Supervisory Board have occurred.

For members of the Supervisory Board and members of the Board of Management, RHÖN-KLINIKUM AG has taken out indemnity insurance cover (D&O insurance) with an adequate coverage concept and in accordance with the deductibles recommended by Code Item 3.8 para. 2 and 3. The insurance premium paid by the Company in financial year 2010 was 130,100 euros.

ANNUAL GENERAL MEETING AND SHAREHOLDER RELATIONS

RHÖN-KLINIKUM AG reports once per quarter in accordance with the applicable International Financial Reporting Standards (IFRS) applying section 315a of the German Commercial Code (Handelsgesetzbuch, HGB) to its shareholders and the interested public on the performance of business as well as the Group's net assets, financial position and results of operations. The preliminary business figures for a past financial year are made known approximately six weeks after it has ended, and forecasts for a future financial year are made known by the beginning of such financial year at the latest. Important company notices are published immediately. All reports and notices can be found on our Company's homepage.

Moreover, the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG report to their shareholders annually on business performance as well as the financial and earnings position at the Company's Annual General Meeting, which usually takes place within the first six months of the financial year. The information required by our shareholders for their decision-making is made available in the form as required by law.

The shareholders of RHÖN-KLINIKUM AG avail themselves of their rights within the scope of the possibilities afforded to them by the Articles of Association exclusively at the Annual General Meeting by exercising their voting rights. Shareholders may exercise their voting rights themselves or through an authorised person of their choice, or may have themselves represented by proxies appointed by the Company for this purpose. Each share confers one vote. However, at the present time we maintain the system whereby voting rights are exercised by attendance in person or by legitimised representation at the Annual General Meeting in the interest of securing the resolution procedure.

Pursuant to the legal provisions, the Annual General Meeting is responsible for electing the auditor for the annual and half-year financial statements of our Group as well as for the annual financial statements of RHÖN-KLINIKUM AG. The chairman of the Auditing Committee appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the audit of the half-year financial statement for 2010 as well as the annual financial statement as at 31 December 2010 after the Audit Committee was thoroughly convinced of its independence, i.e. the absence of any grounds for disqualification and/or bias.

With the statutory auditor 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 arising 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.

In financial year 2010, the Annual General Meeting approved the remuneration resolved by the Supervisory Board. It is provided that future changes in the remuneration system will be submitted to the Annual General Meeting for approval.

BOARD OF MANAGEMENT

At the beginning of financial year 2010, the Board of Management of RHÖN-KLINIKUM AG was comprised of eight members and in 2010 was headed by one chairman and in his absence by the deputy chairman of the Board of Management. With effect from 1 April 2010, Mr. Ralf Stähler resigned his office on his own request. Other members appointed to the Board of Management were Mr. Volker Feldkamp on 1 September 2010 as well as Mr. Martin Menger on 1 January 2011. With effect from 31 December 2010, Ms. Andrea Aulkemeyer and Mr. Gerald Meder left the Board of Management. To take account of changes within the Board of Management, timely adjustments will be made in the Terms of Reference for the Board of Management. With effect from 1 January 2011, the office of deputy chairman of the Board of Management is no longer maintained. For further information, please refer to the disclosures made in the Notes to the consolidated financial statements.

The Board of Management directs the Company and manages its business under joint responsibility subject to the Terms of Reference. The areas of responsibility of the individual members of the Board of Management are determined by operative and/or functional competencies. The chairman of the Board of Management is responsible for corporate policy and the Group's fundamental strategic orientation.

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 subsidiaries. The Board of Management furthermore co-ordinates and discusses with the Supervisory Board the Group's further strategic development and its implementation. The chairman of the Board of Management reports to the chairman of the Supervisory Board on events of special significance without delay. Any transactions and measures subject to consent are presented to the Supervisory Board in due time.

The members of the Board of Management are obliged to disclose any arising conflicts of interests without delay. Moreover, they require approval of the Supervisory Board for secondary activities of any kind. Transactions between

Debora Fischer, Giessen
"The expectations I associate with my studies are being able to work independently, assuming responsibilities at work and financial independence."

Marcus Weber, Giessen
"This is a good place to study. You always get a traineeship and it doesn't take long to get between lecture halls."

the members of the Board of Management or parties related to them on the one hand and RHÖN-KLINIKUM AG on the other also require the consent of the Supervisory Board. In financial year 2010, no conflicts of interests of members of the Board of Management of RHÖN-KLINIKUM AG arose.

SUPERVISORY BOARD

The Supervisory Board advises the Board of Management and supervises its management activity. The close and efficient co-operation between the Board of Management and the Supervisory Board with the common objective of creating sustainable value-added takes place on the basis of Terms of Reference for the work between the Board of Management and the Supervisory Board.

In line with the principle of equal representation of shareholders and staff pursuant to the German Co-Determination Act (Mitbestimmungsgesetz, MitbestG), the Supervisory Board of RHÖN-KLINIKUM AG comprises a total of 20 employees' and shareholders' representatives and held four regular meetings and one constituent meeting in 2010.

The old and new 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 as well as a chauffeur service and its use are available to the Supervisory Board for the discharge of its duties.

In accordance with the recommendations of the German Corporate Governance Code, the shareholders' representatives were elected to the Supervisory Board on an individual basis. When proposing persons for election as members of the Supervisory Board, due regard was given both to their qualification on the basis of a profile of professional requirements and to their independence with a view to avoiding conflicts of interests. The term of office of the newly elected 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 2014. Age restrictions are provided for in the Articles of Association.

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2010 there were seven standing committees: the Mediation, Personnel Affairs, Audit as well as Investment, Strategy and Financial Committees as committees with power to adopt resolutions within the meaning of section 107 (3) AktG, the Anti-Corruption

and Nomination Committees, as well as the Medical Innovation and Quality Committee. The respective committee chairmen report regularly to the Supervisory Board on the work of the committees.

The **Mediation Committee** submits proposals to the Supervisory Board for the appointment of members to the Board of Management if in the first round of voting the required majority of two thirds of votes of the Supervisory Board members is not reached.

The **Personnel Affairs Committee** is responsible for the personnel-related matters of the Board of Management. In particular, it reviews candidates for service as members on the Board of Management and makes proposals to the Supervisory Board regarding appointments. This Committee's tasks include the negotiations on, the preparatory work for the conclusion of, as well as the amendment and the termination of service contracts of members of the Board of Management and other contracts, the performance appraisal of the Board of Management, as well as the regular review of the reasonable and customary level of the remuneration of the Board of Management, of the guidelines on the remuneration of members of the Board of Management and the submission of proposed resolutions in this regard to the plenary meeting of the Supervisory Board.

The **Audit Committee** prepares the resolutions of the Supervisory Board on the adoption of the annual financial statements and the approval of the consolidated financial statements by way of preparatory internal review of the annual financial statements and management reports. It reviews the resolution on the appropriation of profit and discusses the annual financial statements and audit reports as part of a preliminary consultation with the auditor. Its tasks include selecting and appointing the statutory auditor, as well as agreeing on the auditing fees and reviewing and monitoring its independence and quality including the services additionally provided by the statutory auditor. The Audit Committee supervises financial reporting including the interim reports, the accounting process, the effectiveness of the internal controlling system and risk management system, and the internal audit system. It deals with fundamental issues of accounting, corporate governance and compliance. With regard to the choice of members, the Supervisory Board must give due regard to the independence of the Audit Committee's members and their particular experience and knowledge in the application of accounting regulations and internal controlling processes.

The chairman of the Audit Committee, Mr. Wolfgang Mündel, as long-standing member of the Supervisory Board of RHÖN-KLINIKUM AG, 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. As the second deputy chairman of the Supervisory Board he performs his duties on the Supervisory Board in a full-time capacity. The Supervisory Board has appointed Mr. Wolfgang Mündel – in addition to Dr. Rüdiger Merz and Mr. Michael Mendel – as financial expert pursuant to section 100 (5) AktG.

The **Investment, Strategic and Financial Committee** advises the Board of Management on the strategy for the Company's further development. Pursuant to section 107 (3) AktG it adopts resolutions on the approval of hospital takeovers, other investments subject to approval and their financing. At the same time it reviews and comments the reports to be remitted by the Board of Management to the Supervisory Board on the Company's investment and financial development as well as on fundamental strategic developments.

The **Anti-Corruption Committee** is the point of contact for employees, suppliers and patients in suspected cases of corruption and advises the Board of Management on corruption prevention measures. Its members are bound by a greater duty of confidentiality and, without prejudice to contrary statutory provisions, have an obligation to inform and render account to the Supervisory Board whenever they have sustained grounds to suspect corruption in specific cases. The Committee has a right to apply for the initiation of special audits which are decided on by the Audit Committee.

The **Nomination Committee** makes recommendations to the shareholders' representatives on the Supervisory Board for the nomination of candidates of the shareholders' representatives for election by the Annual General Meeting to the Supervisory Board.

The **Medical Innovation and Quality Committee** deliberates on developments and trends in medicine and monitors the development of medical quality. It prepares statements of opinion for the plenary meeting of the Supervisory Board, for the Investment, Strategy and Finance Committee and for the Board of Management.

The Supervisory Board internally reviews the efficiency of its activity on an ongoing basis and is regularly subjected to an efficiency audit by an external consultant. The results of the 2010 external audit based on questionnaires and

Anouk Horz, Giessen
"What I especially like about my current studies is that all institutions can be reached within a very short time and the nice professors."

Isabelle Hrubesch, Giessen
"I would expect my private life not to be completely dominated by my career. Ideally, there should be time for family, friends and holidays."

meetings have satisfied the expectations of the Supervisory Board in terms of the efficient performance of duties.

A detailed overview of the work of the individual committees and their composition in financial year 2010 is provided in the Report of the Supervisory Board on page 14 ff. of this Annual Report.

OTHER BODIES

A further body set up at RHÖN-KLINIKUM AG is the Advisory Board. It advises the Board of Management on future trends in the hospital and healthcare sector as well as on medical development issues. For further information on the Advisory Board of the Company, please refer to the disclosures made in the Notes to the consolidated financial statements.

TRANSPARENCY

We engage in active, open and transparent communication with our shareholders and treat all shareholders equally. We use suitable communication channels such as the Internet and service providers for active dissemination throughout Europe so that our shareholders are informed in a prompt and uniform manner. We publish our financial calendar containing all important financial dates for analysts, investors, shareholder associations and media on our website at www.rhoen-klinikum-ag.com under the section "Investors". We also publish important information on our website relating to our share and its price trend as well as inside information directly concerning us. As soon as we become aware of the fact that an individual reaches, exceeds or falls below the statutory thresholds of voting rights in the Company by means of a purchase, sale or in any other manner, we also publish this information on our website without undue delay.

We disclose all 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 (Wertpapierhandelsgesetz, WpHG) by members of the Board of Management and the Supervisory Board on our website. As at 31 December 2010, the members of the Supervisory Board and the Board of Management together held 12.64 per cent of the Company's registered share capital, of which the Supervisory Board accounts for 12.55 per cent of the shares in issue. Mr. Eugen Münch and his wife Ingeborg

together hold 12.45 per cent of the Company's registered share capital and the other members of the Supervisory Board 0.10 per cent of the shares in issue. The members of the Board of Management together hold 0.09 per cent of the Company's registered share capital.

In the Notes to the consolidated financial statements we also report on dealings with related parties of RHÖN-KLINIKUM AG and its subsidiaries as well as companies related to such parties. The contracts entered into with such parties 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.

RISK MANAGEMENT AND PERSONAL INTEGRITY

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 was established with the aim of identifying risks early 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.

Compliance in the sense of upholding personal integrity in corporate governance is regarded by the Board of Management as an essential management duty. According to this principle the Board of Management is directly required to observe all measures for compliance with law, statutory regulations and Group-internal guidelines and to implement and enforce these in their dealings with employees and business partners. For RHÖN-KLINIKUM AG and all other Group companies a compliance guideline exists which is amended and adjusted at regular intervals. The focus of our compliance activities is on combating active and passive corruption. Any contraventions in the area of corruption are not tolerated and are strictly sanctioned at all executive and staff levels. All our employees are called upon to actively bring to light cases of corruption in their respective areas of responsibility. They have direct access to a committee of the Supervisory Board (Anti-Corruption Committee) in this regard which is bound by a duty of confidentiality.

REMUNERATION REPORT

The remuneration of the members of the Supervisory Board and the Board of Management comprises fixed and variable components. 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.

The Remuneration Report summarises the principles applied in determining the remuneration of the Board of Management of RHÖN-KLINIKUM AG and explains the structure and amount of income of the Board of Management. It also provides a description of the principles and amount of the remuneration of the Supervisory Board and the Advisory Board as well as disclosures on shareholdings of the Board of Management and the Supervisory Board.

REMUNERATION OF THE BOARD OF MANAGEMENT

The Supervisory Board has established the remuneration scheme for the Board of Management in the guidelines on the remuneration of the members of the Board of Management of RHÖN-KLINIKUM AG (remuneration guidelines).

The aggregate remuneration of the members of the Board of Management is comprised of several remuneration components. Specifically, these are the base salary, the bonus, additional benefits (non-cash benefits) and a contingent old-age pension benefit.

Pursuant to the Act on the Appropriateness of Executive Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG) which took effect on 5 August 2009, and the Terms Of Reference of the Supervisory Board adjusted thereafter, the plenary meeting is responsible for defining the individual remuneration of the Board of Management after preparation by the Personnel Affairs Committee. The Supervisory Board, at its meeting on 10 February 2010 after preparation by the Personnel Affairs Committee, adopted the remuneration scheme and the essential contractual elements after review and adjustment to the new statutory regulations by way of revision of the remuneration guidelines. These guidelines apply generally (apart from justified exceptions) to all service contracts of members of the Board of Management that are concluded or amended after such date.

Julia Schwarz, Giessen
"The town is not nice, but in my view there could be no better university."

Tobias Braun, Giessen
"I am studying medicine to combine an interest in natural sciences with people and the practical dimension, and to go home with a good feeling at the end of a working day."

ESSENTIAL PROVISIONS OF THE REMUNERATION SCHEME

The remuneration scheme provides that the entire remuneration of the members of the Board of Management is defined and reviewed by the Supervisory Board giving due regard to the criteria for assessing the reasonable and customary level of remuneration as well as the duties of each individual member of the Board of Management, such member's personal performance, as well as to the economic position and success of the Company, and that the overall remuneration does not exceed the customary level of remuneration unless there are special reasons for this. In the event of a deterioration in the Company's economic position, the Supervisory Board will lower the overall remuneration subject to the provisions of section 87 (2) AktG where continued payment of the overall remuneration would be unreasonable.

The remuneration of the members of the Board of Management is comprised of non-performance-linked and performance-linked components. The non-performance-linked components consist of a basic salary and additional benefits, whereas the performance-linked component consists of a bonus. The contingent old-age pension benefits are in principle based on the annual remuneration at the time of termination of the service contract and are thus influenced by the non-performance-linked and performance-linked components of the remuneration scheme.

Effectively, the provisions set out below represent a cap on the remuneration of the Board of Management because of the disproportionately moderate relevance of positive earnings developments for remuneration; this means that even in the event of constant earnings variable remuneration components already decrease compared with the previous year.

The basic salary as a rule is 192,000 euros p.a. and is paid out as non-performance-linked remuneration in twelve equal monthly instalments. The chairman of the Board of Management as a rule receives 1.5 to 2 times the standard salary. The members of the Board of Management also receive additional non-cash benefits which essentially consist in the value determined by the tax guidelines for use of a company car, the insurance premiums for accident insurance and the D&O insurance. Since use of a company car and the accidence insurance premiums are remuneration components, each individual member of the Board of Management has to pay tax on these benefits. In principle, all members of the Board of Management are entitled to these in the same way, the amount

of which varies depending on the member's personal situation.

The performance-linked component of the remuneration is the bonus whose amount is oriented on the development of consolidated earnings over the last three financial years as a multi-year assessment basis. The reference value is the consolidated result after minority interests in accordance with the currently applicable IFRS. One-off impacts as a result of extraordinary developments affecting the consolidated result are not included. The bonus consists of a basic component and a performance-linked component. The basic component is defined by the Supervisory Board as an absolute amount (basic amount) when calculated from the assessment basis for the duration of the service contract and is paid out in advance in twelve equal monthly instalments. At the beginning or upon an amendment of the service contract, the basic amount is approximately two thirds of the assessment basis. The bonus rate for the basic amount is the same for all members of the Board of Management and is defined by the Supervisory Board on recommendation by the Personnel Affairs Committee. If the assessment basis calculated for a financial year is less than the basic amount, such bonus rate is to be applied to the reduced basic amount. The advance payment on the basic bonus not covered results in a recovery claim on the part of the Company. The performance component in each case results from the difference between the assessment basis calculated for the respective financial year less the basic amount. The bonus rate for this performance component is defined by the Supervisory Board individually for each member of the Board of Management on recommendation by the Personnel Affairs Committee giving due regard to the performance, duties and number of terms of office. The chairman of the Board of Management as a rule receives 1.5 to 2 times the bonus rates. For members and in particular deputy members who have been appointed to the Board of Management for the first time, an appropriate reduction in the bonus rates may be agreed. The same applies in the event of special reasons justifying such reduction, also for the other members of the Board of Management.

If a service contract of a member of the Board of Management ends without this being attributable to good cause in the person of such member, or in the event of the decease of the member of the Board of Management during such member's term of office, the member of the Board of Management (or, in the event of decease, that member's heirs) receives an old-age pension benefit in the form of a one-off payment. For each full year of work as member of the Board of Management, this benefit amounts to 0.125 times of the annual remuneration (annual basic salary plus bonus) for the calendar year in which such member leaves the Board of Management or deceases, however, not more than 1.5 times such latter remuneration but at least 1.5 times the average remuneration during the contractual term for the term of work for the Board of Management. The retirement pension benefit is due and payable six months after the close of the financial year in which the service contract ends or the member of the Board of Management has deceased. As a rule, no old-age pension benefit shall be granted if a member of the Board of Management terminates the service contract of his/her own accord before reaching the age of 60 for a reason not attributable to the Company, or does not extend the service contract despite having been offered an extension.

If a member of the Board of Management receives severance compensation because that member's work for the Board of Management has been terminated without good cause, the amount of such benefit including the additional benefits may not exceed the value of two years' remuneration and may not remunerate more than the remaining term of the service contract.

No other forms of compensation, such as pension commitments, stock options or loans, are currently granted to the members of the Board of Management.

In financial year 2010 the remuneration of the active members of the Board of Management totalled 9.1 million euros (8.4 million euros in previous year). Of this total, 1.9 million euros (previous year: 2.0 million euros) was accounted for by components that are not performance-linked and 7.2 million euros (previous year: 6.4 million euros) by variable remuneration components. Claims to post-retirement benefits by the members of the Board of Management amounted to 6.4 million euros (previous year: 5.2 million euros). During financial year 2010, members of the Board of Management that left the Board of Management with effect on 31 December 2008 received remuneration totalling 1.2 million euros (previous year: 1.1 million euros) for their past work as members of the Board of Management. Moreover, their post-retirement benefits were increased by 0.3 million to 0.7 million euros. No remuneration was paid to other former members of the Board of Management or their surviving dependants.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is governed by Section 14 of the Articles of Association. It is performance-

linked and oriented on the amount of time worked, on the duties and functional responsibilities assumed by the members of the Supervisory Board, as well as on the economic success of RHÖN-KLINIKUM Group. The remuneration of the Supervisory Board is made up of fixed and variable components.

In addition to being reimbursed their expenses, the members of the Supervisory Board receive a remuneration made up of the following elements: a fixed basic amount of 20,000 euros p.a. and a fixed attendance fee of 2,000 euros for each Supervisory Board meeting, committee meeting and Annual General Meeting attended in person. The chairman of the Supervisory Board and his deputy receive double the amount of the fixed attendance fee. Chairmen of committees with power to adopt resolutions on behalf of the Supervisory Board also receive double the aforementioned amount unless they hold office as chairman of the Supervisory Board or deputy chairman of the Supervisory Board at the same time.

Furthermore, the Supervisory Board receives a performance-linked remuneration equal to 1.25 per cent of the modified net consolidated profit of RHÖN-KLINIKUM AG. For his purpose, net consolidated profit is diminished by an amount equal to 4 per cent of the contributions paid on the registered share capital of RHÖN-KLINIKUM AG. The aggregate amount is distributed amongst the individual members of the Supervisory Board in accordance with the terms of remuneration issued by the Supervisory Board. These duly reflect, in addition to the responsibility assumed, in particular also the time devoted by the individual member as well as the fluctuating workload of the members of the Supervisory Board during the course of the year.

The chair and membership of the Supervisory Board committees are remunerated separately in keeping with the German Corporate Governance Code. Supervisory Board members belonging to the Supervisory Board during only part of the financial year receive a pro rata remuneration.

Members of the Supervisory Board are reimbursed all expenses incurred to them in the performance of their mandate as well as the VAT payable on the remuneration. The Company's chauffeur service and an office including a secretariat are made available to the chairman of the Supervisory Board.

Members of the Supervisory Board do not receive any loans from the Company.

The remuneration of the active members of the Supervisory Board amounted to 2.4 million euros (previous year: 2.4 million euros). Of this total, 0.8 million euros was accounted for by fixed remuneration components (previous year: 0.9 million euros). 1.6 million euros was paid as performance-linked remuneration (previous year: 1.5 million euros).

REMUNERATION OF THE ADVISORY BOARD

For each meeting attended in person, the members of the Advisory Board receive a fixed attendance fee of 1,400 euros. In addition, the members are reimbursed all expenses incurred to them in the performance of their mandate as well as the VAT payable on the remuneration.

Members of the Advisory Board do not receive any loans from the Company.

The total remuneration of the Advisory Board during the past financial year amounted to 21,000 euros (previous year: 22,000 euros).

REMUNERATION TABLES, 2010

Total remuneration of Supervisory Board, the Board of Management and the Advisory Board

Total remuneration	2010 € '000	2009 € '000
Total remuneration of the Supervisory Board	2,426	2,352
Total remuneration of the current Board of Management	9,134	8,435
Total remuneration of former members of the Board of Management	1,224	1,135
Total remuneration of the Advisory Board	21	22

Total remuneration (excluding VAT) for members of the Supervisory Board is broken down below:

Total remuneration	Basic amount € '000	Attendance fee, fixed € '000	Attendance fee, variable € '000	Functional days, variable € '000	Total 2010 € '000	Total 2009 € '000
Eugen Münch	20	44	123	281	468	409
Joachim Lüddecke	20	36	57	0	113	112
Bernd Becker (until 2 December 2009)	0	0	0	0	0	124
Wolfgang Mündel	20	40	148	178	386	349
Dr. Bernhard Aisch (until 9 June 2010)	9	6	14	0	29	54
Gisela Ballauf (until 9 June 2010)	9	6	14	0	29	59
Peter Berghöfer (from 9 June 2010)	11	8	20	0	39	0
Bettina Böttcher (from 9 June 2010)	11	4	6	0	21	0
Sylvia Bühler	20	14	46	0	80	54
Helmut Bühner (until 9 June 2010)	9	8	22	0	39	54
Professor Dr. Gerhard Ehninger	20	8	20	0	48	59
Stefan Härtel (from 9 June 2010)	11	8	20	0	39	0
Ursula Harres (until 9 June 2010)	9	6	14	0	29	54
Caspar von Hauenschild	20	20	75	16	131	118
Detlef Klimpe	20	20	99	0	139	155
Dr. Heinz Korte (until 9 June 2010)	9	12	59	0	80	155
Professor Dr. Dr. sc. (Harvard) Karl W. Lauterbach	20	10	26	0	56	59
Michael Mendel	20	18	69	0	107	120
Dr. Rüdiger Merz (from 9 June 2010)	11	10	32	0	53	0
Dr. Brigitte Mohn	20	16	38	0	74	48
Annett Müller	20	12	30	0	62	1
Jens-Peter Neumann	20	18	73	0	111	54
Werner Prange	20	16	49	0	85	105
Joachim Schaar (until 9 June 2010)	9	10	22	0	41	54
Professor Dr. Jan Schmitt (from 9 June 2010)	11	6	12	0	29	0
Georg Schulze-Ziehaus (from 9 June 2010)	11	6	12	0	29	0
Dr. Rudolf Schwab (from 9 June 2010)	11	6	12	0	29	0
Michael Wendl (until 9 June 2010)	9	12	59	0	80	155
	400	**380**	**1,171**	**475**	**2,426**	**2,352**

The total remuneration of the Board of Management breaks down as follows:

	Fixed			Profit-linked	Total 2010	Total 2009
Total remuneration	Basic salary € '000	Fringe benefits € '000	Post-employment benefits € '000	€ '000	€ '000	€ '000
Current Members of the Board of Management as at 31 December 2010						
Andrea Aulkemeyer[1]	192	9	0	762	963	874
Volker Feldkamp[2]	61	4	0	134	199	0
Dr. Erik Hamann	177	7	0	402	586	518
Wolfgang Kunz	192	14	0	762	968	879
Gerald Meder[1]	288	8	0	2,004	2,300	2,066
Wolfgang Pföhler	384	12	0	2,096	2,492	2,247
Ralf Stähler[3]	58	3	0	127	188	519
Dr. Irmgard Stippler	174	8	0	381	563	519
Dr. Christoph Straub	192	0	150	533	875	813
	1,718	**65**	**150**	**7,201**	**9,134**	**8,435**

[1] *until 31 December 2010.*
[2] *from 1 September 2010.*
[3] *until 30 April 2010.*

The post-retirement benefits of the Board of Management break down as follows:

Retirement pension benefit	Provisions as at 31 Dec. 2009 € '000	Increase claims for pension benefits € '000	Provisions as at 31 Dec. 2010 € '000	Nominal amount for contract expiry[5] € '000
Current members of the Board of Management as at 31 December 2010				
Andrea Aulkemeyer[1]	754	224	978	1,193
Volker Feldkamp[2]	0	6	6	122
Dr. Erik Hamann	43	52	95	362
Wolfgang Kunz	658	196	854	1,193
Gerald Meder[1]	2,577	290	2,867	3,438
Wolfgang Pföhler	1,049	303	1,352	2,789
Ralf Stähler[3]	43	–43	0	0
Dr. Irmgard Stippler	43	52	95	347
Dr. Christoph Straub	58	70	128	453
	5,225	**1,150**	**6,375**	**9,897**
Former members of the Board of Management				
Dietmar Pawlik[4]	228	135	363	391
Dr. Brunhilde Seidel-Kwem[4]	227	136	363	391
	455	**271**	**726**	**782**
	5,680	**1,421**	**7,101**	**10,679**

[1] *until 31 December 2010.*
[2] *from 1 September 2010.*
[3] *until 30 April 2010.*
[4] *until 31 December 2008.*
[5] *Claim after ordinary expiry of contract based on remuneration of the past financial year.*

Bad Neustadt a. d. Saale, 27 April 2011

The Supervisory Board The Board of Management

QUALITY REPORT

Striving for the highest possible quality and safety in all medical services is an integral part of our business model. The principle that good medical practice is something that must not be left to chance but has to be ensured systematically has been the guiding principle for the management of RHÖN-KLINIKUM AG ever since the Company was founded.

Good directions always help you find your way in the end: quality and safety of all medical services is no end in itself but rather the prerequisite for cutting-edge medicine, especially at the University Hospital of Giessen and Marburg.

The commitment of RHÖN-KLINIKUM AG in the area of quality management had a clear focus in 2010: the opening of Germany's largest hospital portal, Qualitätskliniken.de. As initiator, RHÖN-KLINIKUM AG along with two other hospital groups are pursuing the stated objective of systematically raising the quality of their facilities with the help of the Qualitätsklinken.de portal and of making this transparent for both patients and specialists. For this purpose, the hospitals of RHÖN-KLINIKUM AG since 1 June 2010 have been publishing an overview of nearly 400 quality indicators through the joint hospital portal. We thus give patients and their relatives a very valid as well as user-friendly possibility of finding the right hospital.

This portal makes it easy for its users to compare participating hospitals based on medical indicators, indicators on patient safety as well as data on patient and referrer satisfaction without the need for specialist knowledge. The hospitals of RHÖN-KLINIKUM AG are thus deliberately adopting a patient-oriented perspective. On the other hand, providing for an open and fair comparison with over 150 hospitals for the first time offers our facilities the opportunity to identify targeted measures for improvement. This opportunity will be exploited by RHÖN-KLINIKUM AG along with all other methods of quality management to further improve the quality of its services.

Already in its first year, participation in the Qualitätskliniken.de portal led to wide range of improvement measures. Particularly in the area of patient safety (4QD quality dimension 2), the participating facilities achieved significant improvements already in 2010. Some examples in this context include regular mortality and morbidity conferences, training and rules on hand disinfection, guidelines on decubitus prevention, procedures for dealing with complaints, multi-resistant pathogens, noroviruses, measures involving deprivation of freedom and medical emergen-

cies. Moreover, in operating theatres (ORs) the following 4QD safety aspects are monitored in regular and standardised form: introducing a safety checklist for enhancing patient safety in the OR based on procedures of the World Health Organization (WHO) and the German Society of Surgery (DGCH); avoiding confusions of sides and patients; fully presenting necessary findings in the OR prior to the operation; performing controls defined on an interdisciplinary basis for the wake-up phase and post-operative care.

In the course of 2010, a uniform critical incident reporting system (CIRS) was developed for the entire Group giving all employees the possibility of reporting such critical incidents on an anonymous basis. Over the next few months, this system will be introduced at all hospitals of RHÖN-KLINIKUM AG. The designation of a confident and a CIRS processing team at each facility from 2011 will enable us to further optimise our systematic error management and thus to improve our quality on a sustained basis.

A further milestone on the path to steadily increasing patient safety is the system of electronic drug therapy safety reviews (eAMTS). In 2010, RHÖN-KLINIKUM AG began planning the generalised introduction of such system. The Group is thus taking up the Initiative for Improving Drug Therapy Safety launched by the Federal Health Ministry. The aim of this initiative is to further improve the use of drugs for their intended purpose (i.e. reducing relevant risks of drug therapy for as many patients as possible). At the same time this gives us an important opportunity to support the work of doctors and nursing staff.

Regarding the quality of medical results, the Qualitätskliniken.de portal, on the basis of indicators from the procedure pursuant to section 137 of the German Social Insurance Code V ("SGB V"), has provided essential additional guidance on approaches to further improving medical care. The quality results are firstly regularly evaluated by the specialists in charge at the hospitals, and secondly (as in past years) are discussed in the quality circles of the specialist medical departments so as to define improvement measures as required. Medical staff at the hospitals have special tools, e.g. software applications, enabling them to take a comprehensive look at the medical quality results at all times so that they can act quickly in the specific situation as required.

"We value your opinion!" It was under this slogan that we conducted a survey among patients and referring physicians at many of the facilities of RHÖN-KLINIKUM AG in 2010 so as to gain a further basis for sustained quality improvement. These surveys, which take place at least twice a year, were born from the inevitable realisation that a comprehensive quality management system must take account of the experience of patients and the referring physicians. The data gained in this way moreover provide the basis for creating in the Qualitätskliniken.de portal for the first time a multi-dimensional perspective of the quality of hospitals. To steadily improve the quality of patient care at our hospitals, we have to consistently maintain and encourage a dialogue on clinical processes and quality findings. Both at the hospitals and at the Group level, RHÖN-KLINIKUM AG has set up different forums and bodies that promote this dialogue. At the Group level, the quality management officers of the hospitals met almost every month in 2010. In addition to these meetings, it was particularly the quality circles of the different specialist medical disciplines that contributed to a systematic improvement in quality.

It is here that the head physicians of the specialist disciplines meet once to twice a year for the purpose, among other things, of discussing the results of quality measurement and developing improvement measures as appropriate. For this purpose, differences in quality amongst the hospitals (RHÖN-KLINIKUM AG benchmark) and their causes are discussed. Besides looking for possibilities of making improvements, however, the quality circles also have the objective of exchanging know-how and dialoguing with the facility in finding new methods and possibilities of treatment. In addition to these activities, the quality circles in 2010 chiefly focused on the use and evaluation of medical devices.

HYGIENE MANAGEMENT

For the area of hygiene management, the first months of 2010 continued to be dominated by activities relating to the influenza epidemic whose impact in German fortunately turned out to be far less serious than had been feared. Up to the end of March 2010, a little over 1,500 patients were treated with suspicion of influenza, and about 500 persons had to be treated as inpatients. At the same time, a number of Group hospitals from different regions had to deal with the simultaneous increasing incidence of diarrhoea caused by noroviruses. Here, the uniform Group-wide guideline on outbreak management for infectious diseases and an updated checklist for dealing with infected patients once again proved themselves effective, enabling all hospitals to maintain orderly clinical activities.

Systematised monthly infection surveillance was continued. This revealed, among other things, that our hospitals succeeded in further improving their admission screening

Nicola Bädele, Giessen
"I certainly have various ideals I would like to realise, such as working in a useful and broad area of activity."

Fabian Ghowatchi, Giessen
"The expectations I associate with my studies are an interesting and fulfilling working life."

for staphylococcus aureus (MRSA) in the case of patients at risk. The decline in nosocomial MRSA transmissions was evident, and it was revealed that at some hospitals multi-morbid patients in particular have the primary potential of being carriers of MRSA. At the same time, an increase in admission of patients with other multi-resistant pathogens was observed. This provided the occasion to develop a further Group guideline on dealing with patients who are carriers of or infected with such pathogens. Further binding guidelines for the Group on the issues of "clostridium difficile", "professional attire", "outbreak management" and "centralised supply of sterilised items" were either newly issued or revised.

The activities initiated in 2008 to improve hand hygiene, inter alia through the participation of all Group hospitals in the Clean Hands Initiative, in the past year as well led to a steady rise in the consumption of hand disinfection products by an average of 15 per cent. We thus attained consumption levels exceeding those prescribed by the National Reference Center.

The programme for antibiotic stewardship was expanded and is gaining acceptance with more and more hospitals, especially since the systematically gathered data show an improved use of antibiotics coupled with a decline in their consumption.

The high degree of acceptance of hospital hygiene at our Group hospitals is evidenced by the continuous increase in the need for higher-qualification measures both for doctors entrusted with hygiene-related responsibilities and for specialist hygiene staff. We reflected this with a certified course for doctors as well as our (now regular) structured higher-qualification events for specialist hygiene staff.

At the Group hospitals of RHÖN-KLINIKUM AG, hospital hygiene now enjoys such a high level of significance that it is no longer seen as a cumbersome duty but instead as something self-evident, as an integral part of providing the best-possible care for our patients.

MEDICAL CONTROLLING

The area of medical controlling is the "economic counterpart" to quality management. It measures and documents the services provided for each and every patient. Consequently, this documentation serves as an internal record of work with patients. At the same time we also use it in pursuing the objective of securing adequate remuneration of these services and creating a sound information basis for our budget negotiations with payers, recording all treatment steps – thus making it possible to develop clinical treatment paths, monitor their compliance in practice and improve them as required. Documentation of the individual steps, for example of patient information by the doctor, makes it possible to trace back the treatment history in detail if required. This is helpful when the patient has queries later on and at the same time protects the hospital and its staff.

In the area of medical controlling, various coding reviews were performed during the year to prevent possible coding errors. The development of an "MDK Tool" (MDK: Medical Review Board of the Statutory Health Insurance Funds) revealing ways of optimising the invoicing and review process and determining the financial effects of MDK inspections is to be regarded as an extension of coding reviews. Also planned for 2011 is the introduction of regular reporting and a benchmark system with relevant key ratios for the medical controlling of all facilities of RHÖN-KLINIKUM AG. That opens up the opportunity for the hospitals to learn from the best (best practice approach) and thereby continually improve. Of course, by this measure we are also pursuing the objective of securing and raising revenues.

HUMAN RESOURCES DEVELOPMENT

Having highly qualified and motivated staff is key to the success of our Company and each of our hospitals. For us it is absolutely essential to make investments in continuous, further and higher-qualification training as well as the individual advancement of our employees. We achieve this using a combination of both proven and innovative approaches. The focus of our human resources work is on comprehensive skills management extending from training to development of executive employees.

Over 2,700 apprentices at the sites of RHÖN-KLINIKUM AG ensure that medical care and nursing continues to be maintained at a high level.

GOOD PROSPECTS: PROFESSIONAL ADVANCEMENT OF OUR STAFF

Human resources development is gaining increasing importance in the hospital sector. Qualified specialists and executive staff make a decisive contribution towards giving our patients access to the best-possible medical care. Offering state-of-the-art diagnostics and treatment not least means continuously furthering the specialist knowledge and management expertise of our medical professionals.

RHÖN-KLINIKUM AG has offered its employees extensive qualification programmes for many years. The Company's growth and a host of innovations open up attractive prospects for our staff. When providing targeted higher-qualification as well as further and ongoing training measures we avail ourselves, among other things, of innovative tools such as skills labs or e-learning. A skills lab is a training centre in which doctors acquire practical skills. In a simulated environment they can learn even complicated operating procedures. We convey theoretical curricula using, among other things, e-learning, i.e. conveying know-how using web-based training systems.

TRAINING

Within the RHÖN-KLINIKUM Group, great importance is attached to professional training since, firstly, the Group thereby fulfils an important socio-political mandate by giving young people a perspective. At the same time, sound training of our staff secures our competitiveness in the long term.

OVERVIEW OF TRAINING GROUP-WIDE

Apprentices/students / Training of	Number		
	Year 2009	Year 2010	Difference
Health and nursing care[1]	1,557	1,633	76
Paediatric nurse	180	190	10
Students in practical year (PY)	291	303	12
Midwives	103	113	10
Technical operating assistants	62	86	24
Specialist medical staff	31	31	0
Medical-technical assistants	11	11	0
Commercial training courses	47	48	1
Apprentices in dental medicine	27	30	3
Apprentices in psychology	24	32	8
Physiotherapy[2]	87	80	–7
Ergotherapy	44	55	11
Logopaedics	40	44	4
Other	**59**	**62**	**3**
Total	**2,563**	**2,718**	**155**

[1] *Amper Kliniken AG: Bachelor programme in co-operation with Katholische Stiftungsfachhochschule München. Bachelor programme in co-operation with Hochschule Ostfalia with Group hospitals from Lower Saxony.*

[2] *Bachelor programme in co-operation with Thim van der Laan Hoogeschol, Utrecht/NL.*

In 2010 the number of apprentices stood at 2,718, exceeding the previous year's level. At our facilities, staff were qualified in 19 different training fields. The professional group recording the largest share of apprentices was nursing.

HIGHER-QUALIFICATION AND FURTHER TRAINING

In times of mounting economic pressure on companies from the healthcare sector, it is becoming increasingly important to have qualified and motivated staff. In a competitive environment it is only through continuous higher-qualification and further training that personal and entrepreneurial success can be ensured on a daily basis. In 2010 we spent 8.2 million euros on this, over 2.2 million euros more than the year before. The wide range of our higher-qualification and further-training measures is oriented on the current specific needs of professional groups and for interdisciplinary training. Many employees from all professional groups completed further training or acquired additional qualifications in 2010.

FURTHER TRAINING OF DOCTORS

At our Group hospitals, having qualified and motivated doctors is vital when it comes to working successfully for our patients. That is why in 2010 also, a package of measures was adopted by the Board of Management to expand and promote the further training of our doctors as an essential factor of success, thus offering young doctors better development prospects. The main focus of these measures is aimed at optimising further training of doctors within the Group.

Our primary objective is to expand further-training options especially at our smaller facilities, which are to be grouped into further-training networks for this purpose. A further task of further training for our doctors is to provide assistance to the head physicians in updating their further-training accreditations and to create consulting possibilities for assistant doctors to ensure they have optimum guidance and instruction during their further-trainingprogramme. Looking longer term, we want to establish a career planning programme to impart management know-how and leadership skills to doctors with a view to preparing them for management duties in addition to their medical qualifications. One example of higher-qualification measures for specialist doctors who later assume management duties is the two-year Clinical Management Programme, a professional-oriented certificate course of studies of RHÖN-KLINIKUM AG in co-operation with Technische Hochschule Mittelhessen (THM) launched in 2010.

At all sites of RHÖN-KLINIKUM Group, doctors currently may further qualify as specialists in a specific field and in additional further qualifications. The most extensive further training is provided by our university hospitals in Giessen and Marburg as well as our maximum-care hospitals. As

Viktoria Acam, Giessen
"I am studying medicine because I see medicine as my calling. I have wanted to study medicine ever since I can remember."

Sebastian Berscheid, Giessen
"I will complete my 2nd state exam in November 2012, after which I would like to possibly set up a practice as general practitioner."

physicians' activities increasingly shift to the outpatient area, it will be necessary in future to also involve our medical care centres (MVZs) in the further training of doctors.

On 31 December 2010 doctors at 53 facilities of RHÖN-KLINIKUM Group had a total of 1,011 further-training accreditations, translating into a rise in the number of accreditations by almost 20 per cent compared with the previous year. The further-training accreditations at all sites were brought up to date. Whereas in 2008 roughly one third of these were still based on the old further-training ordinances, this percentage is now only 22 per cent. The further-training opportunities for young doctors at our hospitals have thus seen a significant improvement. In 2009 our doctors acquired around 89 out of the 107 different possible medical qualifications (more than in 2008). This level was confirmed in 2010.

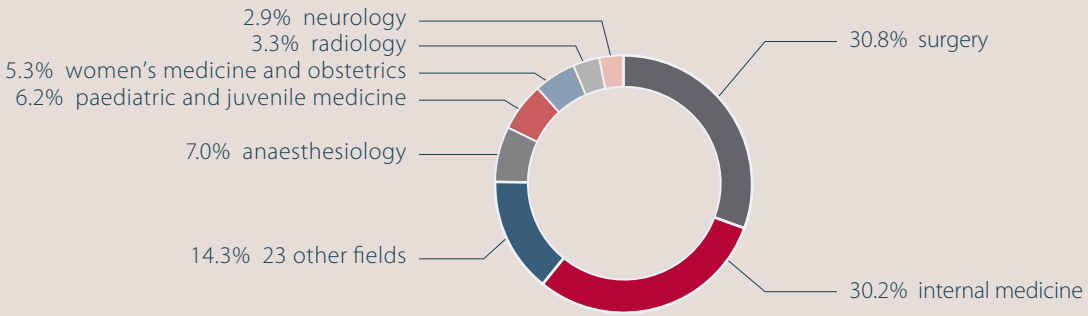
The specific analysis of the further-training accreditations shows that the most extensive opportunities are found in the specialist area of surgery – they account for roughly 31 per cent of all accreditations and relate to all sub-areas of this discipline. Ranking second is the specialist area of internal medicine accounting for roughly 30 per cent – here, too, all medical specialisations can be acquired. The specialist field of anaesthesiology also accounts for a very significant share (7 per cent). Overall, there were minor shifts towards the areas of surgery as well as paediatric and juvenile medicine compared with the previous year. The shares of the other areas declined slightly.

FURTHER TRAINING IN NETWORKS

One focus of our work in 2010 was to establish networks for further training specialists in general medicine (general practitioners, GPs) at our basic- and standard-care hospitals. The further training of GPs is particularly challenging because the further-training ordinances require a change in specialisation during the period spent in training at hospital as well as mandatory periods spent at a GP practice. Even if doctors trained as GPs generally work only three years at our hospitals, we are nevertheless committed to their qualification since ensuring a sufficient number of young GPs is very important, particularly in rural regions, for the continued existence of our basic- and standard-care hospitals.

In Lower Saxony we have succeeded together with the Association of Accredited Physicians in getting the leading figures of all hospitals and the community-based physicians to work together as a team. At our sites we offer a comprehensive offering for further training of GPs which on the one hand meets the requirements of the further-

POSSIBILITIES OF FURTHER TRAINING AS SPECIALIST PHYSICIAN AT GROUP'S HOSPITALS



training ordinances and on the other gives young physicians the opportunity to acquire a secure, individualised and flexible qualification. The attractiveness of our offering is to be further enhanced by additional benefits, such as paid leave, payment of costs for mandatory courses and supervision by mentors. By the end of 2010, nine doctors accepted our offer of networked further training at our hospitals in Lower Saxony. Together with the chair for general medicine of the Medical College of Hanover (MHH), we were able to further enhance the attractiveness of this networked further training thanks to a comprehensive offering of higher-qualification training.

Our hospitals in Thuringia have also started a networked further-training programme for qualifying doctors as specialists in general medicine (general practitioners, GPs). There the Association of Accredited Physicians, the Chamber of Physicians as well as hospitals have concluded tripartite agreements for "block further training in general medicine". Together we also offer young doctors full further training with the objective of motivating them to set up a GP practice close to our hospitals, if possible. All measures serve the purpose of securing general healthcare provision by GPs on a sustained basis.

In 2010 we entered into agreements with the Association of Accredited Physicians in Saxony for networked further training in the area of general medicine. In 2011 we will also implement the concepts for this in Saxony. For 2011, we intend to establish such networked further-training approach also in Group hospitals of other federal states.

Moreover, since 2010 we have been offering the cardiologists of our major cardiology hospitals – Herzzentrum Leipzig and Zentralklinik Bad Berka – a further-training programme for structured qualification as electrophysiologists/rhythmologists. For more detailed information, please refer to the chapter "Medical Development" starting from page 54.

No less important is the further development of proposals already made by our quality circles in previous years for improving higher-qualification and further training of doctors. These relate to the standard curricula for the entire further training of specialists as well as the framework conditions that are essential for successful higher-qualification training. They include clear planning and co-ordinating the scheduling and content so as to ensure that assistants can be supervised by a mentor over the entire further-training period, provisions on the acquisition of knowledge as well as the documentation and review of further-training content.

HIGHER-QUALIFICATION AND FURTHER TRAINING FOR NURSES AND OTHER STAFF

Our nurses also can choose from a broad range of qualifications in specialised nursing areas at our hospitals. Besides further-training courses in the area of nursing, we also offer this professional group a comprehensive range of higher-qualification training. The specialised training courses are professional further-training measures recognised by the state. Depending on the regulations of the specific federal state, they last anywhere from two to four years.

In the case of further-training measures not regulated by the state (such as "Wound Expert ICW", or "Algesiological Expert Assistance"), we take particular care to ensure that the respective specialist organisation (e.g. ICW, DGSS) possesses the requisite certification. In addition, our training centres and company higher-qualification training institutes offer extensive programmes of higher-qualification training events and seminars for all professional groups, ensuring that specific qualification is promoted in the areas of management skills (such as training for executive staff), specialist expertise (pain nurse, decubitus prophylaxis and others), pedagogical skills (courses for clinical instructors), interdisciplinary and team skills (interdisciplinary resuscita-

Agnieszka Kuswik, Giessen
"I know the secrets of health and can therefore give tips to my family. I also love travelling and can complete my practical hospital training anywhere."

Matthias Müller, Giessen
"The expectations I associate with my studies are sound specialist know-how and flexible working options (going abroad, my own practice, …)"

tion training). The offerings are oriented on the needs of our nursing areas.

PROGRAMMES FOR YOUNG EXECUTIVES IN THE COMMERCIAL AREA

In RHÖN-KLINIKUM AG's personnel policy, executive staff development plays a vital role because the Group, as a result of its continuous expansion over the past years, has a considerable need for executive talent. With its young executives programme it has set special standards – also compared with competitors. Some 140 employees have successfully completed this programme since September 1998. Today the graduates hold positions in the middle and op management of the Group's facilities and also in centralised departments at RHÖN-KLINIKUM AG, serving as important forces of human resources development.

Currently the following training programmes are being conducted for graduates or young professionals:

- Training as generalist for young executives within the Group
- Training as specialists for certain areas such as finance and accounting, human resources management and medical technology/IT.

In all these training programmes we apply a concept that is best characterised as "learning by doing" or "training on the job". Apart from good school grades and high motivation, we also expect our aspiring junior executives to have a high degree of flexibility and mobility, since already in the basic programme they will be assigned to at least two sites. Following comprehensive basic practical training, participants are to assume their first executive tasks as quickly as possible so that what they have learned can be reinforced in specific areas. After successfully completing the programme, graduates as a rule assume commercial executive positions (department head, administrative manager, member of management board) at the Group's hospitals or at the Group.

MASTERS PROGRAMME "PROCESS MANAGEMENT IN THE HOSPITAL"

To maintain and strengthen the qualification of its young as well as established executives at a high level, RHÖN-KLINIKUM AG offers the accredited masters programme "Process Management in the Hospital". This was developed in collaboration with StudiumPlus, Zentrum für duale Hochschulstudien (centre of dual post-secondary studies) at Fachhochschule Giessen-Friedberg. The study programme, which has

been offered since September 2007, is currently being completed by 14 students in two different years of the programme. After completing four semesters, the 14 second-year participants successfully completed their studies in the summer of 2010 with the degree "Master of Arts".

HUMAN RESOURCES MARKETING

Systematically reaching and talking with target groups is the basis of any goal-oriented human resources marketing approach. In addition to graduate congresses throughout Germany, we also used direct contacts with post-secondary institutions to hold exclusive career events. At career congresses we take advantage of the opportunity to hold presentations and to seek direct dialogue with graduates and students of medicine at our stand.

Moreover, a "Neurology Conference" was held at our Neurology Clinic in Bad Neustadt. This event gave students of medicine the possibility of gaining an insight into the special field of neurology and the typical conditions covered, thus enabling them to better orient their own studies and to identify areas of interest and focus for them.

We also performed higher-qualification training events for faculties of business administration and economics at our hospital sites.

REVIEW AND OUTLOOK

Being a highly attractive employer is an important factor when it comes to helping employees identify with the company, recruiting and retaining specialist and management staff and thus an important prerequisite for RHÖN KLINIKUM AG to continue its growth course. To enhance this attractiveness, we have initiated or already realised important projects in the area of human resources and management executive development.

Family-friendly working conditions are essential when it comes to harmonising career and family. For this reason, some Group hospitals have already been certified under the initiative "berufundfamilie" (career and family). In addition, many families have become part of the corporate network "Success Factor Family".

In 2011, in a joint project with the Group works council, we intend to expand our existing offerings and create new offerings. We thereby send a clear signal to potential applicants and also promote internal competition for family-friendly offerings.

When creating attractive working conditions we generally strive as far as possible to reflect the needs of our employees. That is why in 2010 we once again conducted employee surveys at various Group sites. In 2011 as well we want to use this instrument to identify areas which potentially have room for improvement and to develop corresponding measures on this basis.

Also in the area of continuous, higher-qualification and further training, various projects are planned for 2011. In March a further course of the Clinical Management Programme will begin in which our objective is to qualify in particular specialist doctors for future management functions. Last year, the Clinical Management Programme, a professional-oriented certificate course of studies of RHÖN-KLINIKUM AG in co-operation with the further-training centre Hochschulzentrum für Weiterbildung of Technische Hochschule Mittelhessen (THM), was offered for the first time. More than 25 participants took advantage of this offering.

The further qualification of our nurses is also something to which we also give high priority. Already in 2005, we conducted a co-operation scheme with Duke University (Durham, USA) to train some intensive care nurses of our cardiovascular clinic Herz- und Gefäß-Klinik as Physician Assistants with the aim of reducing the gap to the medical profession and to take some of the burden off doctors. For 2011 this co-operation is slated to continue so that as many staff as possible (not only at our Bad Neustadt a. d. Saale site but also Group-wide) have the opportunity to acquire qualified further training.

Also planned for 2011 are new further-training offerings for our commercial executives. At the beginning of the year we will be launching, among other things, the "RHÖN KLINIKUM AG Executive Programme" under which we wish to convey uniform Group standards of knowledge to the top management level to create the basis for further networking of our Group facilities. The "RKA Executive Programme" is modularly structured and in two- to three-day block events at alternating sites promotes an exchange amongst the participants.

Another important matter being addressed within the Group is the development of a uniform project management competence and culture. For this purpose, three parallel actual hospital projects (acquisition of doctor practices, establishment of a telephone case management structure, OP management) were used last year to create the basis for a uniform Group Project Management Guideline. The aim of this Guideline is to support project managers in future project execution. From 2011, corresponding training measures will be offered.

MEDICAL DEVELOPMENT – QUALITY – INTEGRATION

Demand for medical services is constantly growing, a trend being driven by several parallel developments. On the one hand, steadily rising life expectancy is also accompanied by an increase in chronic diseases. On the other, the desire to maintain good health into old age can be satisfied only with an increasing level of medical care. These demands are what challenges the innovative potential of medical research.

In future, the Particle Therapy Centre in Marburg is to make a type of cancer therapy possible in which conventional treatment methods reach their limit. A huge technical effort is required to make the particle beam powerful enough to destroy the tumours without the need for an operation.

Available knowledge doubles every four to five years, unleashing a wealth of new technologies as well as product- and process-related innovations. Advances in medicine and ever louder calls for a holistic approach to diagnosing and treating patients (instead of diagnosis and treatment being limited to certain aspects) are requiring increasingly strong interdisciplinary processes characterised by a division of labour. This need for co-operation exists not only at the hospital but also between outpatient and inpatient care. As an integrated provider of healthcare services, RHÖN-KLINIKUM AG takes up this challenge by integrating and co-ordinating its care and making it interdisciplinary, pro-active and innovative.

With us, integrated care means overcoming the traditional boundaries between the outpatient and inpatient sector. We offer our doctors the possibility of working in both an outpatient facility and in parallel in the inpatient area. In that way we meet their wishes for flexible working conditions and provide the basis for them to independently cover a broad range within their discipline. Our integrated care also offers the possibility of having patients treated in both areas by the same doctor.

Modern medical care is interdisciplinary. For us, interdisciplinary means not only the link between the outpatient and inpatient areas. There are also no significant barriers between individual specialist areas or clinic wards. Interdisciplinary thus means working in close co-operation over different specialty fields so that all sensible medical services are co-ordinated in a patient- and problem-oriented manner.

Modern medical care is co-ordinated. Co-ordinated medical care means that teams from different areas work hand in hand across specialties and sectors. The objective in this is to make sure patients receive neither an over- nor under-provision of care but adequate care. For this reason we assign patients either to outpatient-inpatient basic and standard care or to intermediate and maximum care, depending on how serious their condition is. Under this concept, the care model follows the patient-oriented flow principle that we have been applying successfully at our acute hospitals for many years and are now expanding to the outpatient area. Here, the patient is always the focus of interest. The aim is to provide patients with treatment at the right treatment level based on their actual medical needs. We are now developing this proven model for specialist medical areas.

Modern medical care is also pro-active. When medical care is pro-active, that means that it takes a forward-looking view of the accompanying circumstances arising, for example, from a patient's medical history.

Lastly, modern medical care is innovative. For us, medical care that is innovative means that we ensure patients share in advances in medicine. This is done by conducting scientific research and putting it to work in practice, as well as by ongoing investment in modern technologies and equipment.

MEDICAL CARE WITHIN OUR HOSPITAL NETWORK

We have initiated modern care concepts based on the above criteria inter alia in adiposity and pain therapy as well as rhythmology. In a process of close exchange and dialogue with one another, the hospitals involved are putting these concepts into practice.

Obesity is seen as an urgent health problem throughout the world. The World Health Organisation (WHO) speaks of a "global obesity epidemic". Worldwide it is estimated that 1.6 billion adults (over the age of 15) are overweight and that at least 400 million adults are obese. In Germany, the latest studies have revealed about 18 per cent of adult men and 20 of adult women to be obese. The basic cause of the growing number of overweight and obese people is an imbalance between calorie intake and calorie consumption – people are eating more energy-rich food containing a lot of fat and sugar, but little in the way of dietary fibres, vitamins, minerals, etc. Coming on top of this is the decline in physical activity brought about by professions involving sedentary activities, convenient means of transport and increasing urbanisation.

In obesity therapy we take a comprehensive care approach based on interdisciplinary treatment. We are establishing obesity centres at several sites of the Group (University Hospital Giessen and Marburg, Klinikum Pforzheim, Amper Klinik and Klinikum Frankfurt (Oder)). These are based on two elements: they firstly offer conservative guideline-oriented treatment under the supervision of a multi-disciplinary team. This team is made up of nutrition advisers, psychologists, physiotherapists and specialists in internal medicine. Secondly, all specific surgical therapy procedures are made available to our patients in a co-ordinated multi-disciplinary treatment concept. Long-term follow-up care takes place in co-operation with community-based doctors.

Usually, pain lasting more than three to six months has lost its warning function and today is understood as a separate condition (chronic pain disease). Generally, chronic pain is caused by several factors simultaneously. It usually arises from an interaction between natural wear, diseases or the after-effects of accidents, as well as contributing factors such as emotional stress, professional and other psychosocial influences. According to the 2003 European Pain Survey, one sixth of Germany's total population (13 million people) suffer from chronic pain.

To help them, our experts have developed a concept of multi-modal pain therapy. Such multi-modal pain therapy is already offered by us at Amper Klinik, Zentralklinik Bad Berka, Klinikum Hildesheim, Klinikum Meiningen, Deutsche Klinik für Diagnostik in Wiesbaden, Klinikum Frankfurt (Oder), MEDIGREIF Klinik Vogelsang-Gommern, the University Hospital Giessen and Marburg and at our Klinik Hildesheimer Land in Bad Salzdetfurth acquired in 2010. We are currently in the process of preparing further sites to introduce this concept.

Diagnosis and therapy of cardiac arrhythmias is the fastest growing segment within cardiology. Cardiac arrhythmias are disruptions in the regular sequence of the heart beat. Atrial fibrillation is the most common disease of the heart. Average growth in the diagnosis of this condition is 4 per cent per year. People with atrial fibrillation are 5 times more at risk of suffering a stroke.

Treatment in the area of rhythmology focuses firstly on obliterating the lines of conduction in the heart (ablations) and secondly on using implantable devices to stabilise heart rhythm (cardiac pacemakers and defibrillators). Catheter ablation has now come to be the therapy of first choice for cardiac arrhythmia. Also in the treatment of atrial fibrillation, ablation is now no longer an experimental procedure but is increasingly common practice.

RHÖN-KLINIKUM AG is well equipped both for performing ablations for atrial fibrillation and ventricular tachycardia and for implanting devices. Its facilities Herzzentrum Leipzig, Herz- und Gefäß-Klinik Bad Neustadt and Zentralklinik Bad Berka are three high-performance centres with long-standing experience and an international reputation. Further renowned sites are Klinikum Hildesheim and the hospital in München-Pasing.

The biggest challenge in the foreseeable future will be to provide the required personnel capacities and expertise to perform the procedures. RHÖN-KLINIKUM AG is meeting this challenge by offering doctors already with experience in cardiology and interested in being further trained in clinical electrophysiology a qualification within the Group.

Geriatrics is a specialist discipline dealing with medical care for elderly people. They often suffer from several diseases at the same time, and are often threatened in their ability to lead an independent life. For this reason, these patients require complex diagnosis and treatment by a team that is led by specialist physicians and made up of individuals from many different professional groups (such as specialist doctors of different disciplines, ergo- and physiotherapists, speech therapists, social workers, clinical psychologists, physical therapists and nurses). With our new facility Klinik Hildesheimer Land acquired on 30 July 2010, we have created a platform for developing geriatric concepts for other hospitals within the Group.

TELEMEDICAL NETWORKING WITHIN OUR HOSPITAL NETWORK

With its large medical network, RHÖN-KLINIKUM AG offers its patients care delivery structures spanning all care levels. To support inter-facility and interdisciplinary exchange, the hospital Group makes targeted use of telemedical applications. The technical basis for this is provided by our Internet-based Electronic Patient File (WebEPA) which equally serves as both an electronic communication platform and file solution. This technology makes it possible for doctors (from the stand-alone practice or the medical care centre (MVZ) to the maximum care physician) to have access to the same information over all care levels and to exchange information and ideas with one another (subject, of course, to our patients' consent). WebEPA thus supports the co-operative treatment of patients to high standards of quality, without media and communication interruptions.

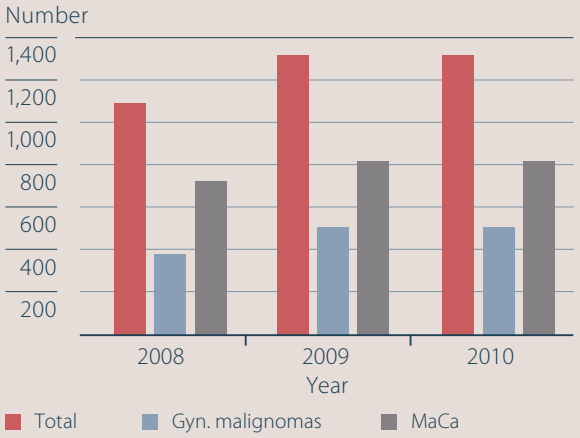
Various specialist disciplines use this concept in the form of regional networks originating in each case from one facility within the network of RHÖN-KLINIKUM AG. For example, there is a network of dialysis specialists in Hildesheim in which (besides Hildesheimer Klinikum) Klinikum Hildesheimer Land and external specialists are involved. Here, the experts daily exchange medical information and findings and discuss possible therapies. Also participating in such networks are hospitals and community-based doctors not belonging to the hospital network of RHÖN-KLINIKUM AG.

Other examples are networks being created in the area of neuroradiology and paediatric radiology. There, the Giessen site of the University Hospital Giessen and Marburg offers tele-consultants for second opinions. The specialists exchange images with other sites such as Klinikum Frankfurt (Oder) or Klinikum Pforzheim, determine the diagnosis jointly and develop therapy proposals. This calls for know-how transfer within the network and is part of our strategy of establishing a practised knowledge management.

In oncology, there are also organised networks that communicate regularly via what are referred to as tumour boards. For example, the "Rhön-Gyn" network has been an established and integrated part of the network of RHÖN-KLINIKUM AG since 2008. The hospital group has 53 hospitals at 43 sites, facilities ranging from basic and standard care to highly specialised university hospitals. The University Hospital Giessen and Marburg with the Marburg site, as the centre of the "Rhön-Gyn" network, provides a platform for assuring the quality of the treatment of senological and gynaecological cancer diseases. All facilities have the possibility of discussing and deliberating on the diseases of their oncology patients in the weekly interdisciplinary tumour conference so that they can provide their patients with an optimum evidence- and guideline-oriented diagnosis and treatment.

There is also the possibility of transferring patients from hospitals of lower care levels to hospitals of maximum care and cutting-edge university medicine for operative treatment, radiotherapy or for use of complex systemic therapies. Since 2008, a total of 3,693 cases (see chart) of oncology patients with malignant gynaecological diseases (vulvar, cervical, endometrial and ovarian carcinoma, etc.) as well as mammary carcinoma were presented to the interdisciplinary senological-gynaecological tumour conference, and therapy proposals were developed for these. The involved facilities send the relevant data of their patients electronically to the co-ordination office of the Gynaecological Oncology Center of Marburg so that the data and findings can be discussed at the tumour conferences. This permanent dialogue between our university and hospital specialists enables us to put the new medical knowledge to work at the hospital within a short time.

NUMBER OF PATIENT CASES DELIBERATED AT THE SENOLOGICAL-GYNAECOLOGICAL TUMOUR CONFERENCE



The "Stroke Angel" story also lives on. The "Stroke Angel" is a special concept for first-aid treatment of stroke patients. It is used to shorten the interval between diagnosis and treatment by wirelessly integrating the ambulance with the hospital. This hospital keeps available a stroke unit prepared for treating stroke patients. It is sent important patient data from the ambulance already while the patient is under way. After being successfully introduced as a routine procedure in the region of Bad Neustadt a. d. Saale, Amper Klinik has also rolled out this telemedical system and adopted it in standard care. Only one year after its launch, the hospital can report very positive feedback from the surrounding region and from the northern fringes of the greater Munich area. Also within the area of our Klinikum Uelzen, "Stroke Angel" technology has been installed on all ambulances of the German Red Cross.

Currently, Neurologische Klinik Bad Neustadt a. d. Saale is looking at the possibility of its specific use in rescue helicopters for transporting stroke patients. In this way, patients further out will be able to better benefit from timely therapy and treatment in a certified supraregional stroke unit. A first scientific evaluation of over 30 rescue helicopter emergency missions has revealed a very high rate of success. In future, it is intended to take the "flight for stroke" approach in remote regions so as to help as many patients as possible.

A similar network for providing care to heart attack patients by the name "Cardio Angel" (also developed in Bad Neustadt a. d. Saale) has been established throughout Bavaria. Introduction of the programme was successfully started in 2010 at our Kliniken Miltenberg-Erlenbach, Amper Kliniken, Uelzen and Kronach facilities. With the simultaneous wireless transmission of patient and health data (and even a comprehensive ECG), valuable time can be gained for inpatient care.

INNOVATION THROUGH SCIENTIFIC RESEARCH AND AWARDS

The intense exchange between the realms of science and practice in which many doctors from all care levels of RHÖN-KLINIKUM AG are successfully engaging is regularly rewarded with high distinctions. For example, the pain therapists of Zentralklinik Bad Berka received the Poster Award of the 2010 German Pain Congress (Deutscher Schmerzkongress 2010) for their study "Schmerzlinderung und Stimmungssteigerung bei chronischen Schmerzpatienten trotz Opioidentzug" (Pain relief and mood improvement in chronic pain patients despite opioid withdrawal). The gastroenterologists from Klinikum Pforzheim were distinguished by the Poster Award of Südwestdeutsche Gesellschaft für Innere Medizin for their study on chloroleukemia of the ileocoecal valve in 2010. The working group "Motor functions, neuromodulation and rehabilitation" made up of colleagues from Klinik Kipfenberg (neurosurgery and neurology specialist clinic) in November 2010 received a poster prize from the German Society of Neurorehabilitation (DGNR). This working group examined the influence of brain stimulation in stroke patients (repetitive transcranial magnet stimulation) in conjunction with motor training on the functional recovery of the affected hand.

Markus Roller, Giessen
"It is a varied field of work in which you can really experience first-hand the positive effects of your work over and over again. You get to know a flexible field with good professional prospects."

Philipp Jaber, Giessen
"I like to help other people. The prospects on the job market are good and you have many opportunities to specialise and work independently."

Cardiologists from Herzzentrum Leipzig were awarded the Sven Effert Prize for researching and establishing new interventional procedures as well as preventive measures in cardiology. At the same time they received the Fritz Acker Stiftung Award and the Sponsorship Award of Stiftung der Arbeitsgemeinschaft Leitende Kardiologische Krankenhausärzte (ALKK) for their research in the field of treating cardiogenic shock. Moreover, a paediatric cardiologist was given the Distinguished Service Award of the International Society for the Advancement of Cytometry (ISAC) in Seattle for the further development of single cell analysis for diagnostics and cell research. The Medical Director of the heart surgery clinic Klinik für Herzchirurgie was awarded the Cross of Merit, 1st Class of the Order of Merit of the Federal Republic of Germany for his achievements in establishing Herzzentrum as a hospital of international standing and reputation.

At the end of 2010, the Clinic for Paediatric and Juvenile Psychiatry, Psychosomatics and Psychotherapy at Park-Krankenhaus in Leipzig was distinguished with the NADA Award for the use of acupuncture in psychiatric treatment. The University Hospital Giessen and Marburg received the first Dr. Walter und Luise Freundlich Stiftung Award for innovative therapy strategies for neurodegenerative diseases; the Carl Ludwig Award of the German Society of Nephrology (GfN); the young scientist's award Behring-Röntgen-Nachwuchspreis; and the Bernd Tersteegen Award of the Association of German Nephrology Centres (DN). The orthopaedists at the hospital Krankenhaus Köthen won the PISANI Stipendium of the German Orthopaedic Foot and Ankle Society (DAF).

Many of our doctors from all specialist disciplines conduct their own studies or are involved in national and international research. For example, the research project INSPIRE, in which the Neurology Clinic Bad Neustadt is involved as an important project partner, was officially launched in November 2010. INSPIRE stands for "Improving Service Productivity in Healthcare" through the use of IT and receives funding from the Federal Ministry of Education and Research (BMBF).

Strokes are one of the most frequent causes of death in Germany. In this field of such high importance for society, the joint project INSPIRE is developing technology-based organisational solutions to raise productivity of healthcare services.

In September of 2010, the Clinic for Angiology and Cardiology of Park-Krankenhaus in Leipzig had presented the first findings in Washington on the Levant Study for a new treatment approach using a drug-coated balloon catheter. This procedure is less invasive than traditional stent procedures. A balloon placed briefly into the vessels releases drugs that suppress the undesired cell proliferation. The first findings show that the rate of re-occlusion is significantly lowered. In the second phase of the study, even more extensive clinical experience with this new technology is to be gained. The study is examining patients from Europe and the USA.

In close co-operation with the University Hospital of Mainz, the Clinic for Psychosomatics in Bad Neustadt a. d. Saale is participating in the project "Development and evaluation of a cross-indication, Internet-based follow-up care measure for improving reintegration into working life" as part of the funding focus "sustainability through networking" of the German Pension Insurance Agency, which was launched in December 2010. The project promotes rehabilitation of patients with musculoskeletal diseases and addictive diseases (alcoholism). Also in 2010, the follow-up study on the long-term course of eating disorders in anorexia or bulimia patients was concluded. The study shows the efficacy of an inpatient treatment concept which is also suitable for extremely underweight patients thanks to the intermediate care station.

INNOVATION THROUGH DEVELOPMENTS IN MEDICINE

In 2010, the University Hospital Giessen and Marburg introduced a new medical focus with the German Centre of Foetal Surgery and Minimal-Invasive Therapy (DZFT). We are thus helping unborn children with severe organ malformations or circulatory disorders.

In 2010, Herzzentrum Leipzig succeeded in further establishing itself as a centre for transplants of hearts and lungs as well as combined heart-lung transplants. After initially ten heart transplants in 2009, the Herzzentrum already performed 30 heart transplants in 2010.

At Klinikum Frankfurt (Oder), the Medical Clinic for Gastroenterology, Diabetology, Rheumatology and Nephrology broadened its range at the beginning of 2010 by the field of diagnostic proctology. Moreover, in December it successfully completed the conclusive audit for certification by OnkoZert. Its Clinic for Gynaecology and Obstetrics obtain certification as a breast centre. The Clinic for Otorhinolaryngology Diseases established the Salivary Gland Centre of Ostbrandenburg (including salivary gland endoscopy) in the summer of 2010. In May 2010, an osteological centre was established within the Clinic for Orthopaedics.

Our Clinic for Heart Surgery in Karlsruhe now has a hybrid operating theatre as its fifth operating facility with a high-performance angiography unit. The special feature of this operating theatre is that two independent medical disciplines – cardiology and heart surgery – are brought together to introduce a new treatment method: catheter-based implantation of biological aortic valves. The hospital in Karlsruhe has earned a very good national and international reputation with this procedure.

In Bad Neustadt a. d. Saale, the Cardiovascular Clinic opened its interdisciplinary "cardiac failure unit" in 2010. In this unit equipped with state-of-the-art technology, 16 patients in advanced stages of cardiac failure can be provided with a high level of treatment at the same time. This is made possible by the interdisciplinary networking of the specialist areas of cardiology, cardiosurgery and the Electrophysiological Centre. The Electrophysiological Centre has a leading position in treating atrial fibrillation by obliterating paths of conduction in the heart (ablation) with the cryoballoon by which the diseased tissue is obliterated by freezing. About 1,000 of these operations have already been performed in Bad Neustadt a. d. Saale. In this context, the Centre offers an international masters course on using the cryoballoon.

In February 2010, the surgery department at Klinikum Pirna was expanded by the additional focus of neurosurgery. Since September 2010, the establishment of the specialist department of rhythmology has been moving ahead. The cross-facility and cross-company vascular centre Gefäßzentrum Freital-Pirna was successfully certified for vascular surgery by the German Society of Vascular Surgery (DGG) in November 2010. In a model project in co-operation with AOK Sachsen lasting over eight years, excellent results were achieved here, particularly in reducing amputation rates. These were presented inter alia in June 2010 at the American Diabetes Congress in Orlando.

In 2010, Deutsche Klinik für Diagnostik (DKD) in Wiesbaden established shunt surgery, endocrinal surgery and the specialist department of pneumology as new specialties. This hospital, too, is certified in a wide variety of specialties, for

Andreas Pütz, Marburg
"After completing my alternative military service with paramedics, it was clear to me that I definitely wanted to study medicine."

Friederike Kreft, Marburg
"The expectations I associate with my studies are working in a hospital, further training and a position as head physician."

example as a bone marrow centre, breast centre, centre for sleep medicine and neuromuscular centre for adults and children.

Since 2010 Zentralklinik Bad Berka has used the gamma probe in operations of neuroendocrinal surgery at its Clinic for General and Visceral Surgery. Radiotherapy as a neoadjuvant procedure for tumour operations, laparoscopic radio frequency ablation and minimal-invasive surgery using single-port procedures were also added. At the Clinic for Angiology, intermittent pneumatic compression has become established as a new therapy for treating peripheral arterial occlusive disease. At the Clinic for Cardiology, immunoabsorption was introduced as a new form of therapy for patients with heart weakness.

The new Group hospital Klinik Hildesheimer Land opened a pain clinic with eight beds in October 2010. The existing focus of geriatrics is thus broadened by pain therapy.

UNIVERSITY RESEARCH, TEACHING AND DEVELOPMENT

Our hospitals participate in the continuous transfer of knowledge from research to practice in order to provide better and more targeted healthcare. Demographic changes alone are increasing the need for advances in medicine. As society continues to grey, the number of people suffering from widespread diseases such as cancer, diabetes, cardiovascular, infectious, pulmonary and neurodegenerative conditions is also growing. The German government is therefore establishing six German centres of health research to pool research into some of the particularly significant widespread diseases and to accelerate application of the findings from such research. We are pleased that the Federal Ministry of Education and Research (BMBF) last year awarded the University Hospital Giessen and Marburg and further partners of the research network the status of new sites of the German Centre for Lung Research (DZL) and the German Centre for Infection Research (DZI).

Lung disease is one of the most common causes of death throughout the world. So far, however, only a few effective therapy approaches have been developed for its most chronic forms. The DZL is now to co-ordinate basic, disease and patient-oriented research and raise it to a top international level. The goal is to implement basic scientific findings in new clinical concepts for improving patient care in the most effective way possible.

Many of the well-known infectious diseases are largely under control today (or have even been eradicated); paradoxically, however, new infectious diseases are emerging. In the form of outbreaks, epidemics and pandemics, they present a particular challenge for medical research. The work of the DZI is aimed at enabling the persons in charge to make a quick and structured response when faced with emerging threats posed by infectious pathogens. For this purpose it is necessary to bring together the expertises of the involved research groups in the field of vaccines and anti-infective drugs. As part of their work, they have to use the latest approaches of genome research on microorganisms and their host cells as well as synthetic biology.

The applications were filed by HEAL-EMERGE-Allianz (Hessian Alliance of Excellence in Emerging and Emergency Infections). For DZL this includes the two institutions of higher learning in central Hesse and the Max Planck Institute for Heart and Lung Research in Bad Nauheim for which DZI also represents the two institutions of higher learning as well as the Paul-Ehrlich-Institut in Langen and Technische Hochschule Mittelhessen (THM).

Of course, these projects are only two of innumerable other studies and research projects being carried out at the University Hospital Giessen and Marburg. In addition to third-party funding and endowment funds (e.g. from the Von-Behring-Röntgen Foundation), the University Hospital of Giessen and Marburg each year provides at least 2 million euros for this purpose. RHÖN-KLINIKUM AG additionally promotes university medicine through the non-profit Central Hesse Medical Trust in the further amount of 1 million euros.

Also exemplary (as just one of many studies) is the LOEWE Study focusing on preventive biomechanics of the Clinic for Thoracic and Vascular Surgery at the Marburg site. Under this area of focus, two out of a total of nine subprojects are being conducted. These are primarily concerned with the electronic modelling of diseased variations in the heart and aorta. Further partners of the entire project are the University of Frankfurt, Frankfurt University of Applied Sciences and (in association) Fachhochschule Mosbach.

In a sub-project, a DFG research group (DFG: German Research Foundation), in collaboration with the Chair for Clinical Psychology, is examining with regard to the subject of placebo effects what special psychological interventions are sensible before and after major heart operations compared with today's standard procedures. The primary focus here is on the criteria for long-term health, social and professional recovery and re-integration.

In the area of allogenic stem cell transplantations, the Clinic for Haematology, Oncology and Immunology at the Marburg site is examining as part of the SORMAIN Study (Sorafenib maintenance post allo-SCT) the increase in recurrence-free survival times with the help of a cancer drug. The drug inhibits the function of proteins triggering uncontrolled growth stimulation of leukaemia cells. The advantage of this form of therapy is that it does not entail the side effects usually associated with chemotherapy and can therefore be used continuously. The longer use of the drug increases the prospects that more and more of the AML cells possibly still remaining after a stem cell transplantation are killed off. Combined with the effect of the new donor immune system, it might reduce the rate of recurrence significantly. So far, patients have been recruited throughout Germany, something that could change soon. The National Cancer Institute in Washington D. C. has stated an interest in participating in the study.

HEALTH AND ENVIRONMENT

RHÖN-KLINIKUM AG settles for nothing less than the highest standards in the quality of its medical services. That said, the work we do for the health of those who put their trust in us is not confined to medicine in the narrow sense. For us, conserving the environment also makes an important contribution to healthcare provision, and therefore is a self-evident part of our business activity. It is in exactly the same way that, as a modern healthcare provider, we would like to be measured by the sustainability of our activities – both economically and ethically.

Providing cutting-edge medical care for everyone has been a key goal of RHÖN-KLINIKUM AG right from the beginning. At around 1920 the "Iron Lung" was the first device to enable artificial respiration of humans. Since then we have been indebted to a period of more than 90 years of medical innovation.

ECOLOGY AND ECONOMY: NOT A CONTRADICTION

In our Annual Report we give an account of what our environmental management has achieved. In doing so we want to underscore the tremendous importance that the ecological aspects of our actions have within our Company's value system. At the same time, though, we would also like to show that for us ecology and economy are not contradictions. Quite the contrary: our Group's ecological track record demonstrates each year anew that environmental benefits go hand in hand with cost savings.

We are convinced that it is only by taking a comprehensive approach that the environment can be managed successfully, which is why our commitment is not limited merely to specific isolated measures in areas like energy and emissions but also encompasses responsibility for water, materials and safety for the environment and our employees. For more detailed information on environmental management at our individual Group hospitals, visit our website at www.rhoen-klinikum-ag.com under the section "Hospitals".

OUR ENVIRONMENTAL MANAGEMENT

In keeping with our decentralised corporate structure, environmental management is firmly established Group-wide at two levels. Locally, at the individual hospital, responsibility for specific environmental measures lies with the respective technical control department. It not only monitors the safe operation of all technical and medical-technical equipment and systems but also construction projects, assumes the task of energy controlling as well as equipment and commissioning planning.

The hospitals are assisted and co-ordinated at the Group level by the department Technical Controlling/Environment. Its main tasks include Group-wide energy and emissions controlling, regular training of the responsible staff on site, and organising a quick and effective exchange of knowledge and experience in this field between the hospitals. Another important duty is monitoring recent Group subsidiaries, on the one hand to ensure that Group-wide environmental and energy standards are implemented swiftly at such new hospitals, and on the other to give long-standing hospitals the possibility of benefiting from any local innovations and good ideas of the newly added facilities.

Last but not least, the Technical Controlling department provides the impetus when it comes, for instance, to exploring innovative approaches to energy supply and implementing these where they are successful – and sensible. Cogeneration plants, for example, have now become standard equipment in new hospitals or when it comes to modernising the energy supply of existing hospitals.

CLOSE ON THE HEELS OF INNOVATION

Another promising approach was the high-temperature fuel cell which – without any intermediate mechanical stage – generates electricity and a certain amount of heat directly from natural gas. Its advantage: it delivers useful energies in exactly the ratio corresponding to the consumption structure of modern hospitals. Whereas even 15 years ago hospitals needed heat and electricity in a ratio of about 2 to 2.5 to 1, this ratio has now reversed. This is attributable on the one hand to the ever improving insulation of large modern buildings, and on the other to increasing electricity consumption for medical and information technology that are becoming an increasingly important part of hospitals.

After a successful field test at Bad Neustadt a. d. Saale (the pilot user of the MTU fuel cell system) and the further installation of a fuel cell at Zentralklinik Bad Berka, we took things one step further in 2010: at the university hospitals Giessen and Marburg, Giessen site, the world's first hybrid cogeneration plant was put into operation. The combination of fuel cell plant, several gas motors and a multi-effect absorption cooling machine provides the hospital with the necessary energies at the highest efficiency rates attainable today. In this configuration, the waste heat of the fuel cell and the waste gases of the cogeneration plant are particularly suited for delivering environmentally clean and efficient cooling. Unfortunately, we have been unable to further pursue this development path any further because Tognum AG has discontinued its business with high-temperature fuel cells.

KEY FIGURES

		2010	2009	2008	2007	2006
Company						
Hospitals		53	53	48	46	45
Beds and places		15,900	15,729	14,828	14,647	14,703
Employees (by headcount)		38,058	36,882	33,679	32,222	30,409
Patients treated		2,041,782	1,799,939	1,647,972	1,544,451	1,394,035
Energy						
Primary energy consumption	MWh	929,828	865,103	865,775	831,582	876,605
Consumption per patient	MWh/pat.	0.46	0.48	0.53	0.54	0.63
Emissions						
Emissions of greenhouse gases	t	202,925	190,128	190,200	182,687	193,858
Emissions of pollutants	t	265	243	244	235	255
Water						
Water consumption	m^3	1,810,706	1,716,646	1,710,111	1,672,021	1,727,091
Consumption per patient	m^3/pat.	0.89	0.95	1.04	1.08	1.26
Waste						
Waste quantity (residuals)	t	11,235	10,084	9,799	9,447	9,007
Waste quantity per patient	kg/pat.	5.5	5.6	5.9	6.1	6.5

Christian Wagner, Marburg

“I like Marburg since it is a small town and has something to offer culturally. What I like about the studies is that they bring me closer and closer to my dream profession every day. “

Lisa Foltz, Marburg

» With medical studies I associate the concept of self-determination because I am no fan of rigid hierarchies. «

Cornelia Mader, Marburg

“The expectations I associate with my studies are working as a country doctor, for Doctors Without Borders, or similar. “

Hanno Schenker, Marburg

“I will complete my studies in 2013 and probably begin a specialisation in orthopaedics. “

ENERGY FROM THE DEPTHS

In the meantime we are currently in the process of tapping a new source of energy: geothermal heat. To this end we usually harness the potential of groundwater located at greater depths. At the portal hospital in Hammelburg whose new building was opened already in 2005, we chose an even simpler approach. An air duct laid underground delivers pre-heated air in the winter and cooled air in the summer. Through this ground duct – a 40-metre-long concrete pipe of 1.60 metres in diameter – the hospital's central ventilation unit sucks in outside air. This central unit provides secondary areas of the hospital (such as technical rooms, storage rooms or the entrance hall) with inlet air. Integrated into the control of the night cooling unit (using outside air), a pleasant ambient climate can be produced in the large foyer.

The portal hospital Portal-Klinik Miltenberg put into service in 2008 also recovers cooling energy from the ground, albeit from six probes each drilled to a depth of around 80 metres in the ground. They make available cooling energy for an in-floor heating system within a zone that has both a heating and cooling energy function. The cooling energy recovered from the ground is also sufficient to help cool the entrance hall. A further function is assumed by the controlled night cooling unit installed here that works with cooled outside air.

In the new 250-bed wing of the hospital in Cuxhaven, it was possible to extract heat from below for only small investments. Since the new building was located close to the coast and required a pile foundation anyway (467 foundation piles) at a depth of about 25 metres, it was only logical to extract thermal heat from the humid ground through these piles and, vice versa, to release excess heat to the ground. For this purpose, the foundation piles produced in in-situ concrete were provided with pipe coils. Ethylene glycol circulates in this pipe system as the heat carrier, transporting the ground energy to two turbo liquid chillers that act either as heat pumps or cooling units as required. With this customised energy concept, we noticeably and permanently reduce the requirement for primary energy at the hospital in Cuxhaven.

The geothermal approach even works in the setting of a large city, as we are demonstrating at the hospital Klinikum München-Pasing. As part of the modernisation and extension begun in 2009, we are also carrying out an extensive overhaul of the facility's energy supply system. Given the possibility there of extracting large quantities of groundwater (75 litres per second), we use it to supply two cooling networks with different temperature levels. Direct cooling with well water feeds part of the air conditioning systems and air circulation units and helps to re-cool the cooling units. The second cooling network makes available a lower temperature level needed in the summer to dehumidify the air e.g. in operating theatres. The cooling water is then fed back to the groundwater flow 200 metres further down.

One special feature of the new Pasing building is the plastic pipes laid in its massive concrete ceiling through which cooled water flows in the summer and heated water in the winter. The heat is delivered by a cogeneration plant. In both cases, the storage capacity of the concrete ensures a uniform temperature course, and the cooling in summer produces almost no operating costs. In construction work on the extension building of the hospital Klinik Kipfenberg, which was resumed after the winter break, we are pursuing a similar concept which likewise consists in a combination of groundwater cooling and cogeneration plant.

Work on modernising the Marburg site of the University Hospital of Giessen and Marburg is also in full swing. Up to now, the university hospital in Marburg has been supplied with hot water and steam from the university's old district heating plant. The opportunity offered by the new building in the third construction phase is being taken to establish the facility's own energy supply system. For this purpose, a new cogeneration plant is being built to ensure the hospital complex is provided with operationally safe and reliable energy that at the same time is ecological and economical. Moreover, we have further pressed ahead with the technical modernisation of the existing buildings. As part of the modernisation work, parts of the façade were exchanged and substantial parts of the poorly insulated roof cladding renewed. The very old cooling units were completely replaced by units featuring the highest efficiency.

They are designed in such a way that during the cold months of the year considerable energy amounts can be saved through "natural cooling".

STATISTICS ON ENVIRONMENTAL MANAGEMENT

as the figures clearly show, our consumption levels and waste volumes per patient have once again declined across the board in 2010. However, the inclusion of six new hospitals in the Group has led to a rise in absolute levels. The harsh winter at the beginning of the year also contributed to higher energy consumption.

Philipp Fischer, Marburg
"In future I would like to enjoy my profession for as long as possible and never lose interest in patients."

Christian Geis, Marburg
"For me, medical studies represent the best possibility of combining my interest for natural sciences, research and line of work that brings you close to people."

In waste quantities, there was a strikingly sharp decline in infectious waste. This stems from a base effect: in 2009 this waste area was particularly affected by epidemic outbreak of noroviruses and swine flu.

NEW HOSPITALS IN THE GROUP: FOCUS ON ENERGY AND EMISSIONS

In 2010 we took over some new facilities, some of which were not exactly equipped with the latest in building technology. Each takeover triggers a comprehensive sub-routine in environmental management: integration management. Its objective is to bring the new hospitals in line with the environmental standards of the RHÖN-KLINIKUM Group as quickly as possible. For this purpose we initially set up an environmental controlling unit focusing on energy and emissions.

The starting point is a thoroughgoing review in the areas of electricity, heat, water and waste in relation to the hospital's trend in case numbers. In addition, staff from the Technical Controlling department critically review the hospital's technical facilities on site. On this basis, we draw up a list of measures together with those responsible locally as the key guideline for optimising the hospital's technical operations as quickly as possible. Immediate measures in existing technical facilities frequently involve the following:

- systematic control of heating, ventilation and air conditioning units based on requirements
- avoiding the use of air humidifiers and dehumidifiers
- using energy-saving units and systems
- replacing steam as an energy source.

If possible we additionally carry out refurbishing and modernisation investments; these help cut energy consumption and emissions significantly.

These include:

- for (partial or replacement) new buildings: creation of compact building structures
- optimum building insulation
- modernisation of technical facilities, for example in the area of steam supply
- using intelligent control technology
- making sparing use of resources by switching to cogeneration plants to produce energy
- using efficient cooling units
- using renewable forms of energy such as geothermal heat and hydro-power.

WASTE

		2010	2009	2008	2007	2006
Waste quantity (residuals)	t	11,235	10,084	9,838	9,447	9,007
Waste quantity per patient	kg/pat.	5.5	5.6	6.0	6.1	6.5

CLINICAL WASTE

		2010	2009	2008	2007	2006
Infectious waste	t	67	75	69	88	93
Cytostatic waste	t	13	10	9	10	13
Fixing solution	m^3	17	19	43	61	90
Developing solution	m^3	18	17	35	52	78

To ensure the sustainability of our controlling, we introduce a reporting duty in the area of energy whenever we take over a hospital. Benchmarking is possible only to a limited extent given the very different care profiles and building structures of our hospitals, but we can quickly detect and analyse changes in consumption. As a rule, we succeed in cutting the energy consumption of a newly acquired hospital by more than 10 per cent within two years. When we construct new buildings, we can generally achieve even greater heat savings compared with the old hospital structures previously operated.

OUTLOOK FOR 2011

The integration of our newly acquired hospitals is still in full swing, also with regard to environmental standards at the RHÖN-KLINIKUM Group. Moreover, several modernisation and extension projects have yet to be completed. We expect the sum of all these measures – amid further rising patient numbers – to bring a noticeable reduction in our relative consumption and waste levels in the current year as well. In this way we want to reduce the strain on both the environment and our cost budget.

THE PRIVATISATION OF THE UNIVERSITY HOSPITALS IN GIESSEN AND MARBURG

CUTTING-EDGE MEDICINE FOR EVERYONE

This is an idea that Eugen Münch, founder and long-standing chairman of the Board of Management of RHÖN-KLINIKUM AG, had had already for many years: to acquire an entire university hospital, operate it according to his own expectations of what makes for successful hospital management, and to harness the innovation potential of a university hospital in the interest of healthcare delivery. In 2006 this idea became reality. RHÖN-KLINIKUM Group acquired the majority share in Universitätsklinikum Gießen und Marburg GmbH. A half a decade on, it would appear to be a good time to take a look at what this "double pack" actually is and how it has fared under private management.

Time-honoured buildings in which aspiring students of medicine at the University Hospital of Giessen can acquire their theoretical knowledge.

The event was nothing less than historic: Universitätsklinikum Gießen und Marburg GmbH in 2006 became the first German university hospital to come under majority private ownership. RHÖN-KLINIKUM AG acquired 95 per cent of the twin hospitals counting a total of 2,262 beds. The Federal State of Hesse, as seller, retained a five per cent interest – a completely new ownership scenario for a university facility. And that is not all. Never before had two university parts with such long and very particular histories (and, moreover, not always marked by mutual affection) been brought together.

The merger was something that the Federal State of Hesse had brought about before the takeover in order to streamline the two entities into a single, marketable unit. This resulted in a hospital with two sites – Marburg and Giessen – which today employs some 8,500 persons in more than 80 clinics and institutions. Under the new entity, research capacities of the still separate medical faculties continue to be run by the State-owned universities separated from the privatised, merged healthcare delivery part with a view to promoting the good exchange between medical science and healthcare delivery – a move which did not (and still does not) prove exactly easy. "Most of the professors and research fellows are just as much active in research as they are in healthcare provision, and the lines between the two are fluid", explains Professor Hans-Peter Howaldt, department head of the Clinic for Oral and Maxillofacial Surgery, outlining the challenge.

After five years, however, most of the formal hurdles as well as the initial uncertainty of most of those involved seem to have been overcome. Very extensive investments were made at both sites. The Giessen facility, which to date had been housed in quaint but not very efficient buildings from the 19th century, now has a new centralised building. The Marburg facility located in Lahnhöhen was supplemented by a state-of-the-art third building section and a particle therapy centre for treating tumours.

In addition to these large projects, state-of-the-art equipment was made available wherever needed. The RHÖN-KLINIKUM Group invested a total of 350 million euros in the modernisation – a sum that would have been downright utopian for the State of Hesse. Although it has long ranked among Germany's strongest federal states economically, the State of Hesse ultimately could no longer afford to make the necessary maintenance investments at the two sites. The two university hospitals, which this year look back on 888 years of history together, seemed to be seriously jeopardised, and privatisation the only alternative.

In the meantime, the commitment of RHÖN-KLINIKUM AG is bearing fruit. Already in the obsolete structures (above all in Giessen) of the old clinics, the Company has succeeded in seeing off the loss-making phase and in generating a profit. And rising patient numbers bear testimony to the fact that the trust people have in the modernised hospital has grown noticeably. The figure of 390,000 patients last year, of which some 300,000 on an outpatient basis, speaks for itself.

It thus appears to be a good time to make a progress report and review what effects (both large and small) the entry of the RHÖN-KLINIKUM Group in the twin hospitals has had – for both sides. To this end we want to take a look not only at cutting-edge research, of which both sites undoubtedly have a wealth to offer. In healthcare provision, too, the university standard is just as obvious as the desire to disseminate such high quality from the university facility out into the region. In Marburg as well as in Giessen, there are many successful approaches being taken towards integration with the surrounding areas. This in turn provides a good starting point to spread out even further – into the Germany-wide network of Group hospitals.

The chief objective of this networking is being pursued by both the university doctors (who have now long fled their ivory towers) and the Group: transferring the results of research into clinical care more quickly than had long been customary and possible with the traditional, very long channels of communication between university hospitals and the pure-play care hospitals. The closer co-operation is by no means a one-way street, since it is on the basis of feedback from the hospitals and from their far greater case numbers that university physicians in turn can implement their research results more quickly in the form of treatment methods suitable for everyday clinical processes.

STUBBORN CELLS

Professor Andreas Neubauer, Director of the Clinic for Haematology, Oncology and Immunology and chairman of the Comprehensive Cancer Center in Marburg has a clear long-term objective: "That cancer treatment should be tailored to each individual patient." But that is something that will probably take a long time, since only about half of all cancer diseases can be treated with direct, localised measures such as surgical procedures or radiotherapies. And a high proportion of tumours are detected only in the metastasised stage in which the prospects of a cure are low.

It is true that cure rates with combination therapies, for the most part consisting of surgery and chemotherapy, can be improved. But, as Neubauer admits: "Resistance to chemotherapeutics has proven to be one of the biggest problems." Not all patients with similar tumours respond equally well to the same measures, and with recurrent (relapsing) tumours the same chemotherapy frequently works worse than the first treatment.

For several years, the researchers in Marburg have been trying to find the causes of such resistances. They ask the question: Which molecular signal paths, which genes are responsible for failure of tumour cells to respond to cancer drugs? And how can such resistances be overcome?

In the area of leukemia, the focus of Neubauer's work, he and his colleague Professor Andreas Burchert have arrived at some astonishing findings. "In the case of a special form of acute myeloid leukemia (AML), we have put one over on resistances by using a drug authorised for completely different types of cancer", Neubauer reports. This type of leukemia is characterised by uncontrolled growth of blood precursor cells. So far, fewer than half of AML patients could be cured with highly dosed active agents or by stem cell transplants.

In about 15 to 20 per cent of AML patients, a mutation in a certain gene (FLT3-ITD) is the cause of the disease and of the resistance to active agents used in the past. The working group led by Neubauer and Burchert has now been using sorafenib, a substance that up to now had been authorised for treating liver and kidney disease. After treatment with this drug, the cells with the mutation disappeared from the blood in the vast majority of patients

Stefanie Tammen, Marburg
"Marburg has a lot of students, thus also a lot of young people, and I find that good. Also, I value the harmony between teachers and students."

Konrad Whittaker, Marburg
"I study medicine because I would like to experience first-hand the satisfaction of saving lives."

within a few days. Sorafenib had, as it were, shut down the FLT3-ITD gene. In combination with the transplant of stem cells, the therapy promises to bring lasting success.

But also in cases of chronic myeloid leukemia (CML), the researchers in Marburg took new paths together with the colleagues from Mannheim and Jena. With CML, the white blood cells propagate uncontrollably. The proven drug used against this form of leukemia is imatinib, which inhibits the cancer-triggering gene (BCR-ABL) in its activity and brings about the controlled death of the cancer cells. But this drug has one problem: It often does not succeed in eradicating the leukemia completely since leukemia cells may remain in the body, and resistances arise. To be effective, it almost always has to be administered permanently. Only in a certain proportion of patients can the drug be discontinued.

This percentage might be significantly increased by the latest findings of the Marburg group with the combined use of imatinib and an old favourite in leukemia therapy, interferon. Besides its (well-known) immune-activating effect, it might be possible to use interferon directly against leukemic stem cells, as the Marburg researchers are able to show based on the findings of modern molecular research. Three quarters of patients treated in this way during an observation period of up to four years did not suffer any relapse of the dreaded leukemia, whereas one suffered a relapse but did respond well to therapy with imatinib when repeated.

"Research results like these attract attention internationally since they benefit patients directly", says a pleased Neubauer. The search for the genes that turn a cell into a cancer cell is still pretty much in its infancy. But clearly structured research into molecular biology and state-of-the-art screening technology will make more rapid strides possible in future: "Our hope is that our research projects will give us a more profound molecular understanding of resistance processes in tumour cells and the means of developing new therapies in future."

A NETWORK PRIMED AND READY FOR EXPANSION

It is something that always annoyed Professor Friedrich Grimminger: "Our German doctors do outstanding work in the field of basic research. But when it comes to getting an active agent out of the lab and authorised as a drug, the Americans are the ones who come out on top time and again." The reason for the low "scientific value-added" is found right here in Germany: "When examining the efficacy of new drugs, we rarely go beyond preliminary trials in small patient groups."

For a drug to be authorised, though, small samplings are no longer accepted: "Today large-scale studies are being called for." That is why it is always the big medical centres in the US with their "thousands of cases that score the goals in drug development". To give German physicians goal scoring opportunities as well, Grimminger is wholeheartedly committed to the networking of regional standalone hospitals into a matrix centre.

After first establishing the Interdisciplinary Oncology Centre (IOC) together with his colleague Professor Ulf Sibelius as a platform for co-operation between physicians of internal medicine, urology, gynaecology and oncological surgery as well as radiotherapists within the Giessen Hospital, activities were also pursued outside the Hospital starting from 2005. In the meantime his interfacility "Oncological Network of Central Hesse" has long grown beyond the bounds of this region.

After hospitals and practices in Giessen and neighbouring Lich as well as at the pulmonary hospital Lungenklinik Waldhof-Elgerhausen, hospitals in the southern neighbouring Wetterau district (Friedberg, Bad Nauheim, Schotten, Gedern) and in the district of Hochtaunus even further south (Bad Homburg, Usingen) also joined the network. Lastly, with the Integrated Oncology Centre of the hospital Klinikum Offenbach Grimminger has reached the immediate greater area of Frankfurt University Hospital. The advance southwards is now to continue with a minor change in course: Kliniken Miltenberg-Erlenbach will be the first links in an oncological-pneumological (lung cancer) network within the RHÖN-KLINIKUM Group.

At all sites there are tumour conferences that develop treatment recommendations for the individual patients. When it comes to co-operation with the hospitals involved, all activities are co-ordinated by Grimminger's 15-member team. Or, as the team head puts is: "We form a care cluster with a geographically coherent structure centrally oriented to Giessen." Under this model, Grimminger in most of the networked hospitals acts as head of oncology or oncological pneumology. Including all the duties that come with it: "In all facilities I also regularly participate in the visits, and above all in the interdisciplinary tumour conferences."

The reward for such work: "We have direct access to all cases. And thanks to the co-operation with community-based practitioners as well, we can monitor the development of our patients over a long period after the therapy." Here, the focus is not only on the effect of the treatment on life expectancy: "Increasingly, emphasis is also being placed on quality of life and not merely on the absence of tumours", says Grimminger. "We are also observing the psychological impacts of therapy, for example the level of life enjoyment that patients gain from being able to spend a large part of their time at home thanks to qualified outpatient treatment."

The connection of a large university hospital to a broad-based external matrix of inpatient and outpatient care also made it possible in Germany to conduct therapy-application studies with large case numbers on the basis of reliable data. "That is an important part of the medical science of the future", postulates Grimminger. "In future we will be able to answer questions to which we hitherto could not give any reliable answer in Germany for want of case numbers – questions, for instance, regarding the dosage, timing and sequence or the combination of the drugs administered." Particularly in tumour medicine, with its dizzying pace of innovation, patients in Germany are not likely to be the last to benefit from a new therapy.

The cluster treated roughly one quarter of the 4,200 new lung cancer cases diagnosed each year in Hesse. Also in the case of breast cancer, the network treats a formidable 1,300 patients – at the Giessen Hospital alone the figure otherwise would be only 140. The high case numbers also have an external impact. "They catch the attention of referrers, even from abroad, since the cluster's visibility on account of its size is also – with some justification – associated with quality", Grimminger observes. The different research funding institutions, from the Hesse State Initiative for the Development of Scientific-Efficient Excellence (LOEWE) over the German Centre for Lung Research (DZL) to the Federal Excellence Initiatives had likewise responded to such visibility.

As network-makers, the Giessen specialists are also active at the research level. A fine example of this is the Scientific Excellency Cluster for Heart and Lung Research in which – besides the Universities of Giessen and Frankfurt – the Max Planck Institute for Heart and Lung Research in Bad Nauheim also participates. Also integrated is the Kerkhoff-Klinik in Bad Nauheim, as it were in the capacity as specialist provider of care at a high level for heart and lung diseases. Here, Grimminger is also the head of oncological pneumology.

The very diligent doctor also attaches importance not least to international contacts. At the University of Kent he is an honorary professor, and has close ties to colleagues at London's King's College Hospital as well as the universities of Texas and New York. Lastly, he is also co-founder and Executive Fellow of the Pulmonary Vascular Research Institute (PVRI), a global network of leading research centres. His goal is to also make innovative drugs available to those

Karolin Ruge, Marburg
"Marburg is a wonderful little university town with a high percentage of students, overall a very young and cosy town close to larger cities like Frankfurt and Kassel. The medical studies there are long but very practical. If I had the choice, I would study medicine again."

Lena Hunka, Marburg
"Medicine is multifaceted. After medical studies you can work in many different areas and you also have the possibility of working abroad."

suffering from lung disease in emerging market and Third World countries.

IT'S ALL ABOUT CO-OPERATION

Professor Uwe Wagner is a passionate networker. For three years already, the Director of the Clinic for Gynaecology, Gynaecological Endocrinology and Oncology at the Marburg site of the university hospitals Giessen and Marburg has become actively integrated into the network of RHÖN-KLINIKUM AG. On his gynaecological-oncological platform, he offers Group facilities the possibility of introducing their patients and having individual treatment recommendations developed by an interdisciplinary team of experts.

Twelve of the roughly 30 Group hospitals with gynaecology departments are permanently linked up within the network, for the most part medium and small facilities. The platform gives them the opportunity of presenting all their gynaecological-oncological cases to a broader group of experts. An opportunity of which they are making ample use: together with their colleagues, the Marburg oncologists have assessed and developed therapy recommendations for nearly 900 cancer patients over the past two years.

In the case of very serious operations, the specialists in Marburg also assist on site directly, right in the operating theatre (for example at the hospital in Friedrichroda). Such field assignments are required about ten times a year. And when local resources (for instance the technical equipment) are not enough, an operation can also be performed in Marburg and the patient referred back to her original hospital for further treatment. For example, the gynaecology department in Marburg has a (still not very widespread) unit for directly irradiated mammary carcinoma (breast cancer) during the operation. This considerably reduces damage to the surrounding tissue as well as the entire duration of the radiotherapy.

"Thanks to this networking approach, we succeed in getting patients in regional hospitals to benefit from innovative therapy concepts as well, i.e. in transferring the results of our research to the regions more quickly than had been possible in the past", emphasises Wagner. "That is something that benefits all those involved: patients get the most modern medical care to the latest standards, hospitals have high patient numbers thanks to better results, and we have a broader basis for observing how successful the treatment is."

Above and beyond direct co-operation, the university doctors also deal with the higher-qualification training of their

colleagues. Head physicians from networked hospitals regularly assist at operations in Marburg. And: "Every one to two years as part of the RHÖN-KLINIKUM quality circles we hold workshops for the doctors of the roughly 30 gynaecological hospitals that exist within the Group", Wagner reports.

His passion for networking does not come as a coincidence. Many years ago and even before the privatisation, he had come to know the benefits of co-operative concepts in his own region. The Marburg breast centre "Brustzentrum Regio", today headed by Professor Ute Albert, has been certified to the standards of the German Cancer Association (DKG) and the German Senology Association (DGS) (senology = teaching of breast medicine) already since 2003. The network of the breast centre includes six hospitals, six rehab hospitals, 73 gynaecological practices, one of the biggest German mammography screening units, physio- and psychotherapists as well as self-help groups. Since 2010 this network has also included the certified Gynaecology Cancer Centre.

Each year, some 400 new cases of breast cancer and 200 new genital carcinoma are diagnosed and treated by the breast centre. Here, interdisciplinary work is key. The weekly tumour conferences are attended, in addition to the doctors from the external facilities and practices, by the university's gynaecologists and gynaeco-oncologists, by hemato-oncologists, radiologists, radiotherapists and psycho-oncologists. "It is only by networking these and, where necessary, further competences that our patients are provided with optimum therapy", Wagner postulates. "Treating cancer requires experience from many different specialist fields."

Co-operation within the breast centre system takes a pragmatic approach. For example, the hospital DRK-Krankenhaus Biedenkopf, as a site without an intensive care ward, would have been jeopardised. The university hospitals Giessen and Marburg stepped in, set up and now operates the intensive care ward. Moreover, the lack of specialist physicians also threatened the obstetrics department with closure. Here, the university hospitals Giessen and Marburg established a co-operation scheme and delegated two specialist physicians to support healthcare delivery on site. In return, complex, usually oncological operations are performed in Marburg, with professional follow-on treatment taking place at the hospital DRK-Krankenhaus. This enables the maternity ward, for which emotions in the population run so high, to stay put.

Contact with community-based practitioners is also approached pragmatically. For example, the operating doctors of two large practices from the greater area of the Marburg Hospital perform operations, but not as affiliated practitioners like in most other places. For this part of their work they are employed on a 400-euro basis with the University Hospital. "On this basis, the patients are patients of the Hospital, and the entire equipment of the university's oncology department is available for the operation and follow-up treatment alike", states Wagner, describing the benefits of the integration model.

The Marburg specialists also contribute their experience to the S3 Guidelines of the Programme of the German Cancer Association (DKG) and the Gynaecological Oncology Research Group (AGO). These compendia form the working basis for all relevant physicians in Germany. They provide recommendations on procedures for all individual stages of fighting cancer, from early detection over diagnosis to therapy. Wagner and his colleague Albert were and are decisively involved in a great number of important Guidelines.

NEW LIGAMENTS FOR THE PELVIS

"We want to address the problems arising in the pelvis area comprehensively", states Professor Florian Wagenlehner, Managing Head Physician of the Giessen Clinic and Polyclinic for Urology, Paediatric Urology and Andrology, summarising the objectives of the supraregional interdisciplinary Central Hesse Pelvic Centre. As the name, so the programme: established in 2008, the Centre, in addition to the urology department, also includes the Clinic for General, Visceral, Thoracic, Transplantation and Paediatric Surgery, the Centre for Women's Medicine and Obstetrics, the radiology department, Enddarmzentrum Mittelhessen (EDZ Mittelhessen) in neighbouring Pohlheim, and the osteopaths of a physiotherapy practice in Marburg.

The focus of the Centre is on the three main pelvic organs – the urinary bladder, genital organs and rectum. The most common complaints of patients (most of whom are women) are bladder and bowel incontinence, unspecified pain in the pelvic region as well as uterine and bladder prolapses. The diseases are discussed by the specialised physicians from the respective medical fields taking an interdisciplinary approach to arrive at joint therapy recommendations and a co-ordinated, if possible joint treatment.

"This often results in the development of a therapy comprised of several stages", says Wagenlehner, describing the approach. The range of conservative measures is broad-ranging, from pelvis activation with the help of physiotherapists and osteopaths, over lifestyle, diet and sexual advice, and medicamentous treatments right through to electrostimulation for training weak muscles. The "bladder pace-

Martin Fries, Marburg
"In 2014, when I finish, I will probably want to stay at a university and get involved in teaching. I really like the role of university lecturers: in this way I can combine teaching with hospital care."

Kaya Elstermann von Elster, Marburg
"The studies give me the certainty that at the end of the studies a profession with many options will be waiting for me. It is also a communicative profession since you are together with people a lot. It is a profession in which you can help people and change things (development work). Moreover, it is to some extent a skilled trade (surgery)."

maker" – in medical speak "sacral nerve stimulation" –, an electrical impulse generator for the sphincter muscles which is implanted, goes one step further. "We can also counter overactive bladder nerves with a Botox injection", Wagenlehner says. "In any case, an operation is performed only after sensibly exhausting all conservative means."

In some cases, though, the operation may already be the first step – for example when it turns out that slack ligaments in the pelvic area (which are frequently the result of childbearing, hysterectomies or other procedures) are the cause of bladder or uterine prolapses. The urologists in Giessen, working together with the author of integral therapy, Professor Petros from Australia, have developed their own method for reconstructing these ligaments using foreign material. Instead of ligaments that no longer function, they insert "tailor-made", biocompatible plastic ligaments made from macro-porous polypropylenes which once again provide the organs with full support and are later enclosed by endogenous tissue.

"Apart from the fact that this operation solves the problem for good, it has another big advantage for the patient: it is a minimal-invasive procedure that we always perform vaginally, thus avoiding the stress of a major operation", Wagenlehner underscores. More and more frequently, urologists are performing operations together with their colleagues from the gynaecology and surgery departments: "Nowadays, the interdisciplinary approach has long ceased to be confined to diagnosis." It has not escaped the referring physicians that the co-operative concept of the Pelvic Centre offers many advantages – this is proven by rising patient numbers also in this area of outwardly oriented university medicine.

KEEPING PATIENTS FROM HAVING TO COME BACK

One of the most important auxiliary units for the heart surgeon is the heart-lung machine. For the duration of the operation it allows for the functions of these two organs to be performed outside the body: pumping blood through the circulatory system, while enriching it with oxygen and freeing it from carbon dioxide. In 1953, a heart-lung machine was used in the US for the first time. After being much improved in the years after that, the complex unit then made its debut in Germany also: on 18 February 1958, the prominent heart surgeon Rudolf Zenker operated a 29-year-old patient at the University Hospital of Marburg in one of the first machine assisted operations in Germany.

To this day, the heart-lung machine (HLM) is indispensable for major heart operations. In Germany alone, around

95,000 operations are performed using this machine each year. "Given the mortality rate of between 1 and 3 per cent, this type of open-heart operation is very safe", observes Professor Andreas Böning, Director of the Clinic for Heart, Paediatric Heart and Vascular Surgery in Giessen.

Minimal-invasive interventions – depending on the patient's condition and particular disease situation – did have their place. But: "We are in a position to create long-term prospects. We don't want to sacrifice these to minimal invasiveness. We want to operate once, so that the patient does not come back", Böning insists. To make the heart-lung machine even safer and to further reduce its side effects, the Giessen heart specialists themselves have started looking for ways to improve it.

In this regard they proceeded on the assumption discussed in specialist circles that there is a link between the size of the machine's inside surface areas and the occasional post-operative complications. In somewhat fewer than a third of cases, HLM operations are followed by inflammatory-like immune responses, cardiac arrhythmia or impairments in blood circulation. The objective was thus to significantly reduce the surfaces in contact with the flow of blood apparently detected by the organism as foreign bodies – in the conventional machine they accounted for roughly three square metres.

In this search for a new concept, the head cardio-technician Johannes Gehron and his colleagues tried out many different things. They used a wide array of the parts offered by industry in new combinations, shortened the tubes making up a good part of the total area, and tried to dispense with parts completely. In the end what they came up with was a visibly smaller machine whose inside surfaces were around 20 to 30 per cent smaller than before.

One desirable side effect: the smaller tube volume also reduced the requirement for external solution with which the tubes have to be filled before the machine is started. Instead of 1.3 to 1.5 litres, only 0.7 to 0.8 litres of this fluid is needed – with the thinning of the blood in the machine being reduced accordingly. That in turn reduces the risk of having to perform blood transfusions that can lead to impaired circulation. "Less allogenic blood, only 10 instead of 30 per cent incidence of cardiac arrhythmias compared with before, and shorter durations of stay in the intensive-care ward", states Böning, listing the advantages of the "mini-HLM".

Whereas the therapy range of the scaled-down machine was initially limited to bypass and aortic valve operations, the specialists in Giessen, working together with the industry, have now developed a second, modular version. "In this heart-lung machine we are now able to activate modules while the machine is operating, thus switching from mini-operation to maximum output", explains Gehron. "What is also interesting for us of course is the fact that this machine, despite its maximum flexibility, is consequently even cheaper than hitherto available materials".

In the cardio-technician's view, further development in this area will not end here – far from it. He sees good possibilities of achieving even greater integration of the components, but also of refining the inside surfaces: "For example, coating the inside of the tubes with active agents offers promising prospects. In this way, it would be conceivable to influence the immune system by pharmacological means."

The fact that further development in the area of heart-lung machines is starting up again is owing not least to the more profound understanding of the impact of the operation in connection with the machine: "Whereas initially we thought that the HLM has the decisive influence on the immune system, we now know that the operative intervention plays a much greater role in these processes."

The greater performance of the heart surgery department in Giessen is now being reflected in rising patient numbers as well. Whereas in 2006, the year before the takeover of Universitätsklinikum Gießen und Marburg GmbH by the RHÖN-KLINIKUM Group, the Clinic performed some 800 heart operations (including paediatric heart surgery), this has increased to 1,000 (i.e. a quarter more) already in 2010.

ACCEPTING THAT LIFE IS TRANSITORY

"Palliative medicine has a lot to do with communication – with the patients and their relatives, with GPs and services", says Professor Dr. Ulf Sibelius, Deputy Director of the Clinic for Internistic Oncology, Haematology and Palliative Medicine. It was because of the considerable void which he felt needed to be filled in the treatment of incurable cancer patients that the oncologist in 2005/06 founded a small palliative ward within the Clinic "as treatment following on from oncology". Then as now, his motive is unchanged: "The aim of palliative treatment is to give patients the greatest possible satisfaction of life, quality of life and independence when a cure is no longer possible."

After he had founded the support association "Palliativ Pro" with colleagues and friends in June 2006, the project

Kristin Pille, Marburg
"I think that medicine in some areas is not only a profession but something you devote your whole life to, for example in oncology and terminal care. You can change things and are certain that at the end of the day you don't end up unemployed."

Jan Ahlmeyer, Marburg
"I would like to be my own boss and work as a community-based practitioner."

took an impressively dynamic turn. Very soon, the care and support provided to moribund patients was no longer confined to the Clinic but expanded in outpatient form to the surrounding areas. The groundwork had thus already been laid when Germany's Social Security Code in 2007 enshrined the right of critically ill persons to receive specialised outpatient palliative care. In the middle of 2007, the university hospitals Giessen and Marburg entered into contracts with numerous major statutory health insurance funds for integrated care of persons in palliative situations within a radius of 50 kilometres.

Today, twelve employees make sure that the service is kept available around the clock, seven days a week. Four vehicles, which are financed by the support association, provide for sufficient mobility. Whether nurses or doctors, anyone having contact with patients needs additional palliative training. "At this stage the focus is no longer on the disease but on coping with the symptoms, on the patient's psychological state and that patient's relatives. We have to help both accept that life is transitory", says Sibelius, describing the new requirements. "And here, ensuring a high quality of support and care is just as important as being deeply involved at the emotional level."

The palliative service cared for around 250 patients in 2010, usually for three to four months. About 80 per cent of them were able to die at home. That is also one of the aims: "We want to give incurable patients a self-determined life, to ensure that they receive high-quality care at home, and to avoid admitting them to hospital wherever possible", Sibelius said. On average, his staff are in contact with each patient once a day. Here the care-givers increasingly try to approach patients and their relatives actively, for example by calling the patient.

The work of the Clinic has met with a high level of acceptance from the population. But even with the GPs, who at the beginning saw the project as competition and strictly rejected it, a very friendly co-operation has emerged, "presumably also because of the very expensive painkillers that we use in palliative medicine and which then no longer burden the practice's budget", surmises Sibelius, also adding right away that many doctors also appreciated the psychological relief the project provides. The Giessen Clinic also offers courses in palliative medicine to interested GPs.

He would not like to move his palliative ward into the new, state-of-the-art hospital building of Universitätsklinikum Gießen und Marburg GmbH at the Giessen site. "For the kind of patients we care for, that would be a bit too cool", he fears. Instead, he hopes to fit out the cosy old buildings

on the hospital grounds for his charges. In the distant future, he sees palliative physicians being faced with new challenges, if only because of the increasingly old age being reached by seniors: "Very old people often have pain similar to oncological patients in the terminal stage. They, too, will need more intense support and care in future."

A HEART FOR CHILDREN

Children are an important part of work of the university hospitals Giessen and Marburg. Besides general paediatrics, paediatric/juvenile medicine, Marburg's care offering addressing the needs of our young to very young patients also includes paediatric and juvenile psychiatry, paediatric surgery or paediatric urology. In Giessen, prenatal physicians, paediatric cardiologists and heart surgeons, and – as in Marburg – oral and maxillofacial surgeons provide care to the same target group.

PREVENTION FOR THE UNBORN

Professor Roland Axt-Fliedner is not happy with the situation: "Today only 15 to 18 per cent of congenital heart defects are discovered before birth. In the case of other malformations, for instance in the urogenital area or gastrointestinal tract, things do not look much better either." Axt-Fliedner cares for the youngest of the young, namely unborn children. His department for prenatal medicine and gynaecological sonography examined 5,000 patients in 2010, about four times as many as two years ago. Here he and his small team discovered 120 heart malformations in the past 24 months, of which over a quarter hundred were "hypoplastic left hearts" – underdevelopments of the left half of the heart which can impair adequate blood flow through the body (systemic circulation).

For the young professor, the unsatisfactory situation of prenatal diagnostics is a flaw in the system: "The legislator established the right to screening of unborn children, and the health insurance funds provide relatively good funding. But they lay down only low quality requirements." Neither the technical equipment nor the special qualification of many community-based gynaecologists are sufficient to arrive at satisfactory results, he says.

The specialists in Giessen regularly offer courses for their fellow doctors, and Axt-Fliedner is pleased: "They come to us from all over Germany", although their numbers alone are not at all enough to compensate for the overall expertise deficits. But there is a shortage of capacities for high-qualification training, and specialists for prenatal diagnostics are still quite hard to come by in Germany. Axt-Fliedner counts about three dozen from this group, of which "not even ten" are based at universities.

In addition to qualifications, there also has to be adequate equipment and technology. The tools of choice are primarily ultrasound units enabling a diagnosis that is completely safe for mother and child. The specialists from Giessen work with special high-resolution probes that deliver even more precise results than conventional ultrasound units. "We thus achieve higher discovery rates whilst needing fewer examinations of the individual patient", explains Axt-Fliedner.

In the Clinic's catchment area, news of this has obviously been spreading. "Right now we are witnessing considerable growth in patient numbers, also in obstetrics", the Professor reports. And at the same time regrets: "Unfortunately, we usually only get those cases in which the community-based gynaecologists at least have an initial suspicion. It would be better if we could offer our diagnostic capacity to all women."

Most malformations that Axt-Fliedner and his colleagues identify are immediately discussed in Giessen with the representatives from the other disciplines concerned so as to ensure that action is taken as quickly as possible after – or even before – birth. In this context there is a very close co-operation with the German Centre of Foetal Surgery headed by Professor Kohl. This combination of prenatal expertise is one of its kind in Germany. Depending on the particular nature of the problem, this may require the involvement of prenatal surgery department (which can "repair" a special kind of malformation – spina bifida or opening in the back – already in the womb), paediatric surgery or neurosurgery. Particularly in demand are paediatric heart surgeons.

TINY HEARTS THE SIZE OF A WALNUT

That is because heart defects are the most common type of congenital malformation. One out of 100 children is born with such a defect. In Giessen these little patients are in good hands, since the paediatric cardiology department there along with the paediatric heart surgery department, hospitals from the region and community-based practitioners forms one of the five biggest paediatric centres in Germany. At the end of 2009 this centre also put the finishing touches on a co-operation scheme with the paediatric cardiology department of the Frankfurt University Hospital within the supraregional Hesse Paediatric Centre.

The specialists in Giessen enjoy a special position in transplant operations. With five to ten operations each year,

Thomas Weikert, Marburg
"I see harmonising work with private life as difficult. For me, harmonising professional activity with private life is one of the key issues, also with a view to family planning."

Patricia Gehrmann, Marburg
"I am studying medicine because it always fascinated me and you always have the possibility of getting further training. I would also like to work abroad with Doctors Without Borders."

they form Germany's largest paediatric heart transplantation centre – the little patients come from all over Germany and even from abroad. Every second child in need of a transplant is under the age of one, and their prospects are good: "Currently about 90% survive the operation and the time thereafter", says university lecturer Dr. Jürgen Bauer, who is the deputy head of the paediatric cardiology department. And Professor Andreas Böning, Director of the Clinic for Heart, Paediatric Heart and Vascular Surgery, adds: "Transplant operations go much better with children than for adults. Once a child recovers, it is really in very good shape."

Transplantation offers a way out for newborns with left-heart hypoplasia which Professor Axt-Fliedner discovers already in the womb. The problem: there are not enough donor hearts available, and hypoplasia syndrome in the past still meant the certain death of the newborn. The head paediatric cardiologist in Giessen, Professor Dietmar Schranz, developed, on the basis of a previous concept known as the Norwood Procedure, a treatment method combining surgery and cardiology in one: the procedure known internationally as the "Giessen Procedure".

To understand how it works, we need to take a brief look at the details of left-heart hypoplasia. In the mother's womb it often does not yet come into play – there the right heart chamber provides for the body's circulation. However, there is the risk of the link between the aorta and the pulmonary artery that allows the lung to be bypassed (known as the ductus Botalli) closing rapidly after birth. That would block systemic circulation – in which case only the lung would be provided with sufficient circulation.

The Giessen specialists counter this risk in two steps. First, they narrow the pulmonary artery on both sides with two small strips so as to reduce the "oversupply" to the lung – the surgical intervention. Then the cardiologist steps into action: the ductus Botalli is expanded using a stent. That secures systemic circulation for the time being. In a second and third operation, the ductus is closed, the aortic arch widened and lastly the vena cava connected to the pulmonary artery. All that is done to a heart that is barely larger than a child's fist.

"With this operating sequence we ensure medium-term survival for 80 to 85 per cent of newborns", states university lecturer Bauer in describing the success rate. It was significantly higher than the predecessor Norwood Procedure which had still distributed the double intervention of the first operation over two operations.

Hypoplasia treatment is only one example of the efforts of paediatric heart specialists in helping newborns start out in life. They are working on other methods of strengthening left hearts, considering the possibilities of stem cell therapy to treat heart diseases, and increasingly using technology (nuclear magnetic resonance tomographs) to spare the smallest patients the stress of catheter examinations.

EARLY CORRECTIONS SPARE SUFFERING

Malformations in the form of cleft lip and palate are relatively frequent. About one out of 400 to 500 children is born with such a defect. One of the causes under discussion, in addition to the random component (as with malformations of the open back or in the urogenital tract), is early-pregnancy folic acid deficiency. In addition to the aesthetic impairment that comes with cleft lip and palate, restrictions in hearing, growth of the upper jaw, tooth positioning as well as nasal breathing also have to be avoided. For this reason, the treatment of these little patients as a rule is based on a concept co-ordinated on an interdisciplinary basis.

The Giessen surgeons, who as a rule are trained as doctors and dentists, avoid part of the problems with a new treatment method imported from the US: "nasoalveolar moulding" (NAM). As before, the therapy begins shortly after birth with the insertion of a palate plate. This palate plate is taken from a plaster cast of the existing palate. It separates the oral and nasal areas and makes both breathing and drinking easier, and it keeps the tongue out of the cleft palate. It also helps to use natural growth to reduce the cleft jaw and palate.

Conventional treatments only partly made use of this special mouldability of the bones, cartilage, muscles and other tissue in the first months of life. Nasoalveolar moulding additionally uses this ability of the body to correct the shape of the nose from about the third month of life, i.e. before the first operation. For this purpose, an upwardly pointing, spring-mounted soft-plastic extension is attached to the front of the palate plate. This extension exerts gentle pressure on the ala (nostrils) and tip of the nose, thus raising the septum (bridge of the nose) and causing the nose deformed on one side to become more symmetrical. At the same time, the surgeons insert adhesive strips to reduce the lip cleft.

At the age of about six months, the first operations to close the cleft are performed. This additionally involves the otorhinolaryngologists. By making a small incision in the eardrum, they remove the middle ear effusion. That improves hearing significantly, thus also facilitating the early stages of a child's speech development.

A PUMP FOR *THE* PUMP

Up to now the only procedure of last resort for treating heart failure after all other possibilities have been exhausted has been a heart transplant. But: "We have now seen such strides in the technology of cardiac assistance that implantable devices can even be inserted long term", reports Professor Rainer Moosdorf, Director of the Marburg Clinic for Heart Surgery. "With such an implanted device, the patient can live at home, and that with a considerable degree of mobility." It at least enables the patient to go walking or shopping. A rechargeable battery pack about the size of a photo bag (which is also carried like one) ensures the pump's operation for around eight hours with one charge.

The mini-pumps, which are implanted directly below the heart, are tiny artificial hearts that replace the heart muscle. They merely serve to support the weakened left heart chamber which, however, continues to perform its work. "Originally such supporting systems, which were also worn outside the body given their size back then, were intended to bridge over the time until a transplant operation", explains Moosdorf, who already became familiar with such systems in the 90s at the Stanford School of Medicine (USA). "That may still also be the case today. But as experience has shown, there are some cases where the heart muscle is able to recover thanks to the support provided by these devices. After that, the system can be removed again – without any transplant being required."

These support systems (whose wear-free parts now make them extremely durable) thus open up completely new prospects for patients with terminal, i.e. no longer treatable heart failure. "Since the next generation of rechargeable battery packs will also become much smaller, it is perfectly possible to contemplate using the systems as a permanent solution, sparing patients the need for a transplant", states Moosdorf as he looks to the no longer distant future. "Already today, 40 per cent of patients wear their support systems for more than two years – and enjoy a respectable quality of life."

Together with the Clinic for Internal Medicine – Cardiology headed by Professor Bernhard Maisch, and with colleagues from other disciplines such as pulmonology and nephrology, Moosdorf established an interdisciplinary competence centre for terminal heart failure. This competence centre is part of the Marburg Heart Centre which co-ordinates its

Christine Franz, Marburg
"I am studying medicine because this programme offers many career opportunities (a wide range of specialties, pharmaceutics, research), you are always working closely with people and the studies offer the possibility of helping people."

A. Christine Dorschel, Marburg
"Since I am particularly interested in surgery, my real goal is to also work in this field."

work with the colleagues from Giessen and works in close collaboration with community-based cardiologists in Marburg and the surrounding areas as well as cardiology clinics in Hesse. "In this way we form a network around the Marburg Heart Centre as the focal point", says Moosdorf, explaining the concept.

A further focus of interest of the heart surgeon, who each year together with his team performs some 1,200 operations (but no transplants), is cardiac arrhythmias. These are caused by defects in the heart's conduction system – the different areas of the heart muscle receive the wrong control signals. In the case of bradycardia, in which the heart beats too slowly, there is still a proven therapy: the implanted cardiac pacemaker.

Things become more complicated in the case of tachycardial arrhythmias, which describes the different forms of a racing heart beat. These are acutely life threatening where they affect the heart chambers, since in that case the disruption caused makes it impossible for the heart to properly perform its pumping function. If this is the case, a complete circulatory collapse can take place within a very short time. For ventricular tachycardia, Professor Moosdorf (who already as a young doctor worked with laser technology in vascular surgery) has developed a special treatment method: points of origin of the disruption are killed off using a laser.

By way of preparation, the operator scans the heart with a kind of electronic thimble that "reports" the disrupted places. After that the laser is used to eliminate the causes of the disruption. Admittedly, in Germany there are not "12,000 patients that can be treated curatively in this way". But the procedure offers those affected significant advantages over a defibrillator which nowadays is often implanted "for the sake of simplicity": "The defibrillator, which jolts the heart back to a normal rhythm with an electroshock, puts the patient out of action for at least one minute. In other words: With a defibrillator you cannot drive a car, let alone pilot an aeroplane", says Moosdorf in describing its effect. After the laser treatment it was once again possible to do both of these things.

The heart surgeon also uses a laser to treat atrial fibrillation. With atrial fibrillation, the atria of the heart work irregularly and at a frequency of over 300 beats per minute. This is the most frequent form of cardiac arrhythmia, suffered by about one million (above all elderly) people in Germany. According to experts, this figure is likely to rise to 2.5 million by 2050. The causes of this abnormal heart rhythm may be general health problems or heart complaints, as well as stress, alcohol, caffeine, serious infections or drugs.

One treatment that can permanently heal atrial fibrillation is ablation. With this procedure, the area of the heart generating the arrhythmia is thermally obliterated. Ablation destroys the original source or sources of the arrhythmia and isolates the conductive heart tissue by barriers of scar tissue that has lost its electrical conductivity. This effectively blocks any anomalous electrical signals. To achieve this, high-frequency current, microwaves, ultrasound, but also freezing or, as already mentioned, a laser may be used as energy sources. The heart surgeons in Marburg use several of these innovative procedures. And that with success: "Thanks to these therapies, which we usually use in conjunction with other heart operations, we are able to completely eliminate atrial fibrillation in a high percentage of our patients", Moosdorf observes with satisfaction.

A SYSTEM FOR EIGHT MILLION ANALYSES

On 28 February 2011 the wait was finally over: at the Giessen laboratory of Universitätsklinikum Gießen und Marburg GmbH, the switches were transferred from the old to the new electronic laboratory system compatible with the one in Marburg. On the first day things got off to a somewhat bumpy start in the Giessen hospital building (new forms missing, no practice with use of the new technology). But on the next day – almost – everything was business as usual, apart from some out-of-the-ordinary lab orders that didn't go completely smoothly.

A difficult exercise, and one that is extremely critical in hospital operations, had been successfully completed. After all, even during such a comprehensive change it is still the case that everything has to go fast, there must be no confusions, and it must be possible to trace back each individual analysis to the patient. That said, the success of the information technology convergence was not limited to its organisational aspects – at least on the basis of an essential technical-scientific service, Marburg and Giessen had come a step closer to each other.

The changeover was the first widely visible and noticeable action by the common laboratory head Professor Harald Renz. It was only on the first day of October 2010 that he proceeded, only after a short lead period, to make two institutes into one: the Marburg Institute for Laboratory Medicine and Pathobiochemistry, Molecular Diagnostics, and the Giessen Institute for Clinical Chemistry and Pathobiochemistry whose director Professor Norbert Katz had retired in 2010.

The merger of the two lab organisations is the answer of Universitätsklinikum Gießen und Marburg GmbH to the huge changes taking place in the laboratory environment", said Renz. "We just have to make sure that we remain competitive in an extremely competitive environment", he adds, setting ambitious targets for himself. "Already today, ten – in some cases international – chains of laboratories provide roughly 50 per cent of Germany's entire lab services".

Renz counters this competition with performance: "We have clear advantages over the chains, beginning with our seven-day 24-hour service, and by no means ending with our specialists at both sites advising our clinical doctors at a tremendously high level." In Marburg and Giessen together, this is ensured by more than ten scientific staff members and 85 medical-technical assistants.

The laboratories of university hospital Giessen and Marburg each serve more than 100 internal "submitters" (i.e. clinics or clinic wards) at both sites, in addition to a number of external customers. Each day, 5,000 sample tubes have to be processed, and eight million individual analyses are prepared from these each year. Of the roughly 2,000 standardised tests that exist, the laboratories have around 600 to 700 in their offering, which is impressive considering that this covers over 98 per cent of the University Hospitals' requirements.

Data technology harmonisation is now clearing the way for the next steps. "We will now be able to form areas of focus at both sites, at least for those diagnoses that do not have to be directly available in the respective clinic", Renz says, looking forward. To reap synergies in this way, a sample logistics system will be necessary – the two sites are a good 35 kilometres apart from each other. This distance does not necessarily promote communication between lab staff either. This is to be shortened by the daily eleven o'clock meeting by video conference. By the end of 2011, Renz wants to have a fair part of the structures in place, "the rest will be dealt with in 2012".

He is also promoting bridge building to Giessen at another level. At the lung centre of the "State Initiative for the Development of Scientific-Efficient Excellence" (LOEWE) he works together with Professors Seeger and Grimminger. Division of labour is key: whereas Marburg concentrates on inflammatory diseases of the lungs such as asthma or the harmful effects of smoking, the Giessen colleagues have their focus on vascular diseases and fibrosis as well as lung cancer (in Bad Nauheim). The credo of the Marburg laboratory head: "Scientists find one another – also across facilities."

On the side, as it were, the laboratory team of the university hospitals Giessen and Marburg is already working its

Tina Kirchbichler, Marburg
"What I like about the studies is the broad diversity and the current practical relevance. I like Marburg because it is a town that is ideally suited to students and is just the right size so that you can reach everything within a short time."

Nadine Mautes, Marburg
"For a doctor working at a hospital, harmonising professional and private life could prove difficult. For community-based practitioners I imagine this is easier because of the regular working hours."

way into the RHÖN-KLINIKUM Group. Together with colleagues from the field of microbiology, they are preparing special diagnoses for the hospitals located at Group headquarters in Bad Neustadt a. d. Saale – with samples being transported daily between the sites. And Professor Renz already has a vision: "Our objective is to create regional lab networks with strong facilities at the top of their respective fields. These regional competence labs can then draw on the university hospitals Giessen and Marburg's top know-how. In this way we channel university knowledge to the regions."

ALTERNATIVES TO THAT "NEW HIP"

Getting that "new hip" is a favourite subject of discussion among seniors. But: "It doesn't always have to be a new prosthesis", believes Professor Markus Schofer, Managing Senior Physician of the Marburg Orthopaedics and Rheumatology Clinic. "In our endoprosthesis centre we offer all cartilage transplant and substitute procedures which are state-of-the-art internationally", he advocates, and corrects a commonplace idea: "Hip-joint complaints not only affect people in old age but also young people and athletes".

Generally, the Marburg orthopaedists pursue the strategy of treating diseases of the hip joint already at a young age to prevent its advance development into arthrosis. "In many cases these usually minimal-invasive procedures allow us to avoid major follow-up operations such as the insertion of an endoprosthesis", Schofer explains. Even if the alternatives for preserving the joint were exhausted and an implant became necessary, in many cases it was still possible to use mini-implants to replace only parts of the joint, or individual small prostheses.

The minimal-invasive intervention known as hip joint arthroscopy can be performed under partial or full anaesthesia. Under this procedure, a camera and the operating instruments are introduced into the hip joint through two or three incisions each having a length of one centimetre. The operator controls the instruments with the aid of a monitor. Schofer recommends hip joint arthroscopy among other things in the case of injuries or degenerative changes in the articular lip and cartilage, for diseases of the joint mucosa or for impingement syndrome of the hips.

After completing periods of study in North America, the UK and France, the team of doctors headed by the Professor developed their own operating technique that is shorter and characterised by greater patient friendliness. Now the orthopaedists from Marburg are themselves training

colleagues in Germany and abroad in their hip arthroscopy technique. Word about their expertise has already got around – numerous patients from all over Germany and abroad are having themselves treated in Marburg.

Also in orthopaedics, the approach is now interdisciplinary. Led by the Clinic for Orthopaedics and Rheumatology, an endoprosthesis centre was created in Marburg in 2010. In this centre, the orthopaedists work together with the radiology diagnostics department, the dermatology clinic (for treatment of allergies), the microbiology department (in the case of infections) and also with an external partner in rheumatology, the Rheumatism Centre of Central Hesse in Bad Endbach.

The equipment of the endoprosthesis centre allows for state-of-the-art orthopaedics: three-dimensional nuclear magnetic resonance examinations, diagnosis of complaints with knee joint prostheses also – and despite "built-in" implants – with the help of nuclear magnetic resonance tomographs, and not least the computer-based planning of hip and knee prostheses for the individual patient, to name just a few examples. "But, as already stated: we are not always looking to implant prostheses as the only approach. What is important is a good diagnosis, leading the way to a sensible treatment", Schofer underscores. "We also offer patients the possibility of obtaining a second opinion from us. Lastly, we are also glad to make available our advice to other Group hospitals."

ON THE PATH TO A SUCCESS MODEL

University medicine is cutting-edge medicine. That is also something that cannot escape the attention of those having taken a closer look at Giessen Marburg University Hospital. But what is it exactly that gives it the "edge"? That even the senior physicians for the most part have professor titles? That every physician who thinks anything of himself is keen to make publications? No, it has nothing to do with all that. It is simply a special characteristic of medicine that it thrives in the boundary zone between research and healthcare delivery, i.e. where research findings are put into practice very directly – and by the same persons who produce them. The flipside is that the research part also claims its share of the time budget.

The thing that particularly stands out in Giessen and Marburg is that research successes are individual achievements only in exceptional cases. Teamwork is key anyway, and interdisciplinary co-operation is becoming increasingly commonplace. It is from the combined knowledge of highly varying – albeit medical – sources that a special value-added is created and advances in medicine can develop. This knowledge is expressed in innumerable "centres" in which university doctors from various specialties team up with community-based practitioners and other facilities within the region to deliver better (and more reliable) medical care – in the best interests of patients.

A glance at the oncology centres within the Comprehensive Cancer Center of the Marburg site of Universitätsklinikum Gießen und Marburg GmbH alone suffices to illustrate the trend towards centres. Among others, there is the breast centre "Brustzentrum Regio", a gynaecology cancer centre, the Carreras Leukemia Center, a prostate cancer centre, a gastrointestinal centre and not least the particle therapy centre. The oncologists are thus far from being alone. Also the majority of the other faculties are orienting themselves towards centres. And the neighbours of Giessen have just as broad a range to offer, from the Paediatric Centre to the Endometriosis Centre and the Lung Centre.

The word "centre" at the same time makes the position of university medicine clear: it is the focal point of medical networks, the competence centre stimulating activity of the more healthcare delivery-oriented facilities based within the immediate region and even more remotely (sometimes as far as India or China) by providing them with the latest knowledge of medical science. This self-perception and the will to finally leave behind the ivory tower of noble research is something that can be sensed at both sites, and not just with younger professors.

The first steps towards integrating the RHÖN-KLINIKUM Group and its hospitals into university "networking" were already described above. The examples show that the idea behind the takeover did indeed describe a model for success: putting research into practice quickly and on a broad front – and for mutual benefit. The reason why there are not more examples like this goes deeper: many of the university doctors are still trying to find their particular place within the new private-economy "biotope". However, a number of doctors from both sites have already recognised the opportunity that a co-operation scheme within a clearly structured and organised hospital network would offer. The willingness to work into the Group is there. However, in many cases the ideas as to how to go about this have yet to be put forth. It will presumably take some time and effort to really exploit all the potential created.

GROUP MANAGEMENT REPORT

- Group reaches stated targets for service volumes, revenues and earnings despite challenging financial environment.
- With stable growth rates in patient treatments (+ 13.4%), revenues (+ 9.9%) and earnings (+ 10.2%) in 2010, we have maintained our top position among Germany's leading hospital chains.
- Hospitals acquired in 2010 successfully integrated into Group of RHÖN-KLINIKUM AG.

Interaction between medicine and teaching becomes reality in the lecture halls of the University Hospital in Giessen: here students are provided with the required basis in theory.

1 OVERVIEW OF 2010 RESULTS AND FORECAST FOR 2011

In its 21st year as a publicly listed company, RHÖN-KLINIKUM AG forged ahead with the further expansion of its medical offering.

	2010 € m	2009 € m	Change %
Revenues	2,550.4	2,320.1	9.9
EBITDA	307.3	284.0	8.2
EBIT	197.9	182.0	8.7
EBT	173.9	158.7	9.6
Operating cash flow	255.9	238.3	7.4
Net consolidated profit	145.1	131.7	10.2
Balance sheet total	3,058.2	2,858.5	7.0
Investments	403.3	545.8	–26.1
Shareholders' equity	1,495.2	1,422.9	5.1
Net financial debt	551.5	406.1	35.8

In financial year 2010, we invested € 403.3 million – of which € 348.4 million from own funds – in the expansion, modernisation and acquisition of outpatient and inpatient sites. As at the balance sheet date, we have 53 hospitals with a total of 15,900 beds and 33 medical care centres (MVZs) with 125.5 doctor's practices in Germany. Currently, the Group employs some 38,000 persons, with the share of women being roughly 75%.

Service volumes, revenues and earnings once again reached record levels in 2010. The business model again proved itself to be resistant to the economic cycle, crisis-proof and stable. Group service volumes – as measured in terms of the number of patients treated – rose by roughly 242,000

patients or 13.4% to reach roughly 2,042,000. Of these, some 127,000 patients or 7.1% are attributable to organic growth and some 115,000 patients or 6.3% to growth at our newly acquired hospitals.

The 9.9% rise in total revenues to € 2.55 billion and the 10.2% rise in net consolidated profit to € 145.1 million fully met our expectations. Weighted earnings-per-share pursuant to IAS 33 is € 1.01 (previous year: € 1.07). The nominally unweighted earnings figure – in each case based on the number of ordinary shares after the capital increase – totals € 0.91 for financial year 2009.

Since the beginning of the year, the consolidation of the MEDIGREIF group as of 31 December 2009 has been reflected in the consolidated income statement for financial year 2010. The MEDIGREIF group consists of five hospitals with a total capacity of 842 beds and two MVZs in the federal states of Mecklenburg-West Pomerania and Saxony-Anhalt. Since July 2010, we have consolidated Klinik Hildesheimer Land GmbH, a facility with 165 beds operating in the areas of acute geriatrics and geriatric, cardiological and orthopaedic rehabilitation. In the newly acquired hospitals, we generate revenues of € 97.7 million as well as a contribution to net consolidated profit of € 9.2 million.

The Group's EBITDA rose by 8.2% to reach € 307.3 million (previous year: € 284.0 million). The operating result (EBIT) rose by € 15.9 million or 8.7% to reach € 197.9 million (previous year: € 182.0 million). EBT stood at € 173.9 million (previous year: € 158.7 million), translating into a rise of € 15.2 million or 9.6%. The EBITDA margin is 12.0%, and thus slightly below the previous year's level of 12.2%. The EBIT margin and EBT margin of 7.8% and 6.8%, respectively, remain at the previous year's level.

Compared with the previous year, operating cash flow, calculated from net consolidated profit plus depreciation/amortisation and other non-cash items, rose by € 17.6 million or 7.4% to reach € 255.9 million (previous year: € 238.3 million). This rise is mainly attributable to the € 13.4 million increase in net consolidated profit.

Our equity capital increased by € 72.3 million to reach € 1,495.2 million (previous year: € 1,422.9 million). The equity ratio declined slightly from 49.8% to 48.9%. Net debt to banks saw an investment-induced rise of € 145.4 million or 35.8% to € 551.5 million (previous year: € 406.1 million). Net debt to banks is 1.8 times (previous year: 1.4 times) Group EBITDA.

In what will again be a challenging environment, we expect revenues in financial year 2011 – not including any possible acquisitions – to rise on the back of higher service volumes at the Group to approximately € 2.65 billion. This revenue target is accompanied by a forecast for EBITDA of € 340 million and for net consolidated profit of € 160 million, both of which may fluctuate within a range of plus or minus 5%.

2 ECONOMIC AND LEGAL ENVIRONMENT

2.1 MACROECONOMIC TREND

In 2010, the German economy recovered more quickly than expected from the impact of the global financial market crisis. GDP recorded growth of 3.6% (after contracting by 4.7% in the previous year), which was the biggest rise since German Reunification. Growth was primarily driven by exports: here, the 14.2% rise nearly completely compensated for the previous year's decline. But the revival in the domestic economy was also helped by higher capital expenditure as well as an increase in consumption resulting from greater job security. At the same time, Germany's public debt, as a result of claims under various rescue funds and economic stimulus packages, saw a sharp rise of roughly € 89 billion or 3.5 percentage points with reference to gross domestic product, thus exceeding the EU-wide deficit threshold of 3.0% by 0.3 percentage points. Given the structural increase in spending in the area of social security, the positive economic development has not yet been reflected in municipal budgets. According to data from Germany's Federal Statistical Office, the deficit of German municipalities and cities in 2010 stood at € 9.8 billion, with a similar level being expected in 2011. As a result, no improvement in this situation is in sight.

2.2 DEVELOPMENTS WITHIN THE SECTOR

2010 also witnessed increases in quantitative and qualitative demand for health services in Germany, essentially attributable to demographic trends as well as advances in medicine. This once again confirmed the health market's non-cyclical character. The demand for healthcare services that necessarily accompanies high life expectancy and is furthermore stimulated by innovations in the medical field is the guarantor of buoyant and sustained growth in our sector.

The healthcare market in Germany is essentially distributed among the sectors of acute inpatient hospital treatments, inpatient rehabilitation treatments and outpatient medical and rehabilitative treatments. Of the total market volume of some € 280 billion, acute inpatient care accounts for around 28%.

For 2010, we expect the number of acute inpatient treatments in Germany to grow by roughly 2% to around 18 million, with expenditures increasing to roughly € 80 billion. The state base rates saw an effective increase of roughly 1.0% on average compared with the previous year, and for the first time reflected pricing for new examination and treatment methods as well as other development items which a year before had been invoiced separately, i.e. in addition to the base rates. This meant that (in some cases significant) increases in personnel and material costs of well over 2% could only be refinanced proportionately.

The statutorily prescribed continuation for 2010 of discounts granted in the previous year on the calculation of state base rates resulted in burdening effects in financial year 2010. As a result, the higher growth that this was actually supposed to create for hospitals to compensate for cost increases did not feed through to them as expected. This necessarily meant a deterioration in hospitals' results of operations where they were not in a position to agree on or achieve disproportionate growth in service volumes.

Generally it has to be noted that – contrary to what was contemplated by the legislator – hospitals' revenue situation although it did not worsen overall in 2010, was still not enough to compensate for financing shortfalls from the previous year either. Regular hospital surveys confirm the long-standing trend towards a rising percentage of hospitals suffering from chronic losses.

With regard to investment backlog for new and modernisation investments that has persisted for many years, it has to be noted that neither state hospital construction programmes have been significantly increased nor have subsidies from the economic stimulus programme sufficed to even remotely contain the further expansion of the existing investment backlog. At the same time, the limits imposed by the statutorily enshrined "debt brake" meant that in many areas it was not possible for the various levels of government (local, state and federal) to close this financing gap through borrowing in their capacity as hospital operators in 2010 either. As a result, the gap will become much more pronounced over the next few years. Irrespective of this, the admissibility of municipal support payments for public hospitals and whether or not such measures constitute illicit subsidies under EU competition law is also the subject of heated debate.

A competition for qualified employees, and in particular for doctors and nurses, has been increasing for years. The reason for this is that demand in particular for highly qualified doctors and nurses is outstripped by supply nationally. The ever-widening gap in Germany between medical professionals (especially doctors) entering the medical profession and those retiring from it will make itself particularly felt. Acquiring new staff in Germany and abroad is therefore an important task when it comes to maintaining the performance of our hospitals. Here, we are stepping up our efforts in finding and retaining staff. Besides pay scale classification and incentive schemes, non-pecuniary aspects are becoming an increasingly important part of how attractive a workplace is considered. Part-time working schemes for parents and staff providing care to relatives, concepts allowing for a harmonisation of family and career, and child care offerings at various hospitals are only some of the things that are important for retaining the loyalty of employees and making healthcare companies attractive as employers.

With a total of 20 hospital sale transactions, the level of acquisitions seen in financial year 2010 can be described as relatively low. The expected wave of acquisitions did not materialise during the past financial year 2010. To some extent, this development is certainly attributable to the fact the pressure on the various levels of government (local, state and federal) to privatise has been eased either by their higher potential to raise trade tax or the creation of new (or use of existing) possibilities of contracting debt.

In the first year following conclusion of the three-year DRG convergence phase, adjustment amounts in the form of premiums or discounts on individual hospital remuneration items designed to achieve equal pricing state-wide were largely phased out in financial year 2010. In a given federal state, therefore, the prices for acute inpatient services have largely been fixed, and it has now emerged who the winners and losers of convergence are.

Independent of this development, the DRG remuneration catalogue was also revised in 2010. In particular, a number of services that previously had been remunerated separately were included in the schedule of DRGs and the scope of service of specific items was re-defined. This had an at least indirect impact on the general framework laid down by the German legislator for the future scope of inpatient treatments. In addition, this made it possible to more clearly identify individual services, service areas or entire medical fields which in future will be either partly or wholly shifted from inpatient care structures to outpatient treatment. Durations of stay will further shorten (albeit only slightly), whilst the severity of hospital cases will further increase. At the same time, advances in medicine are opening up new

treatment possibilities in the acute inpatient and outpatient area, meaning that the one constant on the German healthcare market is its continual change. In future also, only those providers capable of keeping abreast of such changes in every respect will be able to succeed on this market. In this context the opportunities that a hospital has to secure sufficient funding will also be increasingly important – regardless of its ownership structure.

The efficiency and viability of health insurance funds has also been under scrutiny since 2009. The risk structure compensation that health insurance funds have now been paying for two years and the additional premiums being charged by poorly managed, inefficient health insurance funds have literally triggered a wave of mergers within this industry.

2.3 CORPORATE DEVELOPMENT

In 2010, the RHÖN-KLINIKUM Group steadfastly continued its path from being an operator of hospitals to becoming an integrated healthcare provider in terms of both medical offering and organisation. The orientation of management structures for this purpose was completed during the past financial year. We continue to be committed to the quantitative and qualitative expansion of our acute inpatient structures. We are also firmly convinced that the medical care centres (MVZs) we have established in the outpatient area give us considerable growth prospects. For us, the particular focus of interest with our MVZs is on hospital-affiliated MVZs (by which the healthcare offering of our hospitals is to be expanded within their respective catchment area) and specialist physician MVZs (which we plan to develop in those specialist medical fields that are likely to be removed from the area of inpatient treatment in future).

All of the Group's management executives are wholly committed to the growth course taken. Equal priority is also to be given to the Group's organic and acquisition-driven growth. In 2010, the following major milestones of growth were achieved:

- After raising equity as part of a capital increase in the previous year, we raised debt in financial year 2010 by issuing a bond in a volume of € 400 million and concluded a new line of credit in the form of a club deal in a volume of € 150 million. In this way we rescheduled our long-term debt while at the same time increasing our available credit lines to roughly € 400 million.
- As in previous years, our long-standing facilities succeeded in achieving organic growth in service volumes of over 3%. We are thus well above the national average and have strengthened our market share in Germany.
- The acquisitions made in the acute inpatient area in financial year 2010 (1,007 beds with a total revenue of roughly € 98 million) were quickly integrated into the Group.
- In the outpatient area, we succeeded in entering the area of ophthalmological specialist-practice MVZs with the acquisition of ten ophthalmological specialist practices in Düsseldorf. For 2011 we are planning to expand at further sites in North Rhine-Westphalia as well as at those hospital sites with inpatient ophthalmological capacities.
- After investing some € 399 million in our existing facilities, we created the basis for continuing our qualified and sustained growth course also in the coming years.
- Together with the company Siemens, we are steadily moving ahead with work to complete the particle therapy facility at the Marburg site.

To promote the public healthcare system and healthcare issues by providing the general public with comprehensive information about hospitals (including about treatment quality, patient satisfaction and patient safety), we joined up with Asklepios Kliniken GmbH and Sana Kliniken AG to establish the company "4QD – Qualitätskliniken.de Gesellschaft mit beschränkter Haftung" to develop and operate the Internet portal "Qualitätskliniken.de" which provides the general public with information on the quality of hospitals.

All hospitals from Germany, regardless of their size and ownership structure, may participate in this Internet portal at the medical as well as corporate level. The common objective pursued here is to develop the most comprehensive approach to date for presenting the quality of hospitals and establishing a far-reaching standard for transparency that will benefit patients in particular but also the participating hospitals.

In the end, what we want is for patients to have trust in medical care and quality of the treatment they receive. In future as well, we are driven by a desire to put all our expertise to work for patients, gearing all our efforts and employing all our investment and financial strength towards earning the trust patients place in us.

3 CORPORATE CONSTITUTION

The main pillars of the corporate constitution of RHÖN-KLINIKUM AG and its Group are the overall body of rules and guidelines according to which the Group is managed and controlled (corporate governance) as well as all mea-

sures and provisions securing ethically sound corporate management (compliance). Together with measures to deal efficiently and proactively with risks and opportunities (management of risks and opportunities) and to effectively ensure the best possible quality of treatment (quality management), the purpose of these key elements of our corporate constitution is to firmly establish investors' trust in the Company and help continuously and sustainably enhance the value of the Group.

3.1 CORPORATE SOCIAL RESPONSIBILITY

The key principle of our corporate actions is our acknowledgement of a long-term commitment – both as a healthcare provider and to an equal extent as an employer and listed company. When we think of sustained value enhancement, we do not just understand that as the economic consequence of sound, continuous growth in the Company. For us as a healthcare provider, economic success is inseparably bound up with ecological and social responsibility: a healthcare system oriented toward long-term success calls for a sound working and living environment. Given the trust that patients, employees and investors have placed in us, we have committed ourselves to practising what we preach in the long term. In addition to balanced and honest working relations with our employees, our value enhancement to a decisive extent is based on circumspect and responsible management of our environment.

Our responsibility to society

Our healthcare provision task is very naturally linked to our fundamental understanding of social responsibility: good health means quality of life – the highest human good. We firmly believe that everyone is entitled to affordable and high-quality medical care. Health must not become a luxury. For that reason, we would like to help secure the performance, efficiency and social responsibility of the German healthcare system in future as well.

To live up to our ambitious corporate goal, we strive for efficiency and innovation in healthcare delivery. We understand rationalisation as the creation of rational – reasonable – structures that help improve care for our patients while enhancing a hospital's efficiency. This in turn results in an increase in the quality of treatment. All patients benefit from this because they are provided with high-level medical care.

At the same time, we actively promote innovation within our hospitals locally, under medical performance alliances with the medical care centres (MVZs) and in co-operation with external research and development partners. Our network of hospitals and thus also the patients of our hospitals moreover benefit from the high innovative potential of research activities at the universities in Giessen, Marburg and Leipzig. Our objective is to ensure that our patients benefit from the successes of modern medical research as early as possible so that we can treat and heal them ever more effectively.

Our responsibility to the environment

As one of the biggest providers of healthcare in Germany, we see protection of the environment as a particular duty and responsibility that is closely bound up with our business activity. Environmental influences can pose health risks to mankind. That is why protecting human health and the sound management of environmental quality go hand in hand.

At the same time, effective environmental management for us is an economic imperative: to offset rising costs arising, for instance, in the area of energy supply, efficient management of energy and the environment is also an economic responsibility which we assume as a matter of course in our corporate goal of achieving affordable and high-quality medical care for everyone.

One of the areas we focus on in particular is sustainable energy management: for this purpose, we turn to innovation and continually invest in the research and development of energy-efficient processes – for example as part of our field tests in the use of fuel cells.

You can find more detailed information regarding our commitment to the environment and health in our Annual Report in the chapter "Health and Environment".

Our responsibility to employees

The success of our Company and each of our hospitals is founded on the commitment of our staff. To promote the continued qualification, individual development and motivation of our employees on an ongoing basis, we are committed to targeted skills management and organisation development.

One core element of our strategy is ensuring the transfer of knowledge within our hospital network, which we promote in particular by opening up our decentralised higher-

qualification and further-training offerings as well as close integration of the medical and management areas (e.g. through our medical management programme).

In times of life-long learning, we attach great value to targeted measures ensuring our staff are optimally prepared for all current and future requirements and to support their individual career development at the Company, also as this relates to how they plan their family and social lives. For this reason we give high priority to measures such as internal ongoing and further training of management and specialist staff, individual career development as well as a wide range of higher-qualification and further-training offerings.

Nowadays, the attractiveness of a workplace is increasingly also determined by suitable opportunities employers offer for harmonising a career with a family life. We have set ourselves the clear objective of winning over our staff with family-friendly working conditions.

In addition to "internal" dialogue and exchange of knowledge, we also attach a great deal of importance to maintaining contact with university graduates and young specialists in the professional orientation phase. At congresses, trade fairs and student contact fairs, we meet eye-to-eye with those taking a potential interest in our Company.

Further details on our activities in the area of human resources development are provided in our Annual Report in the chapter "Human Resources Development".

3.2 DECLARATION ON CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

Declaration on Corporate Governance

The Corporate Governance Declaration (section 289a German Commercial Code (Handelsgesetzbuch, HGB), in addition to the Declaration of Compliance of the Board of Management and the Supervisory Board pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG), also contains information on corporate governance practices. Moreover, the work approach of the Board of Management and the Supervisory Board as well as the established committees are described.

For further details please visit our homepage where the Declaration on Corporate Governance is permanently made available under www.rhoen-klinikum-ag.com.

Declaration of Compliance

The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG are committed to responsible corporate management and supervision for long-term value enhancement. Close and effective co-operation between the Board of Management and the Supervisory Board together with open communication has helped to further strengthen investor, employee, patient and public confidence in the Company and its management. This trust has formed the basis of the Company's uninterrupted success for more than 25 years.

In financial year 2010, the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG conducted a thorough regular examination of the German Corporate Governance Code, its development and amendments as well as compliance with the Code at RHÖN-KLINIKUM AG and its subsidiaries. As a result of these deliberations, a jointly issued and updated Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (AktG) was submitted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG on 3 November 2010 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 26 May 2010. According to this, with the exception of

- Item 7.1.2 (Deadline for making available the Consolidated Financial Statements) and
- Item 5.4.1 (Stating specific objectives regarding the composition of the Supervisory Board)

we comply in the entirety with the German Corporate Governance Code in its mandatory components. We observe most of the non-mandatory suggestions of the German Corporate Governance Code.

As in the past, we make a reasonable time allowance for careful Group-wide accounting as well as its verification by statutory auditors and the Audit Committee, making our consolidated financial statements available to the public only in April of the financial year following the balance sheet date.

The Supervisory Board refrains from stating any specific time- or quota-related objectives for its composition and with regard to nominations – giving due regard to the criteria of internationality, conflicts of interest, variety and reasonable participation of women – will be guided exclusively by the suitability of the candidates in question.

3.3 CORPORATE GOVERNANCE

Subscribed capital

The subscribed capital of RHÖN-KLINIKUM AG stated in the consolidated financial statements is completely made up of 138,232,000 ordinary voting bearer shares (non-par value shares) each having a nominal share in the registered share capital of € 2.50. Restrictions on voting rights or the transfer of shares – even if these may result from agreements of shareholders – do not exist or are not known to us. None of our shares is issued with special rights that confer on its holder special powers of control. Employees who hold shares exercise their voting right freely. Shareholders may exercise their voting rights themselves at the Annual General Meeting or through proxies appointed for this purpose.

The Annual General Meeting of 10 June 2009 had authorised the Company during a period of 18 months, to purchase treasury shares in a pro rata amount of the registered share capital of up to 10% of the registered share capital and, subject to certain conditions, to sell these shares by means other than via the stock market or through an offer to all shareholders. This authorisation expired in December 2010.

Consolidated financial statements, communication with shareholders and analysts

The consolidated financial statements are drawn up in accordance with the provisions of International Financial Reporting Standards (IFRS) applicable within the European Union and audited in accordance with both national and international auditing standards. The half-year financial statements are subjected on a voluntary basis to a review by a statutory auditor in accordance with the same aforementioned principles. The annual financial statements of our subsidiaries are based on provisions of the German Commercial Code (HGB). When issuing auditor mandates, due care is taken to ensure the requisite independence of the auditors appointed. The audit mandate for the annual financial statements and for the half-year financial statements of the Group as well as for the Group's ultimate parent company is issued by the chairman of the Audit Committee after due examination of the corresponding resolutions of shareholders at the Annual General Meeting.

Each year in early February we make known the preliminary business figures of the past financial year. We publish our annual financial statements in April of the new financial year. Disclosures on section 289 (4) and (5) and section 315 (4) HGB are made in the management report. The Annual General Meeting normally takes place within the first six months of the following financial year. Since 2006 we have held an annual Capital Markets Day as an additional communication tool for investors and analysts. We make known our forecast for the next financial year at the analysts' conference held each year in the fourth quarter. In addition to regular discussions with investors, we also use this event for an in-depth discussion once a year with financial analysts. We report on business performance four times a year. With our financial calendar published in the Annual Report and in the Internet, we inform our shareholders, shareholder associations, analysts and the media of all other recurring key dates.

Notifications in accordance with WpHG

Up to the balance sheet date we received the following shareholder notices according to sections 21 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG):

- The family of the Supervisory Board chairman directly holds a 12.45% share of voting rights (notification from 2009).
- "Alecta pensionsförsäkring, ömsesidigt", Stockholm/Sweden notified us of a share in voting rights of 9.94% (notification from 2009).
- Franklin Mutual Advisers, LLC, Short Hills/USA holds a share of 5.07% (notification from 2006).
- Sun Life Financial Inc., Toronto/Canada holds an indirect share of 3.07% of voting rights (notification from 2010).
- BlackRock, Inc., New York/USA notified us of a share in voting rights of 3.03% (notification from 2010).
- Templeton Investment Counsel, LLC, Fort Lauderdale/USA notified us of a share in voting rights of 3.0038% (notification from 2010).

No further parties holding voting rights in excess of 3%, either directly or indirectly, are known to us.

Corporate bodies

The Board of Management and the Supervisory Board are constituted according to legislation governing German stock corporations. Under this regime the Board of Management directs the Company; the Supervisory Board advises the Board of Management and supervises its management activity. Appointment and removal of members of the Supervisory Board and the Board of Management take place in accordance with the provisions of stock corporation law (Supervisory Board: section 101 et seq. AktG; Board of Management: section 84 AktG) and the German

Co-Determination Act (Mitbestimmungsgesetz, MitbestG). For amendments to the Articles of Association and the removal of members of the Supervisory Board, a majority of 90% of the capital represented at the Annual General Meeting is required.

Pursuant to the legal provisions, the Annual General Meeting is responsible for electing the auditor for the annual and half-year financial statements of our Group as well as for the annual financial statements of RHÖN-KLINIKUM AG. The chairman of the Audit Committee has appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the review of the half-year financial statements for 2010 as well as for the audit of the annual financial statements as at 31 December 2010 after the Audit Committee was thoroughly convinced of the auditor's independence, i.e. the absence of any grounds for disqualification and/or bias.

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 a total of 20 employees' and shareholders' representatives and held four ordinary meetings (2009: five meetings, of which one extraordinary meeting). Members are appointed for a period of five years. Age restrictions apply. The Supervisory Board regularly takes its decisions in plenary sessions, or in the competent specialised committees with the power to adopt resolutions; only in isolated cases are decisions made by circulation.

The Supervisory Board constituted a total of seven committees. The Mediation Committee, the Personnel Affairs Committee, the Audit Committee and the Investment, Strategy and Finance Committee exist as committees with the power to adopt resolutions. Committees having powers to advise, supervise and make proposals are the Nomination Committee for the election by the Annual General Meeting of Supervisory Board members from the shareholders' representatives on the Supervisory Board, the Anti-Corruption Committee to fight and prevent cases of corruption, and the Medical Innovation and Quality Committee to further develop and secure medical quality.

Terms of Reference have been adopted for the activities of the Board of Management as well as of the Supervisory Board, including co-operation between these two bodies.

In financial year 2010 the Board of Management of RHÖN-KLINIKUM AG was headed by one chairman and in his absence by the deputy chairman of the Board of Management. Starting from 2011, the Board of Management will be headed by a chairman and in his absence by the permanent representative appointed by the Supervisory Board for such purpose. With regard to the composition of the Board of Management, please refer to the Notes to the consolidated financial statements. The Board of Management directs the Company and manages its business under joint responsibility subject to the Terms of Reference. The areas of responsibility of the individual members of the Board of Management are determined by operative and/or functional competencies. The chairman of the Board of Management is responsible for corporate policy and the Group's fundamental strategic orientation.

Remuneration of corporate bodies

The remuneration of the members of the Supervisory Board and the Board of Management is defined in the Company's Articles of Association and by resolutions adopted by the Supervisory Board. It comprises fixed and variable components. The variable remuneration components for the Board of Management and the Supervisory Board are based on assessment parameters derived from net consolidated profit. Moreover, members of the Board of Management receive non-cash benefits (company car, insurance) and a contingent old-age pension benefit of up to 1.5 annual salaries. If a member of the Board of Management receives severance compensation because that member's work for the Board of Management has been terminated without good cause, the amount of such benefit including the additional benefits may not exceed the value of two years' remuneration and may not remunerate more than the remaining term of the service contract. The Group does not provide stock option programmes, share-based remuneration components or similar forms of remuneration. The remuneration schemes provided for the Board of Management and the Supervisory Board define the amount and structure of the respective incomes.

Effectively, the provisions set out below represent a cap on the remuneration of the Board of Management because of the disproportionately moderate relevance of positive earnings developments for remuneration; this means that even in the event of constant earnings variable remuneration components already decrease compared with the previous year.

The full Supervisory Board is responsible for determining the individual remuneration of the Board of Management after preparation by the Personnel Affairs Committee. The Supervisory Board, at its meeting on 10 February 2010 after preparation by the Personnel Affairs Committee, adopted a new remuneration scheme in line with the statutory regula-

tions by way of revision of the remuneration guidelines. The remuneration scheme for the Board of Management was approved by the Annual General Meeting on 9 June 2010.

In financial year 2010 the remuneration of the active members of the Board of Management totalled € 9.1 million (€ 8.4 million in previous year). Of this total, € 1.9 million (previous year: € 2.0 million) or 21.2% (previous year: 23.5%) was accounted for by components that are not performance-linked and € 7.2 million (previous year: € 6.4 million) or 78.8% (previous year: 76.5%) by variable remuneration components. Claims to post-retirement benefits by the members of the Board of Management amounted to € 6.4 million (previous year: € 5.2 million). During financial year 2010, the members of the Board of Management that left the Board of Management with effect on 31 December 2008 received remuneration totalling € 1.2 million for their previous work as members of the Board of Management. Moreover, their post-retirement benefits were increased by € 0.3 million to € 0.7 million. No remuneration was paid to other former members of the Board of Management or their surviving dependants.

The remuneration of the Supervisory Board is governed by Section 14 of the Articles of Association. It is performance-linked and oriented on the amount of time worked, on the duties and functional responsibilities assumed by the members of the Supervisory Board, as well as on the economic success of RHÖN-KLINIKUM Group. The remuneration of the Supervisory Board is made up of fixed and variable components.

The remuneration of the active members of the Supervisory Board amounted to € 2.4 million (previous year: € 2.4 million). Of this total, € 0.8 million was accounted for by fixed remuneration components (previous year: € 0.9 million) or 32.2% (previous year: 36.6%). € 1.6 million was paid as performance-linked remuneration (previous year: € 1.5 million) or 67.8% (previous year: 63.4%).

For further details, in particular with regard to the individualised remunerations for the Supervisory Board and the Board of Management, please see the remuneration report forming part of the Corporate Governance Report and the Notes to the consolidated financial statements.

Shareholdings by members of corporate bodies

As at 31 December 2010, the members of the Supervisory Board and the Board of Management together held 12.64% of the Company's registered share capital, of which the Supervisory Board accounts for 12.55% of the shares in issue. Mr. Eugen Münch and his wife Ingeborg together hold 12.45% of the Company's registered share capital and the other members of the Supervisory Board 0.10% of the shares in issue. The members of the Board of Management together hold 0.09% of the Company's registered share capital.

We continue to disclose all transactions of members of the Board of Management and the Supervisory Board which are subject to notification pursuant to section 15a of the German Securities Trading Act (WpHG). The transactions as specified in the Corporate Governance Report and in the Notes to the consolidated financial statements were reported to us in financial year 2010.

Contracts containing a change-of-control clause

The company purchase agreement relating to the acquisition of the 95% interest in Universitätsklinikum Gießen und Marburg GmbH as well as various contracts relating to financial instruments contain provisions according to which, subject to the condition of a change of control as a result of a takeover bid, the Federal State of Hesse may demand repurchase of the corporate interest and the bond and loan creditors may demand immediate repayment. Beyond that there are no agreements under which the Board of Management or employees may establish claims to compensation in the event of a company takeover.

3.4 COMPLIANCE

What is important for us is that we not only meet our corporate targets but that we do so using ways and means that satisfy our own ethical standards. Compliance in the sense of personal integrity is regarded by the Board of Management as an essential management duty. According to this principle the Board of Management directly has an obligation to observe all rules for compliance with law, statutory regulations and Group-internal guidelines and to implement and enforce these in their dealings with employees and business partners. For RHÖN-KLINIKUM AG and all other Group companies, compliance guidelines exist which are amended and adjusted at regular intervals.

The leading corporate principle by which we have been successfully guided for years is: "Don't do to others what you would not have done to yourself, and don't fail to do anything that you would not have done to yourself". This obligation is duly enshrined as a binding provision in all contracts of Management and in the collective agreements. New employees are comprehensively informed about our corporate ethics as soon as they take up their work.

For us and our value standards, a breach of our corporate principle is deemed comparable to corruption in terms of its seriousness. We try to ensure compliance with our company ethics primarily through preemptive and preventive anti-corruption activities. In addition, we have put in place a compliance system aimed at ensuring to the greatest extent possible that the Company's behaviour complies with the legal provisions. Under this compliance management system, relevant internal and/or external events are used as an opportunity to review the legality of existing processes, internal provisions and behaviour patterns.

In addition to information, training, and instruction of our employees, our binding principles for working together with industry, our instructions on procurement procedures and processes, our rules for employees regarding invitations to conventions and guidelines for use of third-party or research funds represent the key measures for preventing corruption within the Group.

The Anti-Corruption Committee of the Supervisory Board is our advisory and monitoring body for the Board of Management. For clarifying matters of corruption and other relevant breaches of rules by employees, we created the Group Compliance department. Its task is to investigate all indications of illegal conduct and to promptly restore a legally compliant situation. All legal breaches are rigorously penalised.

3.5 MEDICAL QUALITY

Good medical care must not be left to chance but is something that has to be ensured systematically. This has been the guiding principle of all those responsible at RHÖN-KLINIKUM AG ever since the Company was founded. For that reason, we strive for the highest possible quality and safety in all medical services.

The opening of Germany's largest hospital portal, Qualitätskliniken.de, underscored the clear focus and commitment in the area of quality management in 2010. As initiator, RHÖN-KLINIKUM AG along with two other hospital groups are pursuing the stated objective of systematically raising the quality of their facilities with the help of the Qualitätskliniken.de portal and of making this transparent. For this reason, the hospitals of RHÖN-KLINIKUM AG since 1 June 2010 have been publishing an overview of nearly 400 quality indicators through the joint hospital portal. We thus give patients and their relatives a user-friendly means of finding the right hospital. Already in its first year, participation led to wide range of improvement measures.

Moreover, in the course of 2010, the uniform Critical Incident Reporting System (CIRS) implemented for the entire Group was further developed. It gives all employees the possibility of reporting such critical incidents on an anonymous basis. The system, which is being introduced at all hospitals of RHÖN-KLINIKUM AG, enables us to further optimise our systematic error management and thus to improve our quality on a sustained basis.

The programme for antibiotic stewardship was expanded and is gaining acceptance with more and more hospitals, especially since the systematically gathered data show an improved use of antibiotics coupled with a decline in their consumption.

Under the slogan "We value your opinion", we also conducted a survey among patients and referring physicians at many of the facilities of RHÖN-KLINIKUM AG in financial year 2010 so as to gain a further basis for sustained quality improvement.

3.6 REPORTING PURSUANT TO SECTION 289 (5) HGB AND SECTION 315 (2) NO. 5 HGB ON ACCOUNTING-RELATED CONTROLLING AND RISK MANAGEMENT SYSTEM

The accounting-related internal controlling and risk management system is made up of those structures (structural organisation) as well as processes and controls (procedural organisation) which are relevant for the preparation of the annual financial statements for the RHÖN-KLINIKUM AG Group, RHÖN-KLINIKUM AG itself and its subsidiaries.

From a legal viewpoint, the RHÖN-KLINIKUM AG Group has a largely decentralised organisation. Both the individual hospitals and the MVZ and service companies for the most part are constituted as legally and economically independent companies – as a rule in the form of a German limited liability company (GmbH).

The Group's accounting process is organised in such a way that for each of the subsidiaries on each reporting date – i.e. monthly, quarterly and annual – financial statements according to the German Commercial Code (HGB) are prepared in accordance with uniform accounting rules in the Group's own data centres based on a uniform Group-wide chart of accounts and a uniform Group-wide accounting programme. From these financial statements, consolidated financial statements are derived for each quarter in accordance with International Financial Reporting Standards (IFRS). The data for the financial statements of the subsidiaries are aggregated to form one set of consolidated financial

statements using certified consolidation software after capital consolidation and consolidation of expenses and earnings, receivables and liabilities and elimination of any intercompany profits. IFRS-relevant revaluations and/or reclassifications are performed at the Group level.

The financial statements are promptly reported to the Group Accounting department, prepared and published after expiry of the respective key date (at month-end: within four days; at quarter-end: within 20 days; at half-year-end: within 45 days; and at year-end: within 120 days). The financial statements are analysed, subjected to a plausibility test and evaluated together with the Controlling department and in certain cases also with the Internal Auditing department.

Both for the preparation of the separate financial statements according to HGB and for the preparation of the consolidated financial statements, comprehensive accounting requirements whose compliance is stringently monitored are observed to ensure uniform accounting. Both for the individual companies and within the Group, responsibilities for the preparation of the annual financial statements are clearly defined.

The Internal Auditing, Controlling and Finance departments are established as independent divisions separate from Group Accounting. These divisions constantly pass on their findings from the same databases and in this way indirectly monitor the financial statements prepared. The controls applied in this context, which depending on the specific case may be preventive or downstream, manual or automated, give due regard to the principles of segregation of functions.

The quarterly financial statements, the half-year financial statements and the annual financial statements are submitted for review to the Audit Committee of the Supervisory Board. The findings of the Audit Committee are documented. Moreover, the Audit Committee also regularly engages the statutory auditor to conduct an accounting-related in-depth audit. Provided that the examinations by the Audit Committee and of the statutory auditor call for improvements in the Group accounting process, these are implemented without delay.

4 MANAGEMENT OF RISKS AND OPPORTUNITIES

A decisive element of value-oriented and sustainable corporate governance is a company's wholehearted embracement of risk and opportunity management within an open corporate culture. At RHÖN-KLINIKUM AG and its subsidiaries, managing risks and opportunities and controlling the same on a sustainable basis is a core corporate task that is firmly enshrined in our management culture. Our value-oriented corporate strategy gives equal regard to opportunities and risks, protects the interests of our shareholders and other capital market participants, and fully takes account of the legal requirement to have in place a system for early identification of risks jeopardising our corporate existence.

As a provider of healthcare services, we always regard the risk posed to the life and health of our patients as the greatest risk, since in the medical and nursing areas even the smallest mistakes can have devastating consequences. For this reason, measures designed to avoid such risks are given top priority. This involves continuously weighing up opportunities against the risks.

The business model of RHÖN-KLINIKUM AG is growth-oriented. We see ourselves as the pacemaker and trendsetter for privatisation to secure our corporate goal of "qualified and sustained growth for achieving generalised healthcare delivery to the population". Changes in legislation as well as mounting cost, competitive and consolidation pressures within the sector do involve risks, but at the same time open up opportunities for us to forge ahead with growth.

4.1 ELEMENTS OF OUR RISK AND OPPORTUNITY MANAGEMENT

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

- Preventatively defined procedures, clearly defined structures and a sense of responsibility of each individual form the basis. Every employee has a personal duty to actively prevent harm or damage to our patients, our business partners and the Company.
- Identification of risks and recognition of opportunities are integrated into standard business procedures, since it is only when we are aware of risks and opportunities that we can manage and control them. The primary objective of risk management is to minimise, and where possible avoid, risks while weighing these up against the opportunities they hold – but keeping in mind that there are no opportunities without risks.
- Risks and opportunities are systematically evaluated and documented so as to ensure efficient management of risks and to enable conclusions to be drawn for the overall risk position. In this context, risks posed to life and health have always been regarded by us as a high risk, as well as our greatest risk.

- By timely and open communication both internally and externally, we create trust and the basis for self-criticism and an ongoing learning process. By regularly reviewing, evaluating and adjusting our risk management system to constantly changing framework conditions, we secure its acceptance while promoting its further development.

4.2 FOCUS IN 2010

In financial year 2010 we introduced new risk management software. By introducing this EDP platform Group-wide, we centralised the documentation of all Group risks in our systems and raised the efficiency of risk reporting processes and the initiated response mechanisms.

Management of risks and opportunities is consistently supported by the implemented software in the process phases of identifying, evaluating, communicating, controlling and monitoring as well as reporting risks and – irrespective of key-date evaluations – may also be processed and evaluated at any time during the year under way.

In financial year 2010, we dealt with the areas of focus of fire protection, hygiene and quality assurance throughout the Group. We consistently addressed these issues, identified the risks arising from them and countered such risks with prevention and/or minimisation strategies.

We continued our activities in securing our sites by conducting reviews of their service portfolios. Based on far-reaching market and environment analyses and giving due regard to demographic trends, we identified efficiency potentials at the individual hospital sites. From this starting point, these existing opportunities are implemented as potential sources of revenues and earnings by means of master plans. Thanks to our system for monitoring service volumes and earnings we also ensure in the course of the year that our targets for the financial year are achieved. Stringent monthly variance analyses performed for service volumes, revenues and earnings decisively help us adhere to our forecasts.

4.3 RISK FIELDS

The following risk fields have a decisive influence on general business performance as well as the development of our asset, financial and earnings position:

Macroeconomic and legal risks

We are for the most part unaffected by macroeconomic factors given our exclusive focus on the German healthcare market. Our exposure to interest rate developments is very minimal in the short-to-medium term as a result of interest hedging transactions.

We are indirectly affected by developments in the German economy since healthcare spending depends on contribution volumes of the insured and thus on the job market situation.

The care structures within the German health market are highly regulated by the State. Both the inpatient and outpatient sectors are subject to stringent planning and licensing rules. Changes in state requirement budgets may have a positive or negative influence on a facility's economic framework conditions.

In Germany, the amount of remuneration for healthcare services and the regime of government grants for investments – among other things – are regulated by law. Differing political objectives as well as changing financial possibilities or needs can therefore directly and indirectly impact the legislative environment and thus also the economic conditions of healthcare providers either positively or negatively.

Reviews under German cartel regulations are routinely performed in the case of business combinations. Decisions of the German Cartel Office thus affect the growth of a group operating in the healthcare sector.

Hospitals normally have personnel cost ratios of between 50% and 70%. This results in a considerable dependence on wage developments. Moreover, the success of facilities within the healthcare sector depends on the ability to recruit sufficiently qualified staff to the required extent at any time in order to achieve the stated growth targets.

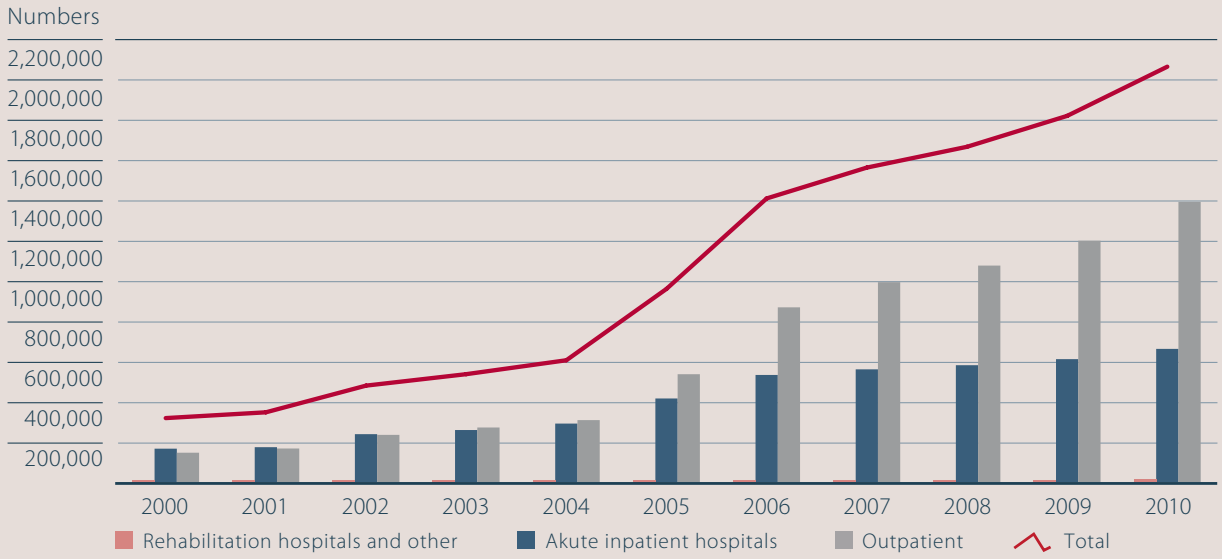
Market or revenue risks

In Germany, hospitals approved under state hospital planning enjoy de facto state regulated protection in their respective catchment area. Classic market and revenue risks exist only where site closures are ordered or the assessment of a hospital's quality by referring physicians or patients turns out to be significantly worse than for neighbouring hospitals, thus causing large numbers of patients to switch to other hospitals.

Financial market risks

Since we operate exclusively in Germany, we are not subject to transaction and currency risks.

NUMBER OF CASES (PATIENTS TREATED) AT RHÖN-KLINIKUM GROUP



The Group has financial liabilities including negative market values of financial derivatives of € 992.2 million and interest-bearing assets of € 415.7 million. In principle, then, we are exposed to the risk of changing interest rates.

At balance-sheet date, our non-current financial liabilities (including the current portion of non-current financial liabilities, excluding negative market values of derivatives) stood at € 944.2 million, of which € 551.8 million on conditions of fixed interest rates within a range of 1.60% to 5.60%. These rates are locked in until 2027. The risk of non-current financial liabilities totalling € 392.4 million at variable interest rates is limited by interest-rate hedging transactions. Financial derivatives other than for hedging purposes are not used.

No securities (except for 24,000 treasury shares) are held within the Group of RHÖN-KLINIKUM AG. No corresponding credit rating and share price risks exist.

Operating and production risks

Treating patients involves complex organisational processes characterised by division of labour. Whenever these processes are disrupted, this carries risks for both patients and the hospital. We attach utmost importance to minimising such risks by sparing no efforts to ensure the quality of treatment with qualified and trained staff through guideline-oriented procedures in safe and hygienic hospital buildings. Permanent monitoring of all procedures and processes involved in the treatment of patients as well as the consistent orientation of all efforts to the needs of our patients creates a high level of treatment quality and limits existing operating and production risks.

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

Procurement risks

Since we operate in the area of medical facilities, equipment and supplies and rely on external providers, these business ties can give rise to risks that are triggered, for example, by supply and quality problems. By means of ongoing market and product monitoring we ensure that dependency on sole suppliers, single products and service providers is kept to a bare minimum.

When recruiting doctors, we rely (like other hospitals) on the "output" of the German education system. In nursing and support functions as well as for our young commercial staff, we have also been able to cover our recruitment needs ourselves through our Group training and higher-qualification facilities or in co-operation with universities or other post-secondary institutions. Where it is not possible to permanently recruit qualified staff to a sufficient extent, this may give rise to adverse impacts on development and thus to risks for individual sites.

Performance and liquidity risks

Fluctuations in service volumes at our facilities may lead to a decrease in revenues and thus earnings. Through regular

period-based and inter-operation comparisons with regard to service volumes, revenues and earnings, as well as selected business ratios and other indicators, it is possible to identify adverse developments early on in order to take corrective action as appropriate and necessary. Monthly performance and liquidity analyses back up our published forecasts as well as our liquidity status.

4.4 RESULTS OF RISK EVALUATION FOR 2010 AND OVERALL ASSESSMENT

The evaluation of risks for financial year 2010 shows a continuation in the positive trend. The principles of the statutorily prescribed system of early identification of risks jeopardising corporate existence were continued in 2010 as in the previous years. The risk atlas was also reviewed and updated accordingly.

During the financial year we did not identify any risks (neither at the individual Group companies nor within the Group itself), that jeopardise the Company's existence. We see no trends (neither at the individual Group companies nor within the Group), that jeopardise the Company's existence.

As an overall assessment based on our analysis of the overall risk position within RHÖN-KLINIKUM Group for financial year 2010, we have concluded that there are no risks that could endanger the existence of the Group of RHÖN-KLINIKUM AG and or any of its subsidiaries, and do not see any matters having an adverse effect on corporate development.

5 MEDICAL RESEARCH AND SCIENTIFIC DIALOGUE

By acquiring the university hospitals in Giessen and Marburg and integrating them into the Group's network as well as operating Herzzentrum Leipzig for many years, RHÖN-KLINIKUM AG has succeeded in broadening its medical science base. Thanks to the direct link that the Group's hospitals have to university maximum care and in turn the direct access to university research findings, scientific knowledge can be quickly translated into modern medical care and competently delivered to the regions. With this linking of our Group facilities to university research and teaching we as a responsible private provider of healthcare services – fully in keeping with our corporate philosophy – offer our patients over all care levels a broad range of good-quality and independent medical care that everyone can afford.

Apart from our university medical sites, numerous other Group hospitals engage in an open scientific dialogue. This ranges from holding scientific conferences, participation in long-term clinical studies and promising international research projects as well as the performance of university teaching mandates and offering specific further training measures for hospital doctors. For example, the Pneumology Clinic of Zentralklinik Bad Berka was selected as one of eight centres for a study on improving the quality of life of people suffering from lung disease. Herz- und Gefäß-Klinik Bad Neustadt a. d. Saale is taking part in the international multi-centre study for research on stentless biological heart valves. The Neurology Clinic based at Group headquarters in Bad Neustadt a. d. Saale continued the SEWOP Parkinson's study already presented in the Annual Report 2008 and was able to demonstrate the superiority of an innovative drug. Our specialists in Hildesheim from the trauma surgery and orthopaedics departments are participating in various international research projects, developing innovative compositions for osteosynthesis in an interfacility dialogue.

These measures and activities help us to get modern medical research to our patients quickly so that we can treat and heal them ever more effectively. Further specific examples of medical research and development at RHÖN-KLINIKUM Group are found in our Annual Report.

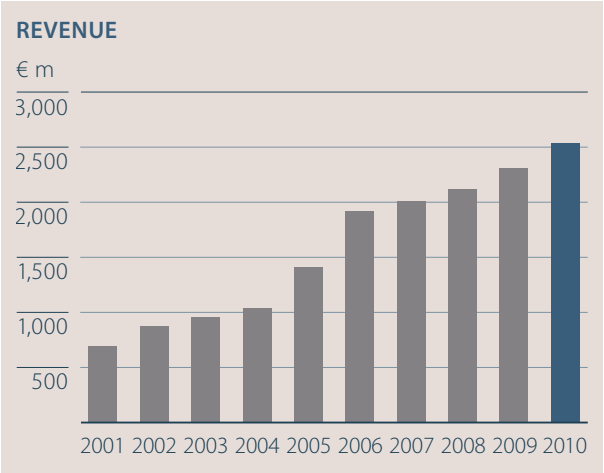
6 CONSOLIDATED TREND

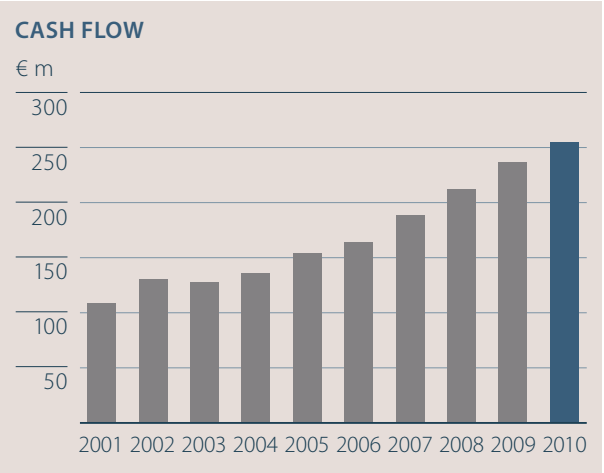
6.1 SITES, CAPACITIES AND SERVICES

With its 53 hospitals and 33 MVZs in Germany and a market share of nearly 4%, RHÖN-KLINIKUM AG is a leading healthcare provider. The acute inpatient division accounts for around 97% of consolidated revenues and is rounded off at some sites by the offerings of our rehabilitation clinics. The establishment of outpatient MVZs is moving ahead on schedule. These latter two areas did not satisfy the size requirements for segment reporting in financial year 2010.

As a rule, the Group is horizontally structured. The hospital companies are organised in the form of legally independent corporations which have their registered office at the respective facility sites and are managed as direct subsidiaries of RHÖN-KLINIKUM AG (ultimate Group parent company). The ultimate Group parent company has its registered office in Bad Neustadt a.d. Saale, Federal Republic of Germany.

Major sites with an acute inpatient care offering include the hospitals at parent company headquarters in Bad Neustadt a. d. Saale, our medical science centres in Giessen, Marburg





and Leipzig as well as the hospital sites having a supraregional catchment area in Bad Berka, Frankfurt (Oder), Hildesheim, Karlsruhe, Munich, Pforzheim and Wiesbaden.

Compared with the previous year, the following sites underwent changes in bed capacities:

	Hospitals	Beds
As at 1 January 2010	**53**	**15,729**
Klinik Hildesheimer Land GmbH	1	165
	54	**15,894**
Change in requirement budgets (net)	–1	6
As at 31 December 2010	**53**	**15,900**

Already as at 31 December 2009, we consolidated the MEDIGREIF group (including its assets and liabilities) on the balance sheet for the first time. The case numbers, revenues, expenditures and earnings of the newly consolidated group will feed through to the corresponding performance ratios and the Group's income statement in financial year 2010 for the first time.

As at 20 May 2010, we acquired Klinik Hildesheimer Land GmbH, a facility operating in the areas of acute geriatrics and geriatric, cardiological and orthopaedic rehabilitation with 165 beds. The company is included in the consolidated financial statements from 30 July 2010.

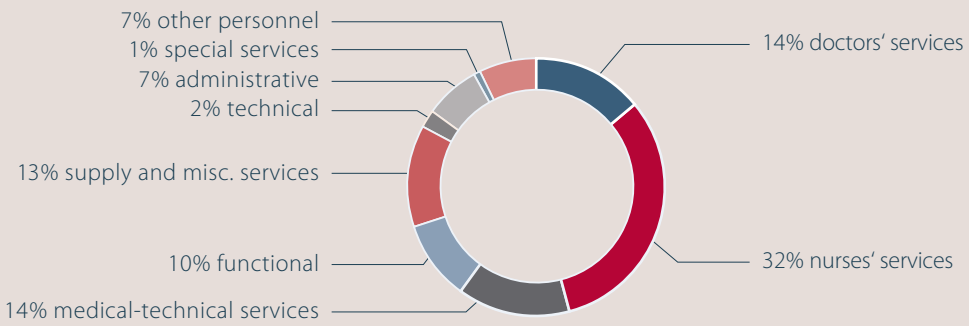
The reduction in the number of hospitals relates to the removal from hospital requirement budgeting (and the related closure) of the Salzgitter-Bad site belonging to Klinikum Salzgitter GmbH. The healthcare delivery mandate for this region was transferred to Klinikum Salzgitter GmbH at the Salzgitter-Lebenstedt site, with the required total capacities being concentrated in a newly constructed building completed at the end of financial year 2010.

As at 31 December 2010 our consolidated financial statements included 53 hospitals with 15,900 beds/places at a total of 43 sites in ten federal states. Only a minor change of 6 in acute inpatient approved beds, in line with the requirement budgets in the individual federal states, was recorded in financial year 2010.

	Approved beds/places		Change	
	2010	2009	absolute	%
Inpatient capacities				
acute hospitals	14,169	14,131	38	0.3
rehabilitation hospitals and other inpatient facilities	1,362	1,238	124	10.0
	15,531	15,369	162	1.1
Day-case and day-clinical capacities	369	360	9	2.5
Total	**15,900**	**15,729**	**171**	**1.1**

By 31 December 2010 we had opened or acquired a total of 33 MVZs Group-wide with a total of 125.5 specialist doctor's practices at or near our hospital sites.

ANALYSIS OF PERSONNEL AT RHÖN-KLINIKUM GROUP



	Date	MVZs	Practices
As at 1 January 2010		**26**	**98.0**
Commissioned in Pforzheim II	1 January 2010	1	2.0
Commissioned in Kipfenberg	1 January 2010	1	2.0
Commissioned in Uelzen	1 January 2010	1	3.0
Commissioned in Wuppertal	1 July 2010	1	5.0
Commissioned in Bad Berka	1 July 2010	1	2.0
Commissioned in Bad Nauheim	1 October 2010	1	2.0
Commissioned in Dannenberg/Elbe	1 October 2010	1	2.0
Extension at already existing MVZs		–	10.0
Decrease in doctor's practices	1 October 2010	–	–0.5
As at 31 December 2010		**33**	**125.5**

In 2010 we further developed our strategy of expanding our outpatient capacities. We have increasingly come to prefer outpatient structures around our inpatient sites so as to ensure better overall care for patients within the catchment area of our hospitals.

Moreover, we are looking to invest increasingly in so-called "specialised doctor MVZs" (such as ophthalmological centres) to enable us in future to cover those services that up to now have been primarily provided to patients as part of inpatient treatment. In this connection, we acquired as at 1 January 2011 a majority interest in our ophthalmological centre in Düsseldorf with a total of ten ophthalmologist's practices and one anaesthetics practice. Together with the co-owners, we will first seek to establish further centres within the North-Rhine region in Wuppertal, Solingen and Krefeld as well as an adequate level of specialist expertise at our hospitals to meet the requirements.

In conjunction with a further commissioning of an MVZ in Pforzheim with two specialist doctor practices as at 1 January 2011, we have started out into financial year 2011 with a total of 35 MVZs and 138.5 specialist practices.

Patient numbers at our hospitals and MVZs developed as follows:

			Deviation	
January to December	2010	2009	absolute	%
Inpatient and day-care treatments				
acute hospitals	654,437	603,987	50,450	8.4
rehabilitation hospitals and other facilities	10,293	9,713	580	6.0
	664,730	**613,700**	**51,030**	**8.3**
Outpatient attendances at our				
acute hospitals	1,009,264	974,312	34,952	3.6
MVZs	367,788	211,927	155,861	73.5
Total	**2,041,782**	**1,799,939**	**241,843**	**13.4**

In 2010 a total of 2,041,782 patients (241,843 patients/13.4%) were treated by the Group's hospitals and MVZs. Of this increase, patients treated on an inpatient and day-care basis account for roughly 21.1% and outpatient treatments account for 78.9%. Excluding the companies consolidated for the first time in financial year 2010, this translates into organic growth in patient numbers of 127,109 patients or 7.1%. Of this growth, 14,109 patients (2.3%) are attributable to the inpatient area and 113,000 patients (9.5%) to the outpatient area.

In the valuation ratios the rise is 8.4%, of which the hospitals consolidated for the first time account for 4.9 percentage points and the Group's other inpatient facilities 3.5 percentage points.

Per-case revenues in the inpatient and outpatient area were as follows:

January to December	2010	2009
Case revenue		
inpatient (€)	3,643	3,599
outpatient (€)	94	94

In the inpatient area, the 1.2% increase is almost entirely attributable to a scope effect of roughly 1.0%.

On 31 December 2010, the Group employed 38,058 persons (31 December 2009: 36,882):

	Number
As at 31 December 2009	**36,882**
Change in employees at hospital companies	894
Change in employees at MVZ subsidiaries	176
Change in employees at service companies	106
As at 31 December 2010	**38,058**

This increase of 1,176 employees compared with the reporting date of 31 December 2009 included 722 additional employees as a result of staff increases at our long-standing hospitals, 172 employees from staff taken over with Klinik Hildesheimer Land GmbH, 176 employees added as a result of staff changes at our MVZ companies, and 106 employees added as a result of increases at our service companies.

Doctors accounted for 13.9% (previous year: 13.7%) of the total headcount on the reporting date, while nursing and medical-technical staff accounted for 56.4% (previous year: 57.0%). On average over the year, we recorded a rise of 8.1% in full-time staff.

Statutory social security contributions and old-age pension expenses as a percentage of the wage bill amounted to 20.1% (previous year: 20.5%).

6.2 BUSINESS PERFORMANCE

For computational reasons rounding differences of ± one unit (€, %, etc.) may occur in the tables below.

Taking into account various regulatory and economic obstacles, the performance achieved by our hospitals overall during financial year 2010 was in line with expectations. As in previous years, we achieved increases in service volumes throughout the Group that exceed the national average. By reason of statutory price discounts on surplus service volumes, the expansion in revenues was disproportionately moderate.

As a result of considerable start-up work, the earnings contributions of our MVZ companies were temporarily in decline. Whereas in the previous year positive earnings contributions of € 0.2 million were generated, negative earnings contributions of € 2.5 million were recorded in financial year 2010.

Our service companies generate Group-wide revenues of € 81.8 million (previous year: € 82.2 million). In financial year 2010 they provided cleaning services for 45 Group facilities (previous year: 44), catering services for 25 Group facilities (previous year: 24) and laundry services for two Group facilities (previous year: 2). After-tax earnings at our service companies stood at € 0.3 million (previous year: € 0.4 million). This was in line with expectations.

Revenues and earnings

The Group's economic performance is shown as follows based on the key figures used for management purposes:

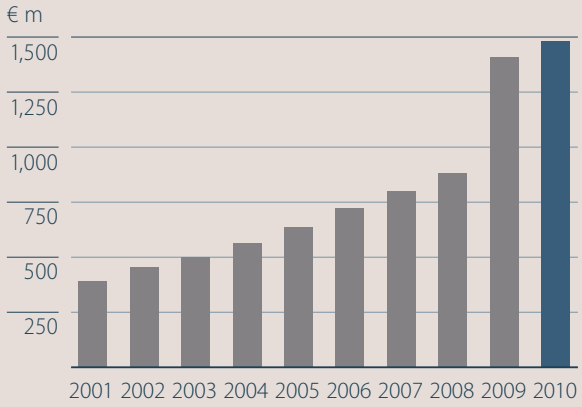
	2010	2009	Change	
	€ m	€ m	€ m	%
Revenues	2,550.4	2,320.1	230.3	9.9
EBITDA	307.3	284.0	23.3	8.2
EBIT	197.9	182.0	15.9	8.7
EBT	173.9	158.7	15.2	9.6
Operating cash flow	255.9	238.3	17.6	7.4
Net consolidated profit	145.1	131.7	13.4	10.2

In financial year 2010, revenues rose by € 230.3 million or 9.9% to reach € 2,550.4 million (previous year: € 2,320.1 million), of which our acute and rehabilitation hospitals accounted for € 2,528.1 million (previous year: € 2,306.8 million) and revenues generated by our medical care centres (MVZs) for € 22.3 million (previous year: € 13.3 million).

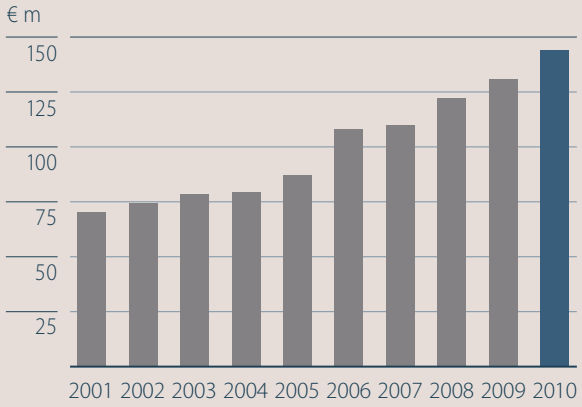
The acquired companies recognised through profit or loss for the first time in financial year 2010 accounted for € 97.7 million of the growth in revenues in the inpatient area. The Group's long-standing hospitals increased their revenues by € 123.6 million (+ 5.3%) and the MVZs succeeded in expanding their revenues by € 9.0 million (+ 67.7%).

The rise of € 230.3 million in revenues (9.9%) is attributable almost completely (8.4 percentage points) to increases in

EQUITY ACCORDING TO IFRS



NET CONSOLIDATED PROFIT ACCORDING TO IFRS



service volumes at our long-standing and newly acquired hospitals, while price adjustments contributed only 1.0 percentage point to the expansion in revenues.

	2010	2009
	%	%
EBITDA margin	12.0	12.2
EBIT margin	7.8	7.8
EBT margin	6.8	6.8
Return on revenue	5.7	5.7
Return on equity (after taxes)	9.9	11.4

Based on the remuneration discounts for surplus service volumes defined for 2010, the operating margin (EBITDA) recorded slightly disproportionately moderate gains. Given the disproportionately moderate development in depreciation, the EBIT margin stood at 7.8% as in the previous year. With a proportionate development in the financial expenditure balance and the income tax burden, both the EBT margin and return on revenue match their levels of the previous year.

The slight decline in return on equity stems from the fact that the capital increased in the third quarter of the previous year as part of a capital increase was available in 2010 for the first time for a full financial year.

	2010	2009	Change	
	€ m	€ m	€ m	%
Materials and consumables used	656.9	595.2	61.7	10.4
Employee benefits expense	1,513.8	1,379.2	134.6	9.8
Depreciation	109.4	102.0	7.4	7.3
Other operating expenditure	251.1	224.9	26.2	11.7
Total	**2,531.2**	**2,301.3**	**229.9**	**10.0**

Compared with the previous year, the cost of materials increased by € 61.7 million or 10.4% to reach € 656.9 million (previous year: € 595.2 million). Without the increase in expenditure on materials at the hospitals consolidated for the first time and the newly commissioned MVZ companies, the rise would have been € 35.3 million or 5.9%. Compared with the trend in revenues adjusted by consolidation effects (5.3%), the rise in the cost of materials was disproportionate. This is essentially attributable to higher drug supplies to facilities outside the Group of which the sales proceeds are reported under "Other income".

The cost-of-materials ratio rose slightly from 25.7% to 25.8% because of the disproportionate trend in purchased services for locum doctors which are recognised under material expenditures. The rise in remaining expenditures for raw materials, consumables and supplies of € 45.6 million (or 9.3%) was disproportionately moderate thanks to successful cost-cutting efforts. The ratio attributable to raw materials, consumables and supplies alone declined compared with the previous year by 0.1 percentage points to 21.2%.

The rise of € 134.6 million in employee benefit expense (9.8%) includes the initial effects (€ 66.1 million) of personnel expenses of hospitals consolidated for the first time and of newly commissioned MVZs. Adjusted for these consolidation effects, employee benefits expenses rose by € 68.5 million or 5.0% to reach € 1,447.7 million (previous year: € 1,379.2 million).

Employee benefits expenses were slightly below the trend in revenues adjusted for first-time consolidation effects (5.3%). The unchanged personnel expense ratio of 59.4% reflects Group-wide restructuring successes and a disproportionately moderate increase in personnel at sites reporting an expansion in service volumes, on the one hand;

and a trend in wages which is disproportionate to the rate of change in aggregate income of all health insurance fund members (Grundlohnsummen-Veränderungsrate), on the other.

Depreciation/amortisation/impairments increased compared with the previous year by € 7.4 million or 7.3% to € 109.4 million (previous year: € 102.0 million). Of the rise in depreciation/amortisation, € 1.5 million is attributable to the hospitals consolidated for the first time. The remaining € 5.9 million is accounted for among other things by the commissioning of the MVZs and the commissioning of our building extensions in Cuxhaven as at 1 October 2009 and in Bad Berka as at 1 November 2009, as well as by current investments.

The decline in the depreciation ratio from 4.4% to 4.2% results from the comparatively small amount of property, plant and equipment of the newly acquired hospitals.

Other operating expenditure rose in financial year 2010 by € 26.2 million or 11.7% to reach € 251.1 million (previous year: € 224.9 million). Of this rise, € 15.2 million or 6.8% is accounted for by our long-standing facilities and € 11.0 million by facilities consolidated for the first time and newly commissioned MVZ companies. The higher expenditures at our long-standing facilities are attributable to some extent (and among other things) to subsidised maintenance measures, maintenance measures in connection with a fire at the site in Bad Neustadt a.d. Saale as well as the costs of ongoing and further-qualification training.

As a result of the aforementioned effects, the ratio for other expenditures rose slightly from 9.7% to 9.8%.

With a nearly proportionate trend in the financial expenditure balance, the financial result worsened in absolute terms by € 0.7 million or 3.1% to € –24.0 million compared with the same period last year. Whereas an expenditure increasing effect was brought about by the rescheduling into non-current debt in the first half of 2010 through issuance of a bond with a volume of € 400.0 million at an interest rate of 3.875% (resulting in a total expenditure increase of around € 2.7 million after netting with interest income), the decline in average net financial debt compared with the same period last year from roughly € 513.0 million by some € 34.0 million to the comparison value of around € 479.0 million for 2010 had a positive impact on the financial result. Changes in the market values of financial instruments, which are recognised through profit or loss, increased expenses in financial year 2010 by € 0.2 million (previous year: € 1.2 million) – in each case before tax. Further depreciation resulting from the change in the level of interest rates of the caps and swaps we acquired for hedging against interest rates were recognised directly in equity in the aggregate amount of € 5.3 million.

Income tax expense rose by € 1.7 million to € 28.8 million (previous year: € 27.1 million) compared with the previous year. Adjusted for tax expenditures from previous years amounting to € 0.3 million (previous year: € 1.2 million), the income tax expenditure saw a rise of € 2.6 million based on a higher tax assessment base. The income tax burden, comprising corporation tax and the solidarity surcharge, remains unchanged at 15.83% of the tax assessment basis. No trade tax applies because hospitals are exempted from this income tax. The tax rate remains unchanged versus the previous year at 1.1 percentage points.

Net consolidated profit rose by € 13.4 million (+ 10.2%) to € 145.1 million (previous year: € 131.7 million). The hospitals consolidated for the first time contributed € 9.2 million to this improvement. The burden on earnings resulting from changes in the market values of our financial instruments was € 0.2 million, or € 0.8 million lower compared with the previous year's figure of € 1.0 million. The other inpatient and outpatient facilities contributed € 3.4 million to the rise in net consolidated profit.

The earnings share of minority interests declined by € 0.5 million to € 5.4 million. This was essentially attributable to the further acquisition of minority interests (increase of 20.0 percentage points to 94.9 percentage points) in Amper Kliniken AG by RHÖN-KLINIKUM AG with effect from 1 January 2010.

The interest of RHÖN-KLINIKUM AG shareholders in profit for 2010 rose by € 14.0 million or 11.1% to € 139.7 million (previous year: € 125.7 million) compared with the same period last year. This corresponds to earnings per share of € 1.01 (previous year: € 1.07) in accordance with IAS 33. On an arithmetic, unweighted basis, and taking account of the higher number of ordinary shares after the capital increase in 2009, the earnings per share figure is € 0.91 for the previous year.

We plan to appropriate € 51.1 million (previous year: € 41.5 million) of net distributable profit of RHÖN-KLINIKUM AG to pay out a dividend of 37 cents per ordinary share (previous year: 30 cents).

Asset, financial and capital structure

	31 Dec. 2010		31 Dec. 2009	
	€ m	%	€ m	%
ASSETS				
Non-current assets	2,195.3	71.8	1,965.5	68.8
Current assets	862.9	28.2	893.0	31.2
	3,058.2	**100.0**	**2,858.5**	**100.0**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	1,495.2	48.9	1,422.9	49.8
Long-term loan capital	964.1	31.5	757.2	26.5
Short-term loan capital	598.9	19.6	678.4	23.7
	3,058.2	**100.0**	**2,858.5**	**100.0**

The balance sheet total rose by 7.0% to € 3,058.2 million compared with the previous year's level of € 2,858.5 million. On the assets side, this increase essentially stems from investments in connection with the realisation of our investment programmes since the last balance sheet date. In financial year 2010 we invested € 348.4 million, which resulted in a rise of € 229.8 million in non-curent assets (11.7%).

The equity capital ratio saw a slight decline compared with the last reporting date, from 49.8% to 48.9%, since over half of the additions to assets during financial year 2010 were financed by debt capital. Equity now stands at € 1,495.2 million (previous year: € 1,422.9 million). The € 72.3 million rise stems from the net consolidated profit of € 145.1 million less dividends paid to shareholders and minority owners (€ 43.6 million), less the impairment requirement for the effective portion of the interest-rate hedging instruments recognised directly in equity (cash flow hedge, € 5.3 million), and less the recognition directly in equity of the purchase price payment for the increase of 20 percentage points in the shareholding in Amper Kliniken AG to 94.9 percentage points (€ 24.0 million). Additional equity capital transactions amounting to € 0.1 million relate to minority interests of doctors in two MVZs and one service company. The negative market values of financial derivatives designated as interest hedging instruments are recognised at € 21.4 million in total (31 December 2009: € 16.1 million) as a deduction item after taking into account deferred tax.

112.0% (previous year: 110.9%) of non-current assets is covered arithmetically by equity and non-current liabilities. Net financial debt to banks rose by € 145.4 million since the last balance sheet date from € 406.1 million to € 551.5 million, and is calculated as follows:

	31 Dec. 2010	31 Dec. 2009
	€ m	€ m
Cash	415.7	444.9
Current financial liabilities	69.5	166.7
Non-current financial liabilities	922.7	697.9
Liabilities under finance leases	0.5	5.8
Financial liabilities	992.7	870.4
Subtotal	577.0	425.5
Negative market value of derivatives (current)	0.0	–0.2
Negative market value of derivatives (non-current)	–25.5	–19.2
Net financial debt	**551.5**	**406.1**

The origin and appropriation of our liquidity are shown in the following overview:

January to December	2010	2009
	€ m	€ m
Cash generated (+)/utilised (–) by operating activities	221.5	212.5
Cash generated (+)/utilised (–) in investing activities	–316.0	–406.7
Cash generated (+)/utilised (–) by financing activities	67.1	537.9
Change in cash and cash equivalents	**–27.4**	**343.7**
Cash and cash equivalents at 1 January	420.6	76.9
Cash and cash equivalents as at 31 December	**393.2**	**420.6**

In financial year 2010, cash generated from operations amounted to € 221.5 million (previous year: € 212.5 million). The increase resulted from the higher net consolidated profit.

Cash used in investing activities amounting to € 316.0 million (previous year: € 406.7 million) was below the level of the previous year because during the previous year funds of € 128.8 million were used for hospital takeovers (compared with only € 5.0 million in the current year for the acquisition of Klinik Hildesheimer Land GmbH). Investments

in intangible assets and in property, plant and equipment increased on the back of stronger construction activities in financial year 2010 by € 37.7 million to € 323.6 million.

The decline of € 470.8 million in cash generated from financing activities from € 537.9 million in the previous year to € 67.1 million in the current financial year was primarily the result (in the amount of € 444.8 million) of the capital increase in the third quarter of 2009.

The finance management department of RHÖN-KLINIKUM Group is essentially centrally organised and encompasses the functions of raising capital, Group-internal liquidity management as well as settlement. The processes implemented give due regard to the fundamental principles of checks performed by a second person, segregation of functions as well as transparency. We have established the finance management department as a service provider within our business model.

Our finance management has to deal with the competing goals of securing liquidity, minimising risk, and ensuring profitability and flexibility.

In this regard, top priority is given to securing liquidity with the objective of fixing terms at matching maturities and in line with the Company's planning and project horizon. Apart from internal cash flows, various credit lines which are provided by several financial institutions and are independent from one another are available in sufficient volume to secure liquidity. Cash investments are performed on extremely conservative terms.

The next objective is to limit financial risks. These may arise in the form of follow-on financings and interest rate fluctuations. The business model of RHÖN-KLINIKUM AG is oriented to the long term. For this reason we regularly secure our financing requirements on a long-term basis to minimise the risk of refinancing. We use interest hedging transactions to limit the risk arising from fluctuating interest rates. In this way we make our interest expense predictable in the medium term.

Of course, we must also not lose sight of profitability aspects in our financial instruments. For cash investments and borrowing we seek to achieve optimum levels of expenditure and return.

We manage our financing structures using the following key financial ratios:

	Key financial ratios		
	Target value	2010	2009
Net debt to banks/EBITDA	≤ 3	1.8	1.4
EBITDA/net interest expenditure	≥ 6	12.8	12.2

Our internal financing strength has increased significantly. Compared with the same period of the previous year, cash flow, calculated from net consolidated profit plus depreciation/amortisation and other non-cash items, rose by € 17.6 million or 7.4% to reach € 255.9 million (previous year: € 238.3 million).

As at the balance sheet date, we have cash investments available in the short term as well as available credit lines together amounting to roughly € 806.0 million. Our medium-to-long-term financing requirement is monitored continuously, and negotiations relating to follow-on contracts are taken up well in advance. The Group's good financial basis was recognised by the rating agency Moody's in February 2011 with confirmation of our Baa2 rating. The rating was issued with a stable outlook.

Investments

Aggregate investments of € 403.3 million (previous year: € 545.8 million) in financial year 2010 are shown in the following table:

	Use of grants € m	Use of own funds € m	Total € m
Current capital expenditure	54.9	344.0	398.9
Hospital takeovers	0.0	4.4	4.4
Total	**54.9**	**348.4**	**403.3**

During financial year 2010, we invested a total of € 403.3 million (previous year: € 545.8 million) in intangible assets, in property, plant and equipment as well as in investment property. Of this total, € 54.9 million (previous year: € 131.4 million) relates to grants under the Hospital Financing Act (KHG) reflected as a deduction from acquisition cost.

In the consolidated financial statements we report net investments of € 348.4 million (previous year: € 414.4 million). Assets acquired on hospital takeovers accounted for € 4.4 million (previous year: € 123.3 million) and current capital

expenditure for € 344.0 million (previous year: € 291.1 million) of total net investments during the year under review.

With regard to investments in connection with hospital takeovers, € 4.9 million is attributable to the acquisition of Klinik Hildesheimer Land GmbH and € –0.5 million to the final purchase price allocation for the MEDIGREIF group. As at the balance sheet date, the seller still has purchase price repayments outstanding of € 0.3 million.

An analysis of investments in 2010 by region is given below:

	€ m
Bavaria	60.6
Baden-Wuerttemberg	12.0
Brandenburg	4.9
Hesse	165.8
Mecklenburg-West Pomerania	0.2
Lower Saxony	105.8
North Rhine-Westphalia	2.2
Saxony	25.0
Saxony-Anhalt	13.5
Thuringia	13.3
Total investment	**403.3**
Deduct: grants under KHG	54.9
Net investment	**348.4**

Under company purchase agreements we still have outstanding investment obligations of € 99.1 million until 2014. These obligations for the most part relate to new hospital buildings or refurbishments of existing hospital buildings, as well as investments in medical technology, which are slated to come on stream in 2014.

6.3 OVERALL STATEMENT ON ECONOMIC POSITION

Giving due regard to all the circumstances of financial year 2010, the Board of Management of RHÖN-KLINIKUM AG makes the following overall statement on the Group's economic position as at the time of adoption of this Report:

Nearly all of the Group's facilities succeeded in raising their service volumes, earnings strength and efficiency in compliance with all existing market regulations and in line with expectations. With record growth rates in service volumes (+ 13.4%), revenues (+ 9.9%), earnings (+ 10.2%) and cash flow (+ 7.4%), the Group has shown itself adamant and firmly resolved in the face of the difficult economic environment. The position on the market as well as its net assets, financial position and results of operations were improved in financial year 2010. The Group enjoys sound and stable balance sheet structures.

In financial year 2010, the Group achieved its stated targets. From a position of strength and backed by available liquidities and credit lines, the Group is at all times in a position to exploit growth opportunities as they arise.

In summary, the Board of Management assesses the Group's economic position to be very good. The Board of Management is committed to steady and qualified growth on the basis of a conservative and strong liquidity structure giving due regard to the interests of shareholders.

The Board of Management and the Supervisory Board propose that a dividend of € 0.37 (previous year: € 0.30) be distributed for financial year 2010.

7 ADDENDUM

Since 31 December 2010, there have been no matters of particular significance that are expected to have a material influence on the net assets, financial position and results of operations for the Group of RHÖN-KLINIKUM AG.

The positive trend in service volumes of the year 2010 continued without interruption in the first two months of financial year 2011. We are firmly convinced that, assuming normal business performance also in 2011, we will generate organic growth in service volumes of up to 5% which may translate into revenue growth of up to 4% with inclusion of the statutorily defined revenue premiums for surplus volumes in 2011.

We are steadfastly pursuing our integration and restructuring efforts.

8 OUTLOOK

8.1 STRATEGIC OBJECTIVES

In future, qualified organic and acquisition-driven growth will continue to be the determinant factor for the Group's development. Within the bounds set by legislation, organic growth is possible only with limits – generally up to 5%.

We are steadily working towards further developing our business model from that of a classic hospital operator to integrated healthcare provider. This also means that we are not just moving with the trend towards healthcare services being performed on an outpatient basis but are putting ourselves at the forefront of this movement.

We will chiefly seek to expand our capacities in the acute inpatient and outpatient areas through acquisitions in order to general sound growth. At the same time, we will not lose sight of the qualitative and quantitative broadening of our service offering at our existing sites. Together with co-operation partners we are pursuing the goal, at least in regions, of establishing a full-coverage healthcare network with integrated outpatient and inpatient structures.

Moreover, selective contract offers are currently being prepared with health insurance funds to give insured members access to high-quality medical care without long waiting times. With the outpatient structures it has already created and is in the process of establishing (MVZs and partnerships with outpatient service providers), as well as with suitable large hospitals and specialised hospitals RHÖN-KLINIKUM AG is able to form networks that are supported telemedically. This is being launched with indication-based contracts that are gradually being expanded geographically and in terms of the scope of care.

When acquiring facilities we continue to follow our dual strategy of "competence and reliability" as well as "quality before quantity". For this reason we will consistently exploit every medically as well as economically sensible opportunity to expand our healthcare network. In the inpatient area we strive to achieve further growth through hospital takeovers. In the outpatient area we turn to our three-pillar approach with the establishment of specialised MVZs, hospital-affiliated MVZs and stand-alone MVZs. In this area, we will offer community-based doctors to a greater extent than in the past the possibility of partaking in participation models, since this encourages doctors to assume their own responsibility as co-entrepreneurs. With specialist MVZs together with our hospitals, we can provide an optimised care chain – from the initial contact, to specialist diagnosis and treatment in the outpatient and inpatient areas. Parallel to this, we will further develop our hospital-affiliated MVZs so as to network the respective hospital sites along with other healthcare co-operation schemes.

We will consistently promote the transfer of knowledge from our university hospitals in Giessen and Marburg, Herzzentrum Leipzig and the other scientific sites. All our hospitals are to have access as quickly as possible to the latest scientific findings implemented in diagnosis and treatment procedures.

8.2 ECONOMIC AND LEGAL ENVIRONMENT

In 2011 we expect a continuation in economic recovery and in particular a further positive trend in domestic demand helped by buoyant consumer confidence. However, at the municipal level, which is of decisive importance for our acquisition model, we do not see any fundamentally driven recovery in the financial situation. In addition to structural increases in expenditures, the "debt brake" enshrined in statute for public budgets will additionally restrict the financial manoeuvring room of local and municipal authorities in their policy- and decision-making on a massive scale.

In a positive economic environment we expect to see an improvement on the job market and price rises only in certain segments (e.g. energy), whilst at the same time assume that the deficit threshold of 3% of gross domestic product will once again be exceeded in the current year 2011.

For the public healthcare system, we put the demographically induced growth in demand for healthcare services at around 2% which, however, will carry only limited purchasing power since according to the known statutory provisions price discounts are imposed on surplus services demanded and provided – irrespective of whether or not these have been agreed. We assume that in 2011 it will be possible to charge remuneration for services at a level slightly above that of 2010.

On the cost side, we expect significant rises in wages and the cost of materials of over 2% to 3% which will not be offset on the revenue side. Irrespective of this wage gap, the recruitment of top-qualified personnel in the medical and nursing areas will develop according to its own rules anyway. Increasing calls by employees to be given the possibility of better harmonising professional and family life will present new challenges for the healthcare sector as well. Assuming that hospitals have exhausted their efficiency reserves or are unable to exploit these through suitable investment measures, existing pressures on earnings and margins will persist.

As a consequence of this development, we expect to see further market shake-ups within the hospital sector with closures, takeovers or mergers. In the church, municipal as well as private segments, we expect to witness – in addition to the traditional privatisation of hospitals – an increasing number of mergers into regional networks, or

takeovers of smaller hospital chains. Also with the health insurance funds, we see further mergers and consolidation efforts in the offing.

For financial year 2011, the German legislative authorities announced a so-called "Healthcare Provision Act". Under this piece of legislation, healthcare provision is to be secured in the outpatient and inpatient areas by legislative measures. The Act has a very broad reach. It sets out to improve cross-sector regional healthcare planning, enable uniform quality and remuneration terms at "sectoral boundaries" and improved integrated care, correct existing overprovision of care and misallocations, and facilitate cooperation between the sectors.

Moreover, a fee reform in the outpatient area as well as new contractual models (also for the inpatient area) are being contemplated.

It remains to be seen, particularly also in a major election year with a total of seven state elections, which of these points will ultimately be adopted. For financial year 2011 at least, we do not see any significant burdening or easing effects for either the healthcare market or the Group of RHÖN-KLINIKUM AG.

8.3 BUSINESS PERFORMANCE

RHÖN-KLINIKUM AG and its subsidiaries have made a successful start to financial year 2011. Patient numbers continue to rise steadily, and results achieved the first months are in line with our targets.

For 2011 we expect further rising profit contributions from hospitals and university hospitals in the restructuring phase. As every year, our long-standing Group members are making every effort to achieve further organic growth from their own strength and to further improve their earnings position.

For 2011, we do not foresee significant improvements on the revenues side due to higher prices. Our subsidiaries are targeting organic growth of roughly 5% and assume that for this growth revenues of approximately 50% of standard remunerations can be achieved. These surplus revenues, together with restructuring and efficiency gains, can be used to offset cost increases and to a certain extent to still achieve additional profit contributions to boost earnings.

Overall, though, we are confident that we will succeed in meeting the challenges of financial year 2011.

8.4 FORECAST

Barring additional acquisitions, we expect revenues to reach roughly € 2.65 billion in financial year 2011. This revenue target is accompanied by a forecast for EBITDA of € 340 million and for net consolidated profit of € 160 million, both of which may fluctuate within a range of plus or minus 5%.

On continuation of our growth strategy and on the assumption that the current legal regulations will still apply beyond 2011, our sustained trend in organic growth at our long-standing facilities of approximately 3% to 4% in volumes and approximately 5% growth in revenues and earnings will also continue during 2012 and thereafter.

However, should the trend in the economic and legal environment depart significantly from the assumptions made or if major acquisitions take place, this might also give rise to a significant departure from medium-term forecasts.

Bad Neustadt a. d. Saale, 10 March 2011

The Board of Management

Volker Feldkamp | Dr. rer. pol. Erik Hamann | Wolfgang Kunz | Martin Menger

Wolfgang Pföhler | Dr. rer. oec. Irmgard Stippler | Dr. med. Christoph Straub

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2010

ASSETS	Notes	31. Dec. 2010 € '000	31. Dec. 2009 € '000
Non-current assets			
Goodwill and other intangible assets	7.1	346,863	341,719
Property, plant and equipment	7.2	1,827,488	1,599,861
Investment property	10.3.3	4,873	5,069
Income tax receivables	7.3	13,616	17,149
Deferred tax assets	7.4	777	0
Other assets	7.6	1,724	1,788
		2,195,341	**1,965,586**
Current assets			
Inventories	7.7	47,941	45,928
Accounts receivable, other receivables and other assets	7.8	371,618	377,546
Current income taxes receivable	7.9	27,601	24,567
Cash and cash equivalents	7.10	415,743	444,921
		862,903	**892,962**
		3,058,244	**2,858,548**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31. Dec. 2010 € '000	31. Dec. 2009 € '000
Shareholders' equity			
Subscribed capital	7.11	345,580	345,580
Capital reserve		395,994	395,994
Other reserves		717,381	634,597
Treasury shares		–76	–76
Equity attributable to shareholders of RHÖN-KLINIKUM AG		1,458,879	1,376,095
Minority interests held by non-Group third parties		36,316	46,844
		1,495,195	**1,422,939**
Non-current liabilities			
Financial liabilities	7.12	922,682	697,904
Deferred tax liabilities	7.4	0	1,321
Provisions for post-employment benefits	7.13	12,591	10,987
Other liabilities	7.16	28,829	46,952
		964,102	**757,164**
Current liabilities			
Financial liabilities	7.12	69,475	166,734
Accounts payable	7.15	151,509	120,683
Current income tax liabilities	7.17	8,790	10,285
Other provisions	7.14	22,373	23,237
Other liabilities	7.16	346,800	357,506
		598,947	**678,445**
		3,058,244	**2,858,548**

CONSOLIDATED INCOME STATEMENT

1 JANUARY – 31 DECEMBER 2010

	Notes	2010 € '000	2009 € '000
Revenues	6.1	2,550,384	2,320,089
Other operating income	6.2	178,722	163,241
		2,729,106	**2,483,330**
Materials and consumables used	6.3	656,902	595,203
Employee benefits expense	6.4	1,513,848	1,379,245
Depreciation/amortisation and impairment	6.5	109,399	101,996
Other expenses	6.6	251,100	224,888
		2,531,249	**2,301,332**
Operating profit		**197,857**	**181,998**
Finance income	6.8	7,418	4,828
Finance expenses	6.8	31,423	28,117
Financial result (net)	**6.8**	**–24,005**	**–23,289**
Earnings before tax		**173,852**	**158,709**
Income taxes	6.9	28,783	27,057
Net consolidated profit		**145,069**	**131,652**
of which			
Minority interests	6.10	5,376	5,931
Shareholders of RHÖN-KLINIKUM AG		139,693	125,721
Earnings per share in €	**6.11**	**1.01**	**1.07**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER 2010

	2010 € '000	2009 € '000
Net consolidated profit	**145,069**	**131,652**
of which		
Minority interests	5,376	5,931
Shareholders of RHÖN-KLINIKUM AG	139,693	125,721
Change in fair value of derivatives used for hedging purposes	–6,235	–4,941
Income taxes	987	782
Change in the amount recognised at equity capital (cash flow hedges)	**–5,248**	**–4,159**
Sum of value changes recognised at equity	**–5,248**	**–4,159**
of which		
Minority interests	0	0
Shareholders of RHÖN-KLINIKUM AG	–5,248	–4,159
Sum of earnings after tax and changes recognised at equity	**139,821**	**127,493**
of which		
Minority interests	5,376	5,931
Shareholders of RHÖN-KLINIKUM AG	134,445	121,562

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Sub-scribed capital	Capital reserve	Other reserves[1]	Treasury shares	Equity attributable to shareholders of RHÖN-KLINIKUM AG	Minority interests held by non-Group third parties in equity[1]	Equity
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
As at 31 Dec. 2008/1 Jan. 2009	**259,200**	**37,582**	**549,315**	**–77**	**846,020**	**43,243**	**889,263**
Equity capital transactions with owners							
Capital contributions/ disbursements	86,380	358,412	–	–	444,792	12	444,804
Dividend payments	–	–	–36,280	–	–36,280	–2,396	–38,676
Result for the period and changes recognised directly in equity for the period	–	–	121,562	–	121,562	5,931	127,493
Other changes							
Changes in scope of consolidation	–	–	–	–	–	54	54
Issue of treasury shares	–	–	–	1	1	–	1
As at 31 Dec. 2009	**345,580**	**395,994**	**634,597**	**–76**	**1,376,095**	**46,844**	**1,422,939**
As at 31 Dec. 2009/1 Jan. 2010	**345,580**	**395,994**	**634,597**	**–76**	**1,376,095**	**46,844**	**1,422,939**
Equity capital transactions with owners							
Capital contributions/ disbursements	–	–	–	–	–	98	98
Purchase of interest after obtaining control	–	–	–10,199	–	–10,199	–13,846	–24,045
Dividend payments	–	–	–41,462	–	–41,462	–2,156	–43,618
Result for the period and changes recognised directly in equity for the period	–	–	134,445	–	134,445	5,376	139,821
As at 31 Dec. 2010	**345,580**	**395,994**	**717,381**	**–76**	**1,458,879**	**36,316**	**1,495,195**

[1] *Including other comprehensive income (OCI).*

CASH FLOW STATEMENT

	Notes	2010 € million	2009 € million
Earnings before taxes		173.8	158.7
Financial result (net)	6.8	23.8	22.6
Depreciation/amortisation/impairment and gains/losses on disposal of assets	6.5	110.6	102.0
Non-cash valuations of financial derivatives	7.18	0.2	0.7
Other non-cash transactions		0.0	4.0
		308.4	**288.0**
Change in net current assets			
Change in inventories	7.7	–1.9	–3.1
Change in accounts receivable	7.8	–20.0	–17.4
Change in other receivables	7.8	4.4	4.1
Change in liabilities (excluding financial liabilities)	7.16	–18.8	–3.5
Change in provisions	7.14	0.7	1.1
Income taxes paid	6.9	–31.0	–29.7
Interest paid		–20.3	–27.0
Cash generated from operating activities		**221.5**	**212.5**
Investments in property, plant and equipment and in intangible assets	7.2	–323.6	–285.9
Acquisition of subsidiaries, net of cash acquired	4	–5.0	–128.8
Sale proceeds from disposal of assets		5.2	3.2
Interest received		7.4	4.8
Cash used in investing activities		**–316.0**	**–406.7**
Proceeds from issuing long-term debt	7.12	396.2	195.0
Repayment of financial liabilities	7.12	–283.9	–63.2
Contributions from RHÖN-KLINIKUM AG shareholders		0.0	444.8
Dividend payments to shareholders of RHÖN-KLINIKUM AG	7.11	–41.5	–36.3
Dividends paid to minority owners and acquisition of further interests	8	–3.7	–2.4
Cash generated in financing activities		**67.1**	**537.9**
Change in cash and cash equivalents	7.10	–27.4	343.7
Cash and cash equivalents as at 1 January		420.6	76.9
Cash and cash equivalents as at 31 December	7.10	**393.2**	**420.6**

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1 GENERAL INFORMATION

RHÖN-KLINIKUM AG is steadily undergoing a development from hospital operator to healthcare provider. As in the past, the focus of all its activities continues to be on building, acquiring and operating hospitals of all categories, primarily in acute care. At some sites rehabilitation measures are also offered to round off the offerings in the area of acute inpatient care. Outpatient structures in the form of medical care centres (MVZs) as well as co-operation schemes with community-based practitioners are being continually expanded. We provide our services exclusively in Germany.

The Company is a stock corporation established under 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 POLICIES

The consolidated financial statements have been prepared on the basis of uniform accounting policies which have been consistently applied. The functional currency of the Group is the euro, which is also the currency used for preparing the financial statements. The figures shown in the Notes to the consolidated financial statements are generally shown in millions of euros (€ million). The nature of expense method has been used for presenting the income statement.

2.1 PRINCIPLES OF PREPARING FINANCIAL STATEMENTS

The consolidated financial statements of RHÖN-KLINIKUM AG for the year ended 31 December 2010 have been prepared applying Section 315a German Commercial Code (Handelsgesetzbuch, HGB) in accordance with International Financial Reporting Standards (IFRS), the corresponding interpretations of the International Accounting Standards Board (IASB), and the Interpretations of the Standing Interpretation Committee (SIC) as well as of the International Financial Reporting Interpretation Committee (IFRIC), 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 2010.

a) New accounting rules in financial year 2010

New standards and interpretations of practical relevance in financial year 2010

The following revisions of standards that came into force in 2010 as well as newly published interpretations already adopted by the European Union are observed and, in the event of their practical relevance, applied by RHÖN-KLINIKUM AG as of financial year 2010 and will be observed and applied in subsequent years as well:

- Collective Standard "Improvements to IFRSs" (April 2009)

In April 2009 the IASB published the second annual Collective Standard "Improvements to IFRSs" for making minor changes to IFRS. The objective of these changes is to clarify the content of the rules and to remove unintended inconsistencies between standards. A significant part of the changes is the subject of mandatory first-time adoption for financial years commencing on or after 1 January 2010. These did not have any impact on the net assets, financial position and results of operations.

New standards and interpretations of no practical relevance in financial year 2010

The following revised standards and newly published interpretations which were already adopted by the European Union are of no practical relevance for RHÖN-KLINIKUM AG for 2010 as well as subsequent financial years:

- Revisions of IFRS 1 "Additional Exemptions for First-time Adopters"
- Revisions of IFRS 2 "Group Cash-settled Share-based Payment Transactions"

- New version of IFRS 1 "First-time Adoption of IFRSs"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"
- IFRIC 18 "Transfers of Assets from Customers"

The other revisions of standards and newly published interpretations are of no practical relevance for RHÖN-KLINIKUM AG.

b) New accounting rules from financial year 2011

New standards and interpretations of practical relevance from financial year 2011

The following revised standards and interpretations which were already adopted by the European Union are of practical relevance from financial year 2011:

- Collective standard "Improvements to IFRSs" (May 2010)

In May 2010 the IASB published the third annual collective standard "Improvements to IFRSs" for making minor changes to IFRS. The objective of these changes is to clarify the content of the rules and to remove unintended inconsistencies between standards. A significant part of the changes is the subject of mandatory first-time adoption for financial years commencing on or after 1 January 2011.

- New version of IAS 24 "Related Party Disclosures"

On 4 November 2009 the IASB published a revised version of IAS 24 – Related Party Disclosures. The revision of IAS 24 was in particular aimed at making the text of the Standard more comprehensive and clearer. With the revised version of IAS 24, provisions are clarified in areas in which the Standard hitherto had revealed inconsistencies or had been impaired in its practical application by imprecise formulations. For example, in the revised IAS 24 the significant provision of IAS 24.9 defining the term 'related party' was fundamentally revised. A further area of revision of IAS 24 is the introduction of a relief provision for companies under the joint management or material control of government (referred to as 'government-related entities'). RHÖN-KLINIKUM AG is currently reviewing the precise impact on the necessary disclosures in the Notes. The amended Standard is to be applied as of financial year 2011.

The following newly published Standard which has not yet been adopted by the European Union is of practical relevance from financial year 2013:

- IFRS 9 "Financial Instruments"

In November 2009, the IASB published the Standard IFRS 9 on the classification and measurement of financial assets. Under IFRS 9, the classification and measurement of financial assets is governed by a new, less complex approach. Under this new approach there are only two instead of four measurement categories for financial assets: measurement at fair value or measurement at amortised cost. In this regard, measurement at amortised cost requires the entity to hold the financial asset to collect the contractual cash flows and the financial asset to have contractual terms that give rise at specified dates to cash flows that exclusively represent payments of principal and interest on the principal outstanding. Financial instruments not satisfying these two conditions are to be measured at fair value. The classification is based on the company's business model on the one hand, and on the characteristic properties of the contractual cash flows of the respective asset on the other. The Standard provides for retrospective application to all existing financial assets. The situation on the date of the Standard's first-time adoption determines the classification according to the new rules.

In October 2010, the IASB expanded IFRS 9, Financial Instruments, to include rules on the recognition of financial liabilities and for derecognition of financial instruments. With the exception of the provisions for liabilities measured voluntarily at fair value (referred to as fair-value options), the rules were adopted with-

out changes from IAS 39, Financial Instruments: Recognition and Measurement, into IFRS 9. IFRS 9 is to be applied for financial years commencing on or after 1 January 2013. Earlier adoption is permitted. RHÖN-KLINIKUM AG is currently reviewing the precise impact in terms of accounting policies.

New standards and interpretations of no practical relevance from financial year 2011

The following revised Standards which were already adopted by the European Union are of no practical relevance for RHÖN-KLINIKUM AG for 2011 as well as subsequent financial years:

- Revision of IAS 32 "Classification of Rights Issues"
- Revisions of IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"
- Revisions of IFRIC 14 "Prepayments of a Minimum Funding Requirement"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

As far as can be seen at present, the following revised and newly published standards which have not yet been adopted by the European Union are of no practical relevance for 2011 as well as subsequent financial years:

- Revision of IAS 12 "Deferred Tax: Recovery of Underlying Assets"
- Revisions of IFRS 7 "Financial Instruments: Disclosures"
- Revisions of IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates"

Preparing consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made. Moreover, the application of Group-wide accounting policies means that management has to exercise reasonable judgment. Areas that call for a greater degree of judgment 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.

The preparation of the consolidated financial statements was based on historical cost, qualified by the financial assets and financial liabilities (including financial derivatives) recognised at fair value through profit or loss.

The consolidated financial statements will be approved for publication by the Supervisory Board on 27 April 2011.

2.2 CONSOLIDATION

The annual financial statements of the companies included in the consolidated financial statements have been prepared in accordance with uniform accounting and valuation principles to the same date as the consolidated financial statements.

2.2.1 Subsidiaries

Subsidiaries are all companies (including special-purpose entities) in which the Group exercises control over finance and business policy; this is normally accompanied by a share of more than 50.0% of 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.

As part of their first-time consolidation, assets, liabilities and contingent liabilities identifiable in connection with a business combination are recognised separately at their fair values at the acquisition date.

The cost of the acquisition is measured as the fair value, at the transaction date (date of exchange), of assets given up, equity instruments issued, and liabilities incurred or acquired plus any costs directly attributable to the acquisition.

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.

For business combinations taking effect from 1 July 2009, we apply the revised provisions of IFRS 3 (Revised). Under these, the cost of the acquisition is measured as the fair value, at the transaction date, of assets given, equity instruments issued, and liabilities incurred or acquired. These also contain the fair values of all recognised assets and liabilities resulting from a contingent consideration agreement. Costs relating to the acquisition are expensed as incurred.

For each company acquisition the Group decides on a case-by-case basis whether the non-controlling interests in the acquired company are recognised at fair value or based on the proportionate share in the net assets of the acquired company.

Consistent with past practice, Group-internal transactions and balances as well as unrealised gains and losses from transactions between Group companies are eliminated. To the extent necessary, the accounting policies of subsidiaries are adjusted to ensure application of uniform accounting principles within the Group.

2.2.2 Transactions with minority interests

Transactions with minority interests are treated like transactions with equity investors in accordance with the economic entity approach. On acquisition of minority interests, the difference between the amount paid and the acquired share of the carrying amount of the subsidiary's net assets are recognised in equity. Profits or losses on the sale of minorities are likewise recognised in equity.

2.2.3 Associated companies and jointly controlled entities

Associated companies are those companies over which the Group has a substantial influence but over which it does not have control because the voting interest is between 20% and 50%. Investments in associated companies and jointly controlled entities (joint ventures) are accounted for using the equity method and initially recognised at cost. The Group's interest in associated companies and jointly controlled entities includes the goodwill arising on acquisition (less accumulated impairment losses).

The Group's interest in the profits and losses of associated companies or joint ventures is recognised in the income statement from the date of acquisition and the cumulative changes are offset against the carrying amount of the investment. If the Group's share in the loss of an associated company or joint ventures is equal to or greater than the Group's share in this company including other unsecured receivables, no further losses are recognised unless the Group has entered into an obligation for the associated company or jointly controlled entity or has made payments for it.

Unrealised intercompany profits or losses from transactions between Group companies and associated companies or jointly controlled entities are eliminated on a pro rata basis if the underlying circumstances are material.

In an impairment test, the carrying amount of a company accounted for using the equity method is compared with its recoverable amount. If the carrying amount exceeds the recoverable amount, an impairment equal to the difference must be recognised. If the reasons for a previously recognised impairment have ceased to exist, the impairment is reversed through the income statement.

The financial statements of investments accounted for using the equity method are always prepared using uniform accounting principles within the Group.

Associated companies whose individual or overall impact on the net assets and results of operations is not material are not accounted for using the equity method but are included in the consolidated financial statements at the lower of cost or fair value.

2.3 SEGMENT REPORTING

Segment reporting is performed in accordance with IFRS 8 on the basis of the management approach, i.e. from the perspective of Management. External reporting is based on internally applied control and reporting variables as well as reporting structures that are available to and used by the decision makers.

A company component is regarded as an operating segment when it engages in business activities from which revenue is earned and for which expenses may be incurred whose operating results are regularly reviewed by the company's chief decision maker to make decisions about resources to be allocated to this segment and assess its importance, and for which discrete financial information is available.

The operating segments determined are reduced to reportable segments. This is essentially done by grouping uniformly operating segments if these exhibit similar economic characteristics. The reporting obligation usually arises when segment-specific material thresholds are exceeded. IFRS 8 specifies the following three segment-specific material thresholds:

- the segment's revenue is 10% or more of the combined (internal and external) revenues of all segments,
- the segment profit or loss is 10% or more of the greater of the combined reported profit or loss of all segments, or
- the segment's assets are 10% or more of the combined assets of all segments.

Pursuant to the required segmentation of revenues, reportable segments have to be formed until the revenues of the identified reportable segments constitute 75% of total external revenues. The other non-reportable segments are to be shown as "All other segments" and the source of these revenues is to be described.

For the purpose of explaining the segmentation, basic information must be disclosed in the Notes on the calculation and identification of reportable segments. This includes specifying the factors used to define segment reporting and the disclosure of the products and services with which the individual segments generate their revenues.

In addition, detailed disclosures must be made on segment profit or loss as well as assets and liabilities. Moreover, information must be provided on products and services, territorial activities and the company's key customers. IFRS 8 also requires additional disclosures on the methods applied internally for the treatment of transactions between reportable segments as well as on differences between internally applied accounting methods and the methods applied in the financial statements. In addition to the verbal disclosures, a reconciliation of the following segment data to the corresponding line items in the financial statements must be prepared: total revenues of all reportable segments, total segment profit or loss before tax and the discontinuation of operations, total segment assets, total segment liabilities as well as total segment amounts of any other material item reported separately.

Segment information from past years used for comparison purposes must be adjusted on first-time adoption.

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 allocated to intangible assets. Goodwill is subjected to an annual impairment test and measured at its historical cost less any impairment losses. Impairment losses are not reversed. Profits and losses arising on the sale of a company include the carrying amount of the goodwill allocated to the company sold.

For the purpose of the impairment test, goodwill is allocated to cash generating units. At RHÖN-KLINIKUM AG these correspond as a rule to the individual hospitals unless the related goodwill of co-operating units is monitored at a higher level.

2.4.2 Computer software

Purchased computer software licences are recognised at cost plus the cost of bringing them to their working condition. These costs are amortised over the estimated useful life (three to seven years, straight-line method), and are shown under "depreciation/amortisation and impairment" in the income statement.

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

2.4.3 Other intangible assets

Other intangible assets are stated at historic cost and – to the extent depletable – amortised over their respective useful lives (three to five years) using the straight-line method, and are shown under "depreciation/amortisation and impairment" in the income statement.

2.4.4 Research and development expenses

Research costs are recognised as current expenditure in accordance with IAS 38. Development costs are capitalised if all 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 grant 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 amortised through profit or loss 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 over the period in which the costs which are intended to be covered by the grants are incurred. Government grants are generally given with conditions attached that must be observed within a certain period. Grants promised by the public sector in connection with the acquisition of hospitals are also accounted for as described above.

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

2.5 PROPERTY, PLANT AND EQUIPMENT

Land and buildings are reported 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. Cost includes the expenditure directly attributable to the acquisition or construction of an asset as well as any overheads attributable to construction.

Subsequent costs are recognised as part of the cost 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 over the expected useful lives of the assets to their net book value as follows:

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

The net book values and useful economic lives are reviewed at each balance sheet date and adjusted where applicable.

Gains and losses on the 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 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (EXCL. GOODWILL)

On every balance sheet date, the Group assesses whether there are any indications that an asset might be impaired. If such indications exist or if an annual impairment test has to be performed in relation to an asset, the Group estimates the recoverable amount. If it is not possible for independent inflows to be allocated to the individual asset, the Group estimates the recoverable amount for the cash generating unit to which the asset belongs. The recoverable amount is the higher of the fair value of the asset less costs to sell it and its value in use. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In order to calculate the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate before taxes which reflects the current market expectation with regard to the interest effect and the specific risks of the asset. Impairments are shown in the income statement under the item Depreciation/amortisation. On every balance sheet date, a test is performed to establish whether there are any indications that an impairment recognised in previous reporting periods no longer exists or might have diminished. If such an indication exists, the recoverable amount is estimated. An impairment previously recognised has to be reversed if there has been a change in the estimates used for determining the recoverable amount since the last impairment was recognised. If this is the case, the carrying amount of the asset has to be increased to the recoverable amount of the asset. However, this must not exceed the carrying amount which would have resulted after the recognition of depreciation/amortisation if no impairment had been recognised in previous years. Any such reversal of a prior impairment has to be recognised immediately in the profit or loss for the period. After a prior impairment has been reversed, the amount of depreciation/amortisation in future reporting periods has to be adjusted in order to systematically distribute the revised carrying amount of the asset, less any residual value, over the remaining useful life of the asset.

2.7 FINANCIAL ASSETS

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

These financial assets are principally divided into the following categories:

- financial assets measured 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. Management determines the classification of financial assets when they are recognised initially, reviewing this classification thereafter at each balance sheet date.

All purchases and sales of financial assets are recognised at the settlement date, i.e. the date when the purchase or the sale 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 measured 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 value of financial assets classified as at fair value through profit or loss, including dividends and interest payments, are reported in the income statement under finance cost and income in the period in which they arise.

If no active market exists for financial assets or if these assets are not listed, the fair values are calculated using suitable measurement methods. These include references to recent 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 an assessment is performed in order to determine 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 have been classified as "held-for-trading" (including derivatives) from the outset, and financial assets which have been classified as "at fair value through profit or loss" as a result of using the fair-value option if the appropriate criteria are satisfied. 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 as such by Management. Derivatives are also included in this category provided they are not classified as hedges.

The category "held-for-trading" financial instruments under IAS 39 is also applicable for certain hedging instruments which are used for interest hedging in the RHÖN-KLINIKUM Group in accordance with management criteria, but for which IAS 39 has not been applied for hedge accounting. These are derivative financial instruments such as interest rate swaps and options. Assets in this category are shown as current assets if they mature within the next twelve months.

2.7.2 Loans and receivables, held-to-maturity investments

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 twelve months from the balance sheet date. Assets whose maturity exceeds twelve months after the balance sheet date are recognised as non-current assets. Accounts receivable and other receivables are assigned to this category. As at the balance sheet date there were no held-to-maturity investments.

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 Management does not have the intention of selling them within twelve months from the balance sheet date. As at the balance sheet date, there were no available-for-sale financial assets.

2.8 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 scope of ordinary operations. Investment properties are measured at cost less cumulative depreciation.

If we retain beneficial ownership in leased assets as lessor (operating lease), these assets are identified as such and reported 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.

2.9 INVENTORIES

Inventories within the Group of RHÖN-KLINIKUM AG are materials and supplies. These are measured at the lower of cost (including transaction 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 to sell.

2.10 ACCOUNTS RECEIVABLE

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost less impairments. An impairment of accounts receivable is recognised when there are objective indications that the receivable amounts owed are not fully recoverable. The amount of the impairment is recognised in profit or loss under the item "Other expenses". Major financial difficulties at a debtor and an increased probability of a debtor becoming insolvent may be indications of an impairment of accounts receivable. The amount of any impairment is determined on the basis of the difference between the current carrying amount of a receivable and the expected cash flows which are expected from the receivable.

2.11 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 "Current financial liabilities".

2.12 SHAREHOLDERS' EQUITY

Ordinary shares are classified as equity. Costs that are directly attributable to the issuance of new shares are recognised 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 attributable to shareholders of the company 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 attributable to the shareholders of RHÖN-KLINIKUM AG.

The Group uses financial derivatives to hedge interest rate risks arising from financial transactions and applies the rules on hedging in accordance with IAS 39 (Hedge Accounting). This reduces the volatility of the income statement.

In a cash flow hedge, the liabilities recognised on the balance sheet are hedged against future cash flow fluctuations. If a cash flow hedge exists, the effective part of the change in the value of the hedging instrument is recognised as a hedge reserve directly in equity until recognition of the result from the hedged item; the ineffective portion or change in value of the hedging instrument is recognised through profit or loss in the income statement.

Financial derivatives are initially recognised at fair value. They are subsequently also measured at their fair value applicable on the respective balance sheet date. The fair value of traded financial derivatives is equal to the market value, which may be positive or negative. If no stock market prices exist, the fair values are calculated using recognised financial calculation models. For financial derivatives, the fair value is equal to the amount which the Group of RHÖN-KLINIKUM AG either would receive or would have to pay in the event of termination of the financial instrument at the reporting date.

When the transaction is entered into, the Group documents the hedging relationship between the hedging instrument and hedged item, the objective of its risk management as well as the underlying strategy in entering into hedge transactions. Moreover, at the inception of the hedging relationship and thereafter, the assessment of whether the derivatives used in the hedging relationship effectively offset the changes in cash flows of the hedged items is documented.

The full fair value of the financial derivatives designated as hedging instruments is shown as a non-current asset or non-current liability if the remaining life of the hedged item is longer than twelve months, and as a current asset or current liability if the remaining life is shorter.

For the recognition of changes in the fair values – recognition through profit or loss in the income statement or recognition directly in equity – the crucial consideration is whether or not the financial derivative is included in an effective hedging relationship in accordance with IAS 39. If there is no hedge accounting or if portions of the hedging relationship are ineffective, the changes in fair values relating to such portions are immediately recognised through profit or loss in the income statement under finance income or finance expenses. On the other hand, if an effective hedging relationship exists, the hedging transaction is accounted for under hedge accounting in accordance with the rules of IAS 39.

The Group also enters into hedging transactions that not accounted for under hedge accounting but which effectively help hedge financial risk in accordance with the principles of risk management.

2.13 FINANCIAL LIABILITIES

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

Non-current liabilities as well as financial liabilities are initially recognised at fair value less transaction costs. In subsequent periods they are measured at amortised cost; any difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is recognised over the term of the loan in the income statement under the financial result using the effective interest method. Loan liabilities are classified as current liabilities unless the Group has the unconditional right to postpone settlement of the liability to at least twelve months from the balance sheet date.

2.14 DEFERRED TAX

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities for tax purposes and the respective IFRS consolidated carrying amounts. If, however, in a transaction which is not a business combination, deferred tax arises from the initial recognition of an asset or liability which at the time of the transaction affects neither profit or loss are shown in the accounts nor profit and loss shown for tax purposes, no deferred tax is recognised. Deferred taxes are measured subject to 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 corporate income tax rate of 15.0% (plus the 5.5% solidarity surcharge on corporate income 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 equity interests in subsidiaries are always recognised unless the point in 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.

2.15 EMPLOYEE BENEFITS

2.15.1 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 by recognising provisions (direct commitments) whose amount 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 possibility of claims being asserted against the Group for payment of additional contributions exists only within the scope of subsidiary liability. Since we regard the risk of default of an insurance company or pension fund as extremely low, we account for such commitments as defined contribution plans.

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.

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 issued in the currency in which the benefits are 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 10.0% of the DBO and of any existing plan assets (corridor method). The portion of the actuarial gains and losses to be recognised is equal to the amount described above, divided by the expected average remaining working lives of the employees participating in the plan.

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. The Group has no further payment obligations other than the payment of the contributions. The contributions are recognised in personnel expenses when due.

On the basis of collective agreements, the Group pays contributions to the Federal and State Pension Scheme (VBL) and other public service pension schemes (Supplementary Insurance Scheme for Municipalities, ZVK) for a certain number of employees. The contributions are paid on a pay-as-you-go basis.

The present plans are multi-employer plans (IAS 19.7) since the participating companies share both the risk of the capital investment and the actuarial risk.

In principle, the VBL/ZVK benefit plan is to be classified as a defined benefit plan (IAS 19.27) for which the conditions of IAS 19.30 are met and which is therefore to be accounted for as a defined contribution plan. Since no agreements within the meaning of IAS 19.32A exist, there is no recognition of a corresponding asset or liability. Any superordinated guarantee obligations of public-law entities take precedence over the recognition of any liability item in our balance sheet.

The current contributions to the VBL/ZVK are reflected in the employee benefits item as pension expenses/post-employment benefits for the respective years.

The other non-current 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 at the present value of the obligations. During the phase in which the employees continue to work, an outstanding settlement amount builds up at the company, as the employees do not receive the full payment for the work they perform during the work phase (block model). The 2005 G mortality tables of Professor Dr. Klaus Heubeck with a discount rate of 3.2% (previous year: 3.7%) have been used as a basis for calculating the value of the semi-retirement obligations. A salary trend of 2.5% has also been assumed. The top-up amount is recognised immediately through profit and loss.

2.15.2 Termination benefits

Termination benefits are provided if an employee is made redundant before the normal retirement date or accepts voluntary redundancy in return for severance compensation, which includes top-up amounts from termination benefits under semi-retirement agreements. The Group recognises severance compensation payments if it is demonstrably committed to terminating the employment of current employees subject to a detailed formal plan which cannot be rescinded, or is demonstrably committed to paying severance compensation if employees accept voluntary redundancy. Termination benefits which fall due more than twelve months after the balance sheet date are discounted to their present value.

2.15.3 Directors' fees and profit-sharing bonuses

Directors' fees and profit-sharing bonuses are recognised as liabilities using a measurement method based on the consolidated result or the results of 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.

2.16 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 recognised 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 recognised if the probability of outflow for any one of such obligations is deemed to be small.

Provisions are measured as the present value of the payments expected to be required to settle the obligation. The discounting process uses a pre-tax interest rate which reflects the current market expectations with regard to the present value of the funds and the risk potential of the obligation. Increases in the value of provisions based on interest effects reflecting the passage of time are recognised as interest expense in the income statement.

2.17 RECOGNITION OF REVENUE

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

2.17.1 Inpatient and outpatient hospital services

Hospital services are recognised in the financial year in which the services are performed by reference to the stage of completion as a proportion of the total services to be performed. Charges agreed with the payers are essentially invoiced at fixed rates irrespective of the duration of stay. In certain segments daily hospital and nursing rates are invoiced.

Hospital services are limited in terms of their volume as part of an agreed budget. As a result, service volumes exceeding the budget and service volumes falling short of the budget are to be mutually offset under statutory provisions.

2.17.2 Interest income

Interest income is recognised on a pro rata basis using the effective interest method.

2.17.3 Dividend income

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

2.18 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 if the assets had actually been acquired. The assets are capitalised and depreciated over their normal useful lives; the future lease payments are recognised as liabilities at their present value.

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 in the income statement on a straight-line basis over the term of the lease.

2.19 BORROWING COSTS

Borrowing costs have been deducted from the corresponding items and are distributed using the effective-interest method. Moreover, the interest has been recognised as current expense.

Borrowing costs incurred in connection with the acquisition/construction of qualifying assets are capitalised during the entire production process until commissioning. Other borrowing costs are recognised as an expense.

2.20 DIVIDEND PAYMENTS

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

2.21 FINANCIAL RISK MANAGEMENT

2.21.1 Financial risk factors

The assets, liabilities and planned transactions of RHÖN-KLINIKUM AG are exposed in particular to the following risks:

- Credit risk
- Liquidity risk
- Interest rate risk

The aim of financial risk management is to limit the above risks through ongoing operating activities as well as the use of derivative and non-derivative (e.g. fixed-interest loans) financial instruments. The derivative financial instruments used serve exclusively as hedging instruments, i.e. they are not used for trading or speculative purposes.

As a rule, financing instruments for limiting the counterparty risk are taken out only with leading financial institutions.

Financial risk management is conducted by the Treasury department under the supervision of the CFO in line with the guidelines adopted by the Board of Management and the Supervisory Board. Risks are identified and measured by the Board of Management working together 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 management of interest rate and credit risks, the use of derivative and non-derivative financial instruments as well as the investment of liquidity surpluses.

2.21.2 Credit risk

The Group provides over 90% of its services for 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 cost of hospital services is normally settled by payers within the legally prescribed period. With regard to the default risks in financial year 2010, please refer to our comments under Note 7.8 "Accounts receivable, other receivables and other financial assets". The maximum risk of default is equal to the aggregate amount of the financial assets (less impairment) recognised on the balance sheet. Counterparty risks from entering into financial transactions are minimised by adherence to rules and limits.

2.21.3 Liquidity risk

Careful liquidity management includes holding a sufficient reserve of cash, 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 market environment in which the Group operates, our objective is to maintain the necessary flexibility in finance matters by having sufficient credit lines available and access to the capital markets at all times. In order to ensure the Group's ability to act at all times, a minimum strategic liquidity of cash and free, immediately available credit lines is held. A liquidity report is prepared daily for monitoring liquidity risk. Short- to medium-term liquidity planning calculations are also carried out.

2.21.4 Interest rate risk

Interest rate risk results from uncertainty about future developments in the level of interest rates and affects all interest-bearing items as well as interest derivatives. RHÖN-KLINIKUM AG is therefore always exposed to interest rate risks.

Of the Group's financial liabilities, 57.0% (previous year: 33.8%) were subject to a fixed interest rate and 43.0% (previous year: 66.2%) were subject to a floating interest rate as at the balance sheet date. Interest rate derivatives are used in the Group of RHÖN-KLINIKUM AG to minimise the interest rate risks in view of the existing and planned debt structure. 67.8% of cash at banks (previous year: 78.8%) was invested at a fixed interest rate subject to an interest term of between one and three months or callable daily.

Interest rate risks are monitored by means of sensitivity analyses. These represent the effects of changes in market interest rates on interest payments, interest income and interest costs, other components of income and, where appropriate, shareholders' equity. The interest sensitivity analyses are based on the following assumptions:

- All fixed-interest financial instruments measured at amortised cost are not subject to any interest rate risk.
- Changes in market rates have an impact on the net interest income attributable to floating-interest financial instruments, and are accordingly included in the sensitivity analysis.
- Derivatives are exposed to risks attributable to interest rate changes in respect of their market value and cash flows.

- A hypothetical fluctuation of the market interest level as at the balance sheet date by +/– 100 basis points is considered.

If the interest rate level had been 100 basis points higher, the financial result would have been € 0.9 million higher. If the market interest rate level had been 100 basis points lower, the financial result would have been € 0.6 million lower.

The theoretical impact of rising interest rates on the financial result is attributable to the potential effects of the floating-interest liabilities (€ –0.2 million) as well as the effects attributable to the floating-interest cash at banks (€ 1.1 million). If the level of the market interest rates had been 100 basis points higher as at 31 December 2010, the valuation of the derivatives would have increased by € 14.4 million. The change in value of the derivatives would have had an increasing effect of € 14.4 million on equity capital.

The theoretical impacts of ad hoc declining interest rates on the financial result arise from the effects of the floating-interest liabilities (€ 0.2 million) as well as the effects attributable to the floating-interest cash at banks (€ –0.7 million). If the level of the market interest rates had been 100 basis points lower as at 31 December 2010, the valuation of the derivatives would have decreased by € 15.5 million. The change in value of the derivatives would have had a decreasing effect of € 15.5 million on equity capital.

2.21.5 Management of shareholders' equity and debt

The aim of management with regard to the handling of shareholders' equity and debt is to adopt a strict policy of matching maturities (horizontal balance sheet structure) of the source of funds and the application of funds. Non-current assets should be funded on a long-term basis. The items of shareholders' equity and non-current liabilities shown in the balance sheet are included under the source of long-term funds. This ratio should be at least 100%, and amounted to 112.0% in the year under review (previous year: 110.9%). Long-term appropriation of funds relates to financial assets and property, plant and equipment. Although given our personnel cost ratio of more than 50% we are frequently attributed to the services sector, our business model has a long-term focus and is initially investment-driven. We intend to ensure that at least 35.0% of capital expenditure is sustainably backed by equity. As at 31 December 2010, this ratio at the Group level was 48.9% (previous year: 49.8%).

We also manage Group growth by way of appropriate equity measures through resolutions on the appropriation of profits for the consolidated companies. With regard to retaining parts of the net income, we continue to focus on the equity ratio at the Group level.

In order to finance further sound growth by way of equity, Management had authorised capital of € 43.2 million approved until 31 May 2012 by the last Annual General Meeting held on 10 June 2009.

With regard to the use of debt, we focus on the following management ratios for minimising risks. Our aim is to limit the ratio between net debt to banks (= financial liabilities less cash and cash equivalents) and EBITDA to a maximum three-fold multiple and the ratio between EBITDA and net financial result to a minimum six-fold multiple.

According to the loan agreements entered into, net debt must not exceed three times (3.0) EBITDA of € 307.3 million (previous year: € 284.0 million). The maximum limit in financial year 2010 would be € 921.9 million (previous year: € 852.0 million). This ratio was met in the year under review, with a ratio of 1.8 (previous year: 1.4).

The financial result from the consolidated income statement multiplied by a factor of six must not be less than the figure of EBITDA for the financial year. For financial year 2010, EBITDA was € 307.3 million and the financial result was € 24.0 million. The resultant ratio of 12.8 (previous year: 12.2) provides considerable further credit scope, and an additional cushion can be provided for interest rate increases.

The Group's capital charges are closely linked to all of the above-mentioned ratios, so that any differences would result in a deterioration in credit terms.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The Group makes assessments and assumptions about 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 costs to sell, the operating cash flows of the individual hospitals were discounted with the weighted average cost of capital (WACC) after tax of 5.9% (previous year: 6.9%). Based on this calculation, no impairment requirement was ascertained. Key assumptions having a substantial influence on fair value less costs to sell are WACC and the average EBIT margin. See page 143 onwards for average growth in revenues and average EBIT margin. For the cash generating units, the recoverable amount is equal to the carrying amount when the assumed WACC exceeds 7.1% (previous year: 7.7%).

3.2 REVENUE RECOGNITION

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

In order to create planning and revenue certainty, these regulations normally provide for prospective fee agreements. In practice, however, these negotiations take place only in the course of the financial year or even thereafter, creating uncertainties as to the service volume for which consideration is received at the balance sheet date. These are reflected in the balance sheet through objective estimates of receivables 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. Diagnosis related groups (DRGs) are measured nationally on a uniform basis through the DRG catalogue. The measurement ratios are reviewed and adjusted each year by the "Institut für das Entgeltsystem im Krankenhaus GmbH" (InEK).

If the actual volumes exceed or fall short of the agreed total budget, only the additional variable costs are paid or saved variable costs deducted, using fixed rates. Approved fee agreements existed at almost all hospitals at the time the consolidated balance sheet was prepared; this meant that any compensation payments for excess revenues or shortfalls could be calculated precisely. In hospitals in which no budget agreements had yet been concluded for 2010, we adhered strictly to the legal framework in our accounting. We assume that the agreements for 2010 will not have any negative impact on the result in 2011.

3.3 INCOME TAXES

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

For determining the actual value of deferred tax assets, it is essential to assess the probability 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 are reversed 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 income or expense in future periods. The Group recognises 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 ultimate parent company is RHÖN-KLINIKUM Aktiengesellschaft with its registered office in Bad Neustadt a. d. Saale. In addition to the parent company, RHÖN-KLINIKUM AG, the scope of consolidation comprises 102 subsidiaries in Germany of which 95 are fully consolidated, as well as two companies accounted for using the equity method (of which one is a joint venture and the other an associated company). The other companies are recognised in the consolidated financial statements at the lower of cost or fair value.

During the financial year, one business combination was effected.

	Date of acquisition	Acquired interest	Purchase prize cash	Earnings contribution since inclusion	
				Revenue	Earnings
Initial consolidation parameters		%	€ million	€ million	€ million
Klinik Hildesheimer Land GmbH (formerly: Salze Klinik I)	30 July 2010	100.0	5.0	3.4	0.1
Total acquisition consolidated in 2010 for the first time			**5.0**	**3.4**	**0.1**

By notarised purchase agreement dated 20 May 2010, RK Klinik Betriebs GmbH Nr. 11 acquired Salze Klinik I, Bad Salzdetfurth (renamed Klinik Hildesheimer Land GmbH) from the Lielje Group, Löhne, in an asset deal subject to conditions precedent. Klinik Hildesheimer Land GmbH operates the acute geriatrics, geriatric rehabilitation, as well as cardiology and orthopaedic rehabilitation departments with a total of 165 beds, and employs roughly 150 persons on a full-time basis. After the conditions for the transaction were met, the purchase agreement was executed on 30 July 2010. From this point in time, all risks and rewards were transferred to us. The purchase agreement covers the current business operations; the property, plant and equipment; and the hospital's inventory assets. We have integrated the facility into our Group and in this connection are planning investments of roughly € 2.5 million within the next five years. The purchase price of roughly € 5.0 million will be settled from cash of RK Klinik Betriebs GmbH Nr. 11.

Based on the purchase price allocation, the inclusion of Klinik Hildesheimer Land GmbH impacted on the Group's net assets as follows:

Klinik Hildesheimer Land GmbH	Carrying amount before acquisition € million	Adjustment amount € million	Fair value after acquisition € million
Acquired assets and liabilities			
Property, plant and equipment	5.1	0.2	4.9
Inventories	0.1		0.1
Net assets acquired			**5.0**
+ goodwill			0.0
Cost			**5.0**
– purchase price payments outstanding			0.0
– acquired cash and cash equivalents			0.0
Cash outflow on transaction			**5.0**

Adjustments in property, plant and equipment result from hidden liabilities on land and property.

As part of the purchase of shares, incidental costs of € 0.2 million were incurred which were reflected in expenditure. If the acquisition of Klinik Hildesheimer Land had already taken place with effect from 1 January 2010, consolidated revenues as at 31 December 2010 would have amounted to € 2,555.0 million and net consolidated profit to € 144.7 million.

By notarised agreement dated 11 November 2009, we acquired by way of share deal a 100% interest in the MEDIGREIF group consisting of five basic-care hospitals, two MVZ companies as well as a service company:

Initial consolidation parameters	Date of acquisition	Acquired interest %	Purchase price cash € million	Earnings contribution since inclusion Revenue € million	Earnings € million
MEDIGREIF group	31 Dec. 2009	100.0	115.4	0.0	0.0
Total acquisition consolidated in 2009 for the first time			**115.4**	**0.0**	**0.0**

The MEDIGREIF group is included in the consolidated financial statement from 31 December 2009. We have changed the preliminary purchase price allocation of the MEDIGREIF group. Based on the final purchase price allocation, the inclusion of the MEDIGREIF group now impacted on the Group's net assets as follows:

MEDIGREIF group	Carrying amount before acquisition € million	Adjustment amount € million	Fair value after acquisition € million
Acquired assets and liabilities			
Intangible assets	1.2	–0.3	0.9
Property, plant and equipment	24.8	3.3	28.1
Accounts receivable	8.3	0.0	8.3
Cash and cash equivalents	13.6	0.0	13.6
Other assets	2.4	0.0	2.4
Minority interests	–0.1	0.0	–0.1
Financial liabilities	–6.0	0.0	–6.0
Accounts payable	–8.9	0.0	–8.9
Provisions	–0.3	0.0	–0.3
Other liabilities	–11.2	–5.3	–16.5
Net assets acquired			**21.5**
+ goodwill			93.9
Cost			**115.4**
+ purchase price repayments outstanding			0.3
– acquired cash and cash equivalents			–13.6
Cash outflow on transaction			**102.1**

By notarised purchase agreement dated 13 September 2010, the medical care centre MVZ Augenärztliches Diagnostik- und Therapiezentrum Düsseldorf GmbH (formerly: RK Klinik Betriebs GmbH Nr. 29) acquired ten ophthalmologist's practices and one anaesthetics practice. Since the conditions of validity were met in accordance with agreement as at 1 January 2011, the doctor's practices were transferred to the medical care centre MVZ Augenärztliches Diagnostik- und Therapiezentrum Düsseldorf GmbH on that date. Consolidation within the Group took place with effect on 1 January 2011. As part of the acquisition of the doctor's practices, costs of € 0.3 million were incurred which were reflected in expenditure. The purchase price allocation provides for the following effects on the Group's net assets in 2011:

MVZ Augenärztliches Diagnostik- und Therapiezentrum Düsseldorf GmbH	Carrying amount before acquisition € million	Adjustment amount € million	Fair value after acquisition € million
Acquired assets and liabilities			
Property, plant and equipment	0.5		0.5
Net assets acquired			**0.5**
+ goodwill			11.7
Cost			**12.2**
– purchase price payments outstanding			–12.2
– acquired cash and cash equivalents			0.0
Cash outflow on transaction			**0.0**

5 SEGMENT REPORTING

Our hospitals are operated as legally 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 RHÖN-KLINIKUM AG.

According to IFRS 8 "Operating Segments", segment information is to be presented in accordance with the internal reporting to the chief operating decision maker (management approach).

The chief operating decision maker of RHÖN-KLINIKUM AG is the Board of Management as a whole which makes the strategic decisions for the Group; reporting to the Board of Management is based on the figures of the individual hospitals and subsidiaries. Accordingly, RHÖN-KLINIKUM AG with its acute hospitals and other facilities continues to have one reportable segment since the other units such as rehabilitation facilities, medical care centres (MVZs) and service companies, whether on a stand-alone basis or in the aggregate, do not exceed the quantitative thresholds of IFRS 8.

6 NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1 REVENUES

The development of revenues by business areas and geographical regions was as follows:

	2010 € million	2009 € million
Business areas		
Acute hospitals	2,483.8	2,265.2
Medical care centres	22.3	13.3
Rehabilitation hospitals	44.3	41.6
	2,550.4	**2,320.1**
Regions		
Bavaria	505.5	486.5
Saxony	351.8	316.6
Thuringia	315.7	293.2
Brandenburg	111.7	107.7
Baden-Wuerttemberg	124.2	117.2
Hesse	557.3	530.8
Lower Saxony	404.5	388.5
North Rhine-Westphalia	51.3	50.2
Mecklenburg-West Pomerania	6.4	0.0
Saxony-Anhalt	122.0	29.4
	2,550.4	**2,320.1**

According to IAS 18, revenues constitute revenues generated from the provision of services and in financial year 2010 rose by € 230.3 million or 9.9% to reach € 2,550.4 million, of which our acute and rehabilitation hospitals accounted for € 2,528.1 million (previous year: € 2,306.8 million) and revenues generated by our medical care centres (MVZs) accounted for € 22.3 million (previous year: € 13.3 million). In the inpatient area, the facilities consolidated for the first time in financial year 2010 (of relevance for revenues: MEDIGREIF group from 1 Januar 2010 and Klinik Hildesheimer Land GmbH from 1 August 2010) accounted for € 97.7 million of the growth in revenues. The Group's long-standing hospitals increased their revenues by € 123.6 million (+ 5.4%) and the MVZs succeeded in expanding their revenues by € 9.0 million (+ 67.7%).

6.2 OTHER OPERATING INCOME

Other operating income comprises:

	2010 € million	2009 € million
Income from services rendered	139.8	130.2
Income from grants and other allowances	13.8	13.2
Income from adjustment of receivables	2.5	5.3
Income from indemnities received	4.9	1.5
Other	17.7	13.0
	178.7	**163.2**

Income from services rendered includes income from ancillary and incidental activities amounting to € 127.5 million (previous year: € 118.5 million) as well as income from rental and lease agreements amounting to € 12.3 million (previous year: € 11.7 million). The rise results from higher sales of drugs as well as facilities consolidated for the first time and newly commissioned MVZs.

The Group received grants and other allowances as compensation for current expenses (maternity leave, employment of persons carrying out social work as an alternative to military service, as well as benefits under German legislation governing semi-retirement employment for senior workers amounting to € 7.5 million and the use of subsidised assets of the hospitals amounting to € 5.9 million).

The rise in income from indemnities received relates to insurance payments in connection with a fire at the site in Bad Neustadt a. d. Saale.

Of the increase in other income, € 4.9 million is attributable to the first-time consolidation of hospitals and newly commissioned MVZ companies.

6.3 MATERIALS AND CONSUMABLES USED

	2010 € million	2009 € million
Cost of raw materials, consumables and supplies	538.8	493.2
Cost of purchased services	118.1	102.0
	656.9	**595.2**

Compared with the previous year, the cost of materials increased by € 61.7 million to € 656.9 million. Of the increase in the cost of materials, € 26.4 million or 4.4% is attributable to the first-time consolidation of hospitals and newly commissioned MVZ companies.

6.4 EMPLOYEE BENEFITS EXPENSE

	2010 € million	2009 € million
Wages and salaries	1,260.3	1,144.5
Social insurance contributions	101.2	92.3
Expenditure for post-employment benefits		
defined contribution plans	150.1	140.2
defined benefit plans	2.2	2.2
	1,513.8	**1,379.2**

Expenses for defined contribution plans concern payments to the supplementary insurance funds (ZVK) and to the federal and state pension scheme (VBL). The defined benefit plans relate to the benefit commitments of Group companies, and comprise commitments for retirement pensions, invalidity pensions and pensions for surviving dependants as well as severance payments for members of the Board of Management after termination of the employment relationship.

Employee benefits expenses include a figure of € 0.5 million for severance payments.

€ 66.1 million of the rise in employee benefits expenses is attributable to the first-time consolidation of hospitals and newly commissioned MVZ companies. Adjusted for the above consolidation effects, employee benefits expenses rose by € 68.5 million or 5.0%.

6.5 DEPRECIATION/AMORTISATION AND IMPAIRMENT

This item includes amortisation of intangible assets and depreciation of property, plant and equipment and investment property. Of the rise in depreciation/amortisation and impairment, € 1.5 million is attributable to the first-time recognition of depreciation at the hospitals consolidated for the first time. The remaining € 5.9 million is accounted for among other things by the commissioning of the MVZs and the commissioning of our building extensions in Cuxhaven as at 1 October 2009 and in Bad Berka as at 1 November 2009, as well as by current investments.

6.6 OTHER EXPENSES

Other operating expenses break down as shown in the following table:

	2010 € million	2009 € million
Maintenance	89.0	75.2
Charges, subscriptions and consulting fees	56.9	54.0
Administrative and IT costs	20.9	19.4
Impairment on receivables	7.6	8.7
Insurance	11.2	10.4
Rents and leaseholds	14.7	10.7
Travelling, entertaining and representation expenses	7.3	6.4
Other personnel and continuing training costs	12.3	10.8
Losses on disposal of non-current assets	1.7	0.6
Secondary taxes	1.3	1.0
Other	28.2	27.7
	251.1	**224.9**

In financial year 2010, other expenses rose by € 26.2 million or 11.7% to reach € 251.1 million, Of this rise, € 15.2 million or 6.8% is accounted for by our long-standing facilities and € 11.0 million or 4.9% by facilities and MVZ companies consolidated for the first time. The increase in expenditures at the long-standing facilities is attributable to some extent (and among other things) to subsidised maintenance measures, maintenance measures in connection with a fire at the site in Bad Neustadt a. d. Saale as well as the costs of ongoing and further-qualification training.

6.7 RESEARCH COSTS

Our research costs relate primarily to process optimisations in the area of inpatient hospital care and not to making marketable products. The research results are therefore generally produced as a result of or in objective connection with the activities of healthcare provision. For this reason, differentiating and measuring these in isolation is possible only to a very limited extent. Depending on the volume of costs to be attributed to research activities, we estimate our annual research expenditure to be within a range of 0.5% to 3.0% of our revenues. They are primarily accounted for by personnel expenses and other operating expenses. As part of the takeover of the two university and scientific sites Giessen and Marburg, we committed ourselves to provide funding to the two medical faculties in an amount of at least € 2.0 million p.a.

6.8 FINANCIAL RESULT – NET

The financial result is shown as follows:

	2010 € million	2009 € million
Finance income		
Bank balances	6.1	3.4
Other interest income	1.3	1.4
	7.4	**4.8**
Finance expenses		
Bond	15.1	4.0
Liabilities to banks	13.8	21.7
Losses from change in fair values of financial derivatives	0.2	1.2
Other interest expenses	2.3	1.2
	31.4	**28.1**
	–24.0	**–23.3**

Other interest income relates in particular to interest income from tax receivables.

The ineffective portion of the measurement gains or losses for hedge accounting shown under losses from the change in fair values of financial derivatives amounts to € 0.0 million (previous year: € 0.1 million).

Other interest expenses include the share of losses of companies accounted for using the equity method amounting to approximately € 30,000.

In accordance with IAS 17 (Leases), finance leases are reported under property, plant and equipment, and the interest component of € 0.2 million included in the leasing instalments is shown under the "Other interest expenses".

The net interest income under IFRS 7 for financial assets and liabilities which are not included in the category "financial assets or liabilities at fair value through profit or loss" amounted to € 29.9 million in financial year 2010 (previous year: € 25.3 million), and comprises income of € 6.5 million (previous year: € 4.0 million) and expenses of € 36.4 million (previous year: € 29.3 million).

6.9 INCOME TAXES

Income taxes consist of the corporate income tax including the solidarity surcharge, and to a lesser extent of trade tax. This item also includes deferred taxes resulting from differences between the carrying amounts shown in the commercial accounts and the tax accounts as well as from consolidation adjustments and expected realisable tax loss carry-forwards which, as a rule, have no expiry date.

Income tax comprises the following:

	2010 € million	2009 € million
Current income tax	29.8	28.2
Deferred taxes	–1.0	–1.2
	28.8	**27.0**

Income tax expense rose by € 1.8 million to € 28.8 million (previous year: € 27.0 million) compared with the previous year. The income tax burden stands at 16.6% (previous year: 17.0%).

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

	2010		2009	
	€ million	%	€ million	%
Earnings before taxes	**173.9**	**100.0**	**158.7**	**100.0**
Nominal tax expense (tax rate 15.0%, previous year 15.0%)	26.1	15.0	23.8	15.0
Solidarity surcharge (tax rate 5.5%)	1.4	0.8	1.3	0.8
Additional expense from dividend payment	0.6	0.3	0.6	0.4
Increase in tax liability due to non-deductible charges	0.2	0.1	0.2	0.1
Taxes, previous years	0.3	0.2	1.2	0.8
Trade tax	0.4	0.2	0.9	0.6
Goodwill amortisation	–0.5	–0.3	–0.5	–0.3
Recognition of loss carry-forwards	–0.9	–0.5	–5.3	–3.3
Derecognition of previous loss carry-forwards	0.9	0.5	3.1	2.0
Other	0.3	0.2	1.7	1.1
Effective income tax expense	**28.8**	**16.6**	**27.0**	**17.0**

Further details of how deferred tax has been allocated to assets and liabilities are given in the Notes to the consolidated balance sheet.

6.10 PROFIT ATTRIBUTABLE TO MINORITY INTERESTS

This is the share of profit attributable to minority shareholders.

6.11 EARNINGS PER SHARE

Earnings per share in accordance with IAS 33 are calculated using the share of net consolidated profit attributable to the shareholders of RHÖN-KLINIKUM AG and the weighted average number of shares in issue during the year.

The following table sets out the development in ordinary shares outstanding:

	No. of shares on 1 Jan. 2010	No. of shares on 31 Dec. 2010
Non-par shares	138,232,000	138,232,000
Treasury shares	–24,000	–24,000
	138,208,000	**138,208,000**

For further details, please refer to the disclosures on shareholders' equity (Note 7.11).

Earnings per share are calculated as follows:

	Ordinary shares
Share in net consolidated profit (€ '000)	139,693
previous year	(125,721)
Weighted average number of shares outstanding, in thousands	138,208
previous year	(117,571)
Earnings per share in €	1.01
previous year	(1.07)
Dividend per share in €	0.37
previous year	(0.30)

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.

On an arithmetic, unweighted basis, and taking account of the higher number of ordinary shares after the capital increase in 2009, the earnings per share figure is € 0.91 for the previous year.

7 NOTES TO THE CONSOLIDATED BALANCE SHEET

7.1 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill € million	Other intangible assets € million	Total € million
Cost			
1 January 2010	**323.2**	**43.1**	**366.3**
Additions due to changes in scope of consolidation	–0.1	0.0	–0.1
Additions	0.0	12.4	12.4
Disposals	0.0	1.0	1.0
Transfers	0.0	0.3	0.3
31 December 2010	**323.1**	**54.8**	**377.9**
Cumulative depreciation and impairment			
1 January 2010	**0.0**	**24.6**	**24.6**
Depreciation	0.0	7.1	7.1
Disposals	0.0	0.7	0.7
31 December 2010	**0.0**	**31.0**	**31.0**
Balance at 31 December 2010	**323.1**	**23.8**	**346.9**

	Goodwill € million	Other intangible assets € million	Total € million
Cost			
1 January 2009	**235.2**	**34.1**	**269.3**
Additions due to changes in scope of consolidation	94.0	0.7	94.7
Additions	0.0	8.1	8.1
Disposals	6.0	0.1	6.1
Transfers	0.0	0.3	0.3
31 December 2009	**323.2**	**43.1**	**366.3**
Cumulative depreciation and impairment			
1 January 2009	**0.0**	**19.0**	**19.0**
Depreciation	0.0	5.7	5.7
Disposals	0.0	0.1	0.1
31 December 2009	**0.0**	**24.6**	**24.6**
Balance at 31 December 2009	**323.2**	**18.5**	**341.7**

The item "Other intangible assets" primarily includes software.

Disposals of goodwill of financial year 2010 in the amount of € 0.1 million result from matters relating to the final purchase price allocation for the MEDIGREIF group which at the time of the first-time accounting of business combinations could not be reliably measured and thus did not satisfy the criteria for a separate recognition in accordance with paragraph 37 of IFRS 3.

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

Goodwill is subjected to an annual impairment test for its respective cash generating unit (each hospital, unless the related goodwill of co-operating units is monitored at a higher level). This impairment test is performed on 1 October of each year. The carrying amount of the cash generating unit is compared with the recoverable amount for the unit which was determined at the fair value less costs to sell of the unit. The fair value is calculated on the basis of a discounted cash flow method (DCF method). A corresponding present value is calculated on the basis of a detailed ten-year plan and subsequent recognition of a perpetual annuity. A growth discount of –0.5% (previous year: –0.5%) has been used for calculating the present value of the perpetual annuity. This forms an integral part of the company's planning and is accordingly based on Management's actual expectations for the respective unit as well as on the statutory framework in the healthcare 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 each year an assessment is performed to determine wether 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 2010.

We tested goodwill of the newly acquired companies for impairment as at 31 December 2010 based on data from the companies' current planning. This did not reveal any indications that the goodwill had changed negatively between the contract date and the balance sheet date.

The weighted cost of capital of a potential investor from the healthcare sector is used as the discount rate at the time of measurement, taking into account the tax shield arising from theoretical debt financing. For 2010, we have defined this discount rate at 5.90% (previous year: 6.85%). Significant goodwill relates to the following cash generating units:

Company	31 Dec. 2010 € million	31 Dec. 2009 € million
Universitätsklinikum Gießen und Marburg GmbH	137.5	137.5
MEDIGREIF group	93.9	94.0
Zentralklinik Bad Berka GmbH	13.8	13.8
Klinikum Hildesheim GmbH	10.5	10.5
St. Elisabeth-Krankenhaus GmbH	9.1	9.1
Klinikum Salzgitter GmbH	8.6	8.6
Krankenhaus Waltershausen-Friedrichroda GmbH	6.2	6.2
Klinikum Pirna GmbH	6.0	6.0
Klinikum Pforzheim GmbH	5.8	5.8
Amper Kliniken AG	5.2	5.2
Other goodwill of less than € 5.0 million	26.5	26.5
	323.1	**323.2**

For the planning period 2011–2021 (previous year: 2010–2020), revenue growth of companies accounting for the main portion of goodwill is in the average range of 1.4% to 3.9% (previous year: 2.4% to 3.6%).

The EBIT margins of the companies range from 6.2% to 13.6% (previous year: 5.1% to 18.8%) during the planning period.

In connection with the impairment test, a sensitivity analysis was also performed. Within the test the following assumptions were used:

- EBIT declines by 5%
- EBIT declines by 10%

As a result of the sensitivity analysis we were able to determine that, giving due regard to the above assumptions, no impairment requirement existed for the goodwill.

For planning purposes, the companies accounting for the main portion of goodwill are assumed to have a homogenous structure.

7.2 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings € million	Technical plant and equipment € million	Operational and office equipment € million	Plant under construction € million	Total € million
Cost					
1 January 2010	**1,428.7**	**66.4**	**458.4**	**298.7**	**2,252.2**
Additions due to changes in scope of consolidation	4.2	0.0	0.3	0.0	4.5
Additions	39.5	2.4	54.4	235.3	331.6
Disposals	4.2	0.9	25.2	0.9	31.2
Transfers	36.4	2.0	3.6	–42.3	–0.3
31 December 2010	**1,504.6**	**69.9**	**491.5**	**490.8**	**2,556.8**
Cumulative depreciation and impairment					
1 January 2010	**363.3**	**39.1**	**249.9**	**0.0**	**652.3**
Depreciation	41.9	4.3	55.8	0.0	102.0
Disposals	1.7	0.8	22.5	0.0	25.0
31 December 2010	**403.5**	**42.6**	**283.2**	**0.0**	**729.3**
Balance at 31 December 2010	**1,101.1**	**27.3**	**208.3**	**490.8**	**1,827.5**

	Land and buildings € million	Technical plant and equipment € million	Operational and office equipment € million	Plant under construction € million	Total € million
Cost					
1 January 2009	**1,330.9**	**60.5**	**400.6**	**167.3**	**1,959.3**
Additions due to changes in scope of consolidation	20.0	0.3	6.8	0.1	27.2
Additions	45.4	3.7	58.5	175.5	283.1
Disposals	0.5	0.2	16.3	0.1	17.1
Transfers	32.9	2.1	8.8	–44.1	–0.3
31 December 2009	**1,428.7**	**66.4**	**458.4**	**298.7**	**2,252.2**
Cumulative depreciation and impairment					
1 January 2009	**324.1**	**34.9**	**213.3**	**0.0**	**572.3**
Depreciation	39.3	4.3	52.5	0.0	96.1
Disposals	0.1	0.1	15.9	0.0	16.1
31 December 2009	**363.3**	**39.1**	**249.9**	**0.0**	**652.3**
Balance at 31 December 2009	**1,065.4**	**27.3**	**208.5**	**298.7**	**1,599.9**

During the financial year, borrowing costs of € 7.5 million (previous year: € 2.7 million) were incurred which arose from financing the acquisition/production of qualifying assets and were recognised in additions to property, plant and equipment. An average interest rate of 4.1% (previous year: 3.8%) was used, which reflects the Group's general costs of borrowing from banks.

The Group has registered charges on real property as collateral for bank loans with a total net carrying amount of € 33.2 million (previous year: € 38.5 million). The financial liabilities secured by registered charges on real property as at the balance sheet date amounted to € 13.8 million (previous year: € 16.3 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 granted under the Hospital Financing Act (Krankenhausfinanzierungsgesetz, KHG) and which was invested in line with the applicable conditions totals € 777.8 million (previous year: € 808.2 million). To secure conditionally repayable single grants under the KHG (e.g. for the construction of new hospitals or major extensions) totalling

€ 235.3 million (previous year: 233.1 million), the Group holds registered charges on real property in the amount of € 445.5 million (previous year: € 443.6 million). There are no reasons to assume that these grants will have to be repaid.

Technical equipment and machinery include the following amounts for which the Group is the lessee under a finance lease.

	31 Dec. 2010 € million	31 Dec. 2009 € million
Cost of assets capitalised under finance leases	9.3	14.3
Accumulated amortisation and impairment	8.7	8.6
Net carrying amount	0.6	5.7

The change results from the purchase of technical equipment and machinery leased as at the previous year's balance sheet date.

7.3 INCOME TAX RECEIVABLES

Corporate income tax netting credits shown under this item comprise claims in accordance with section 37 Corporate Income Tax Act (Körperschaftsteuergesetz, KStG) (latest version) which will be paid out in equal annual instalments during the period between 2012 and 2017. They are shown at their present value of € 13.6 million, and are measured on the basis of a historical interest rate of 4.0% which is commensurate with the term.

7.4 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are netted if there is an enforceable 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. 2010		31 Dec. 2009	
	assets € million	liabilities € million	assets € million	liabilities € million
Tax loss carry-forwards	11.6	0.0	10.8	0.0
Property, plant and equipment	0.0	20.4	0.0	17.0
Interest bearing liabilities	3.9	0.0	3.3	0.0
Valuation differences at subsidiaries	0.0	0.9	0.0	0.7
Other assets and liabilities	10.9	4.3	6.4	4.1
Total	**26.4**	**25.6**	**20.5**	**21.8**
Balance	**0.8**			**1.3**

Deferred tax assets for tax loss carry-forwards are recognised in the amount of the associated tax benefits that can probably be realised as a result of future taxable profits. Tax loss carry-forwards in connection with previous hospital acquisitions are included in the tax base for recognising deferred tax assets if they are sufficiently determinable for tax purposes. Deferred tax assets from tax loss carry-forwards are recognised on the basis of tax planning calculations for a period of five years. The tax base used for deferred taxes is € 73.0 million (previous year: € 68.3 million). On the balance sheet date, tax losses carried forward which have so far not been utilised amounted to € 108.3 million (previous year: € 109.2 million); no deferred tax assets were recognised in relation to € 35.3 million (previous year: € 40.9 million) of this figure. In Germany, tax loss carry-forwards can be used in full to reduce the current taxable profit by up to € 1.0 million for an indefinite period. However, above this amount, only 60.0% of the remaining taxable profit can be offset against tax loss carry-forwards.

Deferred taxes from property, plant and equipment result from the difference between their useful lives defined in tax law and the economic depreciation periods in accordance with IFRSs. In addition, accelerated tax depreciation and write-downs were corrected in IFRS.

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

Deferred tax liabilities for non-distributed profits of subsidiaries totalling € 105.8 million, which lead to non-tax-deductible expenses of 5.0% of the total dividend for the parent company, were included in the consolidated financial statements.

Changes in deferred taxes are shown as follows:

	31 Dec. 2010 € million	31 Dec. 2009 € million
Deferred tax liabilities at beginning of year	–1.3	–3.6
Deferred taxes recognised directly in equity in connection with financial derivatives	1.0	0.8
Claims acquired on company acquisitions	0.0	0.3
Gain/loss from current netting in the income statement	1.1	1.2
Deferred tax assets (previous year: deferred tax liabilities) at year-end	**0.8**	**–1.3**

7.5 EQUITY-ACCOUNTED INVESTMENTS

By notarised agreement dated 18 March 2010, the medical care centre Medizinisches Versorgungszentrum Nikomedicum Bad Sachsa GmbH was newly founded. The company's object of enterprise is the establishment and operation of a medical care centre (MVZ) within the meaning of section 95 German Social Insurance Code V (Sozialgesetzbuch V, SGB V) for the purpose of providing all medical and non-medical services permitted thereunder and all activities in connection therewith as well as the formation of co-operation schemes with outpatient and inpatient service providers in the area of hospital treatment, prevention and rehabilitation.

Moreover, a joint venture under the name Energiezentrale Universitätsklinikum Gießen GmbH exists with Stadtwerke Giessen for the operation of a fuel cell to supply energy to the University Hospital of Giessen.

The conditions for accounting for both interests using the equity method have been satisfied. The Group holds the following proportionate interests in assets, liabilities, income and expenditures:

Balance sheet data for equity-accounted investments	31 Dec. 2010 € million
Non-current assets	1.9
Current assets	0.5
Non-current liabilities to shareholders	1.9
Current liabilities	0.4
Shareholders' equity	0.1
Carrying amount of investment accounted for using the equity method	**0.1**

Income statement data for investment accounted for using the equity method	2010 € million
Revenues	0.1
Other expenses	0.1
Result for the year	**0.0**

Interests in companies accounted for using the equity method (approximately € 62,000) are reported under the item "Other assets (non current)" on the grounds of materiality.

7.6 OTHER ASSETS (NON-CURRENT)

	31 Dec. 2010 € million	31 Dec. 2009 € million
Other assets	1.4	1.3
Other assets (non-current) (non-financial instruments)	**1.4**	**1.3**
Participating interests	0.2	0.2
Other assets	0.1	0.3
Other assets (non-current) (financial instruments)	**0.3**	**0.5**
Other assets (non-current) (total)	**1.7**	**1.8**

Other minor companies in which we hold an interest of between 20.0% and 50.0% are not consolidated. In general, they are shown at amortised cost. This is also applicable for the other financial assets.

7.7 INVENTORIES

Raw materials, consumables and supplies of € 47.9 million (previous year: € 45.9 million) mainly consist of medical supplies. Impairment losses of € 5.2 million (previous year: € 5.0 million) have been deducted. All inventories are owned by RHÖN-KLINIKUM AG and the companies affiliated with RHÖN-KLINIKUM AG. There are no assignments or pledges of inventories.

7.8 ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (CURRENT)

	31 Dec. 2010 < 1 year € million	31 Dec. 2009 < 1 year € million
Accounts receivable (gross)	348.0	328.1
Impairments on accounts receivable	–18.9	–19.0
Accounts receivable (net)	329.1	309.1
Receivables under hospital financing law	9.0	17.2
Advance payments/repayments on acquisition of interest	0.3	22.4
Other receivables	33.2	28.8
	371.6	**377.5**

Allowances recognised on accounts receivable (net) totalling € 329.1 million (previous year: € 309.1 million) duly reflect identifiable risks; the allowances are determined based on the probability of a default. Additions to allowances are shown under other operating expenses in the income statement, and reversals of impairments are shown under other operating income. There are no concentrations of credit risks in relation to accounts receivable because virtually all amounts are receivables from public payers. In principle, it is possible for an individual public payer to become insolvent, but given the joint and several liability of the payers we regard the risk of default as low.

Receivables under the Hospital Financing Act (KHG) mainly relate to compensation claims for services rendered under federal hospital compensation legislation (Hospital Remuneration Act – Krankenhausentgeltgesetz, KHEntgG) and the Federal Hospital Nursing Rate Ordinance (Bundespflegesatzverordnung, BPflV).

With effect from 1 January 2010, our interest in Amper Kliniken AG was increased by 20.0 percentage points, from 74.9% to 94.9%. The basic purchase price for the follow-on acquisition was already paid to the seller in financial year 2009 and re-classified in 2010 from advance payments/repayments received to acquire equity interests and recognised as a reduction in equity, since the purchase price allocation for the acqui-

sition of the 74.9 percentage points in 2005 had already been concluded. The final purchase price calculation for the MEDIGREIF group results in a repayment claim amounting to € 0.3 million.

Other receivables include reimbursement claims against insurers for loss events in the amount of € 4.0 million (previous year: € 3.7 million). No impairment losses or reversals of impairment losses were recognised on other receivables.

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

The maturity structure of the accounts receivable is shown in the following.

	Carrying amount	of which neither impaired nor past due on reporting date	of which not impaired on the reporting date and past due within the following periods			of which impaired
			0–30 Days	31–90 Days	91–180 Days	
	€ million	€ million	€ million	€ million	€ million	€ million
31 December 2010						
Accounts receivable	348.0	260.8	40.8	10.4	9.0	27.0
31 December 2009						
Accounts receivable	328.1	261.7	28.3	9.9	4.4	23.8

With regard to the accounts receivable in the amount of € 260.8 million (previous year: € 261.7 million) which are neither impaired nor overdue, there are no indications as at the reporting date that the debtors will not meet their payment obligations.

The Group uses aged debtor lists and past experience as the basis for estimating the percentage of irrecoverable accounts receivable as at the balance sheet date in relation to the period of time overdue. In addition, the Group recognises specific valuation allowances if, as a result of particular circumstances, it is not likely that accounts receivable will be recoverable.

Allowances relating to accounts receivable amounted to € 18.9 million in the financial year (previous year: € 19.0 million). The first-time consolidation of Klinik Hildesheimer Land GmbH as at 30 July 2010 does not have any impact on the extent of allowances relating to accounts receivable.

Accounts receivable were derecognised in the income statement in the amount of € 3.9 million in financial year 2010 (previous year: € 3.8 million). Settlement mechanisms in accordance with the Hospital Remuneration Act (KHEntgG) partially compensated for these defaults. Inflows of € 0.5 million (previous year: € 1.1 million) were recognised in the income statement in relation to previously derecognised accounts receivable.

7.9 CURRENT INCOME TAXES RECEIVABLE

Current income taxes receivable include claims against tax authorities for reimbursement of corporate income tax.

7.10 CASH AND CASH EQUIVALENTS

	31 Dec. 2010 € million	31 Dec. 2009 € million
Cash with banks and cash on hand	81.9	78.8
Short-term bank deposits	333.8	366.1
	415.7	**444.9**

As at the balance sheet date, the effective interest rate for bank balances was 1.6% (previous year: 1.3%). The average remaining term of these deposits was nine days.

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

	31 Dec. 2010 € million	31 Dec. 2009 € million
Cash and cash equivalents	415.7	444.9
Bank overdrafts	–22.5	–24.3
Cash position	**393.2**	**420.6**

7.11 SHAREHOLDERS' EQUITY

The registered share capital of RHÖN-KLINIKUM AG was unchanged at € 345,580,000. It is divided into 138,232,000 non-par value bearer shares each with a notional value in the registered share capital of € 2.50 per share.

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

	Number	Arithmetic share in registered share capital €
Ordinary shares as at 1 January 2010	**138,232,000**	**345,580,000**
Changes in 2010	0	0
Ordinary shares as at 31 December 2010	**138,232,000**	**345,580,000**

By authorisation of the Annual General Meeting of 31 March 2007, the registered share capital of RHÖN-KLINIKUM AG can be increased by way of an issue of new shares in return for cash contributions. As at 31 December 2010, RHÖN-KLINIKUM AG's authorised capital still remaining after performance of the capital increase in 2009 was € 43,220,000, which may be issued on one or several occasions until 31 May 2012. The Board of Management is also authorised, with the approval of the Supervisory Board, to define further details with regard to implementing capital increases from authorised capital.

An unchanged premium from the capital increase of € 396.0 million was reported in the capital reserve.

Other reserves at the balance sheet date amounting to € 717.4 million (previous year: € 634.6 million) comprise earnings generated in prior years of companies included in the consolidated financial statements (to the extent not paid out to shareholders) in the amount of € 735.8 million (previous year: € 650.7 million) as well as effects of consolidation adjustments. Moreover, changes in the market values of financial derivatives designated as interest rate hedging instruments are recognised directly in equity under other reserves after taking into account deferred tax. As at 31 December 2010 a total of € 21.4 million (previous year: € 16.1 million) was allocated from hedging relationships to "Other reserves" which resulted in a reduction in equity.

Treasury shares are valued at € 0.1 million (previous year: € 0.1 million) and deducted from equity. The level of treasury shares developed as follows during the financial year:

	Number
Treasury shares as at 1 January 2010	**24,000**
Changes in 2010	0
Treasury shares as at 31 December 2010	**24,000**

In accordance with the provisions of the German Stock Corporation Act (Aktiengesetz, AktG), 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). Within the framework of its responsibilities, and as part of the process of preparing the annual financial statements, the Board of Management paid amounts from net income into retained earnings, and calculated these amounts in such a way that the remaining cumulative profit precisely corresponds to the proposed dividend payment of 37 cents (previous year: 30 cents) per share.

During the last Annual General Meeting, the shareholders approved the proposal of the Board of Management so that an actual dividend payment of 30 cents (previous year: 35 cents) was made in financial year 2010.

The Board of Management therefore proposes to the Annual General Meeting that € 51.1 million (previous year: € 41.5 million) of the net distributable profit of RHÖN-KLINIKUM AG should be used to pay out a dividend of 37 cents per ordinary share (previous year: 30 cents). The proposal for appropriation of profit is subject to approval by the Supervisory Board.

The dividend amount attributable to the treasury shares is to be carried forward to the new account.

Minority interests of € 36.3 million (previous year: € 46.8 million) relate to interests held by non-Group third parties in the following consolidated subsidiaries:

	Minority holdings	
	31 Dec. 2010	31 Dec. 2009
	%	%
Hospital companies		
Amper Kliniken AG, Dachau	5.1	25.1
Frankenwaldklinik Kronach GmbH, Kronach	5.1	5.1
IGB Integratives Gesundheitszentrum Boizenburg GmbH, Boizenburg	8.0	8.0
Kliniken München Pasing und Perlach GmbH, Munich	1.3	6.3
Klinikum Gifhorn GmbH, Gifhorn (formerly: Kreiskrankenhaus Gifhorn GmbH, Gifhorn)	4.0	4.0
Klinikum Pforzheim GmbH, Pforzheim	5.1	5.1
Klinikum Salzgitter GmbH, Salzgitter	5.1	5.1
Städtisches Krankenhaus Wittingen GmbH, Wittingen	4.0	4.0
St. Elisabeth-Krankenhaus GmbH Bad Kissingen, Bad Kissingen	1.5	1.5
Universitätsklinikum Gießen und Marburg GmbH, Giessen	5.0	5.0
Zentralklinik Bad Berka GmbH, Bad Berka	12.5	12.5
MVZ companies		
MVZ Augenärztliches Diagnostik- und Therapiezentrum Düsseldorf GmbH, Düsseldorf (formerly: RK Klinik Betriebs GmbH Nr. 29, Bad Neustadt a. d. Saale)	5.0	0.0
MVZ Augenärztliches Diagnostik- und Therapiezentrum Wuppertal GmbH, Wuppertal (formerly: RK Klinik Betriebs GmbH Nr. 28, Bad Neustadt a. d. Saale)	45.0	0.0
MVZ Universitätsklinikum Marburg GmbH, Marburg	5.0	5.0

	Outside shareholders' interests	
	31 Dec. 2010	31 Dec. 2009
	%	%
Service companies		
KDI Klinikservice GmbH, Dachau	5.1	25.1
RK-Cateringgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Cateringgesellschaft Süd mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Cateringgesellschaft West mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Reinigungsgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Reinigungsgesellschaft Nord mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Reinigungsgesellschaft Ost mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Reinigungsgesellschaft Süd mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Reinigungsgesellschaft West mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Reinigungsgesellschaft Zentral mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Wäschereinigung GmbH, Bad Neustadt a. d. Saale	49.0	49.0
Other companies		
Altmühltalklinik-Leasing-GmbH, Kipfenberg	49.0	49.0
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	5.1	25.1

With effect from 1 January 2010, our interest in Amper Kliniken AG was increased by 20 percentage points, from 74.9% to 94.9%. Minority interests decreased accordingly. Since the purchase price allocation for the acquisition of 74.9 percentage points had already been completely exhausted in 2005, the purchase price payments attributable to the follow-on purchase of the additional 20.0 percentage points amounting to € 24.1 million had to be recognised as a reduction in equity.

Additional equity capital transactions with owners relate to minority interests of doctors in two MVZ companies and one service company.

7.12 FINANCIAL LIABILITIES

	31 Dec. 2010		31 Dec. 2009	
	Remaining term > 1 year	Remaining term < 1 year	Remaining term > 1 year	Remaining term < 1 year
	€ million	€ million	€ million	€ million
Non-current financial liabilities, bond	396.6	12.6	0.0	111.8
Liabilities to banks	500.6	34.4	678.7	30.4
Negative fair values of derivative financial instruments	25.5	0.0	19.2	0.2
Total non-current financial liabilities	**922.7**	**47.0**	**697.9**	**142.4**
Current financial liabilities				
Liabilities to banks	0.0	22.5	0.0	24.3
Total current financial liabilities	**0.0**	**22.5**	**0.0**	**24.3**
Total financial liabilities	**922.7**	**69.5**	**697.9**	**166.7**

In financial year 2006, RHÖN-KLINIKUM AG took out a syndicated loan in the amount of € 400.0 million under the lead management of Commerzbank AG, Luxembourg branch, for financing investments. The minimum term of the agreement is seven years, with € 55.0 million expiring after six years. As at the reporting date of 31 December 2010, € 205.0 million of the total volume had been drawn down. The term-linked interest rate was between 0.94% p.a. and 1.42% p.a. in the year under review. On the credit volume not drawn down, interest is charged at a rate of 0.20% p.a.

In financial year 2007, two fixed-interest loans with a total volume of € 90.0 million and a term until 2017 were taken out in order to reschedule existing floating-rate liabilities; interest is charged on these loans at a rate of 5.23% and 5.13% p.a. respectively.

In financial year 2008, RHÖN-KLINIKUM AG took out a fixed-interest loan with a volume of € 10.0 million and a term until 2017 in order to reschedule existing floating-rate liabilities; interest is charged on this loan at a rate of 5.10% p.a. Moreover, two promissory note loans were issued with a total volume of € 150.0 million and terms until 2013 and 2015 respectively; variable interest (based on 3-month EURIBOR) is charged on these notes. To hedge against interest rate risks, an interest rate hedge was entered into.

In financial year 2009, a loan with a volume of € 15.0 million and a term of ten years was taken out. The interest rate is fixed at 5.45% p.a. until the end of the term.

In March 2010, RHÖN-KLINIKUM AG successfully placed on the market a bond with a volume of € 400.0 million and a maturity of six years. The coupon of the bond is 3.875%, and the issue price was fixed at 99.575%. This results in an overall yield of 3.956%. The issue proceeds will be used to refinance existing financial liabilities as well as for general company purposes.

Furthermore, in April 2010 a revolving line of credit for € 150.0 million was agreed. This line of credit, which serves as a liquidity reserve, had not been drawn on as at 31 December 2010. On the credit volume not drawn down, interest is charged at a rate of 0.56% p.a.

In addition, a new interest hedging transaction was entered into in 2010 to replace a limited-term cap. The new swap hedges a term loan in a volume of € 9.54 million against the risk of changes in interest rates until the term of the hedged item ends in 2022. The interest hedging transaction is stated together with the loan (as hedged item) as a hedging relationship.

Of the non-current financial liabilities, variable interest is charged on € 392.4 million (previous year: € 535.5 million). To limit interest rate risk, 96.0% of the volume bearing a long-term floating interest rate was hedged using various interest rate derivatives. The interest fluctuation risks and contractual interest adjustment dates relating to the interest-bearing liabilities are as follows:

	31 Dec. 2010			31 Dec. 2009		
Fixed interest period ends	Interest rate[1] %	Original value € million	Carrying amount of loans € million	Interest rate[1] %	Original value € million	Carrying amount of loans € million
Bond	4.06	400.0	396.6	3.65	110.0	109.9
Interest on bond			12.6			1.9
		400.0	**409.2**		**110.0**	**111.8**
Liabilities to banks						
2010				1.43	572.7	554.1
2011	1.60	447.9	410.3	5.10	46.3	29.2
2012	5.34	3.7	2.9	5.35	3.8	3.0
2013	4.46	2.0	1.2	4.46	2.0	1.6
2014	5.60	1.5	0.8	5.60	1.5	0.9
2015	0.00	0.0	0.0	0.00	0.0	0.0
2016	0.00	0.0	0.0	0.00	0.0	0.0
> 2017	5.20	122.1	119.8	5.18	122.2	120.3
		577.2	**535.0**		**748.5**	**709.1**
		977.2	**944.2**		**858.5**	**820.9**

[1] *Weighted interest rate.*

The effective interest rates at balance sheet date are:

	31 Dec. 2010 %	31 Dec. 2009 %
Bond	4.06	3.65
Liabilities to banks	2.18	2.20
Overdrafts with banks	2.73	2.80

The remaining terms of the financial liabilities are:

	31 Dec. 2010 € million	31 Dec. 2009 € million
Up to 1 year	69.5	166.7
Between 1 and 5 years	377.3	444.2
More than 5 years	545.4	253.7
Total	**992.2**	**864.6**

Of the reported financial liabilities, € 13.8 million (previous year: € 16.3 million) is secured by registered charges on real property.

7.13 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

The Group provides post-retirement 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 recognising 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 (previous year: five) Group companies. These obligations comprise commitments relating to retirement pensions, invalidity pensions and pensions for surviving dependants. 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 cost of defined benefit plans recognised in the income statement is broken down as follows:

	2010 € million	2009 € million
Current service cost	1.1	1.1
Interest cost (unwinding of the discount related to projected benefits)	0.6	0.5
Netted actuarial gains or losses	0.3	0.7
	2.0	**2.3**

All pension costs are reported under the pension costs item.

The breakdown of the provision recognised in the balance sheet and its development are as follows:

	31 Dec. 2010 € million	31 Dec. 2009 € million
Defined benefit obligation	14.4	12.3
Actuarial gains and losses not yet netted	–1.8	–1.3
Provision for pensions (defined benefit liability)	**12.6**	**11.0**

	2010 € million	2009 € million
As at 1 January	**11.0**	**9.5**
Current service cost	1.1	1.1
Interest cost (unwinding of the discount related to projected benefits)	0.6	0.5
Netted actuarial gains or losses	0.3	0.7
Plan change	0.2	–0.2
Payments rendered	–0.6	–0.6
As at 31 December	**12.6**	**11.0**

The calculation is based on the following assumptions:

	31 Dec. 2010 %	31 Dec. 2009 %
Discount rate	4.95	5.20
Projected increase in wages and salaries	2.50	2.50
Projected increase in pensions	2.00	2.00

The defined benefit obligation as well as the actuarial gain/loss attributable to experience-based adjustments developed as follows:

	2010 € million	2009 € million	2008 € million	2007 € million	2006 € million
Defined benefit obligation, 31 December	14.4	12.3	11.0	9.6	9.6
Fair value of plan assets	0.0	0.0	0.0	0.0	0.0
Shortfall, 31 December	14.4	12.3	11.0	9.6	9.6
Experience-based adjustment to plan liabilities	0.7	–0.1	0.7	–0.3	0.8

The development of the defined benefit obligation in financial year 2010 compared with the previous year is shown in the following:

	2010 € million	2009 € million
As at 1 January	**12.3**	**11.0**
Service time cost	1.1	1.1
Interest expense	0.6	0.5
Pension payments	–0.6	–0.6
Actuarial gains/losses	1.0	0.3
As at 31 December	**14.4**	**12.3**

In 2010 pension payments of € 5.9 million (previous year: € 0.5 million) were expected to be made in 2011.

The 2005 G mortality tables of Professor Dr. Klaus Heubeck were again used as the basis for actuarial calculations (unchanged compared with the previous year).

7.14 OTHER PROVISIONS

Other provisions developed as follows in the financial year:

	1 Jan. 2010	Change in scope of consolidation	Used	Reversed	Addition	31 Dec. 2010	of which < 1 year	of which > 1 year
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Demolition obligations	1.5	0.0	1.3	0.1	0.0	0.1	0.1	0.0
Liability risks	20.9	0.0	4.1	0.9	6.1	22.0	22.0	0.0
Provisions for onerous contracts	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Other provisions	0.7	0.0	0.3	0.1	0.0	0.3	0.3	0.0
	23.2	**0.0**	**5.8**	**1.1**	**6.1**	**22.4**	**22.4**	**0.0**

Provisions for demolition obligations are attributable to contractually agreed services for clearing developed land. The provisions are expected to be used in financial year 2011.

The provisions for liability risks relate to claims for damages by third parties. These compare with repayment claims of € 4.0 million against insurers; these are shown under other receivables. In the assessment of the Board of Management, the settlement of these liability events using the provisions will not entail any significant additional expenses. The timing of cash outflows from liability risks essentially depends on the course and outcome of specific liability cases.

Other provisions relate to risks from the final settlement of government grants.

Compared with the previous year, their maturities are as follows:

	1 Jan. 2010	of which < 1 year	of which > 1 year	31 Dec. 2009	of which < 1 year	of which > 1 year
	€ million	€ million	€ million	€ million	€ million	€ million
Demolition obligations	0.1	0.1	0.0	1.5	1.5	0.0
Liability risks	22.0	22.0	0.0	20.9	20.9	0.0
Provisions for onerous contracts	0.0	0.0	0.0	0.1	0.1	0.0
Other provisions	0.3	0.3	0.0	0.7	0.7	0.0
	22.4	**22.4**	**0.0**	**23.2**	**23.2**	**0.0**

In financial year 2010, the Group of RHÖN-KLINIKUM AG had contingent liabilities of up to € 5.7 million. These are uncertain repayment obligations resulting from the use of single government grants as well as legal actions relating to deductions on surplus service volumes under the German Hospital Remuneration Act (KHEntgG). At the present time RHÖN-KLINIKUM AG does not expect any significant usage in future.

7.15 ACCOUNTS PAYABLE

	31 Dec. 2010		31 Dec. 2009	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Accounts payable	151.5	0.0	120.7	0.0

Accounts payable exist towards third parties. The total amount of € 151.5 million (previous year: € 120.7 million) is due within one year.

7.16 OTHER LIABILITIES

	31 Dec. 2010		31 Dec. 2009	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Personnel liabilities	150.4	7.2	141.8	11.5
Deferred income	9.5	0.0	8.0	0.0
Operating taxes and social security contributions	21.3	0.0	21.3	0.0
Pre-payments	0.8	0.0	1.1	0.0
Other liabilities	19.2	0.0	16.9	0.0
Other liabilities (non-financial instruments)	**201.2**	**7.2**	**189.1**	**11.5**
Liabilities under Hospital Financing Act	112.8	0.0	133.5	8.4
Purchase prices	0.0	0.0	0.5	0.0
Leasing	0.2	0.3	0.8	4.9
Other financial liabilities	32.6	21.3	33.6	22.2
Other liabilities (financial instruments)	**145.6**	**21.6**	**168.4**	**35.5**
Other liabilities (total)	**346.8**	**28.8**	**357.5**	**47.0**

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

The liabilities under the Hospital Financing Act (KHG) relate to public grants not yet used in accordance with the conditions for their use granted under state legislation as well as repayment obligations under the federal hospital compensatory schemes, the Federal Hospital Nursing Rate Ordinance (BPflV) and the Hospital Remuneration Act (KHEntgG).

The carrying amounts of the current monetary liabilities recognised under this item correspond to their fair values. The other non-current liabilities have been discounted using the effective interest method on the basis of historical market rates.

Of the figure stated for other non-current liabilities, € 13.3 million (previous year: € 14.3 million) is attributable to obligations arising from research grants owed to the University of Giessen and Marburg.

Other liabilities with remaining maturities of more than five years amount to € 0.2 million (previous year: € 0.2 million).

7.17 CURRENT INCOME TAX LIABILITIES

Current income tax liabilities in the amount of € 8.8 million (previous year: € 10.3 million) comprise corporate income tax and solidarity surcharge not yet assessed for the past financial year and previous years.

7.18 FINANCIAL DERIVATIVES

The Group is exposed to fluctuations in market interest rates in respect of its financial liabilities and interest-bearing investments. Our long-term financial debt (bond and liabilities to banks) totalled € 944.2 million (previous year: € 820.9 million); of this figure, € 551.8 million (previous year: € 285.4 million) was subject to fixed interest rates and terms running until 2027. Interest hedges in a volume of € 578.8 million (previous year: € 212.4 million) exist in relation to other non-current liabilities which are financed at a variable rate. Of this, € 200.0 million is attributable to a forward swap taken out in financial year 2009 to replace two interest hedging transactions together also amounting to € 200 million due to expire at the end of 2011/beginning of 2012.

Financial derivatives measured at fair value through profit or loss resulted in losses of € 0.2 million (previous year: € 1.2 million). The future cash flows hedged with cash flow hedges will mature within the next twelve years.

Financial derivatives are recognised at market values (as measured on the balance sheet date on the basis of recognised valuation models using current market data). A large portion of the hedging instruments is considered to be one unit with the hedged item under hedge accounting. In these hedging relationships, changes in the market values of derivatives are recorded in a hedge reserve under equity amounting to € 21.4 million (previous year: € 16.1 million).

Financial derivatives are monitored and controlled directly by the Board of Management working together with the specialised department that reports to the Board of Management.

	Fair value	Term		Reference interest rate 31 Dec. 2010	Interest rate cap or fixed rate	Reference amount 31 Dec. 2010
		from	to			
2010	€ million			%	%	€ million
Interest rate swaps, assets	0.0	4 May 2004	31 Dec. 2011	3.01	5.70	1.0
Interest rate swaps, liabilities	–19.5	11 June 2008	11 June 2018	1.01	4.65	150.0
	–0.3	2 Jan. 2007	30 Sep. 2018	1.01	3.94	4.3
	–0.1	16 Jan. 2008	6 Mar. 2013	1.01	4.25	2.0
	0.0	30 Sep. 2009	30 Dec. 2013	1.01	2.31	1.0
	0.0	30 Sep. 2009	30 June 2014	1.01	2.42	1.9
	0.0	30 Nov. 2009	28 Mar. 2013	1.01	1.83	1.9
	–0.1	30 Nov. 2009	30 June 2016	1.01	2.57	6.6
	0.0	15 Mar. 2001	15 Mar. 2011	1.01	5.74	0.6
	0.0	31 Mar. 2010	30 Dec. 2022	1.01	2.79	9.5
Interest rate caps, assets	0.0	2 Jan. 2007	1 Jan. 2012	1.23	4.00	100.0
	0.0	2 Jan. 2007	31 Dec. 2011	1.23	4.00	100.0
Forward swaps, liabilities	–5.2	2 Jan. 2012	7 June 2013	1.01	3.49	200.0

	Fair value	Term		Reference interest rate 31 Dec. 2009	Interest rate cap or fixed rate	Reference amount 31 Dec. 2009
		from	to			
2009	€ million			%	%	€ million
Interest rate swaps, assets	0.0	4 May 2004	31 Dec. 2011	2.50	5.70	1.7
Interest rate swaps, liabilities	–16.5	11 June 2008	11 June 2018	0.70	4.65	150.0
	–0.3	2 Jan. 2007	30 Sep. 2018	0.70	3.94	4.7
	–0.1	16 Jan. 2008	6 Mar. 2013	0.70	4.25	2.0
	0.0	30 Sep. 2009	30 Dec. 2013	0.70	2.31	1.4
	0.0	30 Sep. 2009	30 June 2014	0.70	2.42	2.4
	0.0	30 Nov. 2009	28 Mar. 2013	0.70	1.83	2.8
	–0.1	30 Nov. 2009	30 June 2016	0.70	2.57	7.8
	0.0	15 Mar. 2001	15 Mar. 2011	0.70	5.74	0.6
Interest rate caps, assets	0.0	28 Feb. 2006	26 Feb. 2010	0.70	4.00	2.1
	0.0	30 June 2006	31 Mar. 2010	0.70	4.00	10.3
	0.1	2 Jan. 2007	1 Jan. 2012	0.70	4.00	100.0
	0.1	2 Jan. 2007	31 Dec. 2011	0.70	4.00	100.0
Forward swaps, liabilities	–2.1	2 Jan. 2012	7 June 2013	0.70	3.49	200.0

7.19 ADDITIONAL DISCLOSURES REGARDING FINANCIAL INSTRUMENTS

7.19.1 Carrying amounts, recognised figures and fair values according to measurement categories

	Measurement category under IAS 39	2010	of which financial instruments		2009	of which financial instruments	
			Carrying amount	Fair value		Carrying amount	Fair value
ASSETS		€ million	€ million	€ million	€ million	€ million	€ million
Non-current assets							
Other assets (non-current)		**1.7**	0.3	0.3	**1.8**	0.5	0.5
of which other assets	Loans + receivables	**1.7**	0.3	0.3	**1.5**	0.2	0.2
of which derivative financial instruments (HfT)	Financial assets measured at fair value through profit or loss	**0.0**	0.0	0.0	**0.3**	0.3	0.3
Current assets							
Accounts receivable, other receivables and other assets		**371.6**	360.4	360.4	**377.5**	367.2	367.2
of which accounts receivable, other receivables	Loans + receivables	**371.5**	360.3	360.3	**377.4**	367.1	367.1
of which securities (HfT)	Financial assets measured at fair value through profit or loss	**0.0**	0.0	0.0	**0.0**	0.0	0.0
of which derivative financial instruments (HfT)	Financial assets measured at fair value through profit or loss	**0.1**	0.1	0.1	**0.1**	0.1	0.1
Cash and cash equivalents	Loans + receivables	**415.7**	415.7	415.7	**444.9**	444.9	444.9
SHAREHOLDERS' EQUITY AND LIABILITIES							
Non-current liabilities							
Financial liabilities		**922.7**	922.7	772.4	**697.9**	697.9	558.7
of which financial liabilities	Financial liabilities measured at amortised cost	**897.2**	897.2	746.9	**678.7**	678.7	539.5
of which derivative financial instruments (hedge accounting)	n. a.	**25.5**	25.5	25.5	**19.2**	19.2	19.2
Other liabilities		**28.8**	21.5	22.2	**47.0**	35.5	34.5
of which other liabilities	Financial liabilities measured at amortised cost	**28.5**	21.2	21.9	**42.1**	30.6	29.6
of which under finance leases	n. a.	**0.3**	0.3	0.3	**4.9**	4.9	4.9
Current liabilities							
Accounts payable	Financial liabilities measured at amortised cost	**151.5**	151.5	151.5	**120.7**	120.7	120.7
Financial liabilities		**69.5**	69.5	69.5	**166.7**	166.7	160.2
of which financial liabilities	Financial liabilities measured at amortised cost	**69.5**	69.5	69.5	**166.5**	166.5	160.0
of which derivative financial instruments (HfT)	Liabilities measured at fair value through profit or loss	**0.0**	0.0	0.0	**0.2**	0.2	0.2
Other liabilities		**346.8**	145.7	145.7	**357.5**	168.4	168.4
of which other liabilities	Financial liabilities measured at amortised cost	**346.6**	145.5	145.5	**356.7**	167.6	167.6
of which under finance leases	n. a.	**0.2**	0.2	0.2	**0.8**	0.8	0.8

Aggregated according to measurement categories, the above figures are as follows:

	Loans + receivables		776.3	776.3		812.3	812.3
	Financial assets measured at fair value through profit or loss		0.1	0.1		0.4	0.4
	Financial liabilities measured at amortised cost		1,284.9	1,135.3		1,164.2	1,023.9
	Liabilities measured at fair value through profit or loss		0.0	0.0		0.2	0.2

The following table shows a classification of our financial assets and liabilities measured at fair value under the three levels of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Non-current derivative assets	0.0	0.0	0.0	0.0
Securities	0.0	0.0	0.0	0.0
Current derivative assets	0.0	0.1	0.0	0.1
Non-current derivative liabilities	0.0	25.5	0.0	25.5
Current derivative liabilities	0.0	0.0	0.0	0.0

The levels of the fair value hierarchy and their application to our assets and liabilities are described below:

- Level 1: Listed market prices for identical assets or liabilities on active markets
- Level 2: Other information in the form of listed market prices which are directly (e.g. prices) or indirectly (e.g. derived from prices) observable, and
- Level 3: Information on assets and liabilities not based on observable market data.

Accounts receivable, other receivables, other financial assets as well as cash and cash equivalents in general mainly have short remaining maturities. Their carrying amounts as at the reporting date therefore correspond to their fair values.

The figure shown for financial liabilities includes loans from banks as well as a bond. The fair value of the loans from banks and the fair value of other liabilities are calculated on the basis of the discounted cash flow. A risk- and maturity-related rate appropriate for RHÖN-KLINIKUM AG has been used for discounting purposes. The fair value of the bond is calculated as the nominal value multiplied by the price of the final trading day of the year under review.

For the accounts payable and other liabilities with short remaining maturities, the carrying amounts correspond to their fair values on the reporting date.

The fair value of liabilities under finance leases was calculated using a market interest curve as at the balance sheet date and corresponds to their carrying amount.

7.19.2 Net gains or losses by measurement category

	From capital gains	From subsequent measurement		From disposal	Net result	
		at fair value	impairment		2010	2009
	€ million	€ million	€ million	€ million	€ million	€ million
Loans and receivables	0.0	0.0	0.7	3.4	4.1	2.1
Financial assets and liabilities measured at fair value through profit or loss	0.0	0.2	0.0	0.0	0.2	1.2
Total	**0.0**	**0.2**	**0.7**	**3.4**	**4.3**	**3.3**

+ = cost – = income

The net gain or loss from the subsequent measurement of loans and receivables is calculated on the basis of the income and expenses relating to impairments of accounts receivable. Disposals include receivables derecognised as irrecoverable netted with income from payments received in relation to receivables on which impairment losses were recognised in the past.

During the financial year, no expenditures and income resulted from liabilities at amortised cost.

The financial assets measured at fair value through profit or loss comprise the market valuation of derivative financial instruments recognised through the income statement.

7.19.3 Financial liabilities (maturity analysis)

The following table sets out the contractually agreed (undiscounted) interest payments and redemption payments of the original financial liabilities and of the financial derivatives:

	Cash outflow		
	2011	2012–2017	> 2017
	€ million	€ million	€ million
Financial liabilities	–75.2	–956.6	–26.8
Accounts payable	–151.5	0.0	0.0
Derivatives	0.0	–5.5	–20.0
Other liabilities	–145.5	–7.8	–13.5
Liabilities from finance leases	–0.3	–0.4	0.0
	–372.5	**–970.3**	**–60.3**

The following table shows the maturity analysis of the previous year:

	Cash outflow		
	2010	2011–2016	> 2016
	€ million	€ million	€ million
Financial liabilities	–185.2	–655.9	–134.0
Accounts payable	–120.7	0.0	0.0
Derivatives	–0.2	0.0	–19.2
Other liabilities	–184.0	–16.1	–14.5
Liabilities from finance leases	–1.1	–5.8	0.0
	–491.2	**–677.8**	**–167.7**

The above table includes all financial liabilities held as at the balance sheet date and for which payments had been contractually agreed. Planned payments for new liabilities in the future have not been included in the calculations. Interest payments were included in the future cash flows under agreements in effect as at the balance sheet date. Current liabilities and liabilities which can be terminated at any time are shown under the shortest time horizon.

8 CASH FLOW STATEMENT

The cash flow statement shows how the item "Cash and cash equivalents" of 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 consolidation has been eliminated. In accordance with IAS 7 (Cash Flow Statements), a distinction is made between cash flows from operating activities, investing activities as well as financing activities. The liquidity shown in the statement of changes in financial position includes cash on 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. The cash flow statement has included a figure of € 35.8 million (previous year: € 15.2 million) for outstanding construction invoices and a figure € 0.2 million (previous year: € 0.7 million) for non-cash losses from financial derivatives.

Dividends paid to minority interests amounted to € 2.1 million (previous year: € 2.4 million). After the final purchase price calculation from the increase in the share in Amper Kliniken AG by 20.0 percentage points to 94.9%, the final payment of € 1.6 million was paid in financial year 2010.

The cash flow statement sets out the change in cash and cash equivalents between two balance sheet dates. In the RHÖN-KLINIKUM Group, this item exclusively comprises cash and cash equivalents attributable to continuing operations, because we have not discontinued any operations.

9 SHAREHOLDINGS

9.1 COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Hospital companies	Interest held %	Equity € '000	Result for the year € '000
Amper Kliniken AG, Dachau	94.9	74,984	5,692
Aukamm-Klinik für operative Rheumatologie und Orthopädie GmbH, Wiesbaden	100.0	2,335	875
Fachkrankenhaus für Psychiatrie und Neurologie Hildburghausen GmbH, Hildburghausen	100.0	39,014	6,301
Frankenwaldklinik Kronach GmbH, Kronach	94.9	26,185	1,581
Haus Saaletal GmbH, Bad Neustadt a. d. Saale	100.0	189	76
Herz- und Gefäß-Klinik GmbH, Bad Neustadt a. d. Saale	100.0	12,328	0
Herzzentrum Leipzig GmbH, Leipzig	100.0	45,157	27,839
IGB Integratives Gesundheitszentrum Boizenburg GmbH, Boizenburg	92.0	1,669	953
Klinik "Haus Franken" GmbH, Bad Neustadt a. d. Saale	100.0	7,030	293
Klinik für Herzchirurgie Karlsruhe GmbH, Karlsruhe	100.0	17,811	6,833
Kliniken Herzberg und Osterode GmbH, Herzberg am Harz	100.0	15,749	519
Klinik Hildesheimer Land GmbH, Bad Salzdetfurth (formerly: RK Klinik Betriebs GmbH Nr. 11, Bad Neustadt a. d. Saale)	100.0	1,607	53
Klinik Kipfenberg GmbH Neurochirurgische und Neurologische Fachklinik, Kipfenberg	100.0	6,688	3,358
Kliniken Miltenberg-Erlenbach GmbH, Erlenbach	100.0	11,540	656
Kliniken München Pasing und Perlach GmbH, Munich	98.7	49,679	5,571
Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder)	100.0	109,372	7,226
Klinikum Gifhorn GmbH, Gifhorn (formerly: Kreiskrankenhaus Gifhorn GmbH, Gifhorn)	96.0	34,155	4,241
Klinikum Hildesheim GmbH, Hildesheim	100.0	52,039	8,400
Klinikum Meiningen GmbH, Meiningen	100.0	41,183	12,787
Klinikum Pforzheim GmbH, Pforzheim	94.9	62,222	5,651
Klinikum Pirna GmbH, Pirna	100.0	35,580	5,159
Klinikum Salzgitter GmbH, Salzgitter	94.9	28,796	1,325
Klinikum Uelzen GmbH, Uelzen	100.0	31,045	1,945
Krankenhaus Anhalt-Zerbst GmbH, Zerbst	100.0	3,252	–1,910
Krankenhaus Cuxhaven GmbH, Cuxhaven	100.0	21,951	880
Krankenhaus Köthen GmbH, Köthen	100.0	12,892	1,679
Krankenhaus St. Barbara Attendorn GmbH, Attendorn	100.0	10,245	–533
Krankenhaus Waltershausen-Friedrichroda GmbH, Friedrichroda	100.0	22,821	1,648
MEDIGREIF - Betriebsgesellschaft für Krankenhäuser und Integrative Gesundheits-zentren mit beschränkter Haftung (MEDIGREIF BKIG mbH), Greifswald	100.0	359	443
MEDIGREIF Bördekrankenhaus GmbH, Neindorf	100.0	989	433
MEDIGREIF Kreiskrankenhaus Burg GmbH, Burg	100.0	21,613	99
MEDIGREIF Verwaltungs- und Betriebsgesellschaft Fachkrankenhaus Vogelsang-Gommern mit beschränkter Haftung, Greifswald	100.0	5,495	1,299
Mittelweser Kliniken GmbH Nienburg Hoya Stolzenau, Nienburg	100.0	27,881	2,361
Neurologische Klinik GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale	100.0	3,308	2,051
Park-Krankenhaus Leipzig GmbH, Leipzig (formerly: Park-Krankenhaus Leipzig-Südost GmbH, Leipzig)	100.0	15,040	4,961
Soteria Klinik Leipzig GmbH, Leipzig	100.0	4,263	1,535
Städtisches Krankenhaus Wittingen GmbH, Wittingen	96.0	4,049	–454
St. Elisabeth-Krankenhaus GmbH Bad Kissingen, Bad Kissingen	98.5	8,729	–1,109
St. Petri-Hospital Warburg GmbH, Warburg	100.0	4,480	–1,036
Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden	100.0	26,014	943
Universitätsklinikum Gießen und Marburg GmbH, Giessen	95.0	66,114	8,291
Weißeritztal-Kliniken GmbH, Freital	100.0	35,932	3,156
Wesermarsch-Klinik Nordenham GmbH, Nordenham	100.0	1,918	–3,574
Zentralklinik Bad Berka GmbH, Bad Berka	87.5	112,826	27,083

MVZ companies	Interest held %	Equity € '000	Result for the year € '000
MEDIGREIF Medizinisches Versorgungszentrum Sachsen-Anhalt GmbH, Zerbst	100.0	1,074	–274
Medizinisches Versorgungszentrum Anhalt GmbH, Zerbst	100.0	254	–77
Medizinisches Versorgungszentrum NikoMedicum Bad Sachsa GmbH, Bad Sachsa	45.0	37	12
MVZ Augenärztliches Diagnostik- und Therapiezentrum Düsseldorf GmbH, Düsseldorf (formerly: RK Klinik Betriebs GmbH Nr. 29, Bad Neustadt a. d. Saale)	95.0	777	–32
MVZ Augenärztliches Diagnostik- und Therapiezentrum Wuppertal GmbH, Wuppertal (formerly: RK Klinik Betriebs GmbH Nr. 28, Bad Neustadt a. d. Saale)	55.0	101	75
MVZ Management GmbH Attendorn, Attendorn	100.0	237	–233
MVZ Management GmbH Baden-Württemberg, Pforzheim	100.0	155	–52
MVZ Management GmbH Brandenburg, Frankfurt (Oder)	100.0	141	–166
MVZ Management GmbH Nord, Nienburg (formerly: MVZ Management GmbH Niedersachsen, Nienburg)	100.0	1	–1,142
MVZ Management GmbH Ost, Pirna (formerly: MVZ Management GmbH Sachsen, Pirna)	100.0	583	94
MVZ Management GmbH Sachsen-Anhalt, Köthen	100.0	135	–137
MVZ Management GmbH Süd, Bad Neustadt a. d. Saale (formerly: MVZ Management GmbH Franken, Bad Neustadt a. d. Saale)	100.0	752	–472
MVZ Management GmbH Thüringen, Bad Berka	100.0	983	118
MVZ Management GmbH West, Wiesbaden (formerly: MVZ Management GmbH Hessen, Wiesbaden)	100.0	387	–513
MVZ Service Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	1,489	0
MVZ Universitätsklinikum Marburg GmbH, Marburg	95.0	110	0

Research and education companies	Interest held %	Equity € '000	Result for the year € '000
ESB-Gemeinnützige Gesellschaft für berufliche Bildung mbH, Bad Neustadt a. d. Saale	100.0	1,786	57
Gemeinnützige Gesellschaft zur Förderung der klinischen Forschung auf dem Gebiet der Humanmedizin und zur Betreuung von Patienten an den Universitäten Gießen und Marburg mbH, Marburg	100.0	31	6

Property companies	Interest held %	Equity € '000	Result for the year € '000
Altmühltalklinik-Leasing GmbH, Kipfenberg	51.0	6,658	615
BGL Grundbesitzverwaltungs-GmbH, Bad Neustadt a. d. Saale	100.0	25,613	434
GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH, Leipzig	100.0	274	11
Grundstücksgesellschaft Park Dösen GmbH, Leipzig	100.0	6,139	–171
GTB Grundstücksgesellschaft mbH, Leipzig	100.0	44,210	2,032

Service companies	Interest held %	Equity € '000	Result for the year € '000
KDI Klinikservice GmbH, Dachau	94.9	120	24
RK-Cateringgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	51.0	77	–130
RK-Cateringgesellschaft Süd mbH, Bad Neustadt a. d. Saale	51.0	51	0
RK-Cateringgesellschaft West mbH, Bad Neustadt a. d. Saale	51.0	97	19
RK-Reinigungsgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	51.0	33	0
RK-Reinigungsgesellschaft Nord mbH, Bad Neustadt a. d. Saale	51.0	208	0
RK-Reinigungsgesellschaft Ost mbH, Bad Neustadt a. d. Saale	51.0	347	170
RK-Reinigungsgesellschaft Süd mbH, Bad Neustadt a. d. Saale	51.0	83	7
RK-Reinigungsgesellschaft West mbH, Bad Neustadt a. d. Saale	51.0	90	4
RK-Reinigungsgesellschaft Zentral mbH, Bad Neustadt a. d. Saale	51.0	154	32
RK-Wäschereinigung GmbH, Bad Neustadt a. d. Saale	51.0	30	0
UKGM Service GmbH, Bad Neustadt a. d. Saale	100.0	92	–37

Shelf companies/other companies	Interest held %	Equity € '000	Result for the year € '000
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	94.9	129	3
Energiezentrale Universitätsklinikum Gießen GmbH, Giessen	50.0	75	–85
Leben am Rosenberg GmbH, Kronach	100.0	150	47
Heilbad Bad Neustadt GmbH, Bad Neustadt a. d. Saale	100.0	1,909	392
Kinderhort Salzburger Leite gGmbH, Bad Neustadt a. d. Saale	100.0	297	–109
Klinik Feuerberg GmbH, Bad Neustadt a. d. Saale	100.0	48	–3
Psychosomatische Klinik GmbH, Bad Neustadt a. d. Saale	100.0	31	–3
PTZ GmbH, Bad Neustadt a. d. Saale	100.0	15,695	–1,610
RK-Bauträger GmbH, Bad Neustadt a. d. Saale	100.0	274	–128
RK Klinik Betriebs GmbH Nr. 16, Bad Neustadt a. d. Saale	100.0	42	–4
RK Klinik Betriebs GmbH Nr. 31, Bad Neustadt a. d. Saale	100.0	30	–4
RK Klinik Betriebs GmbH Nr. 32, Bad Neustadt a. d. Saale	100.0	41	–4
RK Klinik Betriebs GmbH Nr. 33, Bad Neustadt a. d. Saale	100.0	31	–4
RK Klinik Betriebs GmbH Nr. 34, Bad Neustadt a. d. Saale	100.0	40	–4
RK Klinik Betriebs GmbH Nr. 35, Bad Neustadt a. d. Saale	100.0	193	–3
RK Klinik Betriebs GmbH Nr. 36, Bad Neustadt a. d. Saale	100.0	182	–3
RK Klinik Betriebs GmbH Nr. 37, Bad Neustadt a. d. Saale (formerly: WMK-Service GmbH, Nordenham)	100.0	86	–13
Wolfgang Schaffer GmbH, Bad Neustadt a. d. Saale	100.0	564	1

9.2 OTHER COMPANIES IN ACCORDANCE WITH SECTION 313 (2) NO. 2 ET SEQ. HGB

	Interest held %	Equity € '000	Result for the year € '000
4QD – Qualitätskliniken.de GmbH, Berlin	33.3	351	–890
Christliches Hospiz Pforzheim GmbH, Pforzheim[1]	13.6	1,527	705
Hospiz Mittelhessen gGmbH, Wetzlar[1]	15.9	241	57
Imaging Service AG, Niederpöcking[1]	23.8	520	21
miCura Pflegedienste Dachau GmbH, Dachau[1]	46.5	59	14
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale[1]	25.0	–639	262
Soemmerring GmbH privates Institut für Bewegungsstörungen und Verhaltensneurologie, Bad Nauheim[1]	31.7	1	34

[1] *Figures according to annual financial statement of 31 December 2009.*

10 OTHER DISCLOSURES

10.1 ANNUAL AVERAGE NUMBER OF EMPLOYEES

	2010	2009	Change	
	Number[1]	Number[1]	Number[1]	%
Medical doctors	3,691	3,299	392	11.9
Nursing services	11,482	10,750	732	6.8
Medical-technical services	4,830	4,507	323	7.2
Functional	3,783	3,417	366	10.7
Supply and misc. services	4,601	4,347	254	5.8
Technical	569	546	23	4.2
Administrative	2,578	2,288	290	12.7
Other personnel	462	438	24	5.5
	31,996	**29,592**	**2,404**	**8.1**

[1] *Headcount, excluding board members, managing directors, apprentices, trainees and those in alternative national service.*

10.2 OTHER FINANCIAL OBLIGATIONS

	31 Dec. 2010 € million	31 Dec. 2009 € million
Order commitments	**40.9**	**22.1**
Operating leases		
Due in subsequent year	4.7	4.7
Due in 2 to 5 years	6.0	7.4
Due in 5 years	0.6	1.1
Total operationg leases	**11.3**	**13.2**
Other		
Due in subsequent year	66.8	58.2
Due in 2 to 5 years	31.9	26.0
Due in 5 years	5.2	6.9
Total other	**103.9**	**91.1**

Of the figure for order commitments, € 0.5 million (previous year: € 1.1 million) is attributable to intangible assets, and € 37.7 million (previous year: € 18.3 million) to property, plant and equipment.

The other financial obligations are mainly attributable to service agreements (maintenance agreements, agreements concerning the sourcing of products, agreements relating to laundry services, etc.).

In addition, company purchase agreements have resulted in investment obligations totalling € 99.1 million (previous year: € 277.7 million); most of these obligations have to be settled within a period of up to 24 months.

In addition, absolute bank guarantee undertakings of unlimited amount exist for claims of the associations of accredited physicians (Kassenärztliche Vereinigungen) and health insurance funds against MVZ subsidiaries from their accredited physician activity.

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 risks and rewards associated with ownership are generally treated as finance leases. This applies to the MEDIGREIF group. Accordingly, the Group capitalises the assets at the present value of the minimum leasing payments of € 9.3 million (previous year: € 14.3 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 recognised, which is paid down 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. The leases generally have a term of two to 15 years. Under these lease agreements, the Group has a maximum termination notice of twelve months for the end of the term.

10.3.2 Obligations as lessee of finance leases

The Group mainly rents medical equipment within the framework of finance leases. In the Group, there is a principle of always acquiring ownership of operating assets. The leases amounting to € 0.6 million (previous year: € 5.7 million) which also have to be acquired on the acquisition of hospitals are serviced as planned; however, when they have expired they are replaced by investments.

Liabilities from finance leases – minimum payments:	2010 € million	2009 € million
Due in subsequent year	0.3	1.1
Due in 2 to 5 years	0.3	4.1
Due in 5 years	0.0	1.7
	0.6	6.9
Future financing costs under finance leases	0.0	1.2
Present value of liabilities under finance leases	0.6	5.7

Present value of liabilities under finance leases:	2010 € million	2009 € million
Due in subsequent year	0.2	0.8
Due in 2 to 5 years	0.4	3.3
Due in 5 years	0.0	1.6
	0.6	5.7

The leases in some cases contain purchase and extension options.

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 property to a nursing home operator. On the basis of the capitalised value of potential earnings, we see no material differences between the fair value of the properties and their carrying amounts shown below. For this reason we did not obtain any external fair-value expertise.

	Total € million
Cost	
1 January 2010	6.3
Additions	0.0
Disposals	0.0
31 December 2010	6.3
Cumulative depreciation	
1 January 2010	1.2
Depreciation	0.2
31 December 2010	1.4
Balance at 31 Dec. 2010	4.9

	Total € million
Cost	
1 January 2009	5.0
Additions due to change in scope of consolidation[1]	1.3
31 December 2009	6.3
Cumulative depreciation	
1 January 2009	1.0
Depreciation	0.2
31 December 2009	1.2
Balance at 31 December 2009	5.1

[1] *Including acquisitions.*

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 2010. The operating costs for these investment properties amounted to € 0.3 million in the financial year (previous year: € 0.2 million). These are accounted for entirely by properties with which rental income was generated.

Other spaces let under operating leases are insignificant non-independent parts of building sections. We have therefore not shown them separately.

The minimum lease payments to be received in future (up to one year) are € 1.3 million. The minimum lease payments for the period of up to five years are € 1.1 million. The corresponding figure for the period in excess of five years is € 4.2 million.

10.4 RELATED PARTIES

Related parties are deemed to be natural as well as legal persons and companies who are able to control the reporting company or one of the subsidiaries of the reporting company or who are able to directly or indirectly exert a major influence on the reporting company or on the subsidiaries of the reporting company as well as those natural and legal persons and companies which the reporting company is able to control or over which it can exert a major influence.

Companies in the RHÖN-KLINIKUM Group enter into transactions with related parties in certain cases. These in particular include lettings of buildings as well as services related to telemedicine, teleradiology, nursing as well as supply of staff. Such service or lease relations are arranged at arm's length terms.

Related companies are accordingly defined as all companies in which we own an interest of between 20.0% and 50.0% and which we have not included in the consolidated financial statements on the grounds of materiality (for the companies of the Group, please refer to the list of shareholdings in these Notes). From the point of view of the Group, the volume of transactions with related companies in financial year 2010 was as follows:

	Expense 2010 € '000	Income 2010 € '000	Receivables 31 Dec. 2010 € '000	Liabilities 31 Dec. 2010 € '000
Imaging Service AG, Niederpöcking	168.7	0.0	0.0	11.3
miCura Pflegedienste Dachau GmbH, Dachau	186.3	0.0	0.0	12.8
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale	0.0	464.1	6.1	0.0
4QD - Qualitätskliniken.de GmbH, Berlin	492.3	0.0	0.0	12.1
	847.3	**464.1**	**6.1**	**36.2**

From the point of view of the Group, the volume of transactions with companies accounted for using the equity method in financial year 2010 was as follows:

	Expense 2010 € '000	Income 2010 € '000	Receivables 31 Dec. 2010 € '000	Liabilities 31 Dec. 2010 € '000
Energiezentrale Universitätsklinikum Gießen GmbH, Giessen	0.0	39.0	2,218.7	0.0
Medizinisches Versorgungszentrum NikoMedicum Bad Sachsa GmbH, Bad Sachsa	0.0	0.0	87.8	0.0
	0.0	**39.0**	**2,306.5**	**0.0**

We define related persons as the members of management in key positions as well as their first degree relations and their spouses in accordance with section 1589 of the German Civil Code (BGB). We have included the Board of Management of RHÖN-KLINIKUM AG, the second management tier as well as the members of the Supervisory Board among the members of management in key positions.

Members of the Supervisory Board of RHÖN-KLINIKUM AG or companies and entities related to them provided the following services subject to arm's length conditions:

Related parties	Companies (as defined by IAS)	Nature of services	€ '000
Prof. Dr. Gerhard Ehninger	AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	139.7
	DKMS – Deutsche Knochenmarkspenderdatei gemeinnützige Ges. mbH, Tübingen	Transplants/removals	557.2

As at the balance sheet date of 31 December 2010, there were accounts payable totalling approximately € 28,000 to AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH as well as DKMS – Deutsche Knochenmarkspenderdatei gemeinnützige Gesellschaft mbH.

The expenses were recognised in the income statement under other operating expenses. No impairments were to be recognised in financial year 2010.

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 in the past financial year:

	Fixed € '000	Performance-linked € '000	Total € '000
Dr. Bernhard Aisch (until 9 June 2010)	80	0	80
Gisela Ballauf (until 9 June 2010)	29	3	32
Peter Berghöfer (since 9 June 2010)	108	48	156
Bettina Böttcher (since 9 June 2010)	29	1	30
Helmut Bühner (until 9 June 2010)	43	4	47
Stefan Härtel (since 9 June 2010)	36	1	37
Ursula Harres (until 9 June 2010)	41	1	42
Annett Müller	29	3	32
Werner Prange	43	2	45
Joachim Schaar (until 9 June 2010)	48	27	75
Prof. Dr. Jan Schmitt (since 9 June 2010)	123	0	123
Dr. Rudolf Schwab (since 9 June 2010)	85	6	91
	694	**96**	**790**

The above costs are shown under employee benefit expenses in the income statement.

10.5 TOTAL REMUNERATION OF SUPERVISORY BOARD, THE BOARD OF MANAGEMENT AND THE ADVISORY BOARD

	2010 € '000	2009 € '000
Remuneration of the Supervisory Board	2,426	2,352
Remuneration of the current Board of Management	9,134	8,435
Remuneration of former members of the Board of Management	1,224	1,135
Remuneration of the Advisory Board	21	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 1.0% of total equity capital. The family of the chairman of the Supervisory Board, Mr. Eugen Münch, holds 12.45% of the shares of RHÖN-KLINIKUM AG.

Transactions with shares of RHÖN-KLINIKUM AG performed in 2010 by members of the Supervisory Board and of the Board of Management as well as by their spouses and/or first-degree relatives were published pursuant to section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG). The following transactions subject to notification pursuant to section 15a of the WpHG were recorded at RHÖN-KLINIKUM AG in financial year 2010:

Date of transaction	First and last name	Position/ status	Financial instrument and ISIN	Nature and place of transaction	Quantity	Price	Business volume
1 July 2010	Dr. Christoph Straub	Member of Board of Management	RHÖN-KLINIKUM share ISIN DE0007042301	Purchase amount XETRA®	2,000	EUR 17.99	EUR 35,980.00
5 Aug. 2010	Detlef Klimpe	Member of Supervisory Board	RHÖN-KLINIKUM share ISIN DE0007042301	Purchase amount Frankfurt Stock Exchange	1,100	EUR 17.74	EUR 19,514.00
25 Nov. 2010	Dr. Brigitte Mohn	Member of Supervisory Board	RHÖN-KLINIKUM share ISIN DE0007042301	Purchase amount XETRA®	4,667	EUR 15.64	EUR 72,992.91

Expenses (excluding VAT) for members of the Supervisory Board break down as follows:

Total remuneration	Basic amount € '000	Attendance fee, fixed € '000	Attendance fee, variable € '000	Functional days, variable € '000	Total 2010 € '000	Total 2009 € '000
Eugen Münch	20	44	123	281	468	409
Joachim Lüddecke	20	36	57	0	113	112
Bernd Becker (until 2 December 2009)	0	0	0	0	0	124
Wolfgang Mündel	20	40	148	178	386	349
Dr. Bernhard Aisch (until 9 June 2010)	9	6	14	0	29	54
Gisela Ballauf (until 9 June 2010)	9	6	14	0	29	59
Peter Berghöfer (since 9 June 2010)	11	8	20	0	39	0
Bettina Böttcher (since 9 June 2010)	11	4	6	0	21	0
Sylvia Bühler	20	14	46	0	80	54
Helmut Bühner (until 9 June 2010)	9	8	22	0	39	54
Prof. Dr. Gerhard Ehninger	20	8	20	0	48	59
Stefan Härtel (since 9 June 2010)	11	8	20	0	39	0
Ursula Harres (until 9 June 2010)	9	6	14	0	29	54
Caspar von Hauenschild	20	20	75	16	131	118
Detlef Klimpe	20	20	99	0	139	155
Dr. Heinz Korte (until 9 June 2010)	9	12	59	0	80	155
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach	20	10	26	0	56	59
Michael Mendel	20	18	69	0	107	120
Dr. Rüdiger Merz (since 9 June 2010)	11	10	32	0	53	0
Dr. Brigitte Mohn	20	16	38	0	74	48
Annett Müller	20	12	30	0	62	1
Jens-Peter Neumann	20	18	73	0	111	54
Werner Prange	20	16	49	0	85	105
Joachim Schaar (until 9 June 2010)	9	10	22	0	41	54
Prof. Dr. Jan Schmitt (since 9 June 2010)	11	6	12	0	29	0
Georg Schulze-Ziehaus (since 9 June 2010)	11	6	12	0	29	0
Dr. Rudolf Schwab (since 9 June 2010)	11	6	12	0	29	0
Michael Wendl (until 9 June 2010)	9	12	59	0	80	155
	400	**380**	**1,171**	**475**	**2,426**	**2,352**

The total remuneration of the Board of Management breaks down as follows:

	Fixed					
Total remuneration	Basic salary € '000	Fringe benefits € '000	Post-employment benefits € '000	Profit-linked € '000	Total 2010 € '000	Total 2009 € '000
Members of the Board of Management in 2010						
Andrea Aulkemeyer[1]	192	9	0	762	963	874
Volker Feldkamp[2]	61	4	0	134	199	0
Dr. Erik Hamann	177	7	0	402	586	518
Wolfgang Kunz	192	14	0	762	968	879
Gerald Meder[1]	288	8	0	2,004	2,300	2,066
Wolfgang Pföhler	384	12	0	2,096	2,492	2,247
Ralf Stähler[3]	58	3	0	127	188	519
Dr. Irmgard Stippler	174	8	0	381	563	519
Dr. Christoph Straub	192	0	150	533	875	813
	1,718	**65**	**150**	**7,201**	**9,134**	**8,435**

[1] *until 31 December 2010.*
[2] *since 1 September 2010.*
[3] *until 30 April 2010.*

The members of the Board of Management that left the Board of Management with effect on 31 December 2008 received remuneration totalling € 1.2 million (previous year: € 1.1 million) for their work as members of the Board of Management during financial year 2010.

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 (twelve full calendar months) of service as 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 post-employment benefits:

Retirement pension benefits	Provision as at 31 Dec. 2009 € '000	Change in severence claims € '000	Provision as at 31 Dec. 2010 € '000	Nominal amount on contract expiry[5] € '000
Members of the Board of Management in 2010				
Andrea Aulkemeyer[1]	754	224	978	1,193
Volker Feldkamp[2]	0	6	6	122
Dr. Erik Hamann	43	52	95	362
Wolfgang Kunz	658	196	854	1,193
Gerald Meder[1]	2,577	290	2,867	3,438
Wolfgang Pföhler	1,049	303	1,352	2,789
Ralf Stähler[3]	43	–43	0	0
Dr. Irmgard Stippler	43	52	95	347
Dr. Christoph Straub	58	70	128	453
	5,225	**1,150**	**6,375**	**9,897**
Former members of the Board of Management				
Dietmar Pawlik[4]	228	135	363	391
Dr. Brunhilde Seidel-Kwem[4]	227	136	363	391
	455	**271**	**726**	**782**
	5,680	**1,421**	**7,101**	**10,679**

[1] *until 31 December 2010.*
[2] *since 1 September 2010.*
[3] *until 30 April 2010.*
[4] *until 31 December 2008.*
[5] *Claim after ordinary expiry of contract based on remuneration of the past financial year.*

IAS 19.92 et seq. requires recognition through profit or loss of actuarial losses (corridor method) for the retired members of the Board of Managers in financial year 2011.

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 1.0% of the shares of RHÖN-KLINIKUM AG. The total number of shares issued by the Company held by these members of the Board of Management also amounts to less than 1.0%. The total number of shares held by all members of the Supervisory Board – except Mr. Eugen Münch – amounts to less than 1.0% of the shares outstanding. There are no options or other derivatives. Mr. Eugen Münch and his wife Ingeborg together hold 12.45% of the shares of RHÖN-KLINIKUM AG.

10.6 DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

By joint resolution of the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG of 3 November 2010, the Company made the required declaration pursuant to section 161 of the German Stock Corporation Act (AktG) regarding the application of the German Corporate Governance Code in financial year 2010. 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 (INCLUDING REIMBURSEMENT OF OUTLAYS AND VAT) FOR THE STATUTORY AUDITORS

In financial year 2010, expenses resulting from fees for statutory auditors amounting to € 4.7 million (previous year: € 5.9 million) were incurred Group-wide. A breakdown of these fees (including outlays and VAT) by service rendered is provided below:

	2010 € '000	2009 € '000
Fees for auditing financial statements	3,009	2,941
Fees for other auditing services	453	1,748
Fees for tax advice	921	941
Fees for other services	336	239
	4,719	**5,869**

The fee for other auditing services declined by € 1.3 million compared with the previous year. This was attributable to fees incurred in the previous year in connection with the capital increase.

Of the total fee, € 1.6 million (previous year: € 1.6 million) is attributable to other statutory auditors who are not auditors of the consolidated financial statements. The fees comprise the following:

	2010 € '000	2009 € '000
Fees for auditing financial statements	1,251	1,321
Fees for other auditing services	55	23
Fees for tax advice	211	212
Fees for other services	62	8
	1,579	**1,564**

11 CORPORATE BODIES AND ADVISORY BOARD OF RHÖN-KLINIKUM AG

THE **SUPERVISORY BOARD** OF RHÖN-KLINIKUM AG CONSISTS OF THE FOLLOWING PERSONS:

EUGEN MÜNCH
Bad Neustadt a. d. Saale, Chairman of the Supervisory Board
Other mandates:
– *Stiftungsrat Deutsche Hospizstiftung*
– *Stiftungsrat Deutsche Schlaganfall-Hilfe*
– *Member of the Presidium of IHK Würzburg-Schweinfurt (until 31 December 2010)*
– *Bundesverband Deutscher Privatkliniken e. V. (deputy chairman of the Board of Management)*

JOACHIM LÜDDECKE
Hanover, 1st Deputy Chairman
(since 10 February 2010), Regional Director of ver.di, Union Secretary
Also a member of the supervisory board of:
– *Klinikum Region Hannover (deputy chairman of the Board of Management), member in the Mediation and Presiding Committee of this Supervisory Board*

WOLFGANG MÜNDEL
Kehl, 2nd Deputy Chairman, Wirtschaftsprüfer (German public auditor) and tax consultant in own practice
Other mandates:
– *Jean d'Arcel Cosmétique GmbH & Co. KG, Kehl (chairman of the Advisory Board)*

DR. BERNHARD AISCH
Hildesheim, Medical Controller at Klinikum Hildesheim GmbH, Hildesheim (until 9 June 2010)

GISELA BALLAUF
Harsum, Children's nurse at Klinikum Hildesheim GmbH, Hildesheim (until 9 June 2010)
Also a member of the supervisory board of:
– *Klinikum Hildesheim GmbH, Hildesheim (deputy chairman)*

PETER BERGHÖFER
Münchhausen, Head of Finance of Universtätsklinikum Gießen und Marburg GmbH, Giessen (since 9 June 2010)

BETTINA BÖTTCHER
Marburg, employee at Universitätsklinikum Gießen und Marburg GmbH, Giessen (since 9 June 2010)
Also a member of the supervisory board of:
– *Universitätsklinikum Gießen und Marburg GmbH*

SYLVIA BÜHLER
Düsseldorf, Regional Director and Secretary of ver.di
Also a member of the supervisory board of:
– *MATERNUS-Kliniken AG, Berlin (deputy chairman of the Supervisory Board)*

HELMUT BÜHNER
Bad Bocklet, male nurse at Herz- und Gefäß-Klinik GmbH, Bad Neustadt a. d. Saale (until 9 June 2010)
Other mandates:
– *Chairman of the Works Council of RHÖN-KLINIKUM AG*

PROFESSOR DR. GERHARD EHNINGER
Dresden, MD
Also a member of the supervisory board of:
– *Universitätsklinikum Gießen und Marburg GmbH, Giessen*
Other mandates:
– *DKMS Deutsche Knochenmarkspenderdatei gemeinnützige Gesellschaft mbH, Tübingen (chairman of the Board of Directors)*
– *DKMS Stiftung Leben spenden, Tübingen (member of the Board of Trustees)*
– *DKMS America, New York (board member)*

STEFAN HÄRTEL
Müllrose, male nurse, Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder) (since 9 June 2010)

URSULA HARRES
Wiesbaden, Medical-technical assistant at Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden (until 9 June 2010)

CASPAR VON HAUENSCHILD
Munich, management consultant in own practice
Also a member of the supervisory board of:
– *St. Gobain ISOVER AG, Ludwigshafen*
– *oekom research AG, Munich*

DETLEF KLIMPE
Aachen, German lawyer associated with the law firm Leinen und Derichs, Cologne, Berlin, Brussels
Also a member of the supervisory board of:
– *Universitätsklinikum Gießen und Marburg GmbH, Giessen*

DR. HEINZ KORTE
Munich, former notary (since 9 June 2010)
Also a member of the supervisory board of:
– *Universitätsklinikum Gießen und Marburg GmbH, Giessen*
– *Amper Kliniken AG, Dachau*

PROFESSOR DR. DR. SC. (HARVARD) KARL W. LAUTERBACH
Cologne, member of the German Parliament

MICHAEL MENDEL
Vienna, Merchant, member of the Board of Management of Österreichische Volksbanken-AG
Also a member of the supervisory board of:
– *Altium AG, Munich*
– *Aveco AG, Frankfurt am Main*

DR. RÜDIGER MERZ
Munich, Managing Director of Clemens Haindl Verwaltungs GmbH (since 9 June 2010)

DR. BRIGITTE MOHN
Gütersloh, member of the Board of Management of Bertelsmann Stiftung
Also a member of the supervisory board of:
– *Bertelsmann AG, Gütersloh*
– *PHINEO gAG, Berlin (Chairman of the Supervisory Board)*
Other mandates:
– *Stiftung Deutsche Schlaganfall-Hilfe, Gütersloh (chairman of the Board of Directors)*
– *MEDICLIN AG, Offenburg (member of the Advisory Board)*
– *Deutsche Kinderturnstiftung, Frankfurt am Main (member of the Board of Trustees)*
– *Member of Bertelsmann Verwaltungsgesellschaft mbH*
– *Stiftung Michael Skopp, Bielefeld (member of the Board of Trustees)*
– *Stiftung Praxissiegel e. V., Gütersloh (deputy chairman of the Board of Management)*
– *Stiftung Dialog der Generationen, Düsseldorf (member of the Board of Trustees)*
– *Stiftung Wittenberg-Zentrum für globale Ethik, Lutherstadt Wittenberg (member of the Board of Trustees)*
– *HelpGroup GmbH, Bonn-Alfter (member of the Advisory Board)*
– *European Foundation Center, Brussels (member of the Governing Council)*
– *Agentur Nordpol, Hamburg (member of the Advisory Board)*

ANNETT MÜLLER
Dippoldiswalde, physiotherapist at Weißeritztal-Kliniken GmbH, Freital

JENS-PETER NEUMANN
Paphos, management consultant

WERNER PRANGE
Osterode, male nurse at Kliniken Herzberg und Osterode GmbH, Herzberg
Other mandates:
– Chairman of the Works Council of Kliniken Herzberg und Osterode GmbH
– Chairman of the Central Works Council of RHÖN-KLINIKUM AG

JOACHIM SCHAAR
Wasungen, Administrative Director of Klinikum Meiningen GmbH, Meiningen (until 9 June 2010)

PROFESSOR DR. JAN SCHMITT
Marburg, Managing Head Physician at Universitätsklinikum Gießen und Marburg GmbH, Marburg (since 9 June 2010)

GEORG SCHULZE-ZIEHAUS
Frankfurt am Main, Regional Director of ver.di for the region of Hesse (since 9 June 2010)

DR. RUDOLF SCHWAB
Munich, MD at Kliniken München Pasing und Perlach GmbH, Munich (since 9 June 2010)

MICHAEL WENDL
Munich, Secretary of ver.di, Regional Directorate of Bavaria (until 9 June 2010)
Also a member of the supervisory board of:
– Städtisches Klinikum München GmbH, Munich (Deputy Chairman of the Supervisory Board, until 21 February 2010)

THE **BOARD OF MANAGEMENT** OF RHÖN-KLINIKUM AG CONSISTS OF THE FOLLOWING PERSONS:

WOLFGANG PFÖHLER
business address at Bad Neustadt a. d. Saale, Chairman of the Board of Management
Also a member of the supervisory board of:
– Universitätsklinikum Gießen und Marburg GmbH, Giessen
– Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden
– gemeinnützige Diakoniekrankenhaus Mannheim GmbH, Mannheim (Deputy Chairman of the Supervisory Board)
– gemeinnützige Heinrich-Lanz-Stiftung, Mannheim (Chairman of the Board of Directors)
Other mandates:
– Deutsche Krankenhausgesellschaft e.V., 1st Vice-President

GERALD MEDER
business address at Bad Neustadt a. d. Saale, Deputy Chairman of the Board of Management, responsible for Specialised, Intermediate and Maximum Care division, Group Labour Relations (until 31 December 2010)
Also a member of the supervisory board of:
– Amper Kliniken AG, Dachau (Chairman of the Supervisory Board)
– Universitätsklinikum Gießen und Marburg GmbH, Giessen (Chairman of the Supervisory Board until 13 December 2010, member of Supervisory Board until 31 December 2010)
– Klinikum Hildesheim GmbH, Hildesheim (Chairman of the Supervisory Board)
– Klinikum Pforzheim GmbH, Pforzheim (Chairman of the Supervisory Board)
– Klinikum Salzgitter GmbH, Salzgitter (Chairman of the Supervisory Board)
– Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden

ANDREA AULKEMEYER
business address at Bad Neustadt a. d. Saale, Internal Advisory, Internal Accounting, Compliance (until 31 December 2010)
Other mandates:
– Forum MedTech Pharma e. V., Nürnberg (member of the Board of Management, until 31 December 2010)
– Verband der Privatkliniken in Thüringen e. V., Bad Klosterlausnitz (Chairman of the Board of Directors, until 31 December 2010)
– Landeskrankenhausgesellschaft Thüringen e. V., Erfurt (member of the Board of Management, until 10 December 2010)

VOLKER FELDKAMP
business address at Bad Neustadt a. d. Saale, responsible for South/West, Major Investments and Process Management (since 1 September 2010)
Also a member of the supervisory board of:
– Universitätsklinikum Gießen und Marburg GmbH, Giessen (as of 1 January 2011)
Other mandates:
– Landeskrankenhausgesellschaft Thüringen e. V., Erfurt (Member of the Management Board, since 10 December 2010)

DR. RER. POL. ERIK HAMANN
business address Bad Neustadt a. d. Saale, Finance, Investor Relations and Controlling
Also a member of the supervisory board of:
– Klinikum Pforzheim GmbH, Pforzheim
– Klinikum Salzgitter GmbH, Salzgitter
– Klinikum Hildesheim GmbH, Hildesheim
– Amper Kliniken AG, Dachau

WOLFGANG KUNZ
business address at Bad Neustadt a. d. Saale, Company and Group Accounting
Also a member of the supervisory board of:
– Klinikum Pforzheim GmbH, Pforzheim
– Klinikum Salzgitter GmbH, Salzgitter
– Klinikum Hildesheim GmbH, Hildesheim

MARTIN MENGER
business address in Hildesheim, responsible for North/East (as of 1 January 2011)
Other mandates:
– Verband der Privatkliniken Niedersachsen und Bremen e. V. (Managing Director)
– Niedersächsische Krankenhausgesellschaft e.V., Hannover (member of the Advisory Board)
– Krankenhaus Cuxhaven GmbH, Cuxhaven (Chairman of the Advisory Board)
– Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder) (Chairman of the Advisory Board)
– Mittelweser Kliniken GmbH Nienburg Hoya Stolzenau, Nienburg (member of the Advisory Board)
– Klinikum Gifhorn GmbH, Gifhorn (Chairman of the Advisory Board)
– Niedersächsische Krankenhausgesellschaft e.V., Hanover (member of the Arbitration Body)
– Wesermarsch-Klinik Nordenham GmbH, Nordenham (member of the Advisory Board)

RALF STÄHLER
business address at Bad Neustadt a. d. Saale, Outpatient-Inpatient Basic and Standard Care division (until 30 April 2010)

DR. RER. OEC. IRMGARD STIPPLER
business address at Bad Neustadt a. d. Saale, responsible for Materials Management, IT, Human Resources Management and Communication

DR. MED. CHRISTOPH STRAUB
business address at Bad Neustadt a. d. Saale, Outpatient-Inpatient Basic and Standard Care division
Also a member of the supervisory board of:
– Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden (Chairman)
Other mandates:
– Wesermarsch-Klinik Nordenham GmbH, Nordenham (Chairman of the Advisory Board)
– Krankenhaus Waltershausen-Friedrichroda GmbH, Friedrichroda (member of the Advisory Board)
– Mittelweser Kliniken GmbH Nienburg Hoya Stolzenau, Nienburg (Chairman of the Advisory Board)

THE **ADVISORY BOARD** OF RHÖN-KLINIKUM AG CONSISTS OF THE FOLLOWING PERSONS:

PROFESSOR DR. MED. FREDERIK WENZ
Heidelberg (Chairman)

DIPL.-POLITOLOGIN DOROTHEE BÄR
Berlin (since 1 January 2010)

HEINZ DOLLINGER
Dittelbrunn

WOLF-PETER HENTSCHEL
Bayreuth

DR. HEINZ KORTE
Munich (since 3 November 2010)

MINISTERIALRAT A. D. HELMUT MEINHOLD
Heppenheim

PROFESSOR DR. RER. POL. GEORG MILBRADT
Dresden (since 1 January 2010)

PROFESSOR DR. MICHAEL-J. POLONIUS
Dortmund

HELMUT REUBELT
Dortmund

MICHAEL WENDL
Munich (since 3 November 2010)

FRANZ WIDERA
Duisburg

Bad Neustadt a. d. Saale, 10 March 2011

The Board of Management

Volker Feldkamp | Dr. rer. pol. Erik Hamann | Wolfgang Kunz | Martin Menger

Wolfgang Pföhler | Dr. rer. oec. Irmgard Stippler | Dr. med. Christoph Straub

ASSURANCE OF LEGAL REPRESENTATIVES

We assure to the best of our knowledge that based on the accounting principles to be applied to the Consolidated Financial Statement of RHÖN-KLINIKUM AG a true and fair view of the asset, financial and earnings position of the Group is given therein and that the Consolidated Report of Management presents the business performance including the situation of the Group in such a way as to give a true and fair view of the same as well as a description of the material risks and opportunities involved in the probable development of the Group of RHÖN-KLINIKUM AG.

Bad Neustadt a. d. Saale, 10 March 2011

The Board of Management

Volker Feldkamp

Dr. rer. pol. Erik Hamann

Wolfgang Kunz

Martin Menger

Wolfgang Pföhler

Dr. rer. oec. Irmgard Stippler

Dr. med. Christoph Straub

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 and comprehensive income statements, 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 2010. 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) 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 conducted our audit of the consolidated financial statements in accordance Section 317 HGB and German generally accepted accounting standards 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). These standards require an audit to be planned and performed in such a way that misstatements having a material impact on the view of the asset, 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 Group 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 by the EU, and the additional requirements of section 315a (1) HGB, 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, 10 March 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Harald Schmidt)
Wirtschaftsprüfer

(ppa. Tino Fritz)
Wirtschaftsprüfer

SUMMARY REPORT OF RHÖN-KLINIKUM AG

BALANCE SHEET

ASSETS	31 Dec. 2010 € million	31 Dec. 2009 € million
Intangible assets	5.3	4.4
Property, plant and equipment	32.6	34.9
Financial assets	1,391.9	1,171.0
Fixed assets	**1,429.8**	**1,210.3**
Inventories	5.4	5.2
Receivables and other assets	358.7	386.3
Securities, cash and cash equivalents	313.0	336.4
Current assets	**677.1**	**727.9**
Prepaid expenses	**3.2**	**2.2**
Deferred tax assets	2.0	0.0
	2,112.1	**1,940.4**

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec. 2010 € million	31 Dec. 2009 € million
Subscribed capital	345.5	345.6
Capital reserve	410.9	410.9
Retained earnings	147.1	138.7
Net distributable profit	51.1	41.5
Shareholders' equity	**954.6**	**936.7**
Contributions to finance fixed assets	**0.7**	**0.4**
Tax provisions	0.0	0.0
Other provisions	36.0	34.4
Provisions	**36.0**	**34.4**
Liabilities	**1,120.8**	**968.9**
	2,112.1	**1,940.4**

INCOME STATEMENT

	2010 € million	2009 € million
Revenues	144.5	137.3
Changes in services in progress	0.5	–0.1
Other operating income	22.7	17.9
Materials and consumables used	39.8	36.6
Employee benefits expense	85.3	79.4
Depreciation	6.5	6.1
Other operating expenses	42.4	51.8
Operating result	**–6.3**	**–18.8**
Investment result	81.1	76.2
Financial result	–17.4	–15.7
Earnings from ordinary operations	**57.4**	**41.7**
Taxes	**0.4**	**0.0**
Net profit for the year	**57.0**	**41.7**
Allocation to retained earnings	5.9	0.2
Net distributable profit	**51.1**	**41.5**

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.

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 2010, 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 € 51,145,840.00. The Board of Management and the Supervisory Board propose appropriating an amount of € 51,136,960.00 from net distributable profit to

distribute a dividend of € 0.37 per non-par share with dividend entitlement (DE0007042301)

and to carry forward the remaining amount of € 8,880.00.

Bad Neustadt a. d. Saale, 27 April 2011

RHÖN-KLINIKUM Aktiengesellschaft

The Supervisory Board

The Board of Management

THE COMPANY AT A GLANCE

OUR BRAND

RHÖN-KLINIKUM AG traces its beginnings to the town of Bad Neustadt a. d. Saale in Bavaria. It is there that the carline thistle adorns the heights of the Rhön area from July to September with its silvery white leaves and red flowers.

For us, it symbolises the close connection between Man, nature and health.

MILESTONES

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 authorised 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 hospital 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 extension of Herz- und Gefäß-Klinik Bad Neustadt a. d. Saale

1992

Opening of the hand surgery clinic Klinik für Handchirurgie 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 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 Wiesbaden, making us sole shareholder

Commissioning of reconstructed central facility of Zentralklinik Bad Berka

The new building at the site of the University Hospital of Giessen, opened in 2011, will ensure shorter and more efficient pathways and even more modern medical care.

Medicine of efficient pathways thrives on the close co-operation between patient care on the one hand and research and teaching on the other. The 3rd building section at the University Hospital in Marburg will also meet this requirement.

1997

Opening of Soteria Klinik Leipzig-Probstheida

Takeover of Krankenhaus Walters-hausen-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 diagnos-tics, PET and low-care ward

Commissioning of vascular centre at Herz- und Gefäß-Klinik Bad Neustadt a. d. Saale

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 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 Bevensen with 489 beds

Takeover of Krankenhaus in Dippoldis-walde (near Freital and Dresden) with 142 beds

2001

Commissioning of extension of Kliniken Herzberg und Osterode/ 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 Wiesbaden with 63 beds

Takeover of Klinikum Pirna (near Dresden) with 342 beds

2003

Takeover of Johanniter-Krankenhaus Dohna-Heidenau (near Pirna, today amalgamated with Pirna) with 142 beds

Opening of new facility of Kliniken Uelzen und Bevensen/amalgamation of Uelzen and 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 Hammelburg with 130 beds

Takeover of St. Elisabeth-Krankenhaus Bad Kissingen with 196 beds

Opening of new facility for neurology, child and youth psychiatry, extension of adult psychiatry at Fachkrankenhaus Hildburghausen

Commissioning of extension and refurbishment at St. Barbara Krankenhaus Attendorn

Takeover of Stadtkrankenhaus Pforzheim with 602 beds

2005

Takeover of Stadtkrankenhaus Hildesheim with 570 beds

Takeover of Kreiskrankenhaus Gifhorn with 360 beds (interest of 96%)

Takeover of Städtisches Krankenhaus Wittingen with 71 beds (interest of 96%)

Takeover of Kreiskrankenhaus München-Pasing with 442 beds

Takeover of Kreiskrankenhaus München-Perlach with 180 beds

Takeover of Klinikum Dachau with 443 beds (interest of 74.9%)

Takeover of Klinik Indersdorf with 50 beds (interest of 74.9%)

Takeover of Kreiskrankenhaus Salzgitter-Lebenstedt with 258 beds (interest of 94.9%)

Takeover of Kreiskrankenhaus Salzgitter-Bad with 192 beds (interest of 94.9%)

Takeover of Kreiskrankenhaus Erlenbach with 220 beds

Takeover of Kreiskrankenhaus 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 portal 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 Hildburghausen GmbH

2006

Takeover of Frankenwaldklinik Kronach with 282 beds

Takeover of Heinz Kalk-Krankenhaus 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 Köthen with 264 beds

Opening of new hospital building in Pirna

Cornerstone-laying ceremony for particle therapy centre at Universitätsklinikum Gießen und Marburg GmbH, Marburg site

Increase in share capital of RHÖN-KLINIKUM AG from own funds to € 259.2 million as well as 1:2 stock split (103,680,000 non-par shares at € 2.50 each)

2008

Opening of new portal clinic in Miltenberg

Opening of new portal clinic in Hammelburg

Opening of new portal clinic in Wittingen

Takeover of St. Petri-Hospital Warburg with 153 beds

Of late, a new centralised patient management system in the foyer of the Mother-Child Centre at the University Hospital of Marburg helps ease the fears and apprehensions of children and youth beginning their hospital stay as inpatients.

In 2008 the new paediatric clinic was opened at the University Hospital of Giessen. The pleasant colours – both inside and out – put children more at ease when they have to undergo examinations.

Opening of new paediatric clinic at Universitätsklinikum Gießen und Marburg GmbH, Giessen site

Topping-out ceremony for particle therapy facility at Universitätsklinikum Gießen und Marburg GmbH, Marburg site

Inauguration of new functional building at Frankenwaldklinik Kronach

Takeover of Wesermarsch-Klinik Nordenham with 137 beds

2009

Takeover of 94% of MEDIGREIF Betriebsgesellschaft für Krankenhäuser und integrative Gesundheitszentren mbH with 842 beds

Increase in the registered share capital of RHÖN-KLINIKUM AG from Company funds to € 345.58 million. The number of newly issued shares was 34,552,000

Inauguration of the José Carreras Leukemia Center in Marburg

Opening of part-new construction of Klinikum Cuxhaven

2010

Takeover of hospital Klinik Hildesheimer Land with 165 beds

Opening of new functional building with state-of-the-art hybrid operating theatre at Zentralklinik Bad Berka

Commissioning of first building section of Krankenhaus Köthen

Topping-out ceremony for new building at Klinikum Hildesheim

Topping-out ceremony for new building at Klinikum Gifhorn

Opening of new Krankenhaus Salzgitter

THE SITES OF OUR GROUP HOSPITALS

RHÖN-KLINIKUM AG is one of the largest healthcare providers in Germany. We are committed to delivering generalised, high-quality patient care affordable for everyone. We currently operate 53 hospitals from basic to maximum care as well as 35 medical care centres (MVZs). We also cover all specialised medical fields. Our facilities are open to all patients, whether covered by statutory health insurance plans or private health insurance.

OUR MEDICAL FIELDS

(as at 31 December 2010)

Hospital	Capacities					Care levels					Status		
	Acute inpatient[1]	Day-care clinical/ day-case treatment[1]	Rehab/other[2]	Total 2010	Total 2009	Basic and standard care	Intermediate care	Maximum care	Specialist care	MVZ[3] at the hospital	Portal clinic	University hospital	Academic teaching hospital
BADEN-WUERTTEMBERG													
Klinik für Herzchirurgie Karlsruhe	89			89	89			x					
Klinikum Pforzheim	500			500	500		x			x			x
BAVARIA													
St. Elisabeth-Krankenhaus Bad Kissingen (Heinz Kalk-Krankenhaus)	60			60	60	x							
St. Elisabeth-Krankenhaus Bad Kissingen	222			222	222	x				x			
St. Elisabeth-Krankenhaus Bad Kissingen (Hammelburg)	60			60	60	x				x	x		
Herz- und Gefäß-Klinik, Bad Neustadt a. d. Saale	339			339	339				x	x			
Klinik für Handchirurgie, Bad Neustadt a. d. Saale	70		44	114	114				x				
Klinik "Haus Franken", Bad Neustadt a. d. Saale			125	125	140								
Haus Saaletal, Bad Neustadt a. d. Saale			232	232	232								
Neurologische Klinik Bad Neustadt a. d. Saale	150		121	271	271				x				
Psychosomatische Klinik, Bad Neustadt a. d. Saale	200		140	340	340				x				
Amper Kliniken (Dachau)	410	6		416	416		x						x
Amper Kliniken (Indersdorf)	50		70	120	120	x							
Kliniken Miltenberg-Erlenbach (Miltenberg)	80			80	80	x					x		
Kliniken Miltenberg-Erlenbach (Erlenbach)	220		32	252	252	x				x			
Klinik Kipfenberg	100		60	160	160				x	x			
Frankenwaldklinik Kronach	282		33	315	315	x				x			
Klinikum München-Pasing	400			400	400		x						x
Klinik München-Perlach	170			170	170	x							x
BRANDENBURG													
Klinikum Frankfurt (Oder)	799	36		835	835		x			x			x
HESSE													
Universitätsklinikum Gießen und Marburg (Giessen)	1,101	44		1,145	1,122			x		x		x	
Universitätsklinikum Gießen und Marburg (Marburg)	1,115	37		1,152	1,140			x		x		x	
Aukamm-Klinik, Wiesbaden	57			57	57				x				
Stiftung Deutsche Klinik für Diagnostik, Wiesbaden	92	60		152	152		x			x			
MECKLENBURG-WEST POMERANIA													
Integratives Gesundheitszentrum Boizenburg	46			46	46	x							
LOWER SAXONY													
Krankenhaus Cuxhaven	250			250	250	x				x			x
Krankenhaus Gifhorn	344			344	350		x						
Klinik Herzberg	254			254	254	x				x			x
Klinikum Hildesheim	535			535	535		x						x
Klinik Hildesheimer Land	25		145	170					x				
Mittelweser Kliniken (Nienburg)	243			243	243	x				x			
Mittelweser Kliniken (Stolzenau)	63			63	63	x					x		
Wesermarsch-Klinik Nordenham	130			130	137	x							
Klinikum Salzgitter	385			385	385	x							x
Klinikum Uelzen	346			346	346		x			x			x
Städtisches Krankenhaus Wittingen	50			50	56	x				x	x		
NORTH RHINE-WESTPHALIA													
Krankenhaus St. Barbara Attendorn	286	12		298	298	x				x			x
St. Petri-Hospital Warburg	153			153	153	x							
SAXONY													
Weißeritztal-Kliniken (Freital und Dippoldiswalde)	350			350	350	x				x	x		x
Herzzentrum Leipzig	380	10		390	390				x			x	
Park-Krankenhaus Leipzig	530	70		600	600	x				x			x
Soteria Klinik Leipzig	56		174	230	230				x				x
Klinikum Pirna	380	20		400	400	x				x			x
SAXONY-ANHALT													
Krankenhaus Anhalt-Zerbst	202			202	202	x				x			
Kreiskrankenhaus Burg	241			241	241	x				x			x
Bördekrankenhaus Neindorf	205			205	205	x				x			
Fachkrankenhaus Vogelsang-Gommern	148			148	148				x				
Krankenhaus Köthen	264			264	264	x				x			
THURINGIA													
Zentralklinik Bad Berka	669			669	669		x			x			x
Krankenhaus Waltershausen-Friedrichroda	212			212	212	x				x			
Fachkrankenhaus Hildburghausen	288	74	186	548	548				x				x
Klinikum Meiningen	568			568	568		x			x			x
Total	**14,169**	**369**	**1,362**	**15,900**	**15,729**								

[1] *Acute inpatient approved beds and day-clinic/day-case places according to requirement plan and section 108, 109 SGB V.*

[2] *Beds in rehabilitation and in other areas as per contractual agreement; Other areas include Haus Saaletal Bad Neustadt a. d.Saale: 18 beds for adaptation, Klinik Indersdorf: 10 day-clinical geriatric places, Frankenwaldklinik Kronach "Leben am Rosenberg": 33 beds for short-term and long-term care, Soteria Klinik Leipzig: 20 beds adaptation, Fachkrankenhaus Hildburghausen: 58 beds in nursing home section und 128 beds for forensic hospital.*

[3] *Further MVZ: MVZ ADTC Wuppertal GmbH, MVZ ADTC Düsseldorf GmbH.*

THE ADDRESSES OF RHÖN-KLINIKUM AG

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