



*Eugen Münch*  
*Chairman of the Supervisory Board*

## REPORT OF THE SUPERVISORY BOARD

### FOR THE FINANCIAL YEAR OF RHÖN-KLINIKUM AG FROM 1 JANUARY 2011 TO 31 DECEMBER 2011

#### **BOARD OF MANAGEMENT ADVISED ON STRATEGIC DIRECTION OF COMPANY AND SUPER- VISED IN ITS MANAGEMENT ACTIVITY**

During financial year 2011 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 continuously 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.

In the committees and at the plenary meeting, the Board of Management informed us regularly, in written and oral form as well as in a timely and comprehensive manner on all relevant aspects of corporate planning and the Group's strategic further development, on the development of transactions, unusual occurrences and events, the Group's position including its risk position, as well as on risk management. We 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 conducted conference calls and 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, also consulting further members of the Board of Management or specialised employees specifically where required, 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 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 also strictly observes the prohibition of working on an operative basis, contacts with members of the Board of Management or employees of the Company 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 trend towards increasing demand for better and more healthcare services that has been seen for years has continued unabated. Under the existing pay-as-you-go (PAYG) financing regime and due to the failure to take measures to change the system, there is an ever-greater burden being placed on the young paying generation. By means such as rationing and prioritisation, an attempt is being made to at least keep the allocation volume under PAYG at a constant level. This is accomplished by maintaining a system of statutory pricing (also exhausting rationalisation potentials) below the trend in costs. On the one hand, the rationalisation pressure this creates is a constant problem; at the same time, though, it results in a competitive advantage given the State's lack of investment capacity. The return to privatisation that was generally expected to arise from this development did not materialise because the extreme level of public debt apparently also made public hospital operators to take the view that there is no way of counteracting this situation and that doing so, besides, would not be worth all the political trouble entailed by privatisation. Ultimately, the trend in privatisation declined despite the debt crisis, and a seller's market accompanied by sharply rising prices and an obstruction of staffing adjustments arose.

It will not be possible to maintain this anti-privatisation stance since the unchangeable demographic trend and the tendency towards increasing debt with rising interest levels will force the State to act. Once the efficiency deficits created by the consequences of rationing are perceived as such by people in Germany, there will be a willingness with people in general and politicians in particular to bring about a change in the healthcare market with the aid of new financing models and growth generated by satisfying the demand arising from the demographic trend.

RHÖN-KLINIKUM AG, like the other strong participants on this market, will prepare themselves for this market change through growth also coupled with rising expenditures, thus enabling them to launch a broad healthcare offering. For this purpose, co-operation schemes and partnerships are being explored (or are already being implemented, as can already be seen with our competitors).

The observation of these complex developments and this discussion with the Board of Management were items of key importance last year in the Supervisory Board's work of advising and supervision of the Board of Management, and that will most certainly also be the case in 2012. It is a highly dynamic process of action and reaction that has to be handled in such a virulent intermediate phase.

In times of nascent changes to the system, the Board of Management is expected to show a high level of commitment, tremendous insights into the basic structures to be created, and consistent orientation. For this reason, the control function of the Supervisory Board devoted ample attention to issues relating to the internal workings of the Board of Management as well as personnel prospects and the performance appraisal of the individual members of the Board of Management and of the Board of Management as a whole.

When advising and supervising the Board of Management, the members of the Supervisory Board are required to have a heightened sensitivity as well as a willingness to be empathetic and insightful – while remaining fully consistent and objective – with regard to key developments based on the most comprehensive information possible. The allocation of tasks within the Supervisory Board to the committees requires its members, in addition to having the required information, to be closely involved in their committee work while at the same time trusting in the work of the other groups. This trust is also to be shown towards the Board of Management whose main task of managing the Company must not be excessively overshadowed by the need for control and supervision. The practice of the Supervisory Board of ensuring efficient supply of information by making available committee minutes to all Supervisory Board members not assigned to the respective committee, along with the open discussion of such information within the plenary meeting, has proven itself but must be continuously rebalanced.

### **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 normally appointed based on the specific expertise they possess for the special issues dealt with in the committees. 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 close contact a committee might have with the Board of Management by reason of its intensive co-operation with the Board of Management and a weakness in supervision possibly resulting therefrom. It is accepted and useful for members less knowledgeable in the subject currently being deliberated on to ask the experts in the meeting and in the plenum to comprehensibly explain their position, thus providing a broad basis for the work of the Supervisory Board. Members of the Supervisory Board are expected to obtain further training in such measure as to enable them to grasp subjects that may not fall under their area of expertise. The remuneration of work on the Supervisory Board is sufficient for members to cover any knowledge gaps in given areas at their own expense. The Company's coverage of costs for higher-qualification events would constitute an additional benefit in kind and as such would not be covered by the Articles of Association, neither does it appear justified in view of the manipulation potential it would involve.

The **Investment, Strategy and Finance Committee** held five ordinary during the year under review (attendance rate: 98 per cent) and conducted one conference call. 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.

The subject of the strategy discussion at all meetings of this Committee related to the proposals being debated by policymakers regarding healthcare reform legislation and its foreseeable impact on the hospital sector, and in particular the consequences of the demographic trend and advances in medicine (as outlined at the beginning). The counteracting and compensatory measures this affords for the Group to prevent adverse impacts on its net assets and results of operations as well as the exploiting of any opportunities arising from the new legislation were the subject of the consultations. Since so far all legislative approaches are culminating in a rationing of service volumes, the Group as a provider will respond with qualified healthcare offerings and thus further improve its position versus the reactive participants in the healthcare market.

One of the key points of the strategy discussion between the members of the Committee and the Board of Management addressed at several of the Committee's meetings was therefore the development of a business model for creating selective full-service healthcare contracts for outpatient and inpatient treatments whose objective is preventing the rationing of healthcare services and waiting times as well as ensuring the quality of medical care and the level of services expected by the insured members. Since implementation of this business model will require broad and general geographic coverage of the Group by its healthcare facilities, possibilities of achieving this objective more quickly than through individual acquisitions were discussed in the Committee. As some of the acquisition offers currently on the market do not satisfy our qualitative requirements and price expectations, it will only be possible to achieve sufficient geographic coverage through co-operation schemes and amalgamations.

At several meetings, the Committee dealt with the consequences in terms of the medical development and economic impact resulting from the surprising withdrawal of Siemens from the particle therapy development project at the Marburg site. Operating models for continuing and further developing the project were presented by the Board of Management and discussed in the Committee.

The completion and commissioning of the investments at the university hospital sites of Gießen and Marburg as well as the personnel changes within the management of Universitätsklinikum Gießen und Marburg GmbH were taken as an occasion to regularly discuss with the Board of Management the resulting control and structuring measures as well as the measures to improve business procedures. The Committee also regularly had itself informed about the stage of negotiations on the right of staff from the university hospitals to return to public service. This legal consequence came after the Federal Constitutional Court ruled that the mandatory transfer of staff from the originally separate university hospitals of Marburg and Gießen to a joint company whose purpose was to prevent the privatisation was unconstitutional.

The further expansion and structuring of the medical care centres (MVZs), the establishment of specialised MVZs and the creation of model regions for innovative networked care delivery with the objective of achieving an interfacility, generalised-coverage outpatient care concept and network was critically monitored and regularly discussed by the Committee.

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 2011 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 and planned divisions and approved these by resolution (in some cases also by written resolution procedures) 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, 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 Dr. Christoph Straub as at 30 June 2011 and Mr. Wolfgang Kunz as at 30 September 2011. After consultation and discussion, resolution proposals were made to the plenary meeting regarding amendments to existing service contracts and the termination of the service contract with Dr. Straub as well as the settlement of contractual relationships with former members of the Board of Management.

The routine review of the guidelines on the remuneration of members of the Board of Management by the Committee did not result in any change in the remuneration system approved by the Annual General Meeting.

Areas of focus of consultations at several meetings were the future development of the management structure within the Board of Management, particularly the management concept within Division 1 (Outpatient-Inpatient Basic and Standard Care) after the departure of Dr. Straub, the development of executive staff, the qualification, retaining and recruiting of specialist and executive talent as well as long-term succession planning within the Board of Management.

The Committee also addressed the principle of the development and status of women in executive positions within the Group. In this regard it noted a disproportionately high share of women at the top management of the subsidiaries and the fact that most of the key subsidiaries were successfully managed by women. The result of a dialogue event, initiated by the Personnel Affairs Committee, with women executive staff of the Group on career opportunities and obstacles was thoroughly discussed and led to recommendations being made to the Board of Management to encourage women in management positions to form networks and, along with promoting the Company, to use their existing opportunities while preserving the Company's interests.

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** met five times in the year under review (attendance rate: 91 per cent). 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 and Finance/Investor Relations/Controlling. The auditor attended two meetings. For selected agenda items, the heads of the Internal Auditing and Compliance departments were consulted by the Board of Management and were available to the Committee for reports and questions.

This Committee notably was responsible for reviewing and preparing the RHÖN-KLINIKUM AG consolidated annual financial statements for financial year 2010. 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 2011 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. The statutory auditor moreover reported on orders for services performed in addition to the auditing services. The qualification of the statutory auditor was monitored by the Committee. For the audit in 2011 a comprehensive list of audit items was defined.

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 reports submitted by the Board of Management, the continued financial integration of Universitätsklinikum Gießen und Marburg GmbH into the Group and the trend in service volumes in connection with the large-scale investments made there. The consequences of the surprising withdrawal of Siemens AG from the particle therapy facility development project (of which we were promptly informed by the Board of Management) for the net assets, financial position, results of operations and corporate planning were thoroughly discussed.

The Committee was 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) which was concluded during the financial year without giving rise to any objection.

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. 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 four meetings. The Committee looked at the auditing plan of the Internal Auditing department for 2011 as well as its update. The audit reports of the Internal Auditing department as well as the 2010 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 implementation of the compliance management system. The head of the Compliance department attended four meetings of the Audit Committee. The audit reports of the Compliance department as well as the 2010 Action Report were then submitted and discussed with the Board of Management, the 2011 compliance programme was approved, and the compliance guidelines submitted by the Board of Management were adopted after extensive and critical discussion. Regular reporting of the Board of Management also includes the quarterly report on notified violations, cases of doubt and problems from the area of compliance, each of which are the subject of intensive discussion with the Board of Management.

In updating 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 version of 26 May 2010 was reviewed as to its 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 and Compliance department to the Audit Committee confirm the impression that parties are still increasingly turning in most cases to the compliance officers of the hospitals. That is a good sign of continued integration of the compliance management system into day-to-day processes.

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. During the financial year the Committee held one meeting (attendance rate: 100 per cent). The areas focused on by this meeting, in which specialists from the Group participated, were the medical and technical development of particle therapy and ophthalmological medical care centres (MVZs).

The **Nomination Committee**, which selects candidates from the shareholders' representatives for supervisory board office and proposes them to the Supervisory Board, did not have to be convened during the financial year.

### THE WORK OF THE SUPERVISORY BOARD'S PLENARY MEETING

The Supervisory Board held a total of four ordinary meetings during financial year 2011 (attendance rate: 99 per cent). 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 so as to give the members not represented on the committees the opportunity to obtain comprehensive information on the items dealt with and the resolutions adopted. Normally, this first part is attended on the part of the Board of Management only by the chairman of the Board of Management unless the specific situation calls for a meeting in the absence of the entire Board of Management.



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 its meeting on 9 February 2011, the Supervisory Board, in a strategy discussion, primarily examined a modification of the existing business model to counteract the nascent rationing of healthcare services by full-coverage offerings of the Group. The discussion took place on the basis of a detailed report by the chairman of the Investment, Strategy and Finance Committee on consultations having previously been held in that committee.

As part of the consultation on personnel matters, a provision proposed by the Personnel Affairs Committee for the leave-of-absence stand-in of the chairman of the Board of Management by a permanent representative was discussed because currently no general stand-in provision exists after the previous position of deputy chairman of the Board of Management was left vacant. A further subject in connection with the proposals on the agenda items of the Annual General Meeting was the repeal of the existing age limit for the Board of Management and the Supervisory Board provided for in the Articles of Association.

At the balance sheet meeting on 27 April 2011 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 2010 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 2011 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. In of the discussion of matters pertaining to the Board of Management, resolutions on the termination of the Board of Management service contract of Dr. Straub and on the assumption of a board of trustees mandate by Dr. Hamann were adopted. The updated General Terms of References of the Board of Management submitted by the Board of Management including the distribution-of-business plan were approved.

At the meeting on 6 July 2011, the areas of focus of consultations on strategic topics were the development of the Medical Care Centres division giving regard to the restrictions brought about by the Care Structures Act (Versorgungsstrukturgesetz, VStG) and the growth prospects of the Group from the conclusion of selective full-service healthcare contracts. These consultations devoted considerable attention to assessing the further development of the particle therapy project at the Marburg site as well as the continuation of the restructuring measures after conclusion of the investments at the university hospitals of Gießen and Marburg.

As successor to the employee representative Dr. Rudolf Schwab, who left the Supervisory Board as of 30 April 2011, Mr. Helmut Bühner, who had been appointed as a substitute member for Dr. Rudolf Schwab, was elected to the Anti-Corruption Committee.

At the Supervisory Board meeting held on 26 October 2011, we dissolved the then existing composition of the Nomination, the Mediation and the Audit Committees and performed new elections to re-appoint those committees. As a result of the outcome of the re-election, Dr. Rüdiger Merz is no longer a member of these committees. Dr. Brigitte Mohn was elected as a new member to the Nomination Committee and Mr. Detlef Klimpe was elected as a new member to the Mediation Committee. The number of members of the Audit Committee was reduced from seven to six members. The other existing members of the committees were re-elected.

At this meeting, the Supervisory Board also examined the legal situation pertaining to the investment commitment to the Federal State of Hesse under the consortium agreement for the particle therapy facility at the Marburg site which resulted from the withdrawal of Siemens AG from the development project. The legal and economic consequences of the ruling of the Federal Constitutional Court on the right of employees of Universitätsklinikum Gießen und Marburg GmbH, who had been mandatorily transferred as a result of the merger of the university hospitals of Gießen and Marburg, to return to the Federal State of Hesse – this was a mistaken measure that had been taken at a time prior to the privatisation (i.e. while the facilities in question were still under the responsibility of the government of the State of Hesse and with the involvement of the employee representatives) and whose effects are still being felt by the Group today – were likewise a subject of the consultations held at this meeting.

The earnings targets submitted by the Board of Management for financial year 2012 were discussed thoroughly and critically by the plenary meeting in terms of their premises and the targets specified for the Group companies.

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 2011. 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 as a rule do not take place because exchange of information between all members of the Supervisory Board is sensible and useful. Encouraging the formation of groups, however, is not in the best interests of an eminently independent and self-responsible Supervisory Board. Where required, preliminary discussions without the participation of the Board of Management are held, though; for example, a meeting of the employee representatives on the Supervisory Board for preparing the balance sheet meeting takes place which other members of the Supervisory Board are entitled to attend on request, and 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 once again examined the issues, the further development and the implementation of the German Corporate Governance Code provisions.

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 3 November 2010 pursuant to section 161 of the Stock Corporation Act (AktG) was replaced by an updated Declaration of Compliance issued on 26 October 2011 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 and the Supervisory Board jointly report on corporate governance from page 28 of this Annual Report.

### **EXAMINATION AND APPROVAL OF THE 2011 FINANCIAL STATEMENTS**

The Board of Management has prepared the financial statements of the Company and the management report for the year ended 31 December 2011 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 2011 have been prepared pursuant to section 315a of the 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 2011. Their audit gave no cause for objections, and the auditors have issued an unqualified auditor's report.

The financial statements of the Company and management report, the consolidated financial statements and 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 25 April 2012 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

This Annual Report presents the composition of the Board of Management and the personal data, functions and duties of the individual members of the Board of Management under the heading "Corporate bodies of the Company" in the notes.

Dr. Christoph Straub, member of the Board of Management responsible for Outpatient and Inpatient Basic and Standard Care, left the Board of Management early as of 30 June 2011 to assume the chair of Barmer-GEK. Furthermore, Mr. Wolfgang Kunz, Board member with responsibility for Group accounting, left the Board of Management on expiry of his term as of 30 September 2011. The division of Dr. Straub was assumed by the chairman of the Board of Management, Mr. Wolfgang Pföhler, and the accounting division was placed under the responsibility of the CFO, Dr. Erik Hamann. The Supervisory Board thanks all members leaving the Board of Management for the successful work with them over the past years.

## 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.

Dr. Rudolf Schwab left the Supervisory Board by termination of his employment relationship with effect from 30 April 2011. Mr. Helmut Bühner was appointed as substitute member for the remaining period of office of this member of the Supervisory Board.

The personal details of the members belonging to the Supervisory Board in 2011 are set out in the section "Corporate bodies of the Company" in the notes in this Annual Report; The section also provides information on the professional qualifications of the Supervisory Board members as well as their further mandates. The organisational structure of the Supervisory Board and the composition of the committees during the past financial year and at the present time are set out in overview provided further on in this Report.

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, 25 April 2012

The Supervisory Board

Eugen Münch  
*Chairman*

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

## CHAIR OF THE SUPERVISORY BOARD

Chairman  
Eugen Münch

1<sup>st</sup> Deputy Chairman  
Joachim Lüddecke

2<sup>nd</sup> Deputy Chairman  
Wolfgang Mündel

## COMPOSITION OF THE COMMITTEES

### INVESTMENT, STRATEGY AND FINANCE COMMITTEE

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

### PERSONNEL AFFAIRS COMMITTEE

Eugen Münch  
*Chairman*  
Joachim Lüddecke  
Dr. Brigitte Mohn  
Annett Müller

### MEDIATION COMMITTEE

Eugen Münch  
*Chairman*  
Joachim Lüddecke  
Sylvia Bühler  
Dr. Rüdiger Merz  
(until 26 October 2011)  
Detlef Klimpe  
(from 26 October 2011)

### AUDIT COMMITTEE

Wolfgang Mündel  
*Chairman*  
Sylvia Bühler  
Caspar von Hauenschild  
Detlef Klimpe  
Michael Mendel  
Dr. Rüdiger Merz  
(until 26 October 2011)  
Jens-Peter Neumann

### ANTI-CORRUPTION COMMITTEE

Caspar von Hauenschild  
*Chairman*  
Bettina Böttcher  
Helmut Bühner  
(from 6 July 2011)  
Dr. Rudolf Schwab  
(until 30 April 2011)  
Werner Prange

### MEDICAL INNOVATION AND QUALITY COMMITTEE

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

### NOMINATION COMMITTEE

Eugen Münch  
*Chairman*  
Dr. Rüdiger Merz  
(until 26 October 2011)  
Dr. Brigitte Mohn  
(from 26 October 2011)  
Wolfgang Mündel