ANNUAL REPORT 2011

RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

CONTENTS

FINANCIAL CALENDAR 2012

DATES FOR RHÖN-KLINIKUM SHAREHOLDERS AND FINANCIAL ANALYSTS

9 February 2012	Preliminary results for financial year 2011
26 April 2012	Results Press Conference: publication of 2011 annual financial report
26 April 2012	Publication of interim report for the quarter ending 31 March 2012
13 June 2012	Annual General Meeting (Jahrhunderthalle Frankfurt)
9 August 2012	Publication of half-year financial report as at 30 June 2012
8 November 2012	Publication of interim report for the quarter ending 30 September 2012

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 2011

	Jan,–Dec, 2011 € '000	Oct,–Dec, 2011 € '000	July–Sept, 2011 € '000	April–June 2011 € '000	Jan,–March 2011 € '000
Revenues	2,629,148	670,829	660,020	651,089	647,210
Materials and consumables used	678,622	175,375	170,095	165,530	167,622
Employee benefits expense	1,562,100	400,978	393,192	386,063	381,867
Depreciation/amortisation and impairment	141,535	33,776	48,413	31,135	28,211
Net consolidated profit according to IFRS[1]	161,073	40,755	36,090	46,219	38,009
– Earnings share of RHÖN-KLINIKUM AG shareholders	156,114	39,344	34,998	45,162	36,610
– Earnings share of attributable to minority interests	4,959	1,411	1,092	1,057	1,399
Return on revenue (%)	6.1	6.1	5.5	7.1	5.9
EBT	186,464	52,831	43,336	44,378	45,919
EBIT	213,188	60,201	50,641	51,747	50,599
EBIT ratio (%)	8.1	9.0	7.7	7.9	7.8
EBITDA	354,723	93,977	99,054	82,882	78,810
EBITDA ratio (%)	13.5	14.0	15.0	12.7	12.2
Operating cash flow	303,875	92,893	67,570	77,337	66,075
Property, plant and equipment as well as investment property	1,863,705	1,863,705	1,836,553	1,889,433	1,845,469
Non-current income tax claims	11,572	11,572	11,495	13,865	13,601
Equity according to IFRS[1]	1,598,658	1,598,775	1,560,741	1,536,624	1,544,800
Return on equity (%)	10.4	10.2	9.3	12.0	10.0
Balance sheet total according to IFRS[1]	3,175,265	3,175,265	3,038,728	3,075,386	3,085,056
Investments[2]					
– in goodwill, in other intangible assets, as well as in property, plant and equipment and in investment property	270,853	82,068	61,504	74,886	52,395
– in other non-current assets, in other non-current financial assets	220	110	44	–32	98
Earnings per ordinary share (€)	1.13	0.28	0.26	0.32	0.27
Number of employees (headcount)	39,325	39,325	38,323	38,298	38,174
Case numbers (patients treated)	2,277,153	575,664	553,596	568,261	579,632
Beds and places	15,973	15,973	15,960	15,978	15,972

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

KEY RATIOS 2007–2011

	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000
Revenues	2,024,754	2,130,277	2,320,089	2,550,384	2,629,148
Materials and consumables used	496,517	539,863	595,203	656,902	678,622
Employee benefits expense	1,203,979	1,270,593	1,379,245	1,513,848	1,562,100
Depreciation/amortisation and impairment	91,772	90,680	101,996	109,399	141,535
Net consolidated profit according to IFRS[1]	111,194	122,644	131,652	145,069	161,073
– Earnings share of RHÖN-KLINIKUM AG shareholders	106,292	117,299	125,721	139,693	156,114
– Earnings share of attributable to minority interests	4,902	5,345	5,931	5,376	4,959
EBT	137,085	142,912	158,709	173,852	186,464
EBIT	157,490	172,077	181,998	197,857	213,188
EBITDA	249,262	262,757	283,994	307,256	354,723
Operating cash flow	190,975	213,745	238,286	255,889	303,875
Property, plant and equipment as well as investment property	1,209,442	1,391,019	1,604,930	1,832,361	1,863,705
Income tax receivables	20,577	18,776	17,149	13,616	11,572
Other non-current assets, other non-current financial assets	1,556	2,308	1,788	1,724	2,064
Equity according to IFRS[1]	810,831	889,263	1,422,939	1,495,195	1,598,658
Return on equity (%)	14.4	14.4	11.4	9.9	10.4
Balance sheet total according to IFRS[1]	2,073,099	2,140,894	2,858,548	3,058,244	3,175,265
Investments[2]					
– in goodwill, in other intangible assets, as well as in property, plant and equipment and in investment property	180,677	278,784	414,413	348,428	270,853
– in other non-current assets, in other non-current financial assets	257	103	199	178	220
Earnings per ordinary share (€)	1.03	1.13	1.07	1.01	1.13
Total dividend amount	29,030	36,288	41,462	51,137	62,194
Number of employees (headcount)	32,222	33,679	36,882	38,058	39,325
Case numbers (patients treated)	1,544,451	1,647,972	1,799,939	2,041,782	2,277,153
Beds and places	14,647	14,828	15,729	15,900	15,973

[1] *International Financial Reporting Standards*

[2] *from own funds*

Wolfgang Pföhler
Chairman of the Board of Management

HARMONISING GOOD-QUALITY MEDICAL CARE WITH THE PRINCIPLE OF ECONOMIC EFFICIENCY – INVESTMENT CAPACITY AS A KEY COMPETITIVE FACTOR

» With the establishment and expansion of our medical network we deliberately do away with the boundaries between hospitals and outpatient care centres in the interest of meeting the real needs of patients, thus creating the basis for the patient-oriented, open medical care of tomorrow. It is because of the tremendous trust you put in our Company's future viability and thus in the long-term value of our share that we can continue to develop and expand our innovative concepts. I am certain that we will convince you of the successful model of RHÖN-KLINIKUM AG at the end of 2012 as well. «

Dear Shareholders,

RHÖN-KLINIKUM AG can look back on yet another successful financial year in 2011, as the steady increase in our key figures confirms. Even in the face of a challenging policy and economic environment, we succeeded in achieving our stated earnings targets. We managed to more than offset austerity measures in hospital financing introduced by the SHI Financing Reform Act (GKV-Finanzierungsgesetz, GKV-FinG) by raising service volumes and exploiting rationalisation reserves at our hospitals.

The success of our business model is also seen from a survey of some of our key figures. We have once again achieved our forecasts that we presented at the beginning of 2011. In 2011, more than 2,277,000 patients were treated in the Group's facilities, which translates into growth of 11.5 per cent compared with the year before. Revenues rose over the same period by 3.1 per cent to reach EUR 2.63 billion. During the reporting period, net consolidated profit stood at EUR 161.1 million, exceeding the figure of the same period in 2010 by 11.0 per cent. In 2011, operating EBITDA was EUR 337.7 million, which corresponds to a 9.9 per cent rise compared with the previous year. Reported EBITDA was moreover boosted by a one-off, non-operative extraordinary effect in the amount of EUR 17 million. The figures speak for themselves and prove that good-quality medical care is compatible with the principle of economic efficiency.

With the dearth in public funding, investment capacity in future will become a key competitive factor in our healthcare system. In our network of hospitals we have demonstrated for many years that we are ready and able to invest in innovative and efficient structures. With the inauguration of six new buildings at our Gießen, Marburg, Hildesheim, Munich, Kipfenberg and Erlenbach sites last year, we created modern building structures that live up to the high efficiency standards of tomorrow's medical care and set the course for sustained, long-term growth in future. The best proof of that is the growing patient numbers we are seeing.

We are firmly convinced that the trend towards organisation of healthcare delivery increasingly along the lines of cross-sector and interfacility structures is unstoppable. We began to steadfastly establish a medical network early on and have demonstrated our strength in shaping new structures. The performance network we have developed provides for a linking of basic- and standard-care hospitals to intermediate- and maximum-care providers. In this way we bring cutting-edge medicine to the regions whilst also promoting interfacility and interdisciplinary transfer of medical knowledge. The quick exchange of information becomes all the more important the more modern and specialised medical care is. Research is constantly revealing new insights which in turn result in new treatment methods and call for increasing specialisation in the medical area.

That is why with the establishment and expansion of our medical network we deliberately do away with the boundaries between hospitals and outpatient care centres in the interest of meeting the real need of patients, and create the basis for the patient-oriented, open medical care of tomorrow. The maximum-care hospital in Hildesheim, for example, forms the centre for our hospital network in Lower Saxony and with the affiliated centre for specialist physicians creates a seamless transition between outpatient and inpatient service providers. At this site, too, we have thus created a structure that demonstrates for patients in an impressive manner the course we have adopted towards becoming an integrated healthcare provider.

We are planning to expand our network with further acquisitions in line with our stated objective of achieving generalised healthcare for everyone. That rings true for both inpatient and outpatient care. Advances in medical technology are increasingly opening up new possibilities for outpatient treatment. Against this background we are convinced that outpatient and inpatient care will steadily converge. During the past financial year we succeeded in expanding the outpatient area by successfully acquiring additional medical care centres (MVZs), thus helping to ensure that provision of high-quality medical care by specialist physicians is maintained particularly in rural or structurally weak regions.

With our latest acquisition, the minority interest in Dr. Horst Schmidt Kliniken (HSK) Wiesbaden, we are strengthening our care network with a further maximum-care provider and assuming strategic direction of the largest hospital in Wiesbaden, State Capital of Hesse. Once again, the Federal State of Hesse has decided in favour of our Company as a long-term strategic partner. That just shows how attractive we are for the State with the targets we are pursuing and our expertise. With our facilities in Hesse, we want to pool our medical competence and establish a network providing cutting-edge medical care within the region of Rhine-Main.

As part of this recent participating interest, the Group refines its forecast for the current financial year to also include a first-time consolidation of HSK in the second quarter of 2012. For 2012 including HSK, RHÖN-KLINIKUM AG expects revenues of EUR 2.85 billion which may fluctuate within a range of plus or minus 2.5 per cent. This revenue target is accompanied by a forecast for EBITDA of EUR 350 million and for net consolidated profit of EUR 145 million – in each case influenced by a negative earnings contribution from the HSK consolidation and subject to a fluctuation range of plus or minus five per cent.

The healthcare market overall has once again proven itself a stable and important growth market for Germany in a year marked to a decisive extent by the sovereign debt crisis within the euro zone. However, the framework conditions remain challenging for the entire sector. Economic pressures brought to bear by austerity measures introduced by legislation early in 2011 have further increased. Hospitals, too, had to make do with only small price increases. Cost increases, particularly in the area of wages and salaries, could be compensated only partially. The funding shortfall within the hospital sector thus continued.

Debate over the viable financing of the German healthcare system is heating up. Rising costs, brought about by demographic trends and progress, can no longer be financed in the long run under the existing system. Added to this are the regional imbalances in healthcare delivery already emerging. With the latest healthcare reforms, the first steps have been taken towards changing the funding structure of statutory health insurance through a greater financial involvement on the part of insured members. By introducing structural measures, demographically induced shortages in outpatient healthcare delivery are to be countered.

With our innovating and investment power, we understand ourselves as a company that is helping to shape structures within the healthcare market and see innovation as an ongoing process. The history of Zentralklinikum Bad Berka, one of our oldest facilities, provides ample illustration of this: after being acquired in 1991 in what was the first takeover of a State hospital, its medical competences were gradually expanded. Up to the present, specialised departments in diagnosis and therapy such as spinal surgery, radiopharmacy, interventional radiology, rhythmology and invasive electrophysiology have been established. Also in future, we will further pursue the objective of providing first-class medicine and care at Zentralklinik Bad Berka. For more information on this, please refer to this year's chapter "Report from the Field".

We also witnessed a further milestone in successful development at Bad Berka: its recognition in 2011 as an academic teaching hospital of the University of Jena. Now a total of 19 facilities from our hospital network make a contribution to training young doctors.

However, the "pulse" of our company is the daily dedication and motivation of our staff in providing care to our patients. Without their invaluable contribution, it would not have been possible to achieve our ambitious performance targets in 2011. Also in 2012, we are counting on their extraordinary commitment so that together we can create a sound basis for a successful future. On behalf of the entire Board of Management, I would like to express to them my sincere thanks and tremendous respect.

Our thanks also goes to the members of the Supervisory Board, the Advisory Board and the employee representatives for their constructive collaboration at all times characterised by a spirit of mutual trust.

And not least, our thanks goes to you, our shareholders. It is because of the tremendous trust you put in our Company's future viability and thus in the long-term value of our share that we can continue to develop and expand our innovative concepts. I am certain that we will convince you of the successful model of RHÖN-KLINIKUM AG at the end of 2012 as well.

Yours sincerely,

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

Bad Neustadt a. d. Saale, April 2012

COMPANY ON THE MOVE

RHÖN-KLINIKUM Group is continuing its growth course in 2012 as well. We expect consolidated revenues this year including Dr. Horst Schmidt Kliniken (HSK) to reach 2.85 billion euros (+/– 2.5 per cent). Compared with the figure of 2.63 billion euros of the previous year, that translates into a rise of over 8 per cent. This revenue target is accompanied by a forecast for EBITDA of 350 million euros and for net consolidated profit of 145 million euros, both of which may fluctuate within a range of plus or minus 5 per cent. We will also achieve this forecast in what will once again be a challenging environment on the healthcare market.

At Zentralklinik Bad Berka, all paths begin in the spacious atrium serving as a point of contact for patients and staff.

Our ability to achieve our targets also from organic growth without significant acquisitions is something we proved last year. In 2011, RHÖN-KLINIKUM Group yet again achieved the highest figures for service volumes and earnings in its history. Rising patient numbers in the inpatient, day-case and outpatient areas (in the latter case especially at our medical care centres (MVZs)) have demonstrated impressively our capacity to achieve organic growth.

OUR HIGHLIGHTS IN 2011

- In financial year 2011 we treated nearly 2.28 million patients, 11.5 per cent more than in 2010. Whereas patient numbers at the acute hospitals were 1.5 per cent above the previous year's figures, they were up 53.4 per cent at our MVZs.
- Despite the more difficult environment in general, we succeeded in raising consolidated revenues by 3.1 per cent to 2.63 billion euros. Net consolidated profit was up by 11.0 per cent, climbing to 161.1 million euros, and EBITDA rose 15.4 per cent to 354.7 million euros*. The earnings-per-share figure is 1.13 euros (2010: 1.01 euros). We thus achieved our earnings targets despite the tougher conditions and price pressures.
- Operating cash flow was 18.8 per cent above the previous year's level, a clear indication that we are dealing with a sustained trend in earnings.

** including compensation payments of 17 million euros by Siemens AG with simultaneous impairments of 17 million euros.*

- Almost parallel to revenues, the number of employees grew by 3.3 per cent to 39,325 persons. Three out of four jobs at RHÖN-KLINIKUM Group are held by women.

- In financial year 2011, we were involved in all relevant hospital acquisition bidding procedures. We remained faithful to our approach of being guided in takeovers and participating interests by a hospital's strategic importance, its earnings prospects as well as the general scope for development within the respective region and within the Group.

The good performance of RHÖN-KLINIKUM Group in 2011 is essentially owing to the consistent further expansion of our medical offering over the past years with the objective of getting high-quality medical care delivered as close as possible to where patients live. After a time-out in 2011, we expect acquisition activity on the hospital market to pick up again this year. The number of hospitals in loss is steadily rising. The 2011 Hospital Rating Report of the RWI (Rheinisch-Westfälisches Institut für Wirtschaftsforschung) forecasts that by 2020 some 200 hospitals in Germany (10 per cent) will be threatened by closure. This is said to be mainly attributable to the absence or insufficiency of these facilities' investment capacities.

DATES AND FACTS

We concluded the year 2011 with a portfolio of 53 hospitals in which 15,973 beds were available to our patients. Moreover, we had 38 MVZs with 166.5 doctor's practices as at the reporting date of 31 December 2011. After opening an orthopaedic MVZ with one specialist doctors practice in Olpe and expanding our existing MVZs by 12 specialist doctor's practices at the beginning of 2012, we started out into the new financial year with 39 MVZs and 179.5 specialist doctor's centres.

We thus remain steadfast in our belief that the MVZs we have established in the outpatient area give us considerable prospects for further growth. For expanding this part of our medical offering, two forms of MVZ are particularly important: hospital-affiliated MVZs (by which we expand the respective catchment area of our hospitals) 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 long term).

One example of this are ophthalmological MVZs to which we devoted special attention in 2011. Already on 1 January 2011, we acquired a majority interest in an ophthalmologi-

THE PICTURES

Zentralklinik Bad Berka is one of the oldest and most traditional hospitals within the network of RHÖN-KLINIKUM facilities. It is not least owing to specialised cutting-edge medicine with top medical professionals that this hospital, now over 100 years old, is the success that it is today. The special section of this Annual Report demonstrates that outstanding medical quality can be harmonised with a high level of efficiency.

To find out what expectations and wishes staff, patients, visitors and people from the region associate with a smoothly functioning healthcare system in general and Zentralklinik Bad Berka in particular, we set out with the photographer Sylvia Willax to gain a short cross-section of opinions. Staff from Zentralklinik belonging to a wide range of professional groups, patients staying there and people visiting them as well as people from the region are pictured, and had the choice of answering the six following questions:

- *What do you – yourself personally – expect in future from a healthcare provider – outpatient, inpatient?*
- *To what extent should a healthcare provider in future (outpatient, inpatient) be "networked"?*
- *What patient-oriented structures in future do you personally wish to see in the healthcare system?*
- *Where, in your view, does Zentralklinik Bad Berka stand within the network of healthcare providers (on the margins – middle of the pack – is trying to find its position – nowhere)?*
- *What importance does a large hospital have for the infrastructure of a region?*
- *What role – in your view – does the location of a healthcare provider's service offering play, e.g. in the case of*
  – general practitioner (GP),
  – specialist doctor,
  – general care hospital,
  – specialised hospital,
  – intermediate-care hospital

The following pages of this Annual Report present a selection of the answers from our interview/photo shooting. We would like to thank all those who participated for their kind assistance.

Dr. Kerstin Haase

"I associate patient-oriented structures in the healthcare system with the idea that a functioning GP network exists and that specialist doctors where possible are located at urban centres or are part of a hospital with full diagnosis and treatment options."

Andrea Wittke

"Both an outpatient and an inpatient healthcare provider should be competently networked through the healthcare card and the Internet with community-based doctors and other hospitals and care facilities."

cal centre in Düsseldorf with ten ophthalmologist's practices and one anaesthetics practice. With effect from 1 July 2011 and 1 October 2011, we acquired in Siegburg and in Mönchengladbach/Erkelenz, respectively, one further ophthalmological diagnosis and treatment centre with seven specialist doctor's practices each.

The basis of our performance and growth is provided by our investments made possible by the surpluses of our hospitals, which are absolutely necessary for any sustainable, efficient, and thus also affordable medical care. During the past financial year we opened new buildings in Gießen, Marburg, Hildesheim, Erlenbach and Munich. In addition to these inpatient units, we put six new MVZs into service. We very deliberately do away with the boundaries between hospitals and outpatient care centres – always with an eye to the real needs of patients. Our goal is to realise the patient-oriented and open medical care of tomorrow.

Last year we invested a total of 317 million euros. That is 21 per cent less than in 2010, attributable above all to the lull in acquisitions. Of that amount, roughly 292 million euros was invested in the steady expansion of our long-standing facilities.

With regard to the Marburg Particle Therapy development project, we have had to relinquish the idea of permanent clinical operation. In the third quarter of 2011, we reached an agreement with Siemens AG for the latter to provide compensation for the economic, in particular balance sheet disadvantages resulting from the project being discontinued. Siemens is making compensation payments for impairments of 17.0 million euros incurred to RHÖN-KLINIKUM Group.

Of revenues amounting to 2,629.1 million euros (2010: 2,550.4 million euros), our acute and rehabilitation hospitals accounted for 2,588.9 million euros (previous year: 2,528.1 million euros) and revenues generated by our MVZs for 40.2 million euros (previous year: 22.3 million euros). Organic growth accounts for 60.2 million euros, or 2.4 per cent, of this rise.

Thanks to consistent Group-wide efficiency gains, the EBITDA margin rose from 12.0 per cent to 12.8 per cent compared with financial year 2010 – on an adjusted basis. Essentially, the commissionings of our new buildings and building extensions led to a slightly disproportionate rise in the depreciation/amortisation item by 13.8 per cent to 124.5 million euros – on an adjusted basis. Against this

background, the EBIT margin saw a slight rise from 7.8 per cent to 8.1 per cent compared with financial year 2010. Because of the disproportionately moderate trend in net financial expenditure, the EBT margin climbed from 6.8 per cent to 7.1 per cent.

Retroactive to 1 January 2011, RHÖN-KLINIKUM AG entered into profit-and-loss transfer agreements with tax effect with the hospitals in Leipzig, Meiningen, Karlsruhe and Kipfenberg. The one-off tax effect of 9.0 million euros from these agreements resulted in return on revenues improving disproportionately from 5.7 per cent to 6.1 per cent. Adjusted for this effect, return on revenue stands at 5.8 per cent in financial year 2011.

The balance sheet total rose by 3.8 per cent to 3,175.3 million euros compared with the previous year's level of 3,058.2 million euros. The equity capital ratio rose compared with the last reporting date from 48.9 per cent to 50.3 per cent. Equity is now shown at 1,598.7 million euros (previous year: 1,495.2 million euros). The rise by 103.5 million euros stems from the net consolidated profit of 161.1 million euros less dividends paid to shareholders and minority owners in the amount of 54.2 million euros as well as changes recognised directly in equity.

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 48.0 million euros or 18.8 per cent to reach 303.9 million euros (previous year: 255.9 million euros).

OUTLOOK

Also beyond 2012, we will continue pursuing our strategy for organic and acquisitions-driven growth under the current framework of legislative provisions. The sustainable organic growth trend at our long-standing hospitals of roughly 2 per cent to 3 per cent in volume growth and around 3 per cent to 5 per cent in growth in revenues and earnings will continue.

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 and are realising new care models.

We will chiefly seek to expand our capacities in the acute inpatient and outpatient areas through acquisitions in order to general sound growth. We will not lose sight of the qualitative and quantitative broadening of our service offering at our already existing sites. Together with co-operation partners we are pursuing the goal in our regions of establishing a full-coverage healthcare network with integrated outpatient and inpatient structures. We offer cutting-edge medical care by forming telemedically supported networks with suitable larger facilities as well as specialised hospitals.

THE RHÖN-KLINIKUM SHARE

Targets for revenue and earnings once again reached – share price holds ground well in a falling market. Board of Management and Supervisory Board propose dividend of 0.45 euros per share.

Taking a look inside view from the roofed rock landscape down into a ward working room of the bed facility of Zentralklinik Bad Berka.

THE STOCK MARKETS IN 2011

The stock market in 2011 was marked by a number of serious global economic and policy factors. The recovery staged by the economy in the previous year was subdued already in the first quarter of 2011 by the political events in the Arab world, the natural disaster in Japan as well as euro zone concerns. During the second quarter, the markets increasingly turned their focus to the Greek budget and debt crisis. Debates surrounding possible debt restructuring scenarios and fears over international contagion sorely tested the markets. As the year progressed, the political response to the escalating debt crisis in other Mediterranean countries increasingly came under scrutiny from the capital markets.

In this context, the austerity measures of the countries concerned as well as debate on containing the effects of contagion and the European rescue scheme were in particular viewed critically. At the same time there were increasing signs that the effects of the debt crisis could spread beyond the financial sector and feed through to the real economy. Although German industry production figures and the German labour market remained very stable throughout the year in the face of these burdens – especially in comparison with other European economies – early indicators such as the Ifo business climate index declined significantly, especially in terms of its expectation component.

In this mixed picture, market participants increasingly turned their attention to developments on the international bond markets and reacted in the short term to statements of political leaders. This frequently resulted in markets becoming volatile and overall weaker. Over the year, the DAX fell by 14.7 per cent, the German second-tier index MDAX lost 12.1 per cent and the DJ EURO STOXX gave up 17.7 per cent.

SHARE PRICE OUTPERFORMS MARKET INDICES IN DIFFICULT TRADING ENVIRONMENT

RHÖN-KLINIKUM AG once again confirmed its revenue and earnings targets. Faced by pressures from a difficult aggregate market, the share price of RHÖN-KLINIKUM AG also declined – albeit not to the same extent as the DAX or MDAX. In addition, operating earnings were burdened, as expected, by the German health reform. At the end of 2011, the share was quoted at 14.72 euros, which translates into a decline of 10.6 per cent over the year. After including the dividend payment, share price performance over the year stood at minus 8.4 per cent.

At year-end, the 138.2 million non-par shares in issue had a market capitalisation of 2.0 billion euros (previous year: 2.3 billion euros). On a daily average, a volume of 486,752 shares was traded for roughly 7.7 million euros on the German stock exchanges (including Xetra) in reporting year 2011. By market capitalisation, the RHÖN-KLINIKUM share ranked 11th (previous year: 13th) in the MDAX as at 31 December 2011. Volatility of the RHÖN-KLINIKUM share was 21.8 per cent (previous year: 21.3 per cent). By comparison: in the MDAX, volatility rose from 21.6 per cent in the previous year to 25.5 per cent in 2011.

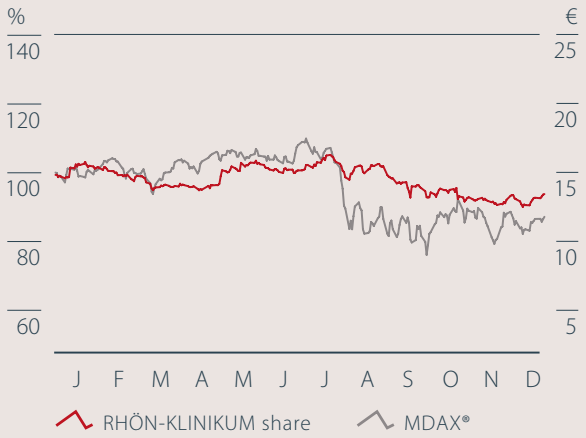
DIVIDEND

This year, the Board of Management and the Supervisory Board will propose to the Annual General Meeting to distribute a dividend of 0.45 euros per non-par share (previous year: 0.37 euros per non-par share). With reference to adjusted earnings per share of 1.13 euros, this translates into a distribution ratio of 39.8 per cent. Our dividend policy is thus geared towards both long-term value enhancement and sustained earnings strength of the Company.

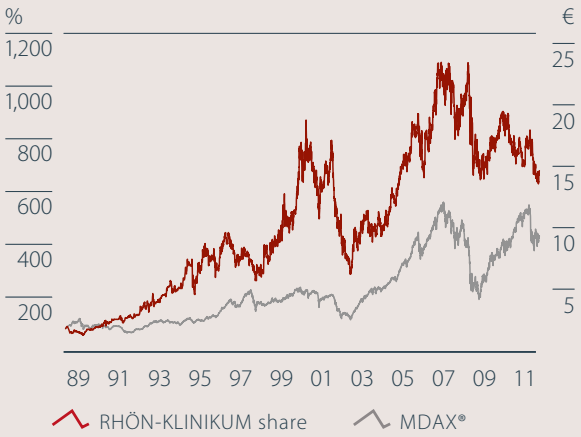
INVESTOR RELATIONS ACTIVITIES

RHÖN-KLINIKUM AG is committed to fair and transparent communication. Investor relations (i.e. the dealings we have with our shareholders and bond investors) thus enjoy high priority with us. The investor relations function 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. In this way we wish to enable market participants to properly assess and value our share and our bonds. We make available to investors, analysts and all other interested market participants a platform with comprehensive and timely information about

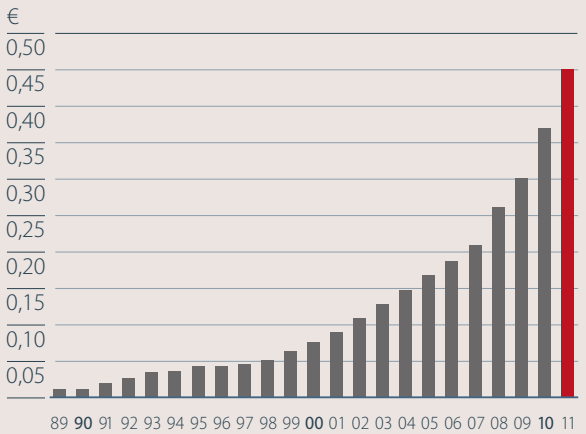
RHÖN-KLINIKUM SHARE ON A SHORT-TERM COMPARISON ...



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



DIVIDEND DEVELOPMENT



All data adjusted in euros (138,232,000 ordinary shares)

2011: dividends will be proposed to the shareholders at the AGM on 13 June 2012

Henning Schwarz
"As a healthcare provider, Bad Berka is the No. 1."

Herbert Draber
"Patient-oriented, i.e. patient-friendly structures are found where the first contact to a healthcare provider can take place close to where people live. Good expertise for further treatment and therapy should then be made possible in centres, even if somewhat further from where people live."

the RHÖN-KLINIKUM Group. We moreover maintain a direct, continuous and personal contact with our investors and analysts, for example as part of international investor conferences or on investor roadshows. Our work fully complies with the requirements of the German Issuer Compliance Regulation (Emittenten Compliance Verordnung, ECV).

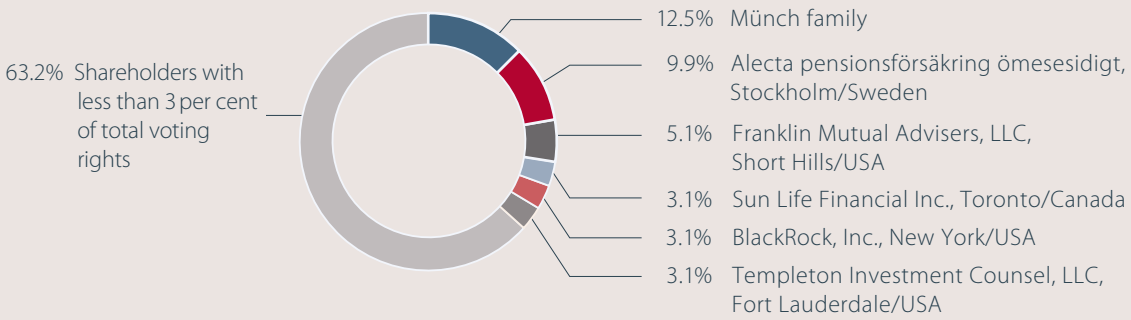
RHÖN-KLINIKUM share	
ISIN	DE0007042301
Ticker symbol	RHK
Share capital	345,580,000 Euro
Number of shares	138,232,000

	2011	2010
Share prices, in €		
Year-end closing price	14.72	16.47
High	17.96	19.44
Low	13.67	15.26
Market capitalisation (€ m, to 31 Dec.)	2,034.78	2,276.68
Key ratios per share (€)		
Dividend	0.45	0.37
Earnings	1.13	1.01
Cash flow	2.20	1.85

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 immediately. We also publish the same as investor 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.

SHAREHOLDER STRUCTURE OF RHÖN-KLINIKUM AG

as of 31 December 2011, according to the most recent notifications of voting rights at that time



The next Annual General Meeting will take place on 13 June 2012, at 10.00 a.m. (admission from 9.00 a.m.) at the Jahrhunderthalle in Frankfurt/Main.

A financial calendar containing all important financial dates in 2012 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 2011 TO 31 DECEMBER 2011

BOARD OF MANAGEMENT ADVISED ON STRATEGIC DIRECTION OF COMPANY AND SUPERVISED 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 participle 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 was 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

1st Deputy Chairman
Joachim Lüddecke

2nd 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

CORPORATE GOVERNANCE REPORT

Corporate Governance Report – joint report on corporate governance by the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG.

"Gallery" of the bed facility as seen from the rock garden of Zentralklinik Bad Berka

CORPORATE GOVERNANCE AT RHÖN-KLINIKUM GROUP

Responsible and sustained corporate governance is especially important for the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG. The Board of Management and the Supervisory Board are wholly guided in their actions by efficient and responsible decision and control processes geared to the Company's long-term success. Together with a transparent as well as legally and ethically sound corporate culture, corporate governance is the prerequisite for preserving 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 2011, 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 corresponding revisions to the German Corporate Governance Code.

We concluded that the Supervisory Board, as before, will not state any specific temporal 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 referring 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 most of the non-mandatory suggestions of the German Corporate Governance Code.

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 26 October 2011 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 26 OCTOBER 2011)

"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 26 May 2010 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 3 November 2010 – 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.

Code 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 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.

Code 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 of the AktG."

Prof. Dr. med. Norbert Presselt
"In future I healthcare providers to publish their treatment results and to provide a clear description of services – including those not offered. "

Ingeborg Gebauer
"Zentralklinik is a key point of contact for special examinations, diagnostics and therapy. "

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 2011 was 130,000 euros.

ANNUAL GENERAL MEETING AND SHAREHOLDER RELATIONS

Pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), 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 AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the audit of the half-year financial statement for 2011 as well as the annual financial statement as at 31 December 2011 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 of the AktG to be incorrect, the auditor shall inform the Supervisory Board of this and/or record this in the audit report.

In financial year 2011, 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 2011, the Board of Management of RHÖN-KLINIKUM AG was comprised of seven members and in 2011 was headed by one chairman. With effect from 1 January 2011, Mr. Martin Menger was appointed as a member to the Board of Management. With effect from 30 June 2011 Dr. Christoph Straub, and from 30 September 2011 Mr. Wolfgang Kunz left the Board of Management. The allocation of responsibilities within the Board of Management was adjusted accordingly in each case. 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 one page 110 ff. 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 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 2011, no conflicts of interests of members of the Board of Management of RHÖN-KLINIKUM AG arose. At the Annual General Meeting on 8 June 2011, the resolution on the amendment of the Articles of Association with regard to the age limit of the Board of Management was adopted. The Articles of Association now only provide for a fixed age limit of 65 years, as defined by Code Item 5.1.2 para. 2 last sentence of the German Corporate Governance Code.

Dr. med. Torsten Schreiber
"For critically ill patients, the only thing that works is networking, especially between facilities."

Robert Kette
"In future, the healthcare system will witness an open transparency and the merging of outpatient and in-patient sectors (giving due regard to data protection provisions) in which the findings and medical history should be made available to every treating physician with the consent of patients."

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 an equal number of employees' and shareholders' representatives (20 in total) and held four regular meetings in 2011.

The chairman of the Supervisory Board is Mr. Eugen Münch, who exercises this office in a full-time capacity. Pursuant to section 14.1 of the Articles of Association, a Supervisory Board office including a secretariat 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 in 2010. 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 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. The age limit according to the Articles of Association was raised to 75 years at the Annual General Meeting on 8 June 2011.

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.

An inquiry pursuant to section 90 (3) of the AktG to the Board of Management by an employee representative (who, as a union secretary, also includes collective wage work and wage policy as part of her duties) gave rise to a discussion regarding a possible conflict of interests. For this reason, the Board of Management so far has not yet provided part of the requested information.

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2011 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) of the 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 Audit Committee comprises so-called "financial experts" who satisfy the conditions of section 100 (5) of the 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) of the 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

Dr. med. Claus Peter Schneider
"Both from an outpatient and from an inpatient healthcare provider, I personally expect generally an orientation towards requirements, moreover credibility, and for providers to treat the patient as an individual as well as to form partnerships with fellow professionals instead of regarding them as competitors."

Silke Berger
"The specialist services of Zentralklinik's portfolio in some cases are unique. Given the strong competitive pressures from surrounding areas, Zentralklinik Bad Berka must stand out for its high commitment and especially good treatment quality. So far it has succeeded well in this."

to an efficiency audit by an external consultant. The results of the 2010 external audit based on questionnaires and 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 2011 is provided in the Report of the Supervisory Board on page 14 ff. of the 2011 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 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 2011, the members of the Supervisory Board and the Board of Management together held 12.56 per cent of the Company's registered share capital, of which the Supervisory Board accounts for 12.56 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 0.11 per cent of the shares

in issue. The members of the Board of Management together hold 0.003 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 in the table 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, the plenary meeting is responsible for defining the individual remuneration of the Board of Management after preparation by the Personnel Affairs Committee. On 10 February 2010 the Supervisory Board adjusted the new remuneration scheme 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.

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

Frank Rokosch
"As a large hospital, Zentralklinik Bad Berka has a special status within the region: it is a relatively safe employer, especially for women (child day care centre, school, leisure activities); it is the contracting entity for numerous services, with its existence it offers short distances for full-service medical care to occupants, and it promotes the establishment of trade and culture as well as the letting of residential space from the municipality."

Steffi Wels
"Healthcare providers should be networked supra-regionally and should be interdisciplinary."

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) of the 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 12 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 on request by the respective member of the Board of Management may be paid out in advance in 12 equal monthly instalments (so far, no member of the Board of Management has exercised this right). 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 old-age 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 2011 the remuneration of the active members of the Board of Management totalled 6.5 million euros (9.1 million euros in previous year). Of this total, 1.4 million euros (previous year: 1.9 million euros) was accounted for by components that are not performance-linked and 5.1 million euros (previous year: 7.2 million euros) by variable remuneration components. Claims to post-retirement benefits by the members of the Board of Management amounted to 3.5 million euros (previous year: 7.1 million euros).

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 this 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.

REMUNERATION TABLES 2011

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

Total remuneration	2011 € '000	2010 € '000
Total remuneration of the Supervisory Board	2,675	2,426
Total remuneration of the current Board of Management	6,461	9,134
Total remuneration of former members of the Board of Management	5,413	1,224
Total remuneration of the Advisory Board	24	21

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 2011 € '000	Total 2010 € '000
Eugen Münch	20	52	162	280	514	468
Joachim Lüddecke	20	48	71	0	139	113
Wolfgang Mündel	20	48	164	177	409	386
Peter Berghöfer	20	20	65	0	105	39
Bettina Böttcher	20	10	26	0	56	21
Sylvia Bühler	20	20	75	0	115	80
Helmut Bühner (until 09.06.2010/from 01.05.2011)	13	6	14	0	33	39
Prof. Dr. Gerhard Ehninger	20	12	30	0	62	48
Stefan Härtel	20	20	65	0	105	39
Caspar von Hauenschild	20	20	75	16	131	131
Detlef Klimpe	20	24	114	0	158	139
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach	20	12	30	0	62	56
Michael Mendel	20	20	87	0	127	107
Dr. Rüdiger Merz	20	18	65	0	103	53
Dr. Brigitte Mohn	20	16	37	0	73	74
Annett Müller	20	16	37	0	73	62
Jens-Peter Neumann	20	24	114	0	158	111
Werner Prange	20	20	65	0	105	85
Prof. Dr. Jan Schmitt	20	12	30	0	62	29
Dr. Rudolf Schwab (until 30.04.2011)	7	4	12	0	23	29
Georg Schulze-Ziehaus	20	12	30	0	62	29
Former members of the Supervisory Board	0	0	0	0	0	288
	400	**434**	**1,368**	**473**	**2,675**	**2,426**

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 2.7 million euros (previous year: 2.4 million euros). Of this total, 0.8 million euros was accounted for by fixed remuneration components (previous year: 0.8 million euros). 1.9 million euros was paid as performance-linked remuneration (previous year: 1.6 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 24,000 euros (previous year: 21,000 euros).

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

	Fixed		Profit-linked	Total 2011	Total 2010
Total remuneration	Basic salary € '000	Additional Benefits € '000	€ '000	€ '000	€ '000
Members of the Board of Management					
Volker Feldkamp	184	12	471	667	199
Dr. Erik Hamann	208	7	471	686	586
Wolfgang Kunz[1]	144	2	639	785	968
Martin Menger[2]	174	6	356	536	0
Wolfgang Pföhler	384	12	2,343	2,739	2,492
Dr. Irmgard Stippler	192	8	454	654	563
Dr. Christoph Straub[3]	96	0	298	394	875
Former members of the Board of Management	0	0	0	0	3,451
	1,382	**47**	**5,032**	**6,461**	**9,134**

[1] *until 30 September 2011.*
[2] *from 1 January 2011.*
[3] *until 30 June 2011.*

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

Retirement pension benefit	Provisions as at 31 Dec. 2010 € '000	Increase claims for pension benefits € '000	Provisions as at 31 Dec. 2011 € '000	Nominal amount for contract expiry[4] € '000
Volker Feldkamp	6	21	26	426
Dr. Erik Hamann	95	77	172	441
Wolfgang Kunz[1]	854	433	1,287	1,287
Martin Menger[2]	0	55	55	205
Wolfgang Pföhler	1,352	487	1,838	3,157
Dr. Irmgard Stippler	95	74	169	395
Dr. Christoph Straub[3]	128	–128	0	0
Former members of the Board of Management	4,571	–4,571	0	0
	7,101	**–3,554**	**3,546**	**5,911**

[1] *Until 30 September 2011.*
[2] *From 1. January 2011.*
[3] *Until 30 June 2011.*
[4] *Claim after ordinary expiry of contract based on remuneration of the past financial year.*

Bad Neustadt a. d. Saale, 25 April 2012

The Supervisory Board The Board of Management

QUALITY REPORT

Every day, employees working within our facilities provide the highest level of quality for our patients. Based on a holistic understanding of quality, our hospitals once again achieved numerous improvements during the past financial year. We wish to continue steadfastly on this path.

We want to secure and further develop the quality of medical services. For this – as in physiotherapy of Zentralklinik Bad Berka – good equipment is an essential requirement.

In 2011, RHÖN-KLINIKUM AG established and carried out a host of measures to secure and raise quality standards in the provision of medical services. These measures cover the entire performance – from the patient's hospital admission over clinical treatment to the patient's discharge. In the area of quality assurance, RHÖN-KLINIKUM AG's activity is geared towards a comprehensive process- and results-oriented approach taking account of all decisive dimensions of quality. A very vital part of this is medical quality, which we monitor continuously with the help of indicators of external statutory quality assurance and a great number of indicators from what are referred to as routine data (billing data). A further dimension is patient safety as well as referrer and patient satisfaction. Oriented on this "holistic" approach, we initiated different projects with the objective of further improving quality.

To secure and further enhance the quality of medical services at the hospitals, RHÖN-KLINIKUM AG has a network of reporting and analytical tools making it possible for doctors on site to measure quality timely and to actively control quality. In addition to this statistical system, RHÖN-KLINIKUM AG for years has established quality circles in all medical disciplines. In this context, the head physicians of the respective specialist disciplines meet to analyse the quality indicators systematically and to initiate specific improvement measures on the basis of these findings. At the same time the quality circles are committed to a collaborative exchange of expertise among the doctors within the scope of quality assurance and development. In the area of patient safety – a further dimension of the RHÖN-KLINI-

KUM AG's Group-specific approach to quality – the focus of interest is on a number of aspects. Here, our Group has achieved significant improvements since 2010. These 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 emergencies. There are also more stringent safety standards in the operation theatre (OR):

- introduction of a safety checklist to increase patient safety in the OR based on procedures of the World Health Organization (WHO) and the German Society of Surgery (DGCH),
- measures for avoiding confusions of sides and patients,
- fully presenting necessary findings in the OR before the operation, and
- performing controls defined on an interdisciplinary basis for the wake-up phase and post-operative care.

With the generalised application of the Critical Incident Reporting Systems (CIRS), we make an important contribution to further improving patient safety. The specialised concept for systematic error management closely follows the recommendations of the German Coalition for Patient Safety (Aktionsbündnis Patientensicherheit, APS). These include, among other things, anonymous reports by staff. To submit these, forms and an electronic data entry mask are made available on our intranet. Only when the confident of the facility has ensured that the notification cannot be traced back is it sent to the CIRS processing team, which was formed at all hospitals from staff of different disciplines. Processing of the cases is supported by a software tool adapted to the specific needs of the Group.

The CIRS of RHÖN-KLINIKUM AG has one special feature: it links local processing of the cases to elements of Group-wide learning by communicating processing cases that have been resolved particularly successfully or are of inter-facility significance. Experience shows that dealing with errors is not easy. However, the volume of reports and measures under the CIRS of RHÖN-KLINIKUM AG does show that it was well received by employees and the management. The notifications received enable effective risk management, thus resulting in errors and damages being further reduced and in our processes as well as the motivation of our staff being further improved.

A further milestone on the path to steadily increasing patient safety is the "electronic drug therapy safety review (eAMTS)" system. In 2011 RHÖN-KLINIKUM AG, with the involvement of all its relevant professional areas of the Group (such as medicine, nursing, pharmacy, controlling and quality management) developed and formulated the requirements to be met by such a system. Here, the primary objective is to assist our doctors in administering drugs (giving due regard to prescription freedom) by pooling medical and pharmaceutical expertise with the help of the system. Following a pilot phase in selected facilities, we are looking in the course of 2012 to adapt the system to the requirements of the hospitals and to begin introducing it at all hospitals. From this RHÖN-KLINIKUM AG hopes to further improve the use of drugs for their intended purpose and to succeed in reducing material risks of drug therapy for as many patients as possible. This is of great importance e.g. for many patients in geriatrics who are frequently taking multiple drugs simultaneously, and for patients with highly acute conditions for whom standard home medication may be contra-indicated.

From the example of patient safety it is clear how seriously RHÖN-KLINIKUM AG takes quality development. For example, we measure the level of development of the various criteria of patient safety with the aid of defined "indicators". The results are used on the one hand for internal control, and on the other for disclosure to the public. In context of this action all facilities of the Group are regularly audited by independent institutions, to ensure that reported data reflect the real situation at the facilities.

Quality is a binding component of our business model. To ensure that all important processes take place at the highest possible level of quality, each and every employee has to know about the procedures and competencies neces-

Bernd Wirthgen
"My wish is for the healthcare system to better reflect what patients want and need and for the contributions paid in to be used efficiently."

Kerstin Träger
"The service offering and the question of location in my view play a subordinate role within the healthcare system. What is important is that there is help where needed and important – and for EVERYONE. Likewise, the doors should be open to all patients, regardless of whether under statutory health insurance or private health insurance. Another key element is the possibility of reaching healthcare providers within a certain time. I see the GP as a trusted partner."

sary for this. To make sure that they do, we are currently introducing at all our hospitals a uniform document management system (DMS) that provides all employees locally with information on management, core and assisting processes. The objective is to draw up a uniform handbook describing all important processes, thus providing employees with the greatest assistance possible. This allows us to define binding rules, to ensure a good process quality. This year we will begin making the system accessible to all hospitals of the Group.

"We value your opinion!" It is under this motto that we conducted a regular and structured survey among patients as well as physicians referring patients to our facilities so as to gain further information for sustainable quality improvement. This stems from the inevitable realisation that a comprehensive quality management system must take account of the experience of patients and the referring physicians. This is the only way we can ensure that we do not just claim to have quality but actually deliver it.

That RHÖN-KLINIKUM AG meets this standard is seen by the participation of our facilities in the Internet portal Qualitätskliniken.de. In this portal, the high quality of our facilities compared with other hospitals is presented to the public. As one of the three initiators of Qualitätskliniken.de, RHÖN-KLINIKUM AG is pursuing the stated objective of systematically raising the quality of their facilities and making this development transparent for both patients and specialists. For this purpose, the hospitals of RHÖN-KLINIKUM AG since 2010 have been publishing an overview of nearly 400 quality indicators through the joint hospital portal. We thus give patients, their relatives and referrers a very effective as well as user-friendly possibility of finding the right hospital for them within our Group. Our hospitals have thus consistently embraced a patient perspective. On the other hand, providing for an open and fair comparison with over 150 hospitals offers our facilities the opportunity to identify targeted measures for improvement. This op-

portunity is being exploited by RHÖN-KLINIKUM AG along with all other methods of quality management to further improve the quality of its services.

HYGIENE MANAGEMENT

Following several alarming outbreaks of nosocomial infections at German hospitals, the German legislator responded in July 2011 by amending the German Infection Prevention Act (Infektionsschutzgesetz, IfSG). This amendment expanded and refined rules on quality in terms of structures, processes and results in the field of hospital hygiene and the rational use of antibiotics with the objective of fighting the dramatic rise in antibiotics resistance.

For many hospitals, the implementation of these measures came as a surprise, confronting them with considerable problems. However, the facilities of RHÖN-KLINIKUM AG were already prepared for the impending changes thanks to the Group-wide standardised hygiene management system that had been established for years, and already largely met the statutory requirements. This was true both of our requirement calculation for infection control nurses oriented on the guidelines of the Robert Koch Institute and of the introduction of a qualified infection surveillance system.

The monthly reports to the Group's head hospital epidemiologist on hygiene-critical pathogens and infections subject to notification, which were introduced as mandatory for all facilities in 2008, have proven indispensable as a key control instrument. They provide the basis for an ongoing improvement in the hygiene situation at the hospitals – also by a comparison of the individual hospitals amongst themselves. One example of this: consumption of hand disinfectants which has been rising for some years. Prompted by the national Clean Hands Initiative, we have been steadfastly promoting this development within our Group facilities through training measures, activity events and compliance measurements. With an average consumption of 46 ml of hand disinfectants per nursing day, the Group's facilities are roughly 20 per cent above the national average (Fig. 1).

CONSUMPTION OF HAND DISINFECTANTS 2009–2011

Consumption ml per day

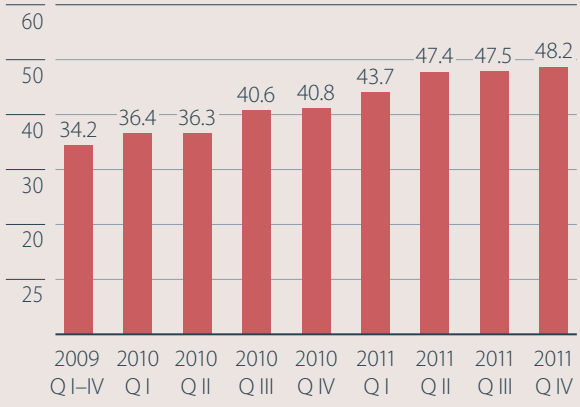


Fig. 1

NOSOCOMIAL MRSA RATES 2009–2011

Share of nosocomial MRSA (%)

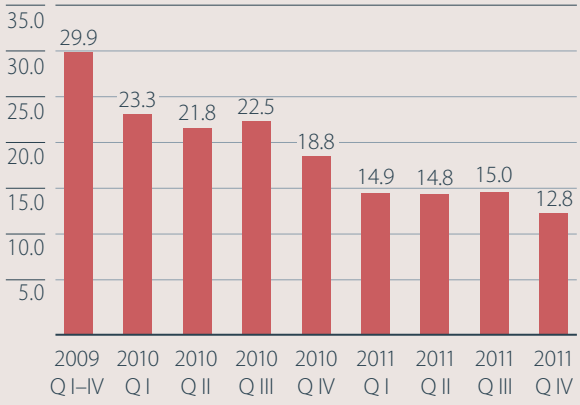


Fig. 2

Hans-Helmut Münchberg, District Administrator
"Zentralklinik Bad Berka is the biggest employer for the region and thus ensures maximum care close to patients for the regional population. The many treatment successes achieved there attract patients not only from the region but also from all over the world. In the long term, this enhances the reputation of the whole region."

Sabine Brill
"For me, the question of location does not matter that much: for competent treatment I am prepared to drive a considerable distance."

But we did not stop at this improvement in basic hygiene. By strictly implementing the Group's guideline on the detection and management of MRSA (methicillin-resistant Staphylococcus aureus) positive patients, we also succeeded in continuously lowering the incidence of hospital-acquired transmissions of this notorious hospital pathogen. In the 4th quarter of 2011, it was well below the national average (Fig. 2). The hospitals thus made a decisive contribution to a better quality in the treatment of our patients. That underscores the high priority that our hospitals give to hospital hygiene.

We are underscoring this attitude by the training of hospital doctors, initiated at the beginning of 2011, as antibiotics experts under an Antibiotic Stewardship Programme in collaboration with the German Society of Infectiology (DGI) and Freiburg University Hospital. In a project unique in Germany, 55 doctors and pharmacists from our Group facilities have so far taken part in four one-week courses as part of which they completed a structured programme of higher-qualification training, evaluated by the Federal Health Ministry, on issues relating to the rational use of antibiotics in hospitals. The first evaluations are revealing successes: at the involved facilities, antibiotics consumption declined; at the same time, the quality of treatment increased. We are thus making an important contribution to selective antibiotic pressure on bacteria, and thus to slowing resistance development in general.

MEDICAL CONTROLLING

The area of medical controlling is the "economic counterpart" to quality management. It measures and documents the services we provide 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. A further benefit: the documentation records 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, e.g. of patient information by the doctor, also 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.

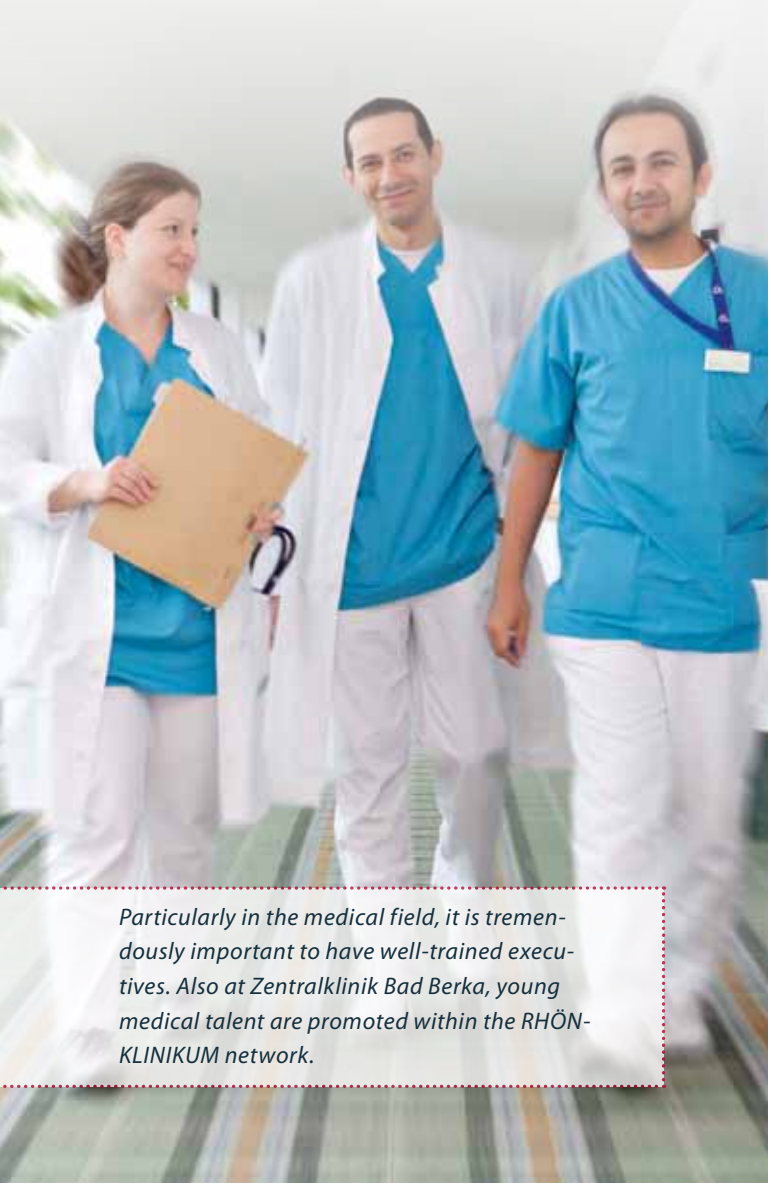
In the area of medical controlling, we performed Group-wide coding reviews in 2011 to identify, eliminate and prevent possible coding errors. At the same time, the results of the reviews are used to analyse, communicate and prevent coding anomalies in future. We are also creating new, in-house coding rules which are applied prior to invoicing. In this way wish to ensure objective hospital invoicing and help bring about "right coding". The development of an "MDK Tool" (MDK: Medical Review Board of the Statutory Health Insurance Funds) in the data warehouse system, which reveals ways of optimising the invoicing and review process and determining the financial effects of MDK inspections, is to be regarded as an extension of the coding reviews.

In addition, we analysed the coding processes of the hospitals to develop a target process for coding, thus bringing about a uniform and standardised process. In this way we want to harmonise and further improve coding efficiency.

In 2012 we are also planning to further develop regular reporting and the benchmark system with relevant key ratios for the medical controlling of all facilities of RHÖN-KLINIKUM AG. That gives the hospitals the opportunity to learn from the best (best practice approach), thereby continually improving.

HUMAN RESOURCES DEVELOPMENT

The knowledge and expertise of our staff are the basis for providing the best possible patient care. Such know-how and skills are also key to our company's long-term success. For the coming five years we have undertaken the task of establishing a comprehensive, consistent system of human resources development. For this purpose we have defined four major target groups: nursing, physicians, healthcare services and administration. In 2011 we turned our efforts to refocusing our junior executive programmes and to initiating a structuring of medical education and qualifications.



Particularly in the medical field, it is tremendously important to have well-trained executives. Also at Zentralklinik Bad Berka, young medical talent are promoted within the RHÖN-KLINIKUM network.

YOUNG EXECUTIVES/TRAINEES

Our successful growth of the past five years has led to a considerable need for new executive talent. In RHÖN-KLINIKUM AG's personnel policy executive staff development plays a vital and growing role. In 2011 we modified our junior executives programmes and implemented a new programme.

GENERALIST PROGRAMME

The objective of the programme is to train and develop young university graduates into managing directors or deputy managing directors at one of our hospitals within a period of three to five years. In this programme the junior executives quickly assume their first executive duties, thus reinforcing and broadening, what they have learned in specific areas. As a prerequisite for this, the candidates must have successfully completed university studies, for example in business administration, health economics, economics, legal sciences or medicine, be willing to learn and show a level of commitment commensurate with the responsibility of running a hospital.

During the basic programme (approximately twelve months), the junior executives work in direct affiliation to our hospital managing directors. They get to know different management styles. From the beginning they assume responsibility for various projects and scopes of duties. In this way they gain a wide range of knowledge about a hospital's management and daily routines. Thanks to a rota-

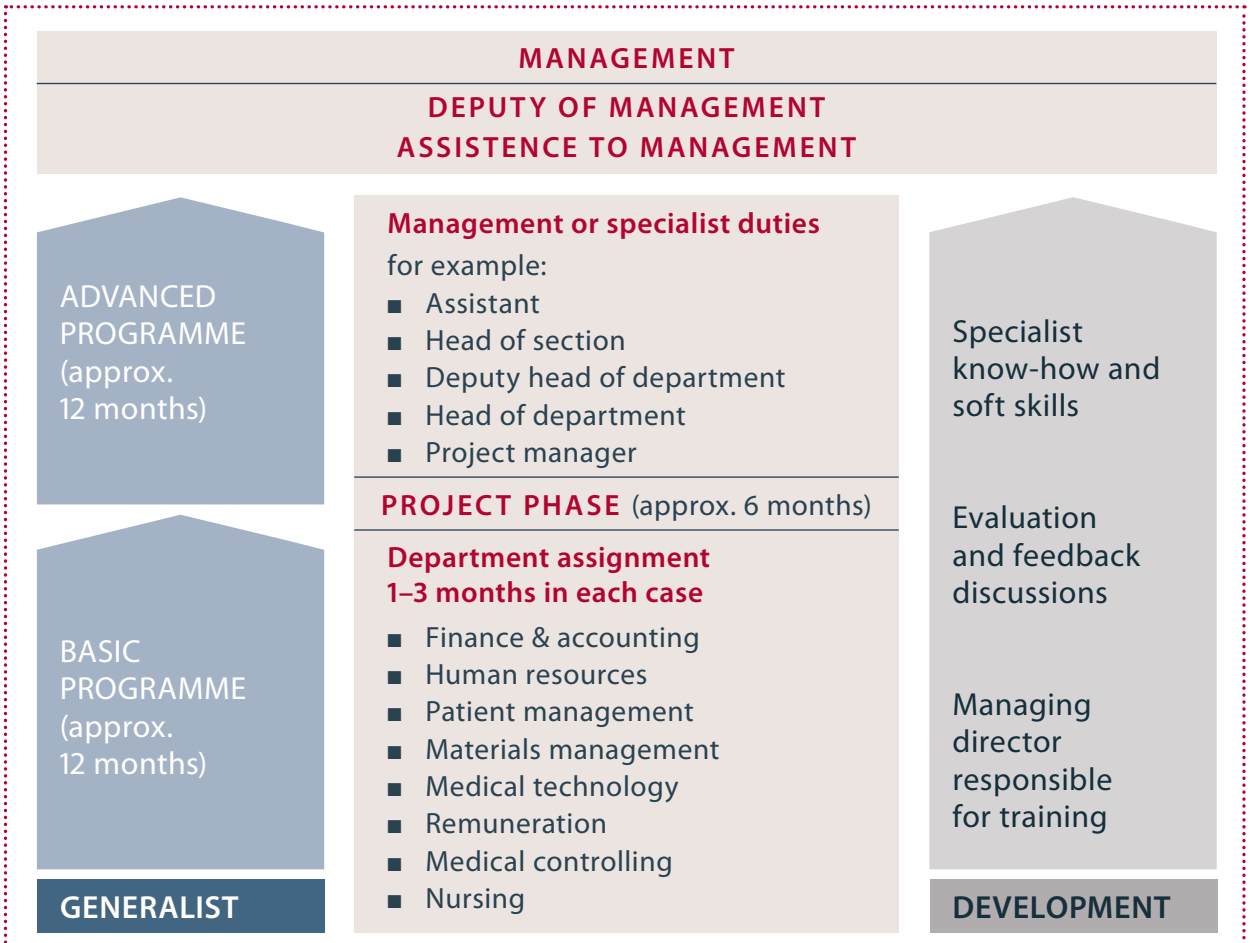
tion our junior executives are assigned to at least two of our hospital sites. With regular appraisal and feedback meetings as well as with higher-qualification training events designed to broaden their specialist, interpersonal and methodological skills, we promote the development of our trainees on an ongoing basis.

The content and duration of the reinforcement programme depend on the individual development of the trainees. With their dedication, performance and motivation, our trainees themselves determine the course of their career at RHÖN-KLINIKUM AG. At the end of the programme they may, for example, assume a position involving considerable responsibility as assistant or deputy managing director and in this leading position they can prove themselves as a potential managing director.

Currently half of the places in our junior executive programme and in our hospital management executives positions are filled by women.

QUALIFICATION OF DOCTORS

Having qualified and motivated doctors is vital to the success of our hospitals and medical care centres (MVZs). It is from this perspective that we systematically find the reserves lying within our network for the benefit of our young doctors. A further aim pursued is to offer residency programmes within the Group which are adapted to their needs and time schedules.



Programme for specialist and lateral entrants

Similar to our programme for generalists, we offer specialist programmes such as human resources, finance and accounting, IT, medical controlling, medical technology or technical areas. Here we develop university graduates as executives in the individual specialist fields. The third and most recent component is the lateral entrant programme. This programme is addressed to applicants with professional experience seeking a career in hospital management.

All sites of our hospital network offer the opportunity of completing residency programmes. Our doctors also have extensive possibilities to obtain additional qualifications as well as qualifications in specific areas of focus. The greatest selection is available in our university hospitals in Gießen and Marburg and in our maximum-care hospitals. Given the increasing share of outpatient care in future we will offer our doctors the opportunity to work also across sectors in our medical care centres for our doctors.

On 31 December 2011 doctors at 53 hospitals of RHÖN-KLINIKUM Group had a total of 815 accreditations for residencies. In 2011 our doctors had the possibility of acquiring around 90 out of the 114 (i.e. 77 per cent) possible residencies.

CROSS-SECTOR TRAINING

We continued the project "Networked residencies in general medicine" in 2011. Its purpose is to promote general medicine so as to ensure a sufficient number of young GPs in rural regions. This is particularly important to us given the situation of healthcare provision on the countryside. With our project, we are making a contribution towards securing generalised healthcare coverage.

In Lower Saxony we already succeeded in 2010, together with the Association of Accredited Physicians, when we organised a meeting between responsible persons of our hospitals and physicians in private practice. There we provide at our sites a comprehensive offering for residency of GPs which on the one hand meets the requirements of German regulations governing residencies and on the other gives young physicians the opportunity to acquire a secure, individualised and flexible qualification. The attractiveness of our offering is further enhanced by additional benefits, such as paid leave, coverage of costs for mandatory courses and supervision by mentors. Our hospitals made available eleven positions in 2011. Our project is rounded off nicely by the higher-qualification training programme offered together with the chair for general medicine of the Medical College of Hanover (MHH).

In Thuringia our hospitals have also started a networked residency 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 tri-partite agreements for "block residency in general medicine". For this our hospitals are making available a total of 17 positions. Together we also offer young doctors complete residencies with the objective of motivating them to set up a GP practice nearby our hospitals, if possible. These measures also serve to secure generalised healthcare provision by GPs on a sustained basis.

Given the shortage of young doctors throughout Germany in the area of general medicine, we intend to establish such networked residency programmes also in Group hospitals of other federal states in Germany. It is also conceivable to use this model for other disciplines like pediatrics.

QUALIFICATIONS AS SPECIALIST PHYSICIAN

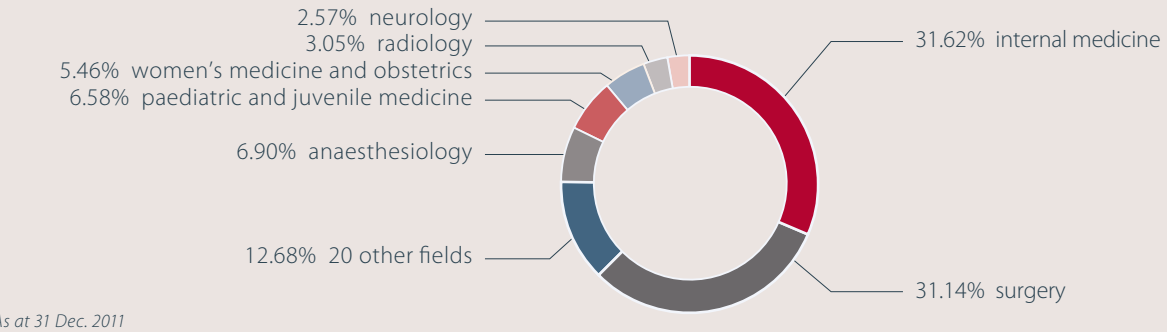
To escort doctors in their further development after they have passed their residency and their state-board exam, we want to offer them available opportunities and vacancies within the Group. Here measures to promote their further development in the outpatient area or to assist them in a hospital career are conceivable. Both options are of strategic significance for our Company. On the one hand we establish loyal admitter potential on the other hand we ensure that our hospitals have enough young medical talent. For advanced management duties we promote not only the expansion of specialist skills but also the acquisition of emotional and social skills (soft skills).

HUMAN RESOURCES MARKETING

Systematically reaching and talking with employees is the basis of any goal-oriented human resources marketing approach. In addition to graduate congresses throughout Germany we also use direct contacts to the universities to run exclusive career events. We coordinate Group-wide recruiting events. Also we prepare for participation in national trade fairs, congresses and job exchanges where we are present together with staff from our hospital in this region. From 2012 onwards the respective hospitals will assume responsibility for planning and organising the regional events.

For 2012, we plan to introduce a new career website. Our existing Group-wide application management system no longer meets modern standards. Currently our applicants do not find any target group-oriented positions on our homepage. A user concept leading "to an application with three clicks" is being developed. In this regard, the focus will be one functionality not only for our applicants but also for our human resources departments. Our objective is to reduce costs as well as to make the procedure for applications paperless, thus ensuring swift processing.

POSSIBILITIES OF RESIDENCIES AT GROUP'S HOSPITALS (AS AT 31 DECEMBER 2011)



As at 31 Dec. 2011

CONTINUED TRAINING – THE POSSIBILITY OF DEVELOPING OUR OWN YOUNG TALENT

For us it is important to find and promote young talent at an early stage. We offer both a broad range of training and a great number of training places. In 2011 we trained 2,876 young people at our facilities in 20 different professions.

OUTLOOK

Securing human resources is something that is of crucial importance for RHÖN-KLINIKUM AG. In this task the Department of Human Resources assists and links our hospitals. It helps them to ensure an exchange of information among themselves, thus enabling them to find the best possible solution for their site from the experience gained from their colleagues.

The objectives for 2012 and 2013 are to establish and expand structural recruiting and qualification concepts as we developed for our young executive talent and for doctors. We want to develop something similar also for nursing and healthcare professions. The objective, in addition to a networking of knowledge, is also to achieve a networking of the different professional groups in order to promote dialogue as well as mutual respect among such groups. Moreover our company size allows us to create and apply high-quality qualification standards for the individual professional groups. In this way we will tap reserves within our network and use the same both for the benefit of the company as a whole and the well-being of our patients.

OVERVIEW OF TRAINING GROUP-WIDE

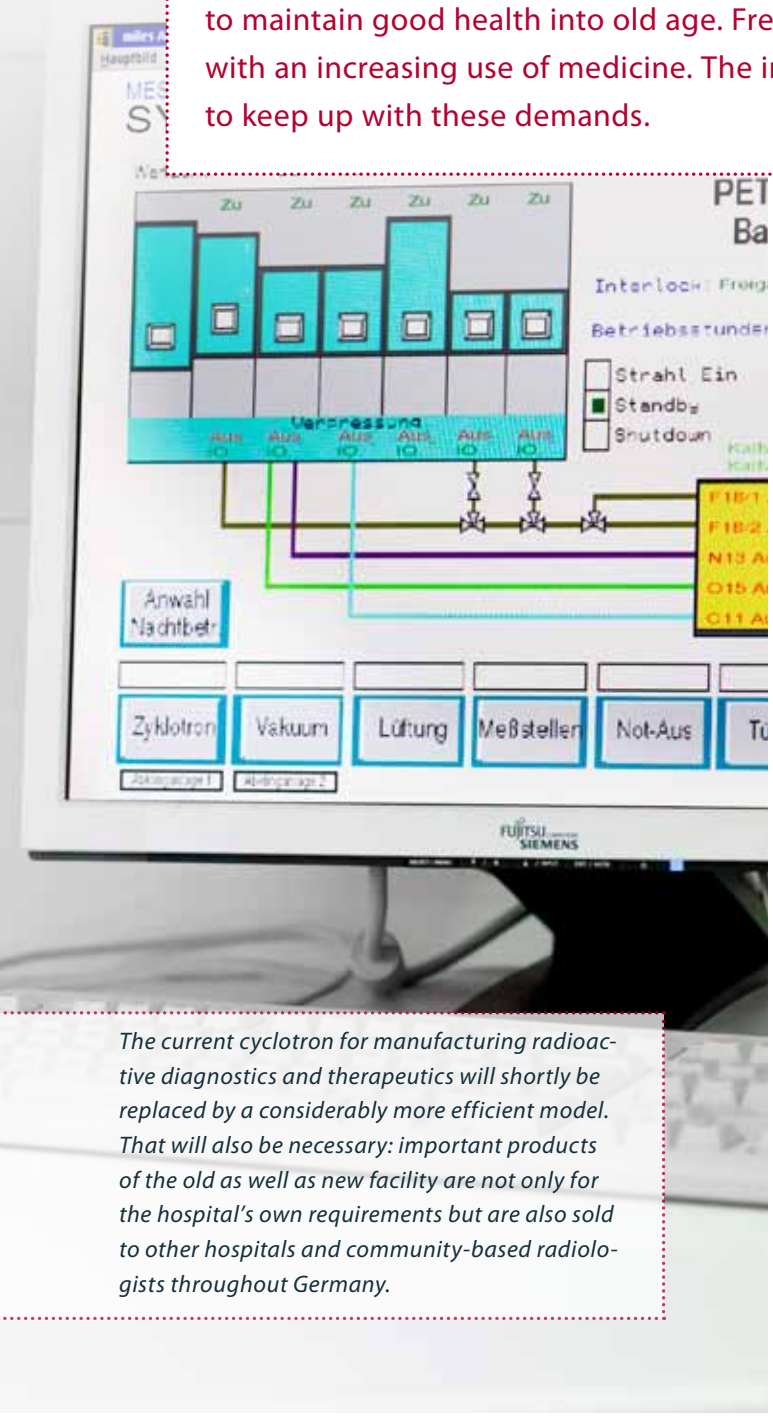
Apprentices/students / Training	Number		
	Year 2010	Year 2011	Difference
Health and nursing care[1]	1,633	1,711	78
Paediatric nurse	190	176	–14
Students in practical year (PY)	303	295	–8
Midwives	113	107	–6
Technical operating assistants	86	99	13
Specialist medical staff	31	34	3
Medical-technical assistants	11	112	101
Commercial training courses	48	50	2
Apprentices in dental medicine	30	31	1
Apprentices in psychology	32	39	7
Physiotherapy[2]	80	82	2
Ergotherapy	55	63	8
Logopaedics	44	28	–16
Other	**62**	**49**	**–13**
Total	**2,718**	**2,876**	**158**

[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.*

MEDICAL DEVELOPMENT – QUALITY – INTEGRATION

Demand for medical services is constantly growing, a trend being driven by several developments. On the one hand, life expectancy is constantly on the rise, resulting in an increased incidence of chronic illnesses. On the other, there is a growing desire to maintain good health into old age. Frequently, this objective can be achieved only with an increasing use of medicine. The innovative potential of medical research has to keep up with these demands.



The current cyclotron for manufacturing radioactive diagnostics and therapeutics will shortly be replaced by a considerably more efficient model. That will also be necessary: important products of the old as well as new facility are not only for the hospital's own requirements but are also sold to other hospitals and community-based radiologists throughout Germany.

Available knowledge doubles about every four to five years. The result is a host of new technologies, products and process innovations. Advances in medicine and ever louder calls for a holistic approach to treating patients (instead of treatment being limited to certain aspects) are increasing the need for interdisciplinary processes characterised by a division of labour. That results in an imperative need for co-operation not only at the hospital but also within outpatient care (as well as 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 outmoded boundaries between the outpatient and inpatient sectors. We offer our doctors the possibility of working at an outpatient facility and at the same time 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 patients the opportunity of being treated in both areas by the same doctor.

Modern medical care is interdisciplinary. That means that we are not only pulling down the barriers between the outpatient and inpatient sectors but also those between individual specialist disciplines or hospital wards. Interdisciplinary means that our doctors work closely together and across departments by co-ordinating all sensible medical services 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 just the right level of care they need.

For this reason our patients are admitted either to outpatient-inpatient basic and standard care or to intermediate and maximum care, depending on how serious their condition is. Under this concept, our care model is that of the patient-oriented flow principle. This principle has been successfully applied at our acute hospitals for many years and is now expanding to the outpatient area. Here, the patient is always the focus of interest. The aim is to provide patients with the right level of treatment based on their actual medical needs. We are now developing this proven concept for specialist medical areas.

Modern medical care is moreover pro-active – that means it takes a forward-looking view of the accompanying circumstances arising, for example, from a patient's medical history. Not least, 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, coupled with 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.

In adiposity therapy (the treatment of obesity), we take a comprehensive care approach based on interdisciplinary treatment. It comprises two elements: firstly, we 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. We are establishing adiposity centres at several of the Group's sites (University Hospital of Gießen and Marburg, Klinikum Pforzheim, Amper Klinik Dachau, Weißeritztal-Kliniken, and shortly at Klinikum Frankfurt (Oder)). In this area RHÖN-KLINIKUM AG is working successfully and in close collaboration with payers.

The Multimodal pain treatment has been established as a therapy offering on an interdisciplinary basis within the RHÖN-KLINIKUM Group for chronic pain diseases. We offer this therapy (which is a combination of several treatment concepts ranging from physio- or exercise therapy over behavioural and pain coping training to muscular therapy) throughout Germany at Amper Klinik Dachau, Zentralklinik Bad Berka, Klinikum Hildesheim, Klinik Hildesheimer Land in Bad Salzdetfurth, as well as in Herzberg, at Parkkrankenhaus Leipzig, in Warburg, at Klinikum Meiningen, at Klinikum Frankfurt (Oder), at Medigreif Klinik Vogelsang-Gommern and the University Hospital Gießen and Marburg. Further hospitals will offer this therapy from 2012 onwards.

RHÖN-KLINIKUM AG is well equipped for diagnosing and treating cardiac arrhythmias. Our facilities Herzzentrum Leipzig, Herz- und Gefäß-Klinik Bad Neustadt a. d. Saale, Zentralklinik Bad Berka, as well as Klinikum Hildesheim and the facility in München-Pasing are high-performance centres with long-standing experience and an international reputation. In close collaboration with these facilities we have extended this high-standard care offering to additional sites: Pforzheim, Miltenberg-Erlenbach, Kronach, Pirna, Frankfurt (Oder), Gifhorn, Nienburg and Uelzen. The biggest challenge in the near future will be to provide for a sufficient number of doctors with the skills needed to carry out the necessary operations. RHÖN-KLINIKUM AG is meeting this challenge by offering this qualification on a structured basis within the Group to doctors already possessing experience in cardiology and interested in being further trained in clinical electrophysiology.

Constantly rising life expectancy and demographic trends in Germany are making it necessary to concentrate more on diseases as well as facilities associated with old age. The specialised discipline here is called geriatrics. It deals with medical care for elderly people who often suffer from several diseases at the same time and are often impaired 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 (specialist doctors of different disciplines, ergo- and physiotherapists, speech therapists, social workers, clinical psychologists, physical therapists and nurses). In this area of work we offer comprehensive care in Bad Salzdetfurth, Dachau-Indersdorf, Hildesheim, Herzberg, Burg and Attendorn, and we will establish further sites during the coming year. Given the growing need, we will organise all our facilities in the long term so as to better reflect the needs of elderly patients.

Dr. med. Merten Hommann
"Networking within the inpatient and outpatient areas is a necessity for the future."

Oliver Salomon
"In future what I expect is a structured, well networked organisation within the healthcare system, without competitive thinking."

TELEMEDICAL INTEGRATION

With its large medical network, RHÖN-KLINIKUM AG offers its patients care delivery structures spanning all care levels. To support interfacility and interdisciplinary exchange, we make 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 standalone practice over 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. This of course takes place subject to the consent of our patients. WebEPA thus supports the co-operative treatment of patients to high standards of quality, without media and communication interruptions.

Some 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 like those currently being created in the area of neuroradiology and paediatric radiology. For example, the Gießen site of the University Hospital Gießen and Marburg offers tele-consultants for second opinions. The specialists exchange images with other sites, arrive at diagnoses 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, which has been an established and integrated part of the network of RHÖN-KLINIKUM AG since 2008. Our Group also uses telemedicine in the care of stroke patients: for example under the "Stroke Angel" concept, which was developed for first-aid treatment of stroke patients in large part at RHÖN-KLINIKUM AG. It is used to shorten the interval between diagnosis and treatment by wirelessly integrating the ambulance with the hospital. The 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.

The "Stroke Angel" has been implemented in the region of Bad Neustadt a. d. Saale, at Amper Klinik in Dachau and in the areas surrounding our facility Klinikum Uelzen. An additional telemedical project for stroke care has been conducted with the University Hospital of Magdeburg. The internal medicine clinics of the hospital Krankenhaus Anhalt-Zerbst as well as the hospital MEDIGREIF Kreiskrankenhaus Burg have been networked with the Magdeburg University Hospital through the project TASC. TASC stands for the "Telemedical Acute Stroke Care" project.

For heart attack patients, we have established a similar network called "Cardio Angel" within the Group at our Bad Neustadt a. d. Saale, Miltenberg-Erlenbach, Dachau, Uelzen and Kronach facilities. With the simultaneous wireless transmission of patient and health data (and even a comprehensive ECG), we gain precious time for inpatient care. Cardio Angel thus enables us to provide optimum treatment which is as patient-friendly as possible.

Along with numerous other healthcare providers, RHÖN-KLINIKUM AG takes a proactive role as member of the association Telemedicine Centre Bad Kissingen (ZTM) with the aim of developing future concepts for outpatient-inpatient integration. Building on this, we are working at the neurological hospital Neurologische Klinik Bad Neustadt within the context of larger integrated research projects (on behalf of the EU Commission and the Federal Ministry of Education and Research (BMBF)) on new learning and working methods with the objective of spreading telemedicine along with medical developments and findings further into the region.

Since 2011, we have offered all Group facilities the possibility of having pathological findings in the areas of haematopathology, sarcoma and molecular pathology determined centrally at Gießen and Marburg University Hospital. In the longer term, we hope to offer this service in the form of telepathology as well. The telemedical networking of pathology sites makes it possible to raise both the quality of the findings and efficiency through specialisation in certain fields of pathology.

INNOVATION THROUGH SCIENTIFIC RESEARCH AND AWARDS

Many doctors from all care levels of RHÖN-KLINIKUM AG are successfully engaging in the intense exchange between the realms of science and practice. The results are regularly rewarded with high distinctions. In February 2011, the heart surgery facility Klinik für Herzchirurgie des Herzzentrums Leipzig together with the Institute for Pharmaceutical Biology of the University of Leipzig were awarded the Sebastian Kneipp Prize for their work on the effects of the medicinal plant Leonurus cardiaca (motherwort), which from antiquity has been used in traditional medicine as a remedy for cardiac arrhythmias. A presentation by Herzzentrum Leipzig at the Annual Symposium of the Canadian Anesthesiologists' Society (CAS) at the end of June was distinguished out of 123 contributions with the CVT Raymond Martineau Prize.

At the German Radiology Congress in Hamburg, Herzzentrum received the Coolidge Award for its study on "Right ventricular involvement in acute myocardial infarction. Risk stratification by visualization of wall motion, edema and delayed enhancement cardiovascular magnetic resonance (MRT)". At the initiative of Herzzentrum Leipzig, and inter alia with the involvement of the cardiovascular hospital Herz-Kreislauf-Klinik Bad Neustadt, one of the largest heart attack studies was conducted throughout Germany over the past three years (AIDA-STEMI study). With tremendous interest among specialists and the media, the path breaking findings for the treatment of the patients concerned were presented for the first time in November 2011 at the American Heart Association's annual congress in Orlando.

At the 2011 Bavarian Anaesthesia Conference, the clinic for anaesthetics of the cardiovascular hospital Herz- und Gefäß-Klinik Bad Neustadt received the only poster award conferred. It distinguished a study comparing various procedures for monitoring the function of the brain during operations on the carotid artery in which cerebral profusion (i.e. the flow of blood through the brain) is jeopardised and the patient is at risk of suffering a stroke with permanent disablement. Here it was shown that a special method of neuro-monitoring developed by the clinic makes it possible to detect a shortage in the supply of oxygen reliably and early so that blood flow can be restored by inserting a small tube (shunt) in the vessel, thus preventing a stroke with certainty. This newly developed method represents a considerable gain in safety for our patients.

In March, Zentralklinik Bad Berka and the University Hospital Gießen and Marburg (Marburg site) were awarded the distinction "Excellence Centre for Neuroendocrinal Tumors". The certifications necessary for this were issued on behalf of the renown European Neuroendocrine Tumor Society (ENETS). It confers this distinction on only a small

Kirstin Glatz
"For patient-oriented structures I wish to see in future a better integration of outpatient and inpatient offerings."

Lars Kettwig
"From both outpatient and inpatient healthcare providers, I expect in future secured high-quality medical care and flexibility in treatment forms."

number of European centres demonstrating outstanding clinical and scientific expertise in the field of neuroendocrinal tumors.

For its IT-assisted treatment processes in its centralised emergency ward, Klinikum Frankfurt (Oder) was distinguished with the Golden Helix Award 2011. Our addiction clinic Soteria Klinik Leipzig GmbH had its quality management system certified to the certification procedure of DEGEMED and the German Council on Alcohol and Addiction (GCAA) specially developed for medical rehabilitation facilities. It combines the requirements of ISO 9001 with the requirements of DEGEMED and the GCAA. The certification was successfully concluded on 23 March 2011. The first monitoring audit is planned for the end of February 2012.

INNOVATION THROUGH DEVELOPMENTS IN MEDICINE

The University Hospital Gießen and Marburg has further strengthened its focus of foetal medicine with the German Centre of Foetal Surgery and Minimal-Invasive Therapy (DZFT). The DZFT helps unborn children with severe organ malformations or circulatory disorders.

Since 2009 Herzzentrum Leipzig has established itself as a centre for transplants of hearts and lungs as well as combined heart-lung transplants, having now performed more than 65 heart transplants.

UNIVERSITY RESEARCH, TEACHING AND DEVELOPMENT

Our hospitals participate in an ongoing transfer of knowledge from research to practice to ensure that scientific findings are put into medical practice at hospitals faster, better and more effectively. That is because demand for advances in medicine is growing in line with demographic changes. 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 (DZIF).

Lung disease is among 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 turn basic scientific findings into new clinical concepts for improving patient care as effectively as possible. We are proud that the Universities of Giessen & Marburg Lung Center (UGMLC) is assuming the co-ordination within the entire German Centre for Lung Research. Also participating in the UGMLC and the DZL is the Max Planck Institute for Heart and Lung Research based in Bad Nauheim.

A good example of the work we do is the globally executed Phase III Study (IMPRES Study) on the effect of the tyrosine kinase inhibitor imatinib in patients suffering from severe forms of pulmonary hypertension. This innovative concept, which for the first time tests an antiproliferative (i.e. tissue growth inhibiting) approach to pulmonary hypertension, was developed in animal experiments in Gießen. After that, the first proof-of-concept and phase II studies were conducted in affected patients. And the just completed worldwide Phase III study demonstrated very significantly that this new treatment approach offers the opportunity to improve the course of the disease and the physical capacity of patients suffering from severe forms of pulmonary hypertension.

Diverse research is being done in the field of infectious diseases. Our modern molecular genetic procedures are designed to help clarify the way in which certain pathogens damage the cells and organs of the human body. Thanks to our participation, eleven areas of focus have been defined within the DZIF which address issues of great importance for researchers. First of all there are the major infectious diseases, namely HIV/AIDS, malaria, viral hepatitis and tuberculosis as well as the diseases of the gastrointestinal tract, each of which affect many millions of people. Second, there are a growing number of infectious diseases that often jump from animals to humans (zoonoses). Dengue fever, SARS and swine flu fall under this category.

These two 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.

Our research of course is not limited to our work within the DZL and the DZIF. One example of the numerous other important studies comes from the area of allogenic stem cell transplantations of the Clinic for Hematology, Oncology and Immunology at the Marburg site: the SORMAIN study (Sorafenib maintenance post allo-SCT). Under this study we examine the increase in recurrence-free survival times of leukemia patients with the help of the cancer drug Sorafenib. This 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 usual side effects of 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 (AML: acute myeloid leukemia). Combined with the effect of the new donor immune system, it might reduce the rate of recurrence significantly.

A further example is provided by a study of the gynaecology faculties at the University Hospital of Gießen and Marburg. It is concerned with the effects on the overall survival of patients with advanced ovarian carcinoma (cancer of the ovary) that can be achieved by systematic pelvic and paraortic lymphadenectomies (removal of the lymph nodes in the pelvic region and around the aorta) if this succeeds in completely removing the tumors.

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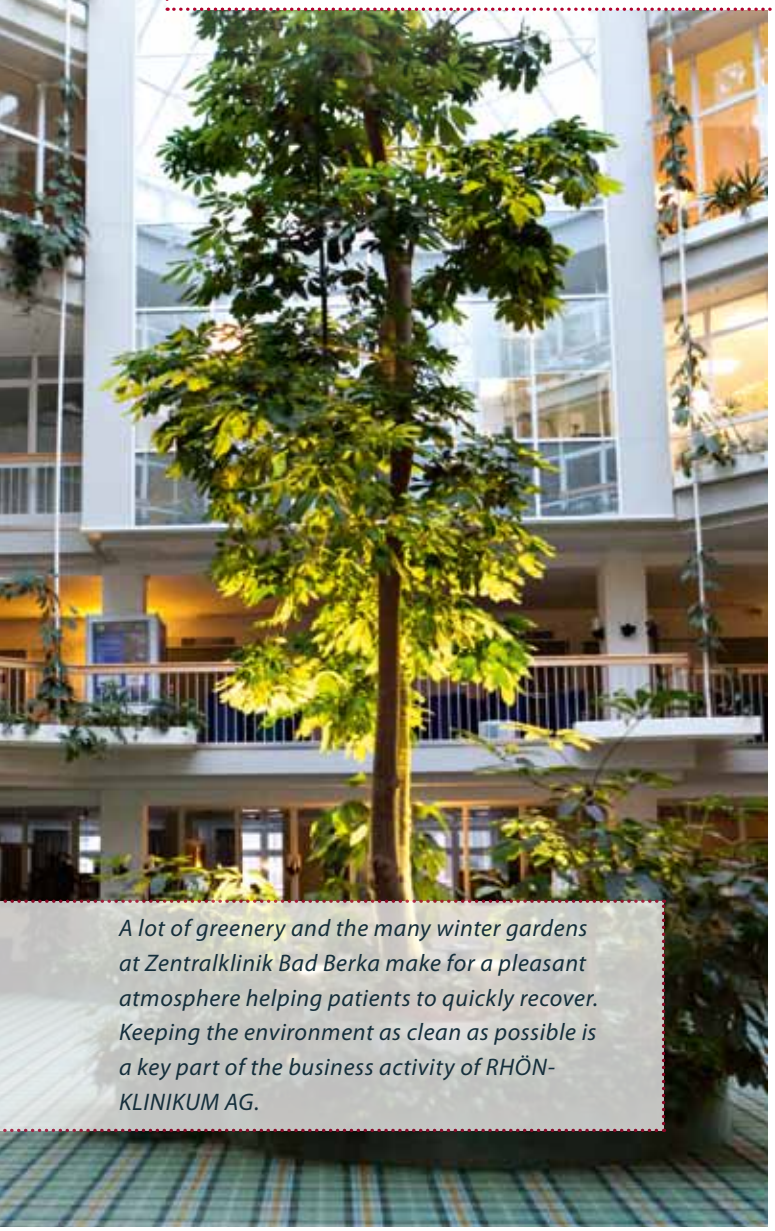
HEALTH AND ENVIRONMENT

Anyone feeling a sense of responsibility for the health of their fellow citizens cannot simply ignore the environment. Quite the contrary: for the healthcare provider RHÖN-KLINIKUM AG, the two areas are inextricably bound up together. With us, the high quality of medical services is echoed in the equally high quality of managing the environment. Ecology and economy for us are not two irreconcilable opposites but equal elements of our values system. RHÖN-KLINIKUM not only stands for cutting-edge medicine for everyone but also for cutting-edge achievements in the area of sustainability.



A lot of greenery and the many winter gardens at Zentralklinik Bad Berka make for a pleasant atmosphere helping patients to quickly recover. Keeping the environment as clean as possible is a key part of the business activity of RHÖN-KLINIKUM AG.

We accord no lesser priority to the efficient and safe use of energy, water and materials than to our efforts at ensuring our patients at all times reap maximum benefit from the latest developments in science and technology. Time and again, RHÖN-KLINIKUM Group has proven itself as a pioneer in energy and environment technology at the hospital. We were one of the first healthcare groups to use cogeneration plants that generate electricity, heat and cooling energy at high efficiency rates. Unfortunately, we had to discontinue our (likewise very early) investment in the new technology of fuel cells after the manufacturer abandoned this field of activity.

For RHÖN-KLINIKUM Group, efforts to preserve the environment as much as possible form an integral part of our business activity. We view ecology in the hospital area as one of our core competences, which goes to show the high status this area of activity enjoys within our organisation: a separate centralised Technical Controlling/Environment department is responsible for Group-wide energy and emissions controlling. Just as importantly: it stays abreast of technical developments within the complex area of energy, environment, safety and disposal technology, from which it then develops specific concepts for our highly demanding application environment and puts them to the test in pilot projects, ultimately providing the impetus for our technical staff at the individual hospitals.

Thus, in the area of environmental management we pursue the same decentralised approach that is characteristic of our corporate structure. On site, at the individual hospital level, the relevant technical head is responsible for "his" ecological and safety environment. He is the one who monitors the safe operation of the technical and medical-

technical equipment and systems, supervises construction projects, takes responsibility for energy controlling as well as for equipment and commissioning planning for new equipment.

The Technical Controlling department assists him as the central know-how pool with training measures as well as organised exchange of experience within the Group. Moreover, it has the task of overseeing the technical integration of new group subsidiaries. This process is by no means understood as a one-way street. Whilst it is concerned on the one hand with promptly implementing Group-wide environmental and energy standards within these newly acquired entities, environmental management on the other hand takes a look at any innovations and ideas of these newcomers that may benefit RHÖN-KLINIKUM Group.

One of the major thrusts of the energy strategy at RHÖN-KLINIKUM AG is the use of cogeneration plants (CHPs), which deliver both electricity and heat. This is not the newest technology around, but is one that is undergoing a constant further development. Our experience with such engine-driven combined heat-and-power plants, which today are usually driven by natural gas, goes back over two decades. The first plant of this type installed by us already back in 1991 in Bad Neustadt an der Saale was thoroughly overhauled and modernised last year. Up to then, it had been running for 120,000 hours – during that time, a motor vehicle would have covered a distance of 12 million kilometres at a speed of 100 kilometres per hour.

The potential we ascribe to combined heat and power is borne out very clearly in the numbers. At the end of 2011, a total of 20 CHPs were in operation within the Group. The configuration of such plants varies depending on the hospital's size and requirements. Some of them consist of several gas engines. In total, 42 engines with outputs of between 75 and 850 kilowatts operate in our CHPs. In 2011 alone, we installed six new units with a combined total output of 3.5 megawatts, and renewed older units with a total output of 2.2 megawatts. Within the entire RHÖN-KLINIKUM Group, we want to forge ahead further with the expansion of combined heat and power in 2012.

Thanks to their better thermal insulation and modern energy saving technologies, the heating requirement of new buildings is only about a third that of old buildings. At the same time, electricity requirements have grown as a result of the increasingly widespread use of medical and information technology in hospitals. Large equipment units such as computer or magnet resonance imagers have high power as well as cooling requirements. Thus, whereas even about one to two decades ago the ratio of heating and electricity requirements was 2 – 2.5 to 1, it has now reversed. For us that enables a smaller sizing of the CHPs used in new buildings as well as using the heat generated to produce cooling energy.

KEY FIGURES

		2011	2010	2009	2008	2007	2006
Company							
Hospitals		53	53	53	48	46	45
Beds and places		15,973	15,900	15,729	14,828	14,647	14,703
Employees (by headcount)		39,325	38,058	36,882	33,679	32,222	30,409
Patients treated		2,277,153	2,041,782	1,799,939	1,647,972	1,544,451	1,394,035
Energy							
Primary energy consumption	MWh	877,759	929,828	865,103	865,775	831,582	876,605
Consumption per patient	MWh/pat.	0.39	0.46	0.48	0.53	0.54	0.63
Emissions							
Greenhouse gas emissions	t	201,459	202,925	190,128	190,200	182,687	193,858
Emissions of pollutants	t	243	265	243	244	235	255
Water							
Water consumption	m^3	1,848,020	1,810,706	1,716,646	1,710,111	1,672,021	1,727,091
Consumption per patient	m^3/pat.	0.81	0.89	0.95	1.04	1.08	1.26

All data as at 31 December 2011

Thomas Wolff
"With an outpatient and/or inpatient healthcare provider, I would like to know that I am in good hands."

Elvira Martin und Dr. Peter Zimmermann
"Both in the inpatient and outpatient area, a healthcare provider in future should be better networked for better exchange of findings thanks to the considerably improved data transmission."

Over the past year we equipped our new hospital buildings in Hildesheim and Salzgitter with CHPs. We have also installed CHPs at our facilities in Köthen (Saxony-Anhalt) and Munich. After modernising its old buildings while adding new modern structures, we succeeded in freeing Marburg University Hospital in 2011 from its somewhat outdated heating unit and likewise switched it over to cogeneration technology. At this site we also modernised the cooling technology – with considerable savings potential. That is made possible not only by the use of modern cooling units with high efficiency rates – in Marburg we are also drawing the necessary cooling from the outside air when temperatures outside are low. This so-called "natural cooling" kicks in when outside temperatures are from 5 to 6 degrees Celsius – during the cooler seasons of the year it basically makes no sense to consume expensive electrical energy to operate cooling (units as is still commonplace everywhere). In addition, we have redesigned steam generation at Marburg University Hospital, thus significantly reducing the stand-by losses of the widely distributed steam network.

At Gießen University Hospital, where it was only in 2010 that we commissioned the world's first hybrid heating plant combining fuel cells, several gas engines and two absorption cooling units, we are now switching over energy supply completely to CHP technology. We had the fuel cells removed because their servicing was no longer ensured following the manufacturer's withdrawal from this business field. We will continue the co-operation with Stadtwerke Gießen allowing us to purchase both cooling and heating.

In addition to the modernising and equipping of our facilities with increasingly efficient units to generate energy, we are pursuing a second important development path: the use of energies that nature, as it were, provides for free. Here our interest is firstly turning towards geothermal heat (near-surface geothermal energy), and secondly also increasingly towards sources of natural cooling. We already mentioned the example of natural cooling above. This concept was also used at our facility in Erlenbach as part of a modernisation of its cooling supply system.

At our facilities in München-Pasing and Kipfenberg we chose another variant. There, the groundwater delivers cheap cooling in the summer, even for patient rooms. Groundwater, which in München-Pasing is available in sufficient quantity, supplies two cooling networks with different temperature levels. Part of the air conditioning systems and recirculation cooling units is cooled by the groundwater directly. The second cooling network delivers a lower temperature level needed in the summer to dehumidify the air e.g. in operating theatres.

The warmed cooling water is then fed back to the groundwater flow 200 metres further down. Moreover, the groundwater absorbs the heat given off by electrical cooling equipment which covers peak requirements during the summer and makes available the temperature level needed for dehumidification. We thus not only save electrical energy but moreover enhance the efficiency of the cooling units, especially in the summer.

One special feature of the new Pasing building is its concrete core activation: plastic pipes are laid in its massive concrete ceilings (also of the patient rooms) through which cooled water flows in the summer and heated water in the winter. The heat comes from a cogeneration plant. The large storage capacity of the concrete ensures a uniform temperature course, and the cooling in summer produces almost no operating costs. Because concrete, the transport medium, only requires small temperature differences to the environment in order to work, this form of cooling and heating is characterised by a high level of energy efficiency. In construction work on the extension building of the hospital Klinik Kipfenberg, we commissioned a similar concept which likewise consists in a combination of groundwater cooling and cogeneration plant.

Our statistic for 2011 has once again seen an improvement in our key environmental figures, both in absolute and relevant terms. We expect this trend to continue in 2012. One trend from past years was once again confirmed in 2011: the continuous rise in electricity consumption resulting from the increasing level of technological innovations being implemented in the areas of medical technology and IT, which is also being accompanied by the need for cooling capacities (generated for the most part by electricity). We also observe that newly built hospitals have a higher electricity consumption than old ones. The primary reason for this is the expenditure on mechanical ventilation and air conditioning needed for hygienic reasons.

Energy generated by our CHPs as a share in total electricity consumption rose from 17.3 per cent to 24.3 per cent in 2011. The trend in heating consumption ran opposite to that of electricity consumption: in 2011 it declined as a result of both weather conditions and the commissioning of new, more thermally efficient hospital buildings.

WASTE

We likewise reported a slight relative decline in waste disposal volumes. Here, our main focus of attention is on the sparing use of materials. That said, for reasons of hygiene it is not always possible to avoid use of disposable materials.

The volume of infectious waste increased. This was the result of regional peculiarities and the isolation of patients with high-resistance pathogens, as well as the greater incidence of norovirus infections. The sharp decline in developing and fixing solutions was achieved thanks to the digitalisation of our radiology departments (now largely completed).

WASTE

		2011	2010	2009	2008	2007	2006
Waste quantity (residuals)	t	11,474	11,235	10,084	9,838	9,447	9,007
Waste quantity per patient	kg/pat.	5.1	5.5	5.6	6.0	6.1	6.5

CLINICAL WASTE

		2011	2010	2009	2008	2007	2006
Infectious waste	t	77	67	75	69	88	93
Cytostatic waste	t	14	13	10	9	10	13
Fixing solution	m^3	7	17	19	43	61	90
Developing solution	m^3	7	18	17	35	52	78

CUTTING-EDGE MEDICINE IN THE TUSCANY OF THE EAST

With its privatisations, RHÖN-KLINIKUM Group has written many success stories. One of the most impressive ones can be seen in Bad Berka.

When viewed from the air, the OP/Intensive Care Centre seems to dominate with the helicopter landing pad on the roof of Zentralklinik Bad Berka. But the images taken from "inside" the hospital give a different impression.

The distances are moderate and manageable: just under 29 kilometres by car to Erfurt, just over 12 kilometres to Weimar, the city of Goethe, 42 kilometres to Jena. So is the place itself: 5,400 inhabitants in the town centre, a built-up area measuring two square kilometres (out of a total of 21 square kilometres), plenty of forest, a high school, a regular and elementary school, five child day-care centres, supermarkets, specialty shops, several GPs and specialist physicians, skilled trade firms. Bad Berka, a tranquil spa town with its own mineral spring, a spa park of eleven hectares and a functioning rail link has everything that people need.

That, and even a bit more: the quaint Thuringian town, set in the hilly countryside of the Ilm-Saale Plate directly on the River Ilm, is home to a hospital of a size and importance you would sooner expect to find in a large city: Zentralklinik Bad Berka (ZBB), a hospital with supraregional care mandate with 669 approved beds and some 1,700 employees, most of whom work in its 19 specialised clinics and institutions as well as an integrated diagnosis centre. The intermediate-care hospital is thus the largest employer not only locally but also within the entire Weimarer Land district. As measured by revenues of roughly 150 million euros, ZBB is also a thriving medium-sized enterprise.

"As an engine of employment, Zentralklinik's significance extends far beyond its seventeen hundred jobs", emphasises Hans-Helmut Münchberg, Administrator of the District. "Including the external staff constantly on hand as well as the artisans, craftsmen and service providers based in the surrounding areas, our estimate is that a total of some 2,500 jobs in the region depend on the hospital." The small and larger enterprises whose employees' livelihood in large part depends on the hospital range from the local painter, carpenter, electrician or floor layer to the taxi company, caterer and cleaning service right through to the laundry operation located in the "distant" city of Erfurt.

Zentralklinik was also good for Bad Berka's reputation: "Already in GDR times, it had always been one of the most important medical centres in the country. And today it is one of the top addresses in Germany – this is very clear from the licence plates of the cars driving up here", Münchberg observes.

PATIENTS ALSO FROM ABROAD

Bad Berka's mayor Thomas Liebetrau draws the circle even a bit larger: "In some specialist disciplines, the good reputation has even reached far-flung places abroad." Indeed: with the successes it has achieved in treating neuroendocrinal tumors, the Clinic for Molecular Radiotherapy/Centre for Molecular Imaging (PET/CT) has even attracted patients from the USA. And in Arab countries, word about the quality of Bad Berka's spinal surgery has also spread, with numerous patients coming from the Gulf States to be treated here.

It is not without some pride that Liebetrau also shows "his" hospital to visiting delegations from Bad Berka's twinned towns in France, the UK and Poland: "They are always deeply impressed by the hotel-like entrance, the garden on the roof of the bed facility and the beautiful rock garden. That is something they've never seen back home." The cautious refurbishment and new construction measures performed over the past two decades under the aegis of RHÖN-KLINIKUM Group has created a harmonious ensemble of old and new building sections as well as rest and leisure areas the likes of which can be found in no other hospital.

Dr. Kerstin Haase, managing director of Zentralklinik Bad Berka, thinks of the facility more in terms of its primary purpose, and that is something that Bad Berka does not have to be shy or modest about either. Even university hospitals from all over Germany send patients to Zentralklinik to undergo treatment for certain medical conditions, and the figure of over 45,000 who were treated in 2011 (of which nearly half on a full inpatient basis) is impressive. However, the managing director would like to see a higher supra-regional name recognition among the general public.

"We still have to raise considerably our public profile as a high-performance hospital in medical specialties, and project that further out into the country", Haase said. "One of our most pressing tasks is to raise the awareness of Zentralklinik throughout Germany to such extent that it is attractive for patients as well as medical personnel." This is indeed a challenge, seeing that Bad Berka is a relatively remote location operating in a highly competitive environment: "Not every young doctor would like to move to such a small place." And it does not help much either that the Weimarer Land district likes to see itself as the "Tuscany of the East".

The biggest competitor, the University Hospital of Jena, is not far away. Even closer is the facility of Helios, Klinikum Erfurt, also a maximum-care facility and – like ZBB – an academic teaching hospital of the University of Jena. Both are more conveniently located in terms of proximity to the motorway and railway connections. And both are in the same league, dealing with complex conditions similar to those at Zentralklinik. But also smaller regional providers in Weimar, Blankenhain and Apolda, to some extent are vying for the same clientele.

Particularly in the area of basic care "no ambulance will head out to our hospital because of a broken arm, appendicitis or hernia", notes quite soberly Professor Norbert Presselt, medical director of ZBB and head physician of thoracic and vascular surgery. "Even in the field of classic trauma surgery, there is not really anything to write home about." In the general vying for funding from the health insurance funds, this competition has become even more intense.

FINDING THE NICHES

The flipside of the story is that ZBB can (and must) position itself with many of its 19 specialist fields at the upper end of the performance scale. The fact that this claim or standard is also borne out in reality is something that can be seen from the case mix index (CMI). It provides a clear indication about the average severity of cases. In Bad Berka it is just under 2, with the figure averaging 1.4 for Germany's 32 university hospitals and 1.08 for all hospitals in Germany. The guiding principle of providing "cutting-edge medicine for everyone" that RHÖN-KLINIKUM Group has subscribed to right from the very start is particularly exemplified here.

Naturally, the high quality of medical care has not gone unnoticed "outside". This was shown by an analysis of patient flows. Although only a few patients found their way from the large hospitals based in the immediately surrounding areas to Bad Berka, they did come to ZBB in significant numbers from the regions beyond the typical catchment areas of Jena and Erfurt, "as it were, around the islands of competitors", Dr. Haase is pleased to note. This is

Waltraud Keil
"Networking within the healthcare system in my view should be organised in such a way that the flow of information from top to bottom and vice versa is improved."

Sonja Zeidler
"What I expect from healthcare providers is for them to concentrate on: short waiting times, competent treatment, a broad range of services/treatment areas, and services oriented towards patients and their families."

not least owing to the reputation of the facility as a specialty hospital with very special strengths that ZBB has been able to expand in specific areas over the past two decades under the Group of RHÖN-KLINIKUM AG.

Both for the management and for the doctors, the path ahead is clearly mapped out. "We have to find our niche in grassroots medicine", says Dr. Haase, giving a rough description of the way ahead. Admittedly, that is a fine balancing act. On the one hand it is necessary to promote further specialisation within the major fields of medical work. On the other, the diversity of disciplines and broad basis of expertise must not be lost.

That is because: "Innovation today is mostly taking place at the interfaces between the different disciplines", states medical director Professor Presselt as one important reason. "For this creative interdisciplinary co-operation, we need medical team-players prepared to overcome the boundaries of their respective specialist fields. But amid all this we will still need doctors fully versed in the general basic principles, i.e. who are not overly specialised", he explains, outlining the requirements for the hospital's doctors today and, more importantly, its doctors in future.

SPECIALISED MEDICINE WITH TRADITION

On an objective view, Zentralklinik has been a specialist medical facility during the entire 113 years of its existence. For around a quarter of a century, it functioned purely as a pulmonary clinic treating tuberculosis patients. The basic principles of therapy in the "Sophie Clinic" founded in 1898 – named after the late Grand Duchess of Saxony-Weimar-Eisenach (1824 to 1897) – were the open-air rest treatment and a healthy diet. That was apparently an effective treatment of the often fatal infectious disease, since the initially very limited number of beds was already increased to 100 around the year 1900 and doubled to nearly 200 with a building extension in 1911.

From 1924 onwards, the spa sanatorium in the München District of Bad Berka gradually became a clinical sanatorium. New treatment rooms were created, laboratories set up and x-ray units installed. With new treatment methods and soon also operating procedures, the range of therapies for lung diseases was increasingly broadened. In 1950 the Ministry of Healthcare of the GDR, to which the clinic was directly subordinated, decided to construct a bed facility with 570 beds on the Harth, the new location in Bad Berka.

But the medical director at that time, Dr. Adolf Tegtmeier, had even bigger plans. Together with the district building master Richard Sahl, he designed a hospital that was to be born from a synthesis of a modern hospital and an individual sanatorium. Tegtmeier succeeded in finding backers for his ideas in Berlin. Construction got under way in 1951 – insidiously "from outside to inside, so that they necessarily had to keep on building", recalls Frank Rokosch, today head of the Materials Management department. In 1957 the work was finished. After a construction time of five years, the first new hospital building in the GDR stood in Bad Berka, the "Zentralklinik für Lungenkrankheiten und Tuberkulose" (central hospital for lung diseases and tuberculosis), as it was henceforth called.

When during the ensuing period tuberculosis, thanks to antibiotics treatment, gradually became less frightening and no longer required long-term treatment, Tegtmeier, born in 1894, also oversaw the changeover to cardiac medicine. In 1966, one year before Tegtmeier took his well deserved retirement at the age of 73, Zentralklinik was recognised as the GDR's fifth official heart centre. In 1969 the cardiology unit was created. In 1973 the decision was made to make Zentralklinik the leading centre for heart surgery. In the same year, a specialised urology as well as orthopaedics department were added, which were based in the town's München District.

It was only in 1974 that the hospital sign was changed to at least partially reflect its new circumstances: "Zentralklinik für Herz- und Lungenkrankheiten" (central hospital for heart and lung diseases) was then the name of what was still a very specialised facility. The goal that had been set in 1973 was reached in the years following: the performance and efficiency of heart surgery in Bad Berka came to be unrivalled in the whole of the GDR. In the interplay of heart and lung therapy, the facility reached a leading position in thoracic surgery – a valuable legacy that has been preserved to this day. The brief survey of past developments above all shows one thing: from the very outset, Zentralklinik has played a pioneering and special role. And – in its respective contemporary setting – it has always offered cutting-edge medicine.

MOVING AHEAD UNDER PRIVATE OWNERSHIP

Just how far its reputation went is illustrated by the family history of Oliver Salomon, chairman of the Works Council of ZBB. To work as nurses at the newly built lung hospital, his family came to Bad Berka from Altmark in 1958. They remained loyal to the hospital through all stages of its transformation – Salomon is one of many employees already working in the third generation at Zentralklinik, and a very dedicated one at that. In matters relating to the works council, he maintains close contact with his colleagues at Group headquarters in Bad Neustadt, with whom he feels he is in good hands.

After German Reunification, things became exciting for him and all other employees at the hospital. For the Thuringian Ministry of Social Affairs and Health, which was initially responsible for the hospital, Bad Berka was simply "left over" in the circle of Thuringian hospitals, as Kerstin Träger, head of nursing services for standard wards, day clinic and diagnostics centre, drily put it. Not enough funding was available to continue to maintain all clinics, and at first closure appeared to be the only solution. "Before Christmas in 1990, all of us had already received our pink slips", Träger still recalls all too well.

Thanks to personal contacts between the Bad Berka cardiac surgeon Professor Wolfgang Ursinus and his Bad Neustadt colleague Professor Robert Hacker, Zentralklinik caught the attention of RHÖN-KLINIKUM AG. Initially, a cooperation and consulting agreement was concluded with the Ministry in November 1990. And on 16 May 1991, Zentralklinik Bad Berka GmbH was founded in which RHÖN-KLINIKUM AG took an interest of 75 per cent – with a share of 12.5 per cent being retained, in each case, by the Federal State of Thuringia and the City of Bad Berka.

As a result, some 850 jobs were saved. The refurbishment and modernisation of the hospital could now begin. The Federal State has since relinquished its remaining share also to RHÖN-KLINIKUM AG. However, Bad Berka's mayor, Liebetrau, is pleased about the dividend paid out by ZBB each year of well over one million euros – which is not exactly a small amount compared with his municipality's trade tax revenues of 550,000 euros.

The works council chairman Salomon is proud that on entering the new era ZBB's employees also succeeded in preserving both their own residence and the company-owned employee apartments, and especially the company kindergarten. "It is nice to see that today the kindergarten is even mentioned as part of our job ads", he say, grinning. There is also something in it for the mayor: since the kindergarten is also open to persons outside the company, it thus makes a contribution to the infrastructure of the municipality.

The finishing touches were put on the deal in May 1991, thus laying the foundation for Zentralklinik's development into

Klaus Dieter Kreißel
"In the age of the Internet, networking plays an enormous role. The faster you get data about a patient, better you can treat that patient."

Dr. rer. nat. Grit Berger
"I wish to see a healthcare system that everyone can afford, with optimum individual patient advice on treatment strategies and care options, at all times attuned to the interests of the individual, regardless of provider-related interests of the pharmaceutical or medical products industry."

an efficient, state-of-the-art hospital. It was only with its takeover and integration into the network of RHÖN-KLINIKUM AG that the hospital, then threatened with closure, could be refurbished and above all modernised. In the process, ZBB received from the Federal State of Thuringia care mandates in the areas of pneumology, cardiology, cardiac surgery, thoracic and vascular surgery, neurosurgery, orthopaedics as well as urology. In 1992, the specialist urology department went to the district hospital Kreiskrankenhaus Blankenhain – today the doctors in Bad Berka feel this has left a painful gap in their service offering.

WORKING AT THE CONSTRUCTION SITE

The 1990s were marked by extensive alterations and new construction measures under the creative management of the Bad Neustadt architect Wolfgang Wilhelm, who had already designed several new buildings for RHÖN-KLINIKUM Group. In 1992, the first thing to be completed was the urgently needed new operating centre which today comprises 15 operating theatres. That was followed in 1993 by a new centre for intensive-care medicine, one of the most modern in all of Europe, and in 1995 a new bed facility with 488 beds was constructed. From 1995 to 1996, Wilhelm, with a great deal of tactful care, rebuilt and modernised the hospital's central building. That changed the hospital beyond recognition. It literally became a public attraction, a real crowd-puller.

Next came the opening in 1998 of the new West wing in which the only centre for paraplegics in Thuringia, the PET Centre (PET: positron-emission tomography, a particularly sensitive imaging diagnosis procedure) and specialist department for interdisciplinary diagnostics were located. Between the building sections, two glass-roofed rock gardens were created as islands of tranquillity for patients seeking repose. However, the old Sophie Clinic in the München D fell by the wayside: it was returned by ZBB to the regional pension insurance agency Landesversicherungsanstalt at the end of 1993 – since then the historical monument has been abandoned to decay.

"We spent around ten years here working on one construction site. But everyone was highly motivated because we could see how everything was coming along", says nursing service provider Träger, looking back. This steady improvement was seen not least in the jobs trend. In 1991, Zentralklinik got off to its fresh start with a staff of around 850. After that, staffing was initially reduced by 200 employees as part of a gradual two-year plan (which to a significant extent was also attributable to the outsourcing of the laun-

dry operation, cleaning services and pathology and by a reduction in the facility's internal pool of maintenance personnel).

From then on, though, the trend rapidly turned upwards. In 1995, ZBB already had 950 employees, in 2000 over 1,200 and in 2005 more than 1,300. Today, the hospital counts 1,700 employees, twice as many as when it started out in 1991. These figures reflect the expansion of the hospital which steadily broadened its service offering.

In 1993, the Clinic for Angiology as well as the Clinic for Anaesthetics and Intensive Medicine were added to the original six disciplines. These were followed in 1994 by the Clinic for Spinal Surgery (as a specialist area of the orthopaedics department) and the Clinic for Neurology. The PET Centre opened in 1998 became the Clinic for Nuclear Medicine one year later with the opening of the isotope therapy ward. To this day it is a vibrant – but by no means the only – source of medical innovation at Bad Berka.

To date, RHÖN-KLINIKUM Group has invested a total of some 270 million euros in the hospital. One visible testimony to this, besides the job figures and impressive buildings: today the offering includes numerous specialist disciplines (see box).

As the number of specialty fields shows (apart from a few exceptions which the healthcare plan of the Federal State of Thuringia has not allowed so far), Zentralklinik Bad Berka provides an all-round care offering for nearly all medical conditions. However, the service offering of most areas in terms of quality standards today well exceeds that of a "normal" intermediate-care hospital – it is no exaggeration to use the word "cutting-edge medicine".

AT EYE LEVEL WITH THE UNIVERSITIES

For its designation as a hospital with supraregional care mandate – this is the category under which ZBB falls – Zentralklinik has found its own interpretation: forming focus

SPECIALIST MEDICAL DISCIPLINES:

- Clinic for General Surgery/Visceral Surgery
- Clinic for Angiology
- Clinic for Internal Medicine/Gastroenterology and Endocrinology
- Department for Internal Oncology and Haematology
- Clinic for Neurosurgery
- Clinic for Neurology
- Clinic for Nuclear Medicine/PET Centre
- Clinic for Heart Surgery
- Clinic for Cardiology
- Department for Rhythmology and Invasive Electrophysiology
- Clinic for Orthopaedics/Trauma Surgery
- Clinic for Palliative Medicine
- Clinic for Pneumology
- Clinic for Thoracic and Vascular Surgery
- Clinic for Spinal Surgery and Paraplegics
- Department for Neuro-Urology
- Laboratory and hygienic medicine

MEDICAL CENTRES:

- Centre for Anaesthetics, Intensive Medicine and Emergency Medicine
- Centre for Diagnostic and Interventional Radiology
- Centre for Interdisciplinary Pain Therapy
- Centre for Neuroendocrinal Tumors
- Orthopaedic Traumatological Centre
- Certified Competence Centre for Thoracic Surgery
- Interdisciplinary Vascular Centre
- Centre for Sleep Medicine
- Centre for Ventilation & Ventilation Weaning

Constanze Wilhelm
"I find networking among healthcare providers to be very important to ensure good transparency."

Birgit Kürass
"For myself, I expect to have a GP nearby and a specialist that is easily reached."

Jens-Uwe Füldner
"From a patient's perspective, one-stop provision of care is desirable as this allows for the existing interface problems (waiting times, duplicated examinations, communication problems) to be minimised."

Michael Jasper
"In my view, a large hospital is very important for a region as a major employer and full-service provider of medical care."

areas of particular strength within its major fields of medical work. Some examples of this are: within cardiology, arrhythmia and heart failure are particularly important, in neurology it is epilepsy, in abdominal surgery it is severe liver diseases, in gastroendocrinology it is neuroendocrinal tumors.

"Our objective, firstly, is to develop into a service-oriented centre of excellence addressing patients with complex diseases regionally and especially supraregionally", states managing director Dr. Haase, setting out the general course. "At the same time we wish to take an active part in shaping advances in medicine." This is made possible with the help of investments in state-of-the-art medical technology and infrastructure backed by RHÖN-KLINIKUM Group as well as participation in studies and research projects.

Medical director Professor Presselt sees a reasonable way of not only claiming excellence but also delivering compelling proof of the same: "We need even more certifications by serious scientific specialist societies." At his Clinic for Thoracic and Vascular Surgery, the Thoracic Centre has already been re-certified by the German Society for Thoracic Surgery (DGT). Vascular surgery is part of the Vascular Centre established in 1994, which also includes the angiology and interventional radiology.

Such an excellence strategy is not something that can be ordered ex cathedra. It calls for a high level of commitment by all those involved, first and foremost the doctors. In Bad Berka, there is no shortage of this. On the contrary: in the clinics and institutes of the hospital the enthusiasm people have for their own work is something you can feel – not to mention their ambition to work at the same level as their colleagues at the university hospitals, only closer to the patient.

Not a few of the doctors have come from the University of Jena to Bad Berka with the idea that there was still something they could move here, and they were not disappointed – thanks to the tremendous backing that RHÖN-KLINIKUM Group has given its hospital already now for two decades. As a motivating force still at work in the background, there is presumably still a lingering sense of elitism that the employees of Zentralklinik took with them from times when their facility was still the top national institution for all heart- and lung-related diseases.

For younger staff, it is now more likely to come down to the readiness and willingness of RHÖN-KLINIKUM Group to ensure they benefit from state-of-the-art working equipment, medical technology and hospital infrastructure at all times – such a solid foundation for innovative work is something that their counterparts at some publicly owned hospitals and even university hospitals often can only dream about. What the doctors at Zentralklinik make out of these opportunities is something we would like to illustrate with a few examples. At the same time, it should be appreciated that it is not possible to present all of the hospital's individual facilities here.

A perfect example of cutting-edge medicine and innovative strength is the Clinic for Molecular Radiotherapy/Centre for Molecular Imaging (PET/CT) managed by head physician Professor Richard P. Baum. Baum came to Thuringia from the University Hospital of Frankfurt am Main already in October of 1997, first to establish the PET Centre and then the nuclear medicine department. For both projects, the financing commitment was given to him by Eugen Münch, at that time chairman of the Board of Management of RHÖN-KLINIKUM AG.

The incentive was great enough to lure Baum away from his university career in Frankfurt to Bad Berka. And it is no small tribute that the ambitious professor has stayed here to this day – at least for that part of the year when he is not travelling around the world to seminars and conferences. Next year the Clinic for Molecular Radiotherapy/Centre for Molecular Imaging (PET/CT) will get a new Radiopharmaceutical Centre with a new cyclotron. The total investment amounts to roughly 11 million euros for the production facility for radiopharmaceuticals.

CUTTING-EDGE MEDICINE HAS MANY NAMES

Up to now, the nuclear medicine specialists already had a cyclotron for manufacturing radioactive diagnostics and therapeutics that will continue to be operated for the time being. With the new facility, production capacity will be expanded considerably. That will also be necessary: important products of the old as well as new facility are not only for the hospital's own requirements but are also sold to other hospitals and community-based nuclear medicine specialists throughout Germany. This link between top medical research and tangible clinical practice is typical for Bad Berka.

So far, the radiopharmacy supplies around 130 users throughout Germany. Each day, 20 to 30 batches leave ZBB. With the newly constructed facility, supply capacities are

Marlin Iksander
"I understand patient-oriented structures as the system that provides for my needs."

Thomas Liebetrau, mayor
"The integration of outpatient and inpatient care in Bad Berka has advantages for people that live here both in terms of their quality of life and in terms of employment. The Bad Berka brand is increasingly gaining importance as a healthcare location for the region."

to be doubled. "That will allow us to help significantly more patients than before", says a pleased Professor Baum. "We do not have any shortage of customers." With the help of radiopharmaceuticals from Bad Berka, tumors that are difficult to locate can first be precisely detected (for example using the high-resolution PET-CT, a combination of positron-emission and computer tomography) and then irradiated from inside to destroy them.

One specialty of the Clinic for Nuclear Medicine is radioreceptor therapy (RRT). It is aimed above all at neuroendocrinal tumors (NET), 75 per cent of which occur in the gastrointestinal tract and in the pancreas (but which can turn up anywhere in the body). These tumors do not respond to conventional chemotherapy. However, they frequently have special receptors that have a magnet-like effect on the hormone somatostatin. The therapy uses a somatostatin-like peptide (a protein substance) as a carrier for radioactive particles that latch on to the neuroendocrinal tumors and destroy them with their irradiation.

The method designed by Professor Baum increased the average survival time of NET patients from 22 to 59 months. In January 2012, the team from Bad Berka treated its one thousandth patient – on recommendation by the University Hospital of Hamburg – using this therapy. Word about the Thuringian hospital's expertise has got around: "We now have over 500 patients coming to Bad Berka each year for radioreceptor treatment", says Professor Baum in describing the steep growth. "That makes us the world's biggest centre for the nuclear medical treatment of neuroendocrinal tumors."

The subject of neuroendocrinal tumors (NETs) is where the paths of a wide array of specialist fields meet at ZBB. In addition to the Clinic for Nuclear Medicine, this is an area that also involves the Clinic for Internal Medicine, Gastroenterology and Endocrinology, the Clinic for General Surgery and Visceral Surgery, the Centre for Diagnostic and Interventional Radiology, the Centre for Interdisciplinary Pain Therapy and the Clinic for Palliative Medicine.

All these specialist fields have teamed up in the Centre for Neuroendocrinal Tumors to offer patients the best possible individual diagnosis and therapy. This is also the purpose of the inter alia weekly tumor boards in which external doctors treating the patients on an outpatient basis also participate. This close internal as well as external collaboration was recognised by the European Neuroendocrine Tumor Society in March 2011 when it granted certification as an excellence centre.

SCALPEL AND ENDOSCOPE IN TANDEM

"The internal networking works really well", finds PD Dr. med. Merten Hommann, head physician of the Clinic for General and Visceral Surgery (surgery in the abdominal area), one of the partners at the Centre for Neuroendocrinal Tumors. "We stick to the efficiency principle of short distances, and of agreements being honoured." Hommann is particularly keen on upholding the co-operation with his colleague Professor Dieter Hörsch, the head physician of the Clinic for Internal Medicine, Gastroenterology and Endocrinology. Together, the two clinics have formed the Abdominal Centre of Zentralklinik since 2007.

PD Dr. Hommann also advocates specialising in high-quality services within traditional fields of work. "'Acute abdomen' cases, for example appendicitises or hernias, seldom end up in Bad Berka", he regrets with regard to the lack of training opportunities for young doctors. "Instead we are increasingly treating patients with serious conditions, frequently with tumors." A case mix index of over 2 would speak for itself.

Most of the treatments done within the Bad Berka visceral surgery department concern the liver, pancreas and gall bladder. One specialty of the hospital is liver surgery, for example the obliteration of metastases in the liver using heat, a minimal-invasive technique which the hospital was the first to perform. Next, Hommann has his sights on a new form of chemotherapy for peritoneal cancers. Here, the chemotherapeutic – heated to 42 degrees to increase its effect – is to be applied directly to the affected tissue while the operation is under way. That largely spares the patient the side effects suffered when the drugs are administered through the bloodstream.

"Excellence is something you have to acquire step by step. Our objective is to expand high-tech medicine in our field of work and to establish new medical methods", explains the clinic's head physician, looking forward. For Hommann, continuous and higher-qualification training is the A and O when it comes to future advances in medicine. And not only in theory: "We start every Wednesday with an internal continued training course."

For its research work, his clinic has already received several awards. And together with the University of Jena, the Hommann team has even filed a patent, which is by no means something ordinary in clinical medicine. The joint work was aimed at very small and difficult-to-locate primary tumors, such as neuroendocrinal tumors which often produce large metastases.

Although the type of such tumors can be determined by histological examination of tissue, this is not the case for its position – that, however, is decisive for determining the further diagnosis and therapy. "In collaboration with the geneticists from FSU Jena, we have succeeded in correlating genetic patterns from metastases of NETs with gene sequences of the primary tumors in such a way that we can determine, based on a sequence of only three genes, in what organ the primary tumor is found", says Hommann, describing the innovation that is a big step forward in the diagnosis of NETs.

In the "second half" of the abdominal centre, that of the Clinic for Internal Medicine/Gastroenterology and Endocrinology, the areas of focus are on diagnosing and treating functional disorders of the gastrointestinal tract – from the esophagus to the rectum – and treating endocrinological diseases (i.e. those relating to the hormone glands), above all diabetes mellitus. The most important tool is the endoscope – in large part, the examinations and therapeutic measures are performed in the heart of the clinic, the endoscopy department that is operated jointly with the Clinic for Pneumology.

Particularly in oncological cases, head physician Professor Dieter Hörsch focuses his efforts on internal collaboration. The problems of cancer patients are discussed in joint interdisciplinary conferences with the Clinic for General Surgery/Visceral Surgery, the Centre for Diagnostic and Interventional Radiology, the Department for Internal Oncology and Hematology and the Clinic for Molecular Radiotherapy/Centre for Molecular Imaging (PET/CT). In the case of thyroid diseases and other endocrinological conditions, it is especially the nuclear medicine specialists that Hörsch seeks to work together with.

WHERE ONE PLUS ONE IS THREE

Truly compelling advocates in matters of interdisciplinary work can be found at the Cardiac Centre of ZBB: Dr. Thomas Kuntze, head physician at the Clinic for Heart Surgery, Professor Bernward Lauer, head physician of the Clinic for Cardiology, and Professor J. Christoph Geller, head physician of the Department for Rhythmology and Electrophysiology within Cardiology. In the case of many seminar events, such as for referring physicians, the cardio trio attend jointly, and at least two of the three doctors are involved in many operations.

Klaus-Dieter Voigt
"What I expect from a healthcare system is for it to provide optimum care within a short time. "

Susann Maas
"A large hospital is very important for the infrastructure of a region, it must be centrally located. "

Edith Steinhauer
"Zentralklinik Bad Berka is highly reputed because of its high level of specialisation. "

Marilyn Bölter
"A large hospital plays an enormous role for a region, not least because of the great number of jobs. It should be easily reached. "

But much more importantly: "No matter with which one of us three a patient ends up – they always receive optimum treatment", states Geller, providing an insight into day-to-day practice. "We discuss the cases jointly and decide on the right treatment approach – without jealousies and territorial claims. Elsewhere, that is still frequently a problem: whoever comes to the heart surgeon first is operated, whoever consults the cardiologist is treated as long as possible with non-operative methods, and not always with a view to what really makes sense." Co-ordination prior to therapy was medically more correct and spared the patient many an unnecessary ordeal. And: "We all still have more than enough to do."

Also in the heart centre, the standard that applies is: "With the exception of transplants, we offer the whole range of cardiac therapy to adults at the university level", emphasises the head cardiologist Professor Lauer. "We often get the difficult patients, often older patients with several illnesses." For this patient group, the Bad Berka heart specialists use the most patient-friendly examination and the latest treatment methods in medicine and technology.

For example, examining the heart using an echocardiography (ultrasound) and a special computer tomography procedure (multi-slice computer tomography) spares many patients the stress of having to undergo a heart catheterisation to obtain an image of the coronary arteries. In therapy it is especially the minimal-invasive methods (key-hole medicine) that can often replace more serious interventions. Some of these are still very recent.

For example, Lauer's clinic each year performs some 50 occlusions of the left atrial appendage using what are referred to as occluders. These are little discs made of plastic material designed to prevent the dreaded condition of atrial fibrillation that frequently results in blood clots and thus strokes. A further 30 operations are performed to occlude mostly congenital holes in the atrial septum that can significantly impair cardiac output.

In addition, some 120 procedures to replace or "repair" heart valves (aortic and mitral valves) using a catheter are also performed. 100 occluded coronary arteries are reopened with balloon catheters – a special balloon catheter unit is in the preparatory stage. All told, the cardiologists each year perform more than 2,000 balloon dilatations (i.e. widening the vessels with catheters). 300 to 400 heart attack cases per year come to Bad Berka for treatment.

Cardiologists have found a new answer to post-heart attack cardiasthenia (heart weakness) and cardiac failure in general, a new kind of pacemaker referred to as cardiac contractility modulation (CCM). It does not trigger heart actions directly but instead sends impulses to the heart muscle during the pumping cycle that strengthen cardiac output.

Lauer claims a unique position in immune adsorption, the filtering of antibodies whose autoimmune attacks result in inflammations of the heart muscle. Another specialty of the Cardiology Clinic is the obliteration of certain nerve fibres in the kidney arteries as a treatment for high blood pressure. Just one year old, this method promises to revolutionise the treatment of arterial hypertension.

In the fight against tachycardia (racing pulse), an ablative procedure frequently brings relief: "Such tachycardias are frequently caused by disruptions at certain places of the heart muscle. If we obliterate these places – usually as part of an electrophysiological examination – using a high-frequency current, we can eliminate the causes of tachycardia in 95 to 98 per cent of cases", explains the rhythmologist, Professor Geller. In that way we avoid drugs-based treatment, which often has undesirable side effects."

Each year some 800 of such catheter ablations are performed by Professor Geller's team, and 600 to 650 pacemakers or defibrillators (a device using electrical shocks to jolt the heart back into its normal rhythm) are used. "We get more and more patients coming to us who find their existing medicamentous therapies to be inadequate and are looking for non-medicamentous alternatives", reports Geller. "And in many cases, they have found out about us through the Internet." Specialised rhythmology centres were also a rare thing in Germany.

THE STANDARDS ARE SET HIGH

In many fields of work, the cardiologists meet with the heart surgeons. The surgeon Dr. Kuntze deals with coronary heart diseases, congenital and acquired heart valve defects, cardiac arrhythmias and diseases of vessels in close proximity to the heart, albeit primarily with his scalpel. He successfully performs beating-heart operations on patients with coronary heart disease without using a heart-lung machine.

Prof. Dr. med. Richard Baum
"Therapy for neuroendocrinal tumors is a textbook example of how optimum patient care must also involve close co-operation between outpatient/pre-admission and inpatient departments as well as patient self-help groups."

Prof. Dr. med. Waheedullah Karzai
"We are a hospital that is highly specialised in a wide range of fields with high quality standards, and if we continue to do that I can take a very positive outlook on the future."

In the field of heart valves, his clinic is increasingly applying valve-preserving operation methods, particularly for the mitral valve which is usually operated through a minimal-invasive access-way. Cardiac arrhythmias can also be cured surgically, for example atrial fibrillation with the help of operative ablation methods.

Which approach is good for the individual patient is something that is decided by consensus amongst the three heart experts. In emergency heart surgery cases such as infarctions or heart valve inflammations, interdisciplinary work has proven itself: "Close co-operation with other departments creates optimum conditions for providing care to heart patients exposed to acutely life-threatening conditions", Dr. Kuntze emphasises.

The interdisciplinary approach is wired right into the hardware of the hybrid operating theatre: here, cardiologists and heart surgeons work directly side by side on the patient. The hybrid operating theatre, equipped with a high-performance angiography facility (for imaging of blood vessels), makes it possible to "perform interventions under a single anaesthetisation that previously were not possible", explains a beaming medical director Professor Presselt. For example, combinations of balloon dilatations and stents (small wire tubes used to keep the vessels open) and bypass operations are possible.

"Within RHÖN-KLINIKUM Group, our heart surgery is characterised by the highest average degree of difficulty and the second-highest average age of patients", Dr. Haase affirms. In this regard, the standards are set high – after all, the Group also includes the university heart centre Herzzentrum Leipzig, the cardiovascular hospital Herz- und Gefäß-Klinik Bad Neustadt Universitätsklinikum Gießen und Marburg (UKGM) and the heart surgery hospital Klinik für Herzchirurgie Karlsruhe.

The heart experts see their future firstly in intensifying their efforts in existing fields of work such as cardiac failure or the – increasingly important – treatment of elderly patients. Also, the interdisciplinary approach can be taken even further, according to the cardiologist Professor Lauer: "For example, we could work together more closely with the endocrinologists to put in place a diabetic screening programme." Diabetics in the advanced stage of the condition frequently suffer from vascular and heart problems. "In a networking of disciplines, we could help them with comprehensive, all-round care – improving their life quality and life expectancy."

MAKING LIFE BEARABLE

Also primarily concerned with the quality of life of her patients is Dr. Beate Will, head of the Clinic for Palliative Medicine. The significance of this still relatively young discipline is growing in Germany but is still underrepresented in many regions. "Palliative medicine is not medicine for the dying", Will says, contradicting a widespread prejudice. She prefers to use the definitions of the World Health Organization and the German Association for Palliative Medicine (DGP).

According to those definitions, palliative medicine is "the active, holistic treatment of patients who suffer from a progressive, far advanced disease and have limited life expectancy at a time when the disease is no longer responding to a curative course of treatment and when the highest priority is given to pain control, other complaints associated with the disease, psychological as well as social and spiritual problems".

Although the main objective of the treatment was no longer to prolong life at any cost but to maintain or improve the patient's quality of life, it was nevertheless perfectly possible in individual cases to extend life with complex palliative medical measures, Will emphasised. Usually, the primary approach taken was one of pain therapy and mitigation of the complaints arising in the course of the disease, such as shortness of breath and coughing, as well as stomach and intestinal problems. But also general well-being could often be improved, whether through exercise therapies or mental support.

What in any case applies is: "A palliative clinic has nothing to do with a hospice. What we are primarily concerned with is medicine, whereas hospices are concerned with nursing", states the clinic's director by way of distinction. And: "The average duration of stay of our patients is around eleven days. After that they can be released home under the care of a community-based practitioner or a specialised service, or to a hospital near where they live." In outpatient care, the palliative clinic works together with a specialised outpatient palliative care (SOPC) team whose director is a former colleague.

A third of patients come from ZBB itself, two thirds are referred from outside. 95 per cent of the cases relate to tumor patients. But other conditions also come within the clinic's field of work, such as severe heart failure, neuromuscular diseases such as ALS, severe stroke or chronic obstructive pulmonary disease (COPD). "What we want is to find an individually sensible and reasonable therapy for each patient", explains Will. "That is a highly interdisciplinary process in which we basically work together with all colleagues at Zentralklinik."

Contrary to its reputation of being costly, palliative medicine offered "huge cost-saving potential" for society as a whole: "Particularly in the interest of the patient, we try to avoid needlessly distressing therapy and diagnosis as far as possible." That by no means meant that sensible therapies were discontinued: "Even chemo- or radiotherapy could still be sensible if such treatment relieves the patient from pain while still being tolerable for the patient. That is often the case, for instance with painful bone metastases."

At the Clinic for Palliative Medicine, patients receive comprehensive care in ten single rooms and two double rooms from a team of doctors, specially trained palliative care staff and a pastoral counsellor, a psychologist, social workers and physiotherapists as well as ergotherapists. Even music therapy is possible. "Palliative medicine only works at the multifunctional level", underscores Will, who is highly committed to the training of doctors and nurses.

What is important for palliative physicians is for the care provided to also include the relatives. For example, the single rooms offer the possibility for relatives to stay overnight. But the clinic also has a pleasantly furnished room that can be used by the patients, their relatives and the team members together, and a physiotherapy room. Moreover, numerous musical instruments are available for the patients.

In Dr. Will's view, palliative medicine should not be restricted to the last phase of life. "In earlier stages of diseases we can also make a contribution to alleviating specific problems, and with our methods help to overcome crises", she is convinced. For that reason it was an important objective for her to integrate the palliative approach earlier in the treatment, for example, of tumor patients.

NO ONE-WAY STREET

A co-operation partner in palliative medicine and all other disciplines of the hospital is the Centre for Interdisciplinary Pain Therapy. However, it does not merely provide its expertise to the colleagues of other disciplines but has also developed an offering of its own that is very much in demand. Its target group is patients suffering from chronic pain, in the majority of cases headaches and back pain, to whom outpatient care is no longer accessible. The pain therapists have found their focus of work on treating back pain.

Manuela Berger-Zander and Mario Steiner
"Personally, we expect a future healthcare provider to take an interest in the person of the patient, and not just to see the condition or illness. That also means having better co-operation between the referring hospital and the health insurance funds."

Juliane Otto
"In the area of healthcare services, what I expect, when it comes to my personal well-being, is to be able to reach everything close at hand (within one town or city)."

Kerstin Pietsch
"In future I expect more personal discussions with doctors and nurses."

Tanja Gumprich
"For myself personally, I expect in future that, for example, you dont have to wait ages before being admitted in an emergency, e.g. because everything is full (there were already many cases like that !), because that is life-threatening!"

The therapeutic scope ranges from physiotherapy aimed at getting patients who are immobilised by pain moving again, to psychology with relaxation and pain coping training right through to medicamentous adjustment – with many chronic pain patients, even a withdrawal of medication is necessary. A specially developed training room is used for everyday and work-related training. Acupuncture and endurance training are also part of the measures designed to help patients return to a normal daily routine.

The treatment is not only performed by the core team made up of pain therapists, pain nurses, pain psychologists and physiotherapists. "We can draw on the resources of the entire Zentralklinik and the knowledge of the related departments", states head physician Dr. Johannes F. Lutz, emphasising the interdisciplinary character of his centre. That applies all the more given that other departments have to deal with the subject of pain, such as Nuclear Medicine and Interventional Radiology. For Lutz, support from colleagues is thus not a one-way street. And the services of pain therapy are so much in demand that the number of beds was doubled to 20 in the middle of February 2012.

Another indispensible cross-functional department is the Centre for Anaesthetics, Intensive Medicine and Emergency Medicine. Its more than 40 doctors provide anaesthetics services to the operative specialist disciplines of heart surgery, thoracic surgery, interventional bronchology, neurosurgery, spinal surgery, orthopaedics, traumatology, visceral surgery and vascular surgery and urology. Some 10,000 patients each year are anaesthetised in the 15 operating theatres and additional decentralised anaesthetic workstations. A further 3,000 patients are provided intensive medical care in the intensive and intermediate care wards.

More than 150 doctors and nurses work on the intensive care wards alone. 90 per cent of the nursing team is made up of examined nursing employees of which nearly every second has completed a course of higher-qualification training in intensive nursing and anaesthetics. "Our highly efficient intensive medicine is of key importance to us", attests ZBB managing director Dr. Haase. "It provides the basis for doctors of other specialised disciplines to venture on very complicated tasks."

One specialty of the Clinic for Neurosurgery in co-operation with the Centre for Anaesthetics, Intensive Medicine and Emergency Medicine is operations performed on awake patients with tumors located close to the brain's motor and speech centre. This operation requires the utmost co-operation between the operator, anaesthetist, nursing staff and psychologist. During removal of the tumor the patient is actively involved by communicating with the operator and the psychologist and by constantly being provided with information on how the operation is progressing. This option of an awake operation is offered by only a handful of German hospitals.

KEYHOLE ACCESS TO SPINAL CORD

High-profile specialisations are found in almost every department of Zentralklinik. Some have the status of independent clinics, such as the Clinic for Spinal Surgery and Paraplegia (which in other facilities would be part of the orthopaedics department). Its head physician Dr. Heinrich Böhm has developed a great number of his own minimal-invasive procedures and even some special operating instruments. Böhm has earned a reputation in Germany and abroad among other things for minimal-invasive interventions through the chest or abdominal cavity which spare patients considerably larger operations.

Their scope ranges from simple ankolyses to spinal cord relief to the replacement of vertebral bodies. The clinic also uses "keyhole surgery" methods to go through the back to operate constrictions of the spinal canal or disk prolapses in the region of the lumbar vertebrae. "After such operations, the patient can usually get up the next day", Böhm promises.

It is owing to interdisciplinary collaboration with the oncology department that treatment possibilities have improved for patients suffering from spinal metastases. It is frequently because of the reduced stress this minimal-invasive procedure offers for patients weakened by tumors that makes it possible for the metastases to be removed surgically in the first place and for the spinal cord to be re-stabilised. "This often makes it possible to restore physical capacity and the ability to walk. That means that we can prevent paraplegia and normally reverse already existing partial paralyses", explains Böhm.

The second focus of work led by him is likewise by no means something you can find at all hospitals of this category: the Department for Paraplegics, a treatment centre for patients suffering from spinal injuries, which was founded in 1998. It is oriented towards providing life-long care to its patients, because unlike other disability conditions, paraplegics are constantly exposed to the risk of paralysis-related complications.

Peter Schmidt
"As far as I know, Zentralklinik Bad Berka is the only hospital within a radius of 100 km offering special care for brain tumor patients."

Volker Bonarius
"In my view, Zentralklinik Bad Berka is well positioned, has a good reputation, and decisions there are taken very quickly."

These include various types of spasticity, pain, joint contractures, paralysis-induced malpositions, osteoporosis or bladder and rectal paralysis, i.e. a host of concomitant conditions that often require interdisciplinary treatment. For treating bladder and rectal paralysis, Zentralklinik – as an even further specialisation – has established a separate department, the Neuro-Urology department, which organisationally is affiliated to the paraplegia department.

It deals with the treatment of functional disorders of the lower urinary tract, i.e. the urinary bladder, the sphincter muscle and sexual function. Its patients are not only paraplegics. Multiple sclerosis, spinal bifida, Parkinson's disease, diabetes and stroke patients as well as post-hysterectomy patients also often suffer from urological functional disorders.

STAYING AT THE TOP

The traditional specialty field of Zentralklinik is pneumology, which is 113 years old and still represents an area of focus within its service offering. Tuberculosis, which was the hospital's starting point, has now receded far into the background – the specialised ward still counts four beds. Nevertheless, with its 124 beds the clinic is one of the largest and most important pneumology centres in Germany. For example, it treats all diseases of the airways, including rare diseases, drawing on the latest expertise as well as the wealth of its decades of experience.

As one special facility, the Clinic for Pneumology maintains ventilation centre that provides care for patients suffering from acute and chronic respiratory insufficiency as a result of pneumological and neuromuscular diseases. On the one hand, the service performed by the centre firstly consists in finding a suitable individual form of respiration for these patients; and on the other, it focuses on the weaning of patients from mechanical ventilation. Only recently, in February 2012, the Weaning Centre – the first such facility in central Germany – was certified by the German Society for Pneumology and Respiratory Medicine (DGP).

The objective of weaning is to achieve a sufficient level of spontaneous respiration or to adjust the patient to invasive or non-invasive home mechanical ventilation. That makes it possible for patients to achieve a greater integration into day-to-day life and to attain a higher quality of life. What is also important for this centre is its close co-operation with numerous clinics and specialised departments such as the Clinic for Anaesthetics and Intensive Medicine, the Clinic for Spinal Surgery and Paraplegics, the Clinic for Neurology and other internal medicine and surgical disciplines.

With its Centre for Sleep Medicine, which already from 1995 included a sleep laboratory accredited by the German Sleep Society (DGSM), the Clinic for Pneumology has prepared itself for growing demand. Among the conditions examined are complaints such as loud snoring, daytime fatigue, restless sleep, sleep apnea or nighttime perspiration of unknown cause. These and many other disorders are diagnosed , and to the extent possible therapied, in the Sleep Centre.

The area of pneumological oncology split off from the pneumology department in 2009 forming the department for Internal Oncology and Haematology. After initially providing care almost exclusively to patients with lung cancer, it increasingly broadened its scope to other forms of cancer as well. "Lung tumors still account for about 60 per cent of our work, but the trend is declining", explains the medical director Dr. Claus-Peter Schneider.

"However, that does not mean that the number of lung treatments is falling – rather, we are treating more and more patients with malignant diseases of other organ systems." With the exception of acute leukemia, the department now treats 80 to 90 per cent of all cancer forms, including diseases of the haematopoietic (blood-forming) organs. In this context it works together closely with the Clinic for Thoracic and Vascular Surgery, the Clinic for Internal Medicine/Gastroenterology and Endocrinology, with the Clinic for Palliative Medicine, the Clinic for General and Visceral Surgery, the Clinic for Interventional Radiology and the Interdisciplinary Working Group on Pain Therapy. And: "We provide the systematic therapy (chemotherapy) of the entire facility", adds Schneider with regard to the close collaboration.

This year he expects a total of around 1,400 cases, or almost four patients per day. "The lung is to remain our core competence in future as well", says Schneider. "But we want to further improve our possibilities for other tumor types, for example with haematological tumors", i.e. the different types of leukemia. It was also important to recruit additional oncologists, not least through in-house training.

EXPANSION AS REMEDY FOR SHORTAGE OF DOCTORS

Training is one of the central themes running like a thread through all specialist disciplines. "We have to train our young physicians ourselves", contends medical director Professor Presselt, speaking out of the realisation that the market for "seasoned" doctors is becoming increasingly tight. For that it was important to find contact to young physicians still wishing to specialise in certain disciplines. A big step forward was taken when Zentralklinik at the beginning of 2011, and thanks to Presselt's commitment, became an Academic Teaching Hospital of the University Hospital of Jena.

Nevertheless, says the cardiologist Professor Geller: "We are less attractive for novices due to our high level of specialisation." Still, our experience as a teaching hospital has shown that the training offering in Bad Berka was all the more attractive for aspiring physicians "who are already a bit further on": "Anyone with certain expectations and ideas about their professional career will see things here that they won't see anywhere else. This is something that the somewhat older students have confirmed to us time and again."

For doctors in residency programmes, the rotation guarantee is an appealing offer. Within their six-year period of residency, they can gather experience in a great number of specialist fields. The principle of rotation likewise applies to students in their first practical year and to nursing staff in training. Zentralklinik also does a lot for the integration of foreign doctors. A language teacher in Weimar gives them special language lessons in the medical field which are financed by the hospital.

In future, ZBB wants to reach young physicians with a more provocative recruiting approach: "If you are not looking for a calm and relaxed job but instead a real challenge in an exciting field, then you are the right person for us", says Haase, citing the text of one conceivable ad intended from the outset to counter the idea that working in the tranquil little town of Bad Berka might turn out to be a nice quiet job. It will take intensive recruiting work on all channels, from ad promotion to various forms of university contacts right through to the diverse introductory and residency programme offering of which there are many examples within RHÖN-KLINIKUM Group. What is certain is that in future Zentralklinik will need more doctors than today.

The reason for this is that the original existing fields of work are to be expanded – where possible with new areas of focus. "We can continue pursuing our strategy of specialisation over the next five to ten years", estimates Professor Presselt. This specialisation was necessary not least because it is only through high case numbers in the complex therapies targeted that a high level of quality can be ensured. "In training, however, we have to keep in mind that we will always need generalists to build the bridges between our specialists." This was all the more important given that medical developments were increasingly happening between specialised medical disciplines.

Susann Böhmel

"What I expect is patient-oriented structures along the lines of more money being spent on patients and less on administration (e.g. of health insurance funds). "

Tina Meseck

"On the issue of location for medical care, going by my GP, I am happy that he is right around the corner. But generally speaking it would be nice to be spared long trips to the doctor, since in the worst-care scenario it is, after all, a matter of life and death. "

Ramona Radoi

"In future I expect outpatient and inpatient healthcare providers to have qualified specialist staff and quicker care. "

Peter Felder

"In my view, a large hospital plays a very important role for the infrastructure of a region. Particularly for rare diseases, a large hospital is the first choice. At the same time, though, journeying distances to the facility should stay within certain limits. "

As the next cross-functional discipline, the specialists in Bad Berka are looking at geriatric medicine. "Doctors and pharmacists at last have to understand that an elderly patient is different from a middle-age patient", Presselt postulates.

He and his colleagues initially want to form working groups for treating older patients. The first steps in this direction have already been taken.

Because the use of drugs in elderly persons ("On average they take ten drugs, prescribed by various specialist doctors – that is far too much.") had to be redefined, the hospital pharmacists are accompanying doctors on their visits. The result: "The requirement for old patients is a lot lower than was assumed – we can eliminate many a drug with the effect that patients are better off afterwards than before", Presselt notes. "This holds considerable potential for further savings within the healthcare system." This approach, too, follows the hospital's motto of "providing medical services as well as possible, but not as much as possible".

FOCUS ON OUTSIDE IMPACT

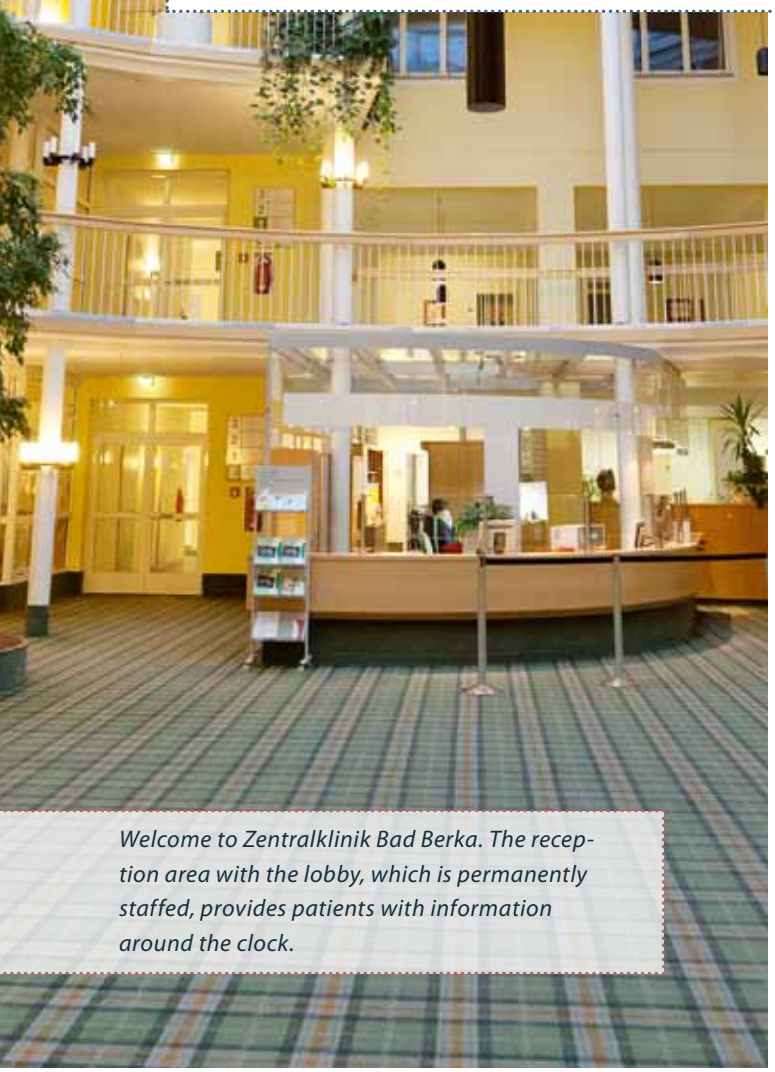
Purchasing employees and doctors at Zentralklinik also see further scope for development in external relations. These include firstly contacts with referrers, community-based doctors and smaller facilities which "work wherever there are good personal relationships", as one head physician puts it. These could be improved with modern services, for example the offer to take a helpful look at CT images or ECGs in difficult cases.

On the other hand, this relates to the medical care centres (MVZs), facilities that RHÖN-KLINIKUM Group attaches great importance to as the basis of generalised care and as growth drivers. ZBB currently maintains two of these: one MVZ in Weimar offering the focus areas of cardiology and neurology, and one at the hospital in Bad Berka itself focusing mainly on neuro-surgery. An expansion of these external capacities is perfectly conceivable and presumably also possible: "On the one hand, the MVZs here in the East enjoy greater acceptance than in the West because people have realised that they are not very different from the polyclinics they are already familiar with", Presselt emphasises. "On the other hand we take pains to ensure that we don't cross hairs with our community-based colleagues."

And last but not least, the issue of supraregional acceptance and status turns up on the agenda time and again. For this, Zentralklinik must steadfastly continue its strategy of innovation and deliberately enter into a competition with university facilities, says Presselt: "Without bragging, we have to tell people why we are better." At the same time, however, it had to be ensured that ZBB never departs from its sound basis, urges medical director Dr. Haase: "Specificity, complexity, a high level of professional quality and not least patient orientation remain our prime objectives."

GROUP MANAGEMENT REPORT

- In financial year 2011, despite the more difficult general environment and considerable price pressures, we demonstrated that it is possible to provide high-quality medical care for everyone. We treated more than 2,277,000 patients, which translates into growth of 11.5% compared with the year before.
- With our revenue and earnings figures for financial year 2011, we have performed clearly in line with expectations, comfortably reaching our stated targets as in the past despite a challenging regulatory environment.
- The 11% rise in earnings (to € 161.1 million now) is characterised by sustainability with the simultaneous increase of 18.8% in our operating cash flow.
- We are stronger as we enter a phase of new hospital acquisitions, and in 2012 are continuing our successful integrations into the RHÖN-KLINIKUM Group.



Welcome to Zentralklinik Bad Berka. The reception area with the lobby, which is permanently staffed, provides patients with information around the clock.

1 EARNINGS AND FORECAST

	2011 € m	2010 € m	Change %
Revenues	2,629.1	2,550.4	3.1
EBITDA	354.7	307.3	15.4
EBIT	213.2	197.9	7.7
EBT	186.5	173.9	7.2
Operating cash flow	303.9	255.9	18.8
Net consolidated profit	161.1	145.1	11.0
Balance sheet total	3,175.3	3,058.2	3.8
Investments	317.4	403.3	–21.3
Shareholders' equity	1,598.7	1,495.2	6.9
Net financial debt	551.9	551.5	0.1

As our earnings figures show, we achieved again our targets in the past financial year 2011 from organic growth without significant acquisitions.

During the past financial year, RHÖN-KLINIKUM Group achieved the highest figures for service volumes and earnings in its history. We succeeded in this because we have been further expanding our medical offering steadily for years and will continue to do so in future. We treated our patients in Germany at our 53 hospitals with a total of 15,973 beds and 38 medical care centres (MVZs) with 166.5 doctor's practices. Our staff of currently 39,325 persons

ensured the well-being of our patients, with the share of women being roughly 75%. During the past financial year, we treated 2,277,153 patients, or 11.5% more than in the year before.

The performance and efficiency of our hospitals is clearly seen in the 18.8% rise in operating cash flow compared with the previous year. Also in financial year 2011, we invested the funds generated for the most part (€ 317.4 million) in the expansion and modernisation of our sites with a view to establishing path breaking medical technology and optimising clinical processes.

Despite the more difficult environment in general, we succeeded in raising consolidated revenues by 3.1% to € 2.63 billion compared with the year before. Net consolidated profit rose 11.0% to reach € 161.1 million. The earnings-per-share figure is € 1.13 (previous year: € 1.01).

The EBITDA margin for the past financial year is 12.8% on an adjusted basis. The reported figure is even higher at 13.5%, and is responsible for the achieved EBITDA of € 354.7 million (€ 337.7 million on an adjusted basis). Consolidated EBITDA recorded a 15.4% rise (12.9% adjusted) compared with the previous year. Adjusted means taking account of the effects of the PTC and the previous year's budget, as described in detail in chapter 6.2. EBIT and EBT rose by more than 7% to € 213.2 million and € 186.5 million, respectively. The EBIT and EBT margins accordingly were raised by 0.3% to 8.1% and 7.1%, respectively.

Our equity capital climbed to € 1,598.7 million (previous year: € 1,495.2 million), which reflects an equity ratio of over 50%. Net financial debt was held constant at around € 552 million and is 1.6 times EBITDA at the Group (previous year: 1.8 times).

Forecast for 2012

For the year 2012, including the acquisition of Dr. Horst Schmidt Kliniken, Wiesbaden, we expect revenues of roughly € 2.85 billion within a range of plus/minus 2.5%. This revenue target is accompanied by a forecast for EBITDA of € 350 million and for net consolidated profit of € 145 million, both of which may fluctuate within a range of plus or minus 5%. We will also achieve this forecast in what will once again be a challenging environment on the healthcare market.

2 ECONOMIC AND LEGAL ENVIRONMENT

2.1 MACROECONOMIC TREND

The upswing in the German economy continued in 2011. With a gross domestic product (GDP) of 3%, the pace of growth has slowed compared with the 3.6% recorded in the previous year, but was higher than expected given the persistent debt crisis within the euro zone. Growth was driven in particular by private consumption and a sharp rise in companies' investments in machinery, equipment and buildings.

New government debt was sharply reduced in 2011. At 1%, it was below the euro zone's 3.0% stability limit.

The good state of the economy was also reflected in the revenue situation of municipal budgets. Given the high level of old debt, however, public budget consolidation will remain the top priority. Moreover, the data presented by the German Council of Towns and Cities is revealing a growing gap between poor and rich municipalities.

The economic slowdown emerging during the past financial year was fuelled by the slowing pace in the global economic trend and by burdens on the real economy within the euro zone.

2.2 DEVELOPMENTS WITHIN THE SECTOR

In 2011, the healthcare sector again proved itself to be a stable and important growth market. This is particularly seen in the steadily growing number of persons employed in the healthcare industry. In 2011 alone, every ninth person in employment (4.8 million people) worked in healthcare. According to surveys conducted within the sector, an increase in 70,000 jobs in healthcare is expected in 2012. Given the forecast for a shortage in specialist staff, wages are likely to rise.

Demand in particular for highly qualified doctors and nurses is being 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. The search for qualified 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 better balancing of family and career, as well as 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.

The persistently positive trend on the job market and cost-cutting measures adopted in the healthcare system in 2010 are having an impact on the revenue situation of statutory health insurance. The financing deficit of statutory health insurance forecast for 2011 has not materialised – quite the contrary. The central health fund and the statutory health insurance funds generated substantial surpluses at year-end. The central health fund is excpected to close with a surplus of roughly € 4.4 billion, thus bringing its liquidity reserve to around € 8.6 billion.

That said, the general financial conditions for hospitals continue to be challenging in view of statutory provisions regulating increases in prices and service volumes. Based on the SHI Financing Reform Act (GKV-Finanzierungsgesetz, GKV-FinG) which entered into force on 1 January 2011, growth of hospitals is limited as a result of the reduced rate of change and mandatory discounts on agreed surplus volumes. The rate of change, which is linked to the general rate of change in the aggregate income of all health insurance members (Grundlohnsummenveränderungsrate), is intended to compensate for the resulting increases in wages. The rate of change of 1.15% for 2011 was reduced by 25 basis points to 0.9%. In addition, during financial year 2011 hospitals had to accept a discount of 30% on so-called surplus service volumes agreed with the health insurance funds. The effective base rates applied by the hospitals of RHÖN-KLINIKUM Group (the price for the services rendered, also based on corrections to miscalculations) rose by only 0.3% compared with 2010.

By contrast, actual personnel and material costs rose by approximately 2% to 3%. For hospitals, that means that the increases in personnel and material costs were offset only to a partial extent by the moderate growth. This is tantamount to a legislated deterioration in hospitals' results of operations where they were not in a position to agree on or achieve disproportionate growth in service volumes or to exploit efficiency reserves. Rationalisation pressures at the hospitals have thus once again increased. The current legislative situation is not expected to bring any relief in this area in 2012 either.

The number of hospitals is loss in steadily rising. The 2011 Hospital Rating Report of the RWI (Rheinisch-Westfälisches Institut für Wirtschaftsforschung) forecasts that by 2020 some 200 hospitals (10%) will be threatened by closure. This is said to be mainly attributable to the absence or insufficiency of these facilities' investment capacities.

In 2011, transactions within the hospital sector were above the level of the previous year and gained ground in the second half. Also observed in particular was an increase in deals involving larger units.

The demographic trend is also increasingly leading to regional imbalances in healthcare delivery. Particularly regions with weak structures are witnessing a migration – especially of young people – and a greying in their populations. The structural crisis this is triggering at the regional level is also having an impact on medical care. With the SHI Care Structures Act (GKV-Versorgungsstrukturgesetz, GKV-VStG) that entered into force on 1 January 2012, the first steps were taken to counteract demographically induced shortages in care delivery in the area of outpatient medical care. Healthcare delivery is increasingly being organised along the lines of cross-sector and interfacility structures, a trend that is being driven ahead inexorably by demographic trends. This promises to be one of the greatest structural challenges.

2.3 DEVELOPMENTS WITHIN THE GROUP

In 2011, RHÖN-KLINIKUM Group continued its development on the path to becoming an integrated healthcare provider. Thanks to our sound growth course in which having sustainable and integrated care structures within a region play a key role, we deliberately do away with the boundaries between hospitals and outpatient care centres in the interest of meeting the real needs of patients, and create the basis for the patient-oriented, open medical care of tomorrow.

In financial year 2011 as well, 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 the expansion of our medical offering, the particular focus of interest is on hospital-affiliated MVZs (which expand the respective catchment area of our hospitals) 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).

In 2011 we have also demonstrated without large acquisitions that our path of achieving further consolidated growth can also be successfully achieved by organic growth. In 2011, the following major milestones of growth were achieved:

- In financial year 2011, RHÖN-KLINIKUM Group succeeded in convincing 2,277,153 patients (11.5% more than in financial year 2010) of its high performance and expertise in providing generalised healthcare and of the high quality of its medical offering.

- In financial year 2011, we were involved in all relevant hospital acquisition bidding procedures. That said, in reaching our decision for takeovers and participations we are guided by a hospital's strategic importance, its earnings prospects as well as the general scope for development within its region and within the Group.

- We steadfastly continued the expansion of our ophthalmological specialist practice MVZs in 2011. For this, we acquired 25 additional ophthalmological specialist practices. We expanded our other outpatient structures by 17.5 additional specialist doctor's practices. As at 1 January 2012 and 1 February 2012, we acquired an additional 5 ophthalmological doctor's practices and 7.5 specialist practices close to hospitals.

- With an investment volume of some € 292 million, we were able to steadily expand our existing facilities and thus create the basis for further qualified and sustained growth.

- In the third quarter of 2011, we reached an agreement with Siemens AG providing for compensation of the economic, in particular balance sheet disadvantages resulting from the "Marburg Particle Therapy" development project being discontinued.

Our stated objective is to create a broad basis of trust in medical care and treatment quality on the part of our patients. In future as well, we will be 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

Our objective is to offer generalised high-quality care which is accessible and affordable for everyone. For us, the basis for good medical care is a threefold harmony of freedom of choosing medical treatment, ongoing investments in modern medical care as well as clinical processes and structures oriented to our patients. Since for us quality and efficiency in healthcare go hand in hand, good medical care is and continues to be equally available to all.

The corporate constitution of RHÖN-KLINIKUM AG and its Group is based on responsible and sustainable corporate governance. Our corporate constitution forms the overall body of rules and guidelines according to which the Group is managed and controlled (compliance) as well as all measures and provisions securing ethically sound corporate management (corporate governance). 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

Sustainable value enhancement and long-term commitment are the key principles of our corporate actions which we acknowledge and uphold both as a healthcare provider and – equally – as an employer and exchange-listed company. When we think of sustained value enhancement, we therefore do not just understand that as the economic consequence of sound, continuous growth in the Company. Particularly 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 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. Conclusion: The quality of treatment is rising. All patients benefit from this because they are provided with a high level of 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, 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 convincing 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. That is why we regularly meet eye-to-eye at congresses, trade fairs and student contact fairs 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, chapter "Human Resources Development."

3.2 CORPORATE GOVERNANCE DECLARATION AND DECLARATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 publicly made available at www.rhoen-klinikum-ag.com.

Declaration of Compliance with the German Corporate Governance Code

Responsible and sustained corporate governance is especially important for the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG. Together with a transparent as well as legally and ethically sound corporate culture, corporate governance is the prerequisite for preserving 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.

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 26 October 2011 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 26 May 2010. According to this, the German Corporate Governance Code is complied with fully with the exception of:

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

We observe most of the non-mandatory recommendations 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 and publish our consolidated financial statements only in April.

The Supervisory Board refrains from stating any specific temporal 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 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. In our Notes we have disclosed in detail the direct and indirect interests in capital pursuant to section 21 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG).

The Annual General Meeting of 8 June 2011 authorised the Company, during a period until 31 December 2012, to purchase treasury shares in a pro rata amount of the registered share capital of up to 10% and, subject to certain conditions, to sell these shares by means other than through the stock market or through an offer to all shareholders.

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. 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 pursuant to the resolutions adopted 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 consolidated financial statements in April of the new financial year. The Annual General Meeting normally takes place within the first six months of the following financial year. We announce our forecast for the current financial year in February. Numerous analyst meetings and investor contact meetings take place. We report on business performance four times a year at analyst conference calls. 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.

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). To make amendments to the Articles of Association (section 179 et seq. AktG) and to remove members of the Supervisory Board, the Annual General Meeting needs a majority of 90% of the capital represented at the Annual General Meeting.

In line with the principle of equal representation of shareholders and staff pursuant to the German Co-Determination Act (Mitbestimmungsgesetz), the Supervisory Board of RHÖN-KLINIKUM AG comprises an equal number of employees' and shareholders' representatives (20 in total) and held four ordinary meetings in 2011 (2010: four ordinary meetings). Members are appointed for a period of five years. The age limit is 75 years. 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 2011, the Board of Management of RHÖN-KLINIKUM AG was headed by one chairman and in his absence by the permanent representative appointed by the Supervisory Board. 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. An age limit of 65 years has been adopted for the Board of Management.

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 after being prepared by the Personnel Affairs Committee. 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, a cap on the remuneration of the Board of Management exists because of the disproportionately moderate relevance of positive earnings developments for remuneration; this means that even where earnings remain constant, variable remuneration components already decrease compared with the previous year.

In financial year 2011, the remuneration of the members of the Board of Management holding office in financial year 2011 totalled € 6.5 million (€ 9.1 million in previous year). Of this total, € 1.4 million (previous year: € 1.9 million) or 22.1% (previous year: 21.1%) was accounted for by components that are not performance-linked and € 5.1 million (previous year: € 7.2 million) or 77.9% (previous year: 78.8%) was accounted for by variable remuneration components. Claims to post-retirement benefits by the members of the Board of Management amounted to € 3.5 million (previous year: € 7.1 million). In financial year 2011, members of the Board of Management (or their surviving dependants) received remuneration for post-retirement benefits amounting to € 5.4 million (previous year: € 1.2 million).

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 € 2.7 million (previous year: € 2.4 million). Of this total, € 0.8 million was accounted for by fixed remuneration components (previous year: € 0.8 million) or 31.2% (previous year: 32.2%). € 1.9 million was paid as performance-linked remuneration (previous year: € 1.6 million) or 68.8% (previous year: 67.8%).

For further details, in particular with regard to the individualised amounts of remuneration 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 2011, the members of the Supervisory Board and the Board of Management together held 12.56% of the Company's registered share capital, of which the Supervisory Board accounts for 12.56% of the shares in issue. Mr. Eugen Münch and his wife Ingeborg Münch together hold 12.45% of the Company's registered share capital and the other members of the Supervisory Board 0.11% of the shares in issue. The members of the Board of Management together hold 0.003% 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 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 2011.

Contracts containing a change-of-control clause

The company purchase agreements of the hospitals acquired by us 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, e.g. a re-transfer of the company shares or 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

"Don't do to others what you would not like done to yourself, and don't leave off doing anything that you would like done to yourself."

This corporate principle has applied from the very beginning, both for RHÖN-KLINIKUM AG and for each and every Group subsidiary, in medical and non-medical patient care and in the administration and management areas. This guiding principle is the basis for each of our decisions and our entire conduct, as well as at each stage of the decision

making process. That is because achieving our corporate objectives in our view calls for compliance not only with the statutory regulations but also with our own ethical standards and rules.

We have created numerous interdepartmental instruments and possibilities to implement and realise this task. In the personnel area it is ensured that each employment contract – whether concluded individually or under collective employment law – makes reference to this principle. The Quality Management department breathes the necessary life into this basic principle, while the Compliance department supports all other departments in implementing and enforcing this guiding principle of utmost importance.

Above and beyond the basic level of compliance required by law, a compliance management system is in place at each hospital site within the network of RHÖN-KLINIKUM AG to monitor compliance not only with this principle but also with the statutory requirements in general as well as ethical values and codes of conduct, from the Management to the individual employee. In this context, we are not confined to internal structures: our compliance management system also requires our business partners to adhere to customary compliance rules.

Based on the Rules of Procedure for Compliance applying throughout the Group and for each employee, various areas of all hierarchies are entrusted with various duties and tasks. These are primarily concerned with providing internal advice and information, but also relate to prevention and protective measures or implementation duties. In this way, the respective corporate bodies of the subsidiaries are assisted by the compliance officers on site as well as by the Group-wide Head of Compliance and the Anti-Corruption and Audit Committees of the Supervisory Board within the scope of their respective duties.

For the purpose of ensuring transparency and informing all persons involved, we have created specifications as part of Group works council agreements, guidelines and recommendations so that everyone has the opportunity to achieve our corporate objective in accordance with our values. However, since a compliance management system cannot be static in its orientation we conduct a regular review based on internal as well as external events of how effective and up-to-date this system is, continuously adjusting our rules to the latest insights.

Training and informing employees in observance and implementation of our corporate guideline and in compliance matters also enjoys very high priority in this regard, whether as part of internal higher-qualification measures or within the scope of work on bodies, for example on bodies representing the employees and apprentices or in the training of our young executives. It is only through a close meshing of regular control and adjustments to the system together with keeping all levels of the Group and its subsidiaries informed that RHÖN-KLINIKUM AG can achieve what it has committed itself to achieving: ensuring high-quality care for everyone based on a social and ethical responsibility for our patients and employees.

3.5 MEDICAL QUALITY

Every day, employees working within our facilities provide the highest level of quality for our patients. The past financial year shows that our hospitals, based on a holistic understanding of quality, achieved numerous improvements during the past financial year. We wish to continue steadfastly on this path.

In 2011, RHÖN-KLINIKUM AG established and carried out a host of measures to secure and raise quality standards in the provision of medical services. These measures cover the entire process of performance – ranging from the patient's hospital admission and clinical treatment processes right through to the patient's release.

A further milestone on the path to steadily increasing patient safety is the "electronic drug therapy safety review" (eAMTS) system. In 2011 RHÖN-KLINIKUM AG, with the involvement of all its relevant professional areas of the Group (such as medicine, nursing, pharmacy, controlling and quality management) developed and formulated the requirements to be met by such a system. Here, the primary objective was to assist all doctors in administering drugs (giving due regard to prescription freedom) by pooling medical and pharmaceutical expertise with the help of the system.

With the completely generalised introduction of the Critical Incident Reporting System (CIRS) in 2011, an important contribution to further improving patient safety at the Group's facilities was made.

"We value your opinion!" It is under this motto that we conduct a regular and structured survey at our facilities among patients and referring physicians so as to gain a further basis for sustainable quality improvement, since this is the only way we can ensure that we do not just claim to have quality but also actually deliver it according to our standard.

Following numerous alarming hygiene-related cases at German hospitals, the German legislator responded in July 2011 by amending the German Infection Prevention Act (Infektionsschutzgesetz, IfSG). For many hospitals, the implementation of these measures came as a surprise, confronting them with considerable problems. However, the facilities of RHÖN-KLINIKUM AG were already prepared for the impending changes thanks to the Group-wide standardised hygiene management system that had been established for years, and already largely met the statutory requirements. The monthly reports to the Group's head hygienist on hygiene-critical pathogens and infections subject to notification, which were introduced as mandatory for all facilities in 2008, have proven indispensable as a key control instrument. But we did not stop at improving basic hygiene. By strictly implementing the Group's guideline on the detection and management of MRSA (methicillin-resistant Staphylococcus aureus) positive patients, we also succeeded in continuously lowering the incidence of hospital-acquired nosocomial transmissions of this notorious hospital pathogen.

That RHÖN-KLINIKUM AG meets its standard of high quality and transparency is seen by the participation of our facilities in the Internet portal qualitätskliniken.de. In this portal, the high quality of our facilities compared with other hospitals is presented for the public. As initiator of qualitätskliniken.de, RHÖN-KLINIKUM AG along with its partners are pursuing the stated objective of systematically raising the quality of their facilities and making this development transparent for both patients and specialists.

3.6 REPORTING PURSUANT TO SECTION 289 (5) OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH, HGB) AND SECTION 315 (2) NO. 5 HGB ON INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE ACCOUNTING PROCESS

The accounting-related internal control system within our Group embraces all principles, processes and measures to ensure the effectiveness, efficiency and orderliness of accounting as well as compliance with the relevant legal regulations.

Within the RHÖN-KLINIKUM Group the accounting-related internal control system is made up of the internal control and the internal monitoring system that ensures preparation of the annual financial statements for the Group of RHÖN-KLINIKUM AG and RHÖN-KLINIKUM AG itself and its subsidiaries. As a component of the internal control system, the risk manager system, with reference to accounting, is also concerned with the risk of misstatements in accounting as well as in external reporting.

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 – a financial statement according to the German Commercial Code (HGB) is prepared in the Group's own data centres based on a uniform Group-wide accounting guideline and a uniform Group-wide accounting programme. From these financial statements, a consolidated financial statement is 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 consolidated financial statement using certified consolidation software after capital consolidation and consolidation of expenses and earnings, receivables and liabilities as well as elimination of any intercompany profits. IFRS-relevant revaluations and/or reclassifications are performed at the Group level according to uniform criteria.

After the end of the respective reporting date, the financial statements are reported promptly to the Group Accounting department and then prepared and published. 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 according to the valid IFRS, comprehensive accounting requirements whose compliance is stringently monitored are observed to ensure uniform accounting. Responsibilities for the preparation of the annual financial statements are clearly defined both for the individual companies and within the Group. 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 statement and the annual financial statement 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 Au-

dit 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

Only companies that recognise their material risks in time and take steps to systematically counter the same are also able to exploit in an entrepreneurially responsible manner the opportunities arising for them. Within the network of RHÖN-KLINIKUM AG, 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.

Particularly our patients rely on us to adequately manage opportunities and risks. 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.

Securing the future sustainability of good medical care is one of the key aims pursued by our Group. The regulatory-policy and legislative environment as well as mounting cost, competitive and consolidation pressures within the sector do involve risks, but at the same time also open up opportunities for us to forge ahead with our growth-driven business model with our transition from traditional hospital operator to integrated healthcare provider.

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 2011

In financial year 2011 we increasingly turned our attention to the issue of medical quality assurance. An important contribution to further improving patient safety at the Group's facilities was made with the Group-wide generalised introduction of the Critical Incident Reporting System (CIRS) during the reporting year. With the CIRS, critical events are reported (i.e. those incidents in which no harm has occurred but which could have resulted in harm to patients and employees). From these it is possible to learn lessons in time so as to prevent harm being caused to persons as part of their treatment and at day-to-day work by taking suitable steps for improvement. The specialised concept for systematic error management closely follows the recommendations of the German Coalition for Patient Safety (Aktionsbündnis Patientensicherheit, APS) and represents an important component of clinical risk management.

During the reporting year we also dealt with the focus areas of hygiene, fire protection, data protection and data security. We consistently addressed these issues throughout the Group, identified the risks arising from them and countered such risks with prevention and/or minimisation strategies.

Moreover, our activities in securing our sites by conducting reviews of their service portfolios were continued. Based on far-reaching market and environment analyses and giving due regard to demographic trends, we identified efficiency potential 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.

In an investigation proceeding conducted against service companies, premises at various hospital sites were also searched by the customs authorities in September 2011. We are confident and relaxed ahead of the investigation findings since we are convinced of having acted at all times in accordance with the law.

4.3 RISK FIELDS

As a healthcare services provider, we operate in an extremely complex risk environment. Factors such as the legislative environment, mounting cost, competitive and consolidation pressures within the sector or the rising demands of patients not only open up opportunities but also involve risks.

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

Macroeconomic and legal risks

We are for the most part unaffected by macroeconomic factors given our exclusive focus on the German healthcare market.

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.

The Group has financial liabilities including negative market values of financial derivatives of € 1,065.1 million and interest-bearing assets of € 477.5 million. In principle, then, we are exposed to the risk of changing interest rates. Since we meet these interest-rate risks with interest hedging transactions, our exposure to such risks is very minimal in the short-to-medium term. Financial derivatives are not used for any purposes other than for hedging.

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

Operating and production risks

Advances in medicine and the call 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. Whenever these processes are disrupted, this carries risks for both patients and the hospital. We attach utmost importance to minimising such risks by ensuring 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

In times of mounting economic pressure on companies from the healthcare sector – in addition to the optimum use of physical resources – it is becoming increasingly important to have qualified and motivated staff.

For this reason, recruiting and retaining qualified staff at our Company is of key importance to us. Our company size allows us to create and apply high qualification standards for the individual professional groups. Thanks to the establishment and expansion of structured recruiting and qualification concepts for doctors, nursing and healthcare professions as well as for our young executive talent, we see opportunities to efficiently counter the current shortage of personnel. 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.

With regard to materials procurement, we rely on external providers in the areas of medical facilities, equipment as well as supplies. These business ties can give rise to risks that are triggered, for example, by delivery and quality problems. By ongoing market and product monitoring we ensure that dependencies on sole suppliers, single products and service providers are kept to a bare minimum.

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 2011 AND OVERALL ASSESSMENT

The evaluation of risks for financial year 2011 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 the reporting year as in the previous years. The risk catalogue was also reviewed and updated accordingly.

As an overall assessment based on our analysis of the risk position within the Group and at its subsidiaries for financial year 2011, we have concluded that there are no risks that could endanger the existence of the subsidiaries or the Group of RHÖN-KLINIKUM AG, and do not see any matters having an adverse effect on corporate development.

5 MEDICAL RESEARCH AND ITS TRANSFER INTO PRACTICE

The acquisition of the university hospitals in Gießen and Marburg and their integration into the Group's network as well as the operation of Herzzentrum Leipzig for many years have enabled our hospitals to participate in the ongoing transfer of knowledge from research into practice, thus making it possible to provide better and more targeted medical care. 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 right through to performance of university teaching mandates and offering specific further training measures for hospital doctors.

The Federal Ministry of Education and Research (BMBF) 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 (DZIF).

Particularly noteworthy is that the Universities of Gießen & Marburg Lung Center (UGMLC) is assuming the co-ordinating function within the entire German Centre for Lung Research. The Max Planck Institute for Heart and Lung Research based in Bad Nauheim is also participating in the UGMLC and the DZL.

Zentralklinik Bad Berka and the University Hospital Gießen and Marburg, for example, were awarded the distinction "Excellence Centre for Neuroendocrinal Tumors". The certifications were granted on behalf of the renowned European Neuroendocrine Tumor Society (ENETS), which confers this distinction on only a small number of European centres demonstrating outstanding clinical and scientific expertise in the field of neuroendocrinal tumors.

Klinikum Frankfurt (Oder) was distinguished with the "Golden Helix Award 2011" for the IT-assisted treatment processes in its centralised emergency ward.

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, chapter "Medical Development – Quality – Integration."

6 CONSOLIDATED TREND

6.1 OUR HOSPITALS AND THEIR PERFORMANCE

With its 53 hospitals and 38 medical care centres (MVZs), RHÖN-KLINIKUM Group is a leading healthcare provider in Germany. We thus account for a market share of nearly 4%. 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.

As a rule, the Group has a single-tier structure. The individual hospital companies are organised in the form of legally independent corporations and have their registered office at the respective facility site. They are direct subsidiaries of RHÖN-KLINIKUM AG (ultimate parent company) that has its registered office in Bad Neustadt a. d. Saale.

Major sites with an acute inpatient care offering include the hospitals at parent company headquarters in Bad Neustadt, 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 changes in bed capacities occurred:

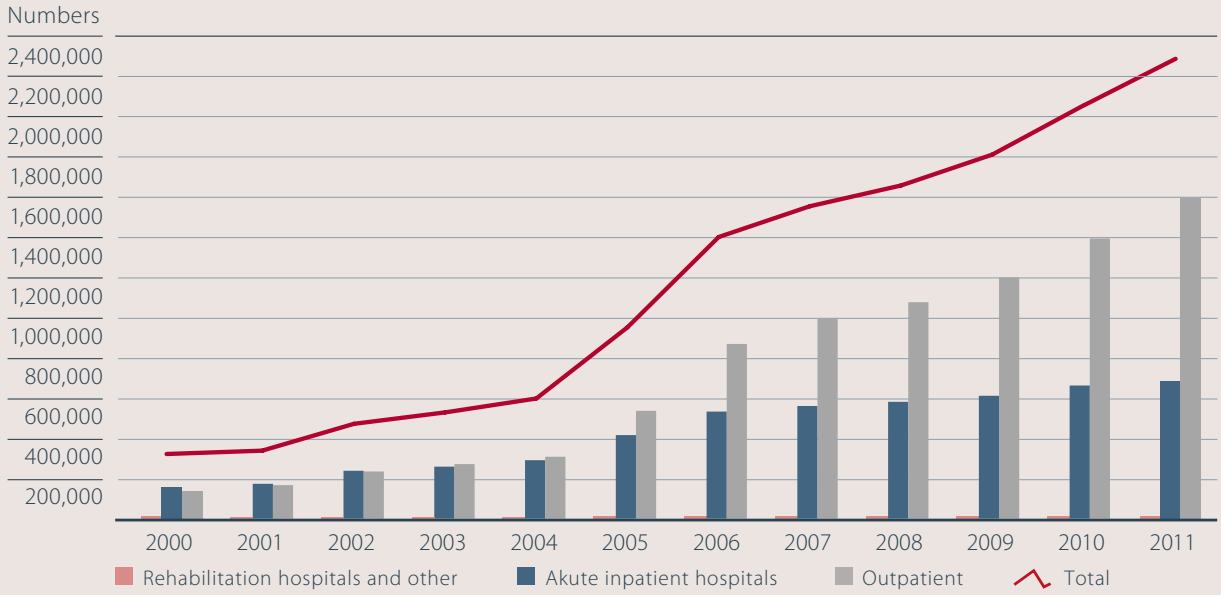
	Hospitals	Beds
As at 1 January 2011	**53**	**15,900**
Change in requirement budgets (net)	–	73
As at 31 December 2011	**53**	**15,973**

As at 31 December 2011, our consolidated financial statement on the reporting date includes 53 hospitals with 15,973 beds/places at a total of 43 sites in 10 federal states. Since 31 December 2010 there have been only minor changes (73 beds/places in total) in the number of approved beds as part of our acute-inpatient capacities.

	Approved beds/places		Change	
	2011	2010	absolute	%
Inpatient capacities				
acute hospitals	14,157	14,169	–12	–0.1
rehabilitation hospitals and other inpatient facilities	1,380	1,362	18	1.3
	15,537	15,531	6	0.0
Day-case and day-clinical capacities	436	369	67	18.2
Total	**15,973**	**15,900**	**73**	**0.5**

By 31 December 2011 we opened or acquired 38 MVZs Group-wide with a total of 166.5 specialist doctor's practices for the most part at or near our hospital sites. In this regard, disposals of MVZs are the result of the merger of our MVZs in Bad Kissingen and Hammelburg for streamlining work processes. The disposals of specialist doctor's practices primarily relate to practices applied for but not acquired in disciplines not covered by state requirement budgets. The disposals do not result in ordinary depreciation or impairments.

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



	Date	MVZs	Specialist physician practices
As at 1 January 2011		**33**	**125.5**
Opened			
Düsseldorf	1. Jan. 2011	1	11.0
Pforzheim III	1. Jan. 2011	1	2.0
Siegburg	1. July 2011	1	7.0
Frankfurt (Oder)	1. July 2011	1	3.0
Magdeburg	1. July 2011	1	2.0
Mönchengladbach/Erkelenz	1. Oct. 2011	1	7.0
Extensions			
Various sites		–	14.0
Disposals			
Various sites		–1	–5.0
As at 31 December 2011		**38**	**166.5**

We continued to expand our outpatient capacities in the financial year 2011. In particular, we increasingly invested in so-called "specialised MVZs" such as ophthalmological centres (ophthalmological diagnosis and treatment centres, ODTCs). In future also, we will thus cover those areas of 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 ten ophthalmologist's practices and one anaesthetics practice. With effect from 1 July 2011 and 1 October 2011, we acquired in Siegburg and in Mönchengladbach/Erkelenz, respectively, one further ophthalmological diagnosis and treatment centre each with seven specialist doctor's practices.

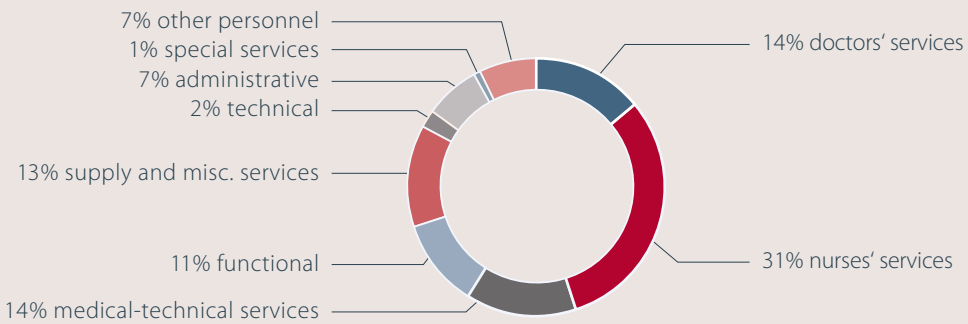
On 1 January 2012 we put into service an additional MVZ with an orthopaedic practice in Olpe and expanded our existing MVZs by twelve specialised doctor's practices. We are thus starting financial year 2012 with a total of 39 MVZs and 179.5 specialist doctor's practices.

Patient numbers at our hospitals and MVZs developed as follows:

			Change	
January to December	2011	2010	absolute	%
Inpatient and day-care treatments				
acute hospitals	664,041	654,437	9,604	1.5
rehabilitation hospitals and other facilities	11,195	10,293	902	8.8
	675,236	**664,730**	**10,506**	**1.6**
Outpatient attendances at our				
acute hospitals	1,037,580	1,009,264	28,316	2.8
MVZs	564,337	367,788	196,549	53.4
Total	**2,277,153**	**2,041,782**	**235,371**	**11.5**

In financial year 2011 we succeeded in raising our patient treatments by 11.5%, and treated 2,277,153 patients, which represents an increase of 235,371 patients versus the previous year. Of this increase, outpatient treatments account for 95.5%. After deducting consolidation effects (Klinik Hildesheimer Land GmbH and first-time inclusions at the MVZs), this translates into organic growth in patient numbers of 134,204 patients or 6.6%. Of this growth, 8,641 pa-

ANALYSIS OF PERSONNEL AT RHÖN-KLINIKUM GROUP



tients or 1.3% are attributable to the inpatient area and 125,563 patients or 9.1% to the outpatient area.

Growth in the inpatient area – as measured in terms of valuation ratios – stands at 1.6% in financial year 2011.

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

January to December	2011	2010
Case revenue		
inpatient (€)	3,665	3,643
outpatient (€)	97	94

Compared with the same period of the previous year, average per-case revenue rose by € 22 or 0.6% in the inpatient area, of which roughly 0.3 percentage points are attributable to the statutory price effect. In the outpatient area the rise was € 3 or 3.2%. Here, the integration of the acquired ophthalmological diagnosis and therapy centres with comparatively higher per-case revenues had a positive impact.

As at 31 December 2011, we employed 39,325 persons in our Group (31 December 2010: 38,058).

	Number
As at 31 December 2010	**38,058**
Change in employees at hospital companies	660
Change in employees at MVZ subsidiaries	277
Change in employees at service companies	330
As at 31 December 2011	**39,325**

In this increase of 1,267 employees versus the reporting date of 31 December 2010, 660 persons were added as a result of staffing increases coupled with expansions of service volumes at our hospitals, 277 persons as a result of staffing changes at our MVZ companies (particularly as a result of the acquisition of our ophthalmological diagnosis and therapy centres), and 330 persons as a result of staffing increases at our service companies.

Doctors accounted for 14.1% (previous year: 13.9%) of the total headcount on the reporting date, while nursing and medical-technical staff accounted for 56.2% (previous year: 56.4%). On average over the year, we recorded a rise of 3.0% in full-time staff. Women account for about 75% of the total headcount.

6.2 BUSINESS PERFORMANCE

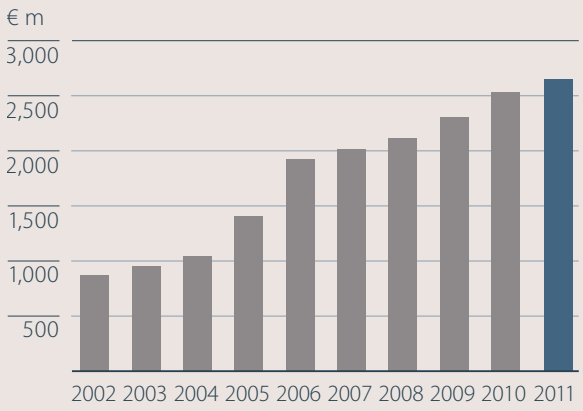
For computational reasons rounding differences of ± one unit (€, %, etc.) may occur in the tables below.

Despite the more difficult environment in general and in the face of various regulatory and economic obstacles, our hospitals witnessed a successful further development towards becoming integrated healthcare providers during financial year 2011. Throughout the Group as a whole, we succeeded in achieving significant increases in service volumes that exceed the national average. In particular, the increase we achieved in our operating cash flow as the guarantor for future investment and performance was an impressive 18.8% compared with the previous year.

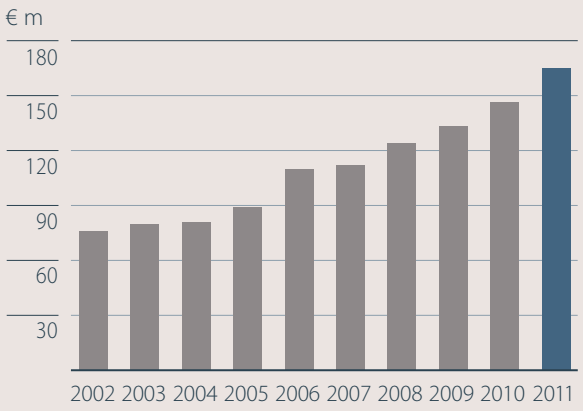
Revenues and earnings figures

In the third quarter of 2011, RHÖN-KLINIKUM AG and Siemens AG reached an agreement whereby RHÖN-KLINIKUM AG will be compensated for the financial disadvantages of the "Marburg Particle Therapy" development project being discontinued. The discontinuation of the project resulted in impairments of € 17.0 million, which were offset by compensation payments of Siemens AG. The measures resulted in an increase in EBITDA with correspondingly higher im-

REVENUE



NET CONSOLIDATED PROFIT ACCORDING TO IFRS



pairments. Overall, this does not have any impact on EBIT and the consolidated result. The effects as described in the following have been adjusted for the effects of the compensation payment made by Siemens AG for the discontinuation of the "Marburg Particle Therapy" development project.

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

January to December	2011 € m	2010 € m	Change € m	Change %
Income				
Revenues	2,629.1	2,550.4	78.7	3.1
Other operating income	199.2	178.7	20.5	11.5
Total	**2,828.3**	**2,729.1**	**99.2**	**3.6**
Expenditure				
Materials and consumables used	678.6	656.9	21.7	3.3
Employee benefits expense	1,562.1	1,513.8	48.3	3.2
Other expenditure	249.9	251.1	–1.2	–0.5
Total	**2,490.6**	**2,421.8**	**68.8**	**2.8**
EBITDA	**337.7**	**307.3**	**30.4**	**9.9**
Depreciation	124.5	109.4	15.1	13.8
EBIT	**213.2**	**197.9**	**15.3**	**7.7**
Financial result	26.7	24.0	2.7	11.3
EBT	**186.5**	**173.9**	**12.6**	**7.2**
Income taxes	25.4	28.8	–3.4	–11.8
Net consolidated profit	**161.1**	**145.1**	**16.0**	**11.0**

In financial year 2011, revenues rose by € 78.7 million or 3.1% to reach a new record level of € 2,629.1 million (previous year: € 2,550.4 million) of which our acute and rehabilitation hospitals accounted for € 2,588.9 million (previous year: € 2,528.1 million) and revenues generated by our medical care centres (MVZs) for € 40.2 million (previous year: € 22.3 million). Organic growth accounts for € 60.2 million, or 2.4%, of this rise. To be noted here is that revenues of the previous year included a budget effect, not attributable to the period under review, of € 8.3 million.

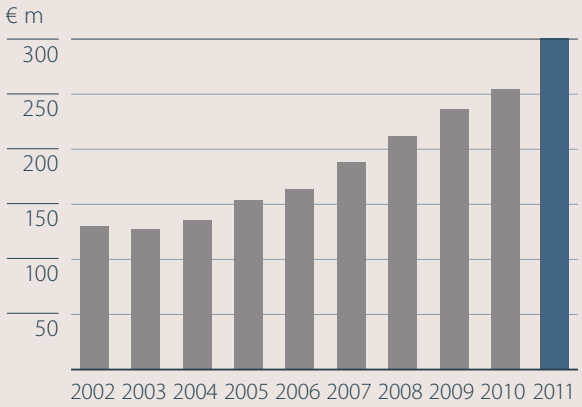
The Other income item rose by € 10.0 million on the back of increases in revenue from ancillary and incidental activities (including higher sales of pharmaceuticals and income from the sale of energy). Moreover, the "Other income" item also rose because of reviews of cases by the Medical Review Board (MDK) of the health insurance funds concluded without objections.

A one-off tax effect in the second quarter of 2011 amounting to € 9.0 m, which results in an improvement in the income tax rate, is attributable to the conclusion of profit-and-loss transfer agreements with four Group hospitals. This effect also results in a sustained improvement in the tax result.

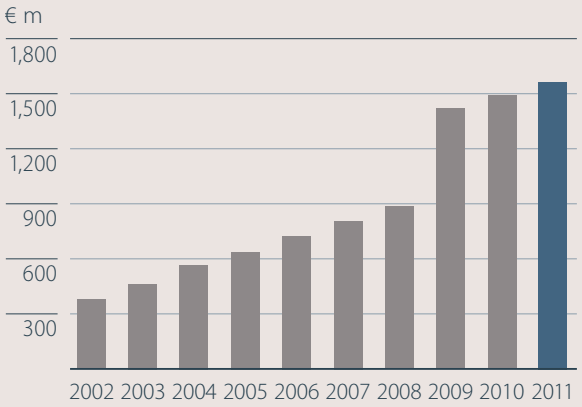
After a result of € 38.0 million (previous year: € 34.3 million) for the first quarter of 2011, of € 46.2 million (previous year: € 36.7 million) for the second quarter, and of € 36.1 million (previous year: € 36.2 million) for the third quarter, we generated earnings of € 40.8 million (previous year: € 37.9 million) in the fourth quarter. In the calculation of economic performance it has to be noted that the second quarter of 2010 included a budget effect, not attributable to the period under review, of € 8.3 million.

	2011 %	2010 %
EBITDA margin	12.8	12.0
EBIT margin	8.1	7.8
EBT margin	7.1	6.8
Return on revenue	6.1	5.7
Return on equity (after taxes)	10.4	9.9

CASH FLOW



EQUITY ACCORDING IFRS



Thanks to consistent Group-wide efficiency gains, the EBITDA margin rose from 12.0% to 12.8% compared with financial year 2010. Essentially, the commissionings of our new buildings and building extensions led to a slightly disproportionate rise in the depreciation/amortisation item of € 15.1 million or 13.8% to € 124.5 million. Against this background, the EBIT margin saw a slight rise from 7.8% to 8.1% compared with financial year 2010.

Because of the disproportionately moderate trend in net financial expenditure, the EBT margin rose from 6.8% to 7.1%.

The one-off tax effect of € 9.0 million from the conclusion of profit-and-loss transfer agreements resulted in return on revenues rising disproportionately from 5.7% to 6.1%. Return on revenue adjusted for this effect stands at 5.8% in financial year 2011.

Our return on equity rose from 9.9% to 10.4%. Excluding this one-off tax effect, return on equity is at the previous year's level of 9.9%. Our quotas, with reference to revenues, developed as follows:

	2011 %	2010 %
Cost of materials ratio	25.8	25.8
Personnel cost ratio	59.4	59.4
Other cost ratio	9.5	9.8
Depreciation and amortisation ratio	4.7	4.2
Financial result ratio	1.0	0.9
Tax rate	1.0	1.1

Compared with the previous year, the cost of materials increased by € 21.7 million or 3.3% to reach € 678.6 million (previous year: € 656.9 million). Sharp price increases were more than offset by product standardisation and user advice. The steadily rising services purchased from locum staff, which only in some cases compensate original personnel expenditures, had an expenditure increasing effect. Adjusted for the effect of locum staff, the cost of materials rose by € 15.9 million or 2.6% and the cost-of-material ratio declined from 24.4% to 24.3% compared with the previous year.

The rise in the employee benefits expense of € 48.3 million or 3.2% includes the effects (€ 9.5 million) of personnel expenses, incurred for the first time on a full-year basis, of Klinik Hildesheimer Land GmbH consolidated for the first time in the previous year and of newly commissioned MVZs. Adjusted for these consolidation effects, employee benefits expenses rose by € 38.8 million or 2.6% to reach € 1,552.6 million (previous year: € 1,513.8 million). The personnel expense ratio is unchanged compared with the previous year at 59.4%. This reflects – given Group-wide collective wage effects of over 2% – efficiency gains and a shift in medical services to locum doctors. Statutory social security contributions and old-age pension expenses as a percentage of the wage bill amounted to 20.5% (previous year: 20.1%).

In financial year 2011, the Other expenditures item declined by € 1.2 million or 0.5% to € 249.9 million (previous year: € 251.1 million). The corresponding expenditure declined from 9.8% to 9.5%.

The disproportionate rise in depreciation compared with the previous year of € 15.1 million or 13.8% to € 124.5 million (previous year: € 109.4 million) and thus also the rise in the depreciation/amortisation item from 4.2% to 4.7% is essentially attributable to the commissionings of our new and extension buildings in Erlenbach and Salzgitter (December 2010 and February 2011, respectively), the completed construction measures in Marburg and Gießen (March and May 2011, respectively), as well as in Hildesheim (October 2011).

The net financial result declined by € 2.7 million or 11.3% compared with the same period last year. Changes in the market values of financial instruments, which are recognised through profit or loss, had an effect of € 0.0 million (previous year expense: € 0.2 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 € 8.9 million.

Retroactively as of 1 January 2011, RHÖN-KLINIKUM AG entered into profit-and-loss transfer agreements with tax effect with the hospitals in Leipzig, Meiningen, Karlsruhe and Kipfenberg. Firstly, non-recognised loss and interest carryforwards that accrued at RHÖN-KLINIKUM AG up to the last reporting date were recognised at the rate of taxation, since the attribution of earnings contributions from tax consolidated groups now creates the basis for offsetting. This one-off effect had an impact of € 9.0 million in financial year 2011. Moreover, current tax losses of RHÖN-KLINIKUM AG in future can be used permanently for tax purposes, thus reducing the tax burden within the Group on a sustained basis by at least € 2.0 million each year. A contrary, expenditure-increasing effect in the amount of € 2.0 million essentially results from the rise in the tax assessment basis. Overall, the aforementioned effects resulted in the tax rate declining by 0.1 percentage points to 1.0%.

Net consolidated profit rose by € 16.0 million (+11.0%) to € 161.1 million (previous year: € 145.1 million). This marked rise in financial year 2011 was helped by a one-off tax effect of € 9.0 million from the conclusion of profit-and-loss transfer agreements, whereas in the previous year only an effect from budget negotiations not attributable to the period under review of € 6.1 million was recognised. Without these two earnings effects, we achieved an increase in consolidated earnings adjusted for the aforementioned effects of € 13.1 million or 9.4%.

The earnings attributable to minority interests declined by € 0.4 million to € 5.0 million. This decline relates to the budget effect of financial year 2010, not attributable to the period under review, in which minority owners participated disproportionately.

The interest of RHÖN-KLINIKUM AG shareholders in profit for 2011 rose by € 16.4 million or 11.7% to € 156.1 million (previous year: € 139.7 million) compared with the previous year. This corresponds to earnings per share of € 1.13 (previous year: € 1.01) in accordance with IAS 33. We plan to propose € 62.2 million (previous year: € 51.1 million) of net distributable profit of RHÖN-KLINIKUM AG to pay out a dividend of 45 cents per ordinary share (previous year: 37 cents).

Asset, financial and capital structure

	31 Dec. 2011		31 Dec. 2010	
	€ m	%	€ m	%
ASSETS				
Non-current assets	2,246.1	70.7	2,195.3	71.8
Current assets	929.2	29.3	862.9	28.2
	3,175.3	**100.0**	**3,058.2**	**100.0**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	1,598.7	50.3	1,495.2	48.9
Long-term loan capital	1,044.4	32.9	964.1	31.5
Short-term loan capital	532.2	16.8	598.9	19.6
	3,175.3	**100.0**	**3,058.2**	**100.0**

The balance sheet total rose by 3.8% to € 3,175.3 million compared with the previous year's level of € 3,058.2 million. The rise results among other things from the scheduled realisation of our investment programmes since the last reporting date. Here it has to be noted that the change in non-current assets includes the disposal of plant under construction resulting from the discontinuation or winding-up of the "Marburg Particle Therapy" development project amounting to € 62.8 million, in conjunction with a payment received in the same amount (current assets).

The equity capital ratio rose compared with the last reporting date from 48.9% to 50.3%. Equity now stands at € 1,598.7 million (previous year: € 1,495.2 million). The increase of € 103.5 million stems from the net consolidated profit of € 161.1 million less dividends paid to shareholders and minority interests in the amount of € 54.2 million and less the € 8.9 million impairment requirement for the effective portion of the interest-rate hedging instruments recognised directly in equity (cash flow hedge). Moreover, payments from minorities into the equity capital of subsidiaries were made in the total amount of € 5.5 million in financial year 2011 in connection with the acquisition of the ophthalmological specialist doctor's practices in Düsseldorf, Mönchengladbach, Siegburg and Wuppertal resulting in an increase of the same amount in the share of minority owners in Group equity. The negative market values of financial derivatives designated as interest hedging instruments are recognised at € 30.3 million in total (previous year: € 21.4 million) as a deduction item after taking into account deferred tax.

Overall, 117.7% (previous year: 112.0%) of non-current assets are covered nominally by equity and non-current liabilities. Net financial debt to banks rose insignificantly since the last reporting date by € 0.4 million from € 551.5 million to € 551.9 million, and is thus nearly unchanged. Net financial debt is calculated as follows:

	31 Dec. 2011 € m	31 Dec. 2010 € m
Cash	477.5	415.7
Current financial liabilities	57.6	69.5
Non-current financial liabilities	1,007.5	922.7
Liabilities under finance leases	0.3	0.5
Financial liabilities	1,065.4	992.7
Subtotal	587.9	577.0
Negative market value of derivatives (current)	0.0	0.0
Negative market value of derivatives (non-current)	–36.0	–25.5
Net financial debt	**551.9**	**551.5**

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

January to December	2011 € m	2010 € m
Cash generated (+)/utilised (–) by operating activities	236.2	221.5
Cash generated (+)/utilised (–) in investing activities	–188.0	–316.0
Cash generated (+)/utilised (–) by financing activities	–1.5	67.1
Change in cash and cash equivalents	**46.7**	**–27.4**
Cash and cash equivalents at 1 January	393.2	420.6
Cash and cash equivalents as at 31 December	**439.9**	**393.2**

In financial year 2011, cash generated from operations amounted to € 236.2 million (previous year: € 221.5 million). The increase was particularly attributable the € 16.0 million increase in net consolidated profit.

The discontinuation or winding-up of the "Marburg Particle Therapy" development project led to a disposal of plant under construction of € 62.8 million, in conjunction with a payment received in the same amount which reduced cash used in investment activities. Moreover, the decline results from the decrease in investments in property, plant and equipment as well as intangible assets, particularly because of the completion of construction measures in Gießen and Marburg in the first half of 2011.

The change in cash generated/utilised in financing activities is primarily attributable to the higher dividend paid to shareholders and minority owners of RHÖN-KLINIKUM AG amounting to € 10.6 million (which compares with payments as part of equity capital transactions amounting to € 7.2 million), as well as the lower financing requirement of € 65.2 million.

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 is invested 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	2011	2010
Net debt to banks/EBITDA	≤ 3	1.6	1.8
EBITDA/net interest expenditure	≥ 6	13.3	12.8

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 € 48.0 million or 18.8% to reach € 303.9 million (previous year: € 255.9 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 € 710 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 2012 with confirmation of our Baa2 rating. The rating was issued with a stable outlook.

Investments

Aggregate investments of € 317.4 million (previous year: € 403.3 million) in financial year 2011 are shown in the following table:

	Use of grants € m	Use of own funds € m	Total € m
Current capital expenditure	46.5	245.4	291.9
Takeovers	0.0	25.5	25.5
Total	**46.5**	**270.9**	**317.4**

During financial year 2011, we invested a total of € 317.4 million (previous year: € 403.3 million) in intangible assets, in property, plant and equipment as well as in investment property. Of this total, € 46.5 million (previous year: € 54.9 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 € 270.9 million (previous year: € 348.4 million). Assets acquired on takeovers accounted for € 25.5 million (previous year: € 4.4 million) and current capital expenses for € 245.4 million (previous year: € 344.0 million) of total net investments during the year under review.

Investment for takeovers amounting to € 25.5 million was entirely attributable to the acquisition of doctor's practices. As at the balance sheet date there are still purchase price payments outstanding of € 4.8 million.

An analysis of investments in 2011 by region is given below:

	€ m
Bavaria	70.7
Baden-Wuerttemberg	13.5
Brandenburg	6.3
Hesse	87.4
Mecklenburg-West Pomerania	0.7
Lower Saxony	82.6
North Rhine-Westphalia	18.4
Saxony	13.7
Saxony-Anhalt	10.6
Thuringia	13.5
Total investment	**317.4**
Deduct: grants under KHG	46.5
Net investment	**270.9**

Under company purchase agreements we still have outstanding investment obligations of € 42.0 million until 2014 that we will invest in future extensions and modernisation measures. 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

Despite tougher framework conditions and considerable price pressures, we demonstrated in 2011 that providing high-quality medical care for everyone can be reconciled to demanding economic objectives within the German healthcare system. We are especially proud of this. For financial year 2012, we again expect to see rising demand at our hospitals together with a corresponding profit contribution.

In financial year 2011, RHÖN-KLINIKUM Group generated the highest net consolidated profit (€ 161.1 million), the highest EBITDA and EBIT as well as the highest operating cash flow (€ 303.9 million) since the Company was found-

ed. This was achieved on the basis of increases in patient numbers (+11.5%), in operating cash flow (+18.8%) and in EBITDA (+15.4%). With the help of our employees, we have thus succeeded in lifting our market position and our net assets, financial position and results of operations to new heights during the financial year.

RHÖN-KLINIKUM Group has met its target forecasts for financial year 2011 from organic growth. This reveals the soundness of the business model and the strength of the Group. Thanks to our available liquidity, we will be able to fully exploit internal and external growth opportunities arising for us in the coming years.

The Group's economic position is built on a solid foundation and RHÖN-KLINIKUM Group is in a very good position to pursue further growth on the back of acquisitions. The Board of Management remains committed to steady and qualified growth on the basis of a conservative and strong liquidity structure giving due regard to the interests of shareholders.

7 ADDENDUM 2011

In the bidding procedure for HSK, Dr. Horst Schmidt Kliniken GmbH, hospital of the Federal State Capital of Wiesbaden, the Wiesbaden City Council on 9 February 2012 expressed their trust in us by a large majority in giving their approval for the sale of a 49 per cent equity interest to RHÖN-KLINIKUM AG. We are aware of our responsibility and will be available to the people and the City as a reliable partner with our decades of medical experience.

Since 31 December 2011, there have been no other 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 2011 continued during the first two months of financial year 2012. We are firmly convinced that, thanks to our strategic orientation, we will be able to generate further organic and acquisition-driven growth to achieve our targets.

8 OUTLOOK

8.1 STRATEGIC OBJECTIVES

Our high capacity to invest, which is ultimately fed from the surpluses generated by our hospitals, is what forms the basis of sustainable, efficient and thus also affordable hospital care. During the past financial year we opened new buildings in Gießen, Marburg, Hildesheim, Erlenbach and Munich. At the same time this is the starting point for our sound growth course whose core element is the focus on sustainable and integrated care structures. In this regard we deliberately do away with the boundaries between hospitals and outpatient care centres in the interest of meeting the real need of patients, and create the basis for the patient-oriented, open medical care of tomorrow.

Qualified organic and acquisition-driven growth will continue to be the determinant factor for the Group's development in future. Within the bounds set by legislation, organic growth is possible only with limits – generally by 3% 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 and are implementing new care models.

We will chiefly seek to expand our capacities in the acute inpatient and outpatient areas through acquisitions in order to general sound growth. 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 in our regions of establishing a full-coverage healthcare network with integrated outpatient and inpatient structures. We offer cutting-edge medical care by forming telemedically supported networks with suitable larger facilities as well as specialised hospitals.

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 continue to 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.

Within our Group 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

Prospects for the German economy have brightened considerably of late. The sovereign debt crisis Europe continues to hold great risks. As things now stand, a resumption in growth will once again appear more immediately foreseeable in 2012. The year 2012 will witness further expansion in monetary policy that will put more liquidity into circulation, thus keeping interest rates at a low level. Driven by the current economic situation, the job market in Germany is continuing its undeterred expansion.

The Act on the Improvement of Care Structures in SHI (Versorgungsstrukturen in der GKV, GKV-VStG) adopted in 2011 and entering into force in 2012 is intended to secure good and generalised medical care reflecting the needs of patients. Among other things, the Act provides for measures to counteract the shortage of doctors in structurally weak regions. That said, the Act is largely to be seen as neutral in its effects for inpatient healthcare facilities, despite fewer restrictions on care provided on an outpatient basis by specialists.

For the German healthcare system in general, we expect to see a continuation in the (also demographically induced) rising demand for healthcare services. However, this rising demand is not being fully remunerated since under the well-known statutory provisions price discounts have to be accepted for surplus service volumes demanded and rendered – irrespective of whether or not these have been agreed. On the cost side we expect, also in 2012, significant rises of over 2% to 3% in wages and the cost of materials which will not be offset on the revenue side.

The rate of change for the revenue side for 2012 of 1.98% will be reduced by 50 basis points to 1.48%. During financial year 2012 hospitals additionally have to accept a discount to be negotiated individually on so-called surplus service volumes agreed with the health insurance funds – last year this reduction amounted to 30%. The state base rates for the facilities of the RHÖN-KLINIKUM Group will probably rise effectively by only 0.75%, also because of corrections to miscalculations. The price component on the revenues side covers only a very small part of the additional costs and has to be offset by efficiency gains and restructuring measures which we will continue to pursue steadfastly in 2012.

Irrespective of the wage gap in the personnel area, the recruitment of top-qualified staff will be one of the challenges to be met in future given the emerging shortage in specialised personnel. We are confronting not only this task, but also increasing calls by employees to be given the possibility of better balancing professional and family life, with specific measures targeted at improving our attractiveness as an employer in healthcare.

For the healthcare environment in Germany and in particular for the hospitals, additional efficiency reserves must be available or hospitals will have to be able to unlock these efficiency reserves through suitable investment measures. If this does not happen, existing earnings and margin pressures will further persist.

As a consequence of these developments, we expect to see more and more market shake-ups within the hospital sector with closures, takeovers or mergers in 2012. In the church, municipal as well as private segments, we expect to see – in addition to the traditional hospital privatisations – an increasing number of mergers into regional networks. Also with the health insurance funds, we see still further mergers and consolidation efforts in the offing.

8.3 FORECAST

In the first two months of financial year 2012, RHÖN-KLINIKUM Group is continuing its growth course. Service volumes of the hospitals were once again raised compared with the same period of the previous year. Patient numbers continue to rise steadily. This has to be seen against the background of price discounts on the revenues side and cost pressures on the expenditures side. However, we are confident we will succeed in reaching our forecast.

Including the acquisition of HSK, Dr. Horst Schmidt Kliniken GmbH, Wiesbaden, we expect revenues of roughly € 2.85 billion for financial year 2012 which may, however, fluctuate within a range of plus or minus 2.5%. This revenue target is accompanied by a forecast for EBITDA of € 350 million and for net consolidated profit of € 145 million, both of which may fluctuate within a range of plus or minus 5%. In this connection we assume that we will be able to consolidate HSK at the beginning of April 2012 and that the proportionate loss of HSK recognised in the consolidated income statement will amount to roughly € 20 million to € 30 million.

Also beyond 2012, we will continue to pursue our strategy for organic and acquisitions-driven growth under the current framework of legislative provisions. The sustainable organic growth trend at our long-standing hospitals of roughly 2% to 3% in volume growth and around 3% to 5% in growth in revenues and earnings will continue.

Bad Neustadt a. d. Saale, 7 March 2012

The Board of Management

Volker Feldkamp | Dr. Erik Hamann | Martin Menger

Wolfgang Pföhler | Dr. Irmgard Stippler

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2011

ASSETS	Notes	31 Dec. 2011 € '000	31 Dec. 2010 € '000
Non-current assets			
Goodwill and other intangible assets	7.1	365,436	346,863
Property, plant and equipment	7.2	1,859,052	1,827,488
Investment property	10.3.3	4,653	4,873
Income tax receivables	7.3	11,572	13,616
Deferred tax assets	7.4	3,278	777
Other financial assets	7.6	310	190
Other assets	7.7	1,754	1,534
		2,246,055	**2,195,341**
Current assets			
Inventories	7.8	50,292	47,941
Accounts receivable	7.9	351,973	331,417
Other financial assets	7.10	32,902	30,080
Other assets	7.11	11,510	10,121
Current income taxes receivable	7.12	4,997	27,601
Cash and cash equivalents	7.13	477,536	415,743
		929,210	**862,903**
		3,175,265	**3,058,244**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec. 2011 € '000	31 Dec. 2010 € '000
Shareholders' equity			
Subscribed capital	7.14	345,580	345,580
Capital reserve		395,994	395,994
Other reserves		813,483	717,381
Treasury shares		–76	–76
Equity attributable to shareholders of RHÖN-KLINIKUM AG		1,554,981	1,458,879
Minority interests held by non-Group third parties		43,677	36,316
		1,598,658	**1,495,195**
Non-current liabilities			
Financial liabilities	7.15	1,007,506	922,682
Provisions for post-employment benefits	7.16	8,905	12,591
Other financial liabilities	7.19	23,669	21,577
Other liabilities	7.20	4,341	7,252
		1,044,421	**964,102**
Current liabilities			
Financial liabilities	7.15	57,624	69,475
Accounts payable	7.18	128,994	151,509
Current income tax liabilities	7.21	8,728	8,790
Other provisions	7.17	20,710	22,373
Other financial liabilities	7.19	144,844	164,231
Other liabilities	7.20	171,286	182,569
		532,186	**598,947**
		3,175,265	**3,058,244**

CONSOLIDATED INCOME STATEMENT

1 JANUARY – 31 DECEMBER 2011

	Notes	2011 € '000	2010 € '000
Revenues	6.1	2,629,148	2,550,384
Other operating income	6.2	216,222	178,722
		2,845,370	**2,729,106**
Materials and consumables used	6.3	678,622	656,902
Employee benefits expense	6.4	1,562,100	1,513,848
Depreciation/amortisation and impairment	6.5	141,535	109,399
Other expenses	6.6	249,925	251,100
		2,632,182	**2,531,249**
Operating profit		**213,188**	**197,857**
Finance income	6.8	8,845	7,418
Finance expenses	6.8	35,569	31,423
Financial result (net)	**6.8**	**–26,724**	**–24,005**
Earnings before tax		**186,464**	**173,852**
Income taxes	6.9	25,391	28,783
Net consolidated profit		**161,073**	**145,069**
of which			
minority interests	6.10	4,959	5,376
shareholders of RHÖN-KLINIKUM AG		156,114	139,693
Earnings per share in €			
undiluted	6.11	1.13	1.01
diluted	6.11	1.13	1.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER 2011

	2011 € '000	2010 € '000
Net consolidated profit	**161,073**	**145,069**
of which		
minority interests	4,959	5,376
mhareholders of RHÖN-KLINIKUM AG	156,114	139,693
change in fair value of derivatives used for hedging purposes	–10,544	–6,235
income taxes	1,669	987
Change in the amount recognised at equity capital (cash flow hedges)	**–8,875**	**–5,248**
Sum of net gains or losses directly recognised in equity	**–8,875**	**–5,248**
of which		
minority interests	0	0
shareholders of RHÖN-KLINIKUM AG	–8,875	–5,248
Consolidated earnings and net gains or losses directly recognised in equity	**152,198**	**139,821**
of which		
minority interests	4,959	5,376
shareholders of RHÖN-KLINIKUM AG	147,239	134,445

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 Group third parties in equity[1]	Equity
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
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	–	–	–	–	0	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
Consolidated earnings and net gaines or losses directly recognised in equity	–	–	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**
As at 31 Dec. 2010/1 Jan. 2011	**345,580**	**395,994**	**717,381**	**–76**	**1,458,879**	**36,316**	**1,495,195**
Equity capital transactions with owners							
Capital contributions/ disbursements	–	–	–	–	0	5,479	5,479
Dividend payments	–	–	–51,137	–	–51,137	–3,077	–54,214
Consolidated earnings and net gaines or losses directly recognised in equity	–	–	147,239	–	147,239	4,959	152,198
As at 31 Dec. 2011	**345,580**	**395,994**	**813,483**	**–76**	**1,554,981**	**43,677**	**1,598,658**

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

CASH FLOW STATEMENT

	Notes	2011 € million	2010 € million
Earnings before taxes		186.5	173.8
Financial result (net)	6.8	26.8	23.8
Depreciation/amortisation/impairment and gains/losses on disposal of assets	6.5	142.8	110.6
Non-cash valuations of financial derivatives	7.22	0.0	0.2
		356.1	**308.4**
Change in net current assets			
Change in inventories	7.8	–2.4	–1.9
Change in accounts receivable	7.9	–20.1	–20.0
Change in other financial assets and other assets	7.10 seq.	–4.8	4.4
Change in accounts payable	7.18	–13.7	10.2
Change in other net liabilities/ Other non-cash transactions	7.19 seq.	–35.9	–29.0
Change in provisions	7.16 seq.	–5.4	0.7
Income taxes paid	6.9	–2.3	–31.0
Interest paid		–35.3	–20.3
Cash generated from operating activities		**236.2**	**221.5**
Investments in property, plant and equipment and in intangible assets	7.2	–254.2	–323.6
Acquisition of subsidiaries, net of cash acquired	4	–20.6	–5.0
Sale proceeds from disposal of assets		78.0	5.2
Interest received	6.8	8.8	7.4
Cash used in investing activities		**–188.0**	**–316.0**
Proceeds from issuing long-term debt	7.15	80.0	396.2
Repayment of financial liabilities	7.15	–32.9	–283.9
Dividend payments to shareholders of RHÖN-KLINIKUM AG	7.14	–51.1	–41.5
Dividends paid to minority owners and contributions from minority owners	7.14	2.5	–3.7
Cash used/generated in financing activities		**–1.5**	**67.1**
Change in cash and cash equivalents	7.13	46.7	–27.4
Cash and cash equivalents as at 1 January		393.2	420.6
Cash and cash equivalents as at 31 December	7.13	**439.9**	**393.2**

NOTES

TABLE OF CONTENTS

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 2011 have been prepared applying Section 315a of the German Commercial Code (Handelsgesetzbuch – HGB) in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as well as the related Interpretations of the International Financial Reporting Standard Interpretations Committee (IFRS IC), 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 2011.

a) New accounting rules in financial year 2011

New standards and interpretations of practical relevance in financial year 2011

The following revisions of standards 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" (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').

New standards and interpretations of no practical relevance in financial year 2011

The following revised/newly published standards and interpretations 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 IFRS 7 "Financial Instruments: Disclosures"
- Revisions of IFRIC 14 "Prepayments of a Minimum Funding Requirement"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

b) New accounting rules from financial year 2012

New standards and interpretations of practical relevance from financial year 2012

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 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 without changes from IAS 39, Financial Instruments: Recognition and Measurement, into IFRS 9. IFRS 9 is to be applied to financial years commencing on or after 1 January 2015. Earlier adoption is permitted. RHÖN-KLINIKUM AG is currently reviewing the precise impact in terms of accounting policies.

- IFRS 10 "Consolidated Financial Statements"

In May 2011 the IASB, as part of the package of five new standards, published IFRS 10 "Consolidated Financial Statements". It replaces the guidance contained in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – special purpose entities" relating to control and consolidation. IFRS 10 changes the definition of control such that the same criteria now apply to all companies when determining a relationship of control. According to the changed definition, the prerequisites for control are power

over the investee and variable returns from the involvement with the investee. Power over the investee means the possibility of currently directing the activities of the investee that have a material influence on variable returns. Such power is to be determined based on the current facts and circumstances and assessed on a continuous basis. A temporary investment relationship does not release a company from its consolidation duty. The application guidance of IFRS 10 provides examples which also show that control may also exist where fewer than 50% of voting rights are held. The principle of presenting the consolidated financial statement of the parent company and its subsidiaries as a single company as well as the consolidation methods remain unchanged. IFRS 10 is to be applied to financial years commencing on or after 1 January 2013. Early adoption is possible only in conjunction with the new provisions of IFRS 11 and IFRS 12 as well as the amendments to IAS 27 and IAS 28. No serious impacts on the accounting of companies are expected within the Group of RHÖN-KLINIKUM AG.

- IFRS 11 "Joint Arrangements".

As a further part of the package of five new standards, IASB published IFRS 11 "Joint Arrangements" in May 2011. IFRS 11 defines a joint arrangement as an arrangement of which two or more parties have joint control over such arrangement by contract. Joint arrangements may be joint operations or joint ventures. In a joint operation, the parties to the joint arrangement have direct rights to the assets and liabilities of the arrangement. By contrast, in a joint venture the parties to the arrangement have rights to the net assets or results of the arrangement. Joint ventures are accounted for using the equity method in accordance with the amended version of IAS 28. Inclusion based on proportionate consolidation is no longer permitted. IFRS 11 is to be applied to financial years commencing on or after 1 January 2013. In this case, too, early adoption is possible only in conjunction with the new provisions of IFRS 10 and IFRS 12 as well as the amendments to IAS 27 and IAS 28. Since RHÖN-KLINIKUM AG already accounts for its joint ventures using the equity method, it is not affected by the amendments.

- IFRS 12 "Disclosures of Interests in Other Entities"

As the third of five new standards, IASB published IFRS 12 "Disclosures of Interests in Other Entities" in May 2011. It prescribes the required disclosures for entities accounting in accordance with the new standards IFRS 10 and IFRS 11. IFRS 12 replaces the disclosure duties contained in IAS 28. According to IFRS 12, entities must make disclosures enabling users of financial statements to assess the nature of as well as the risks and financial impacts associated with an entity's interest in subsidiaries, joint arrangements and associates, and unconsolidated structured entities (special purpose entities). Disclosures are required in the following areas: material discretionary decisions and judgments to determine whether an entity controls, jointly controls, exercises a material influence over or has any other exposure to other entities, disclosures on interests in subsidiaries, interests in joint arrangements and associates, as well as interests in non-consolidated special purpose entities. IFRS 12 is to be applied to financial years commencing on or after 1 January 2013. Earlier adoption or earlier adoption in part is permitted regardless of the application of IFRS 10 and IFRS 11 and of the amendments to IAS 27 and IAS 28. RHÖN-KLINIKUM AG is currently reviewing the precise impact on the disclosures in the Notes. It is assumed that this will result in more extensive disclosures in the Notes.

- IFRS 13 "Fair Value Measurement"

In May 2011, the IASB published the Standard IFRS 13 "Fair Value Measurement". IFRS 13 sets out how fair value measurement is to be performed and expands the disclosures on measurement at fair value provided that another standard prescribes its application. By definition, fair value is the price that independent market participants would receive upon sale of an asset (or would pay upon transfer of a liability) at arm's length terms at the valuation date. A liability's fair value thus represents the risk of default. IFRS 13 does not contain any statements regarding the matters to which fair value is to be applied and merely excludes from application IAS 17, IFRS 2 as well as other measurement variables which are similar but not

identical to fair value. The well known 3-tier fair value hierarchy still has to be applied. Moreover, under IFRS 13 comprehensive disclosures in the Notes are required which are similar to the rules of IFRS 7 "Financial Instruments: Disclosures" but apply to all assets and liabilities. IFRS 13 is to be applied for the first time to financial years commencing on or after 1 January 2013. Comparison figures prior to the first-time application of IFRS 13 are not to be adjusted. Earlier adoption is permitted. RHÖN-KLINIKUM AG is currently reviewing the precise impact in terms of accounting policies. It is expected to result in more extensive disclosure duties.

- Revised version of IAS 27 "Separate Financial Statements"

In May 2011 the IASB, as part of a package of five new standards, published the revised version of IFRS 27 "Consolidated and Separate Financial Statements". It is renamed IAS 27 "Separate Financial Statements" and in future only contains provisions on separate financial statements. The existing provisions remain unchanged. The amendments to IAS 27 are to be applied for the first time to financial years commencing on or after 1 January 2013. Early adoption is possible only in conjunction with IFRS 10, IFRS 11, IFRS 12 as well as IAS 28. No serious impacts on the accounting of companies are expected within the Group of RHÖN-KLINIKUM AG.

- Revised version of IAS 28 "Investments in Associates and Joint Ventures"

As the last of five new standards, IASB published IFRS 28 "Investments in Associates" in May 2011. It is renamed IAS 28 "Investments in Associates and Joint Ventures". As before, IAS 28 describes the accounting of associates as well as use of the equity method for associates and jointly controlled entities. The amendments result from publication of IFRS 10, IFRS 11 and IFRS 12. The new IFRS 28 is to be applied for the first time to financial years commencing on or after 1 January 2013. Early adoption is possible only in conjunction with IFRS 10, IFRS 11, IFRS 12 as well as IAS 27. RHÖN-KLINIKUM AG is currently reviewing the precise impact in terms of accounting policies.

- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

In June 2011 the IASB published amendments to IAS 1 "Presentation of Financial Statements". These concern the presentation of items stated in other income of the statement of comprehensive income. Accordingly, the items of other comprehensive income (OCI) are to be pooled on the basis of whether or not in future they will be reclassified to the profit or loss section of the income statement (referred to as recycling). The amendment concerns only the presentation of the items in the comprehensive income statement, not the recognition, measurement of the items or requirements resulting from such recycling. The option of presenting the items before or after tax is maintained. Moreover, the term 'comprehensive income statement' was changed to 'income statement and other income' (IAS 1). The amended standard is to be applied to financial years commencing on or after 1 July 2012. Earlier adoption is permitted. It affects presentation in the financial statement but not the net assets, financial position and results of operations.

- Amendments to IAS 19 "Employee Benefits"

In June 2011 the IASB published amendments to IAS 19 "Employee Benefits". The most significant amendment to IAS 19 is that actuarial gains and losses are renamed as revaluations and are to be recognised immediately when they arise in other comprehensive income (OCI). The option between immediate recognition in profit or loss, in other comprehensive income (OCI) or according to the corridor approach is eliminated. In the event of plan amendments resulting in changes in the obligation to pay benefits attributable to work performed in past periods, a past service cost is created. It is recognised in the period in which the underlying plan amendment takes place and is no longer distributed. Benefits paid to employees which are still linked to the rendering of future work performance do not constitute termination ben-

efits. IAS 19 requires extensive disclosures in the Notes in connection with defined benefit plans, and in particular additional disclosures on the features and risks of the defined benefit plans. The amendments to IAS 19 are to be applied to 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.

- Amendments to IFRS 7 and IFRS 9 "Mandatory Effective Date and Transition Disclosures"

In December 2011, the IASB published amendments to IFRS 7 and IFRS 9 "Mandatory Effective Date and Transition Disclosures". The amendment postpones mandatory adoption of IFRS 9 to financial years commencing on or after 1 January 2015. IFRS 9 moreover provides for exemptions under which a company, during its transition to the new standard, is not required to restate prior-year figures but may make additional disclosures in the notes instead. Moreover, IFRS 9 requires additional disclosures in the notes which are included as amendments in the existing IFRS 7. Based on the respective measurement category pursuant to IAS 39, these relate to the changes in carrying amounts resulting from the switch to IFRS 9 provided that these do not refer to measurement effects at the time of the switch, and additionally to the changes in carrying amounts attributable to such effects. For financial assets and liabilities which in future are measured at amortised costs as a result of the switch to IFRS 9, additional disclosures are required. Furthermore, a reconciliation of measurement categories pursuant to IAS 39 and IFRS 9 with balance sheet items as well as classes of financial instruments must be possible on the basis of disclosures in the notes. RHÖN-KLINIKUM AG is currently reviewing the precise impact in terms of accounting policies.

- Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"

In December 2011 the IASB published amendments to IAS 32 "Financial Instruments: Presentation" with respect to offsetting financial assets and financial liabilities. The current offsetting model pursuant to IAS 32 is not affected by the amendments. Accordingly, an entity is required to offset a financial asset and financial liability when, and only when, an entity on the reporting date has a legal right of set-off and intends either to settle on a net basis or to realise the financial asset and settle the financial liability simultaneously. The amendments clarify that the claim to offsetting must exist on the reporting date, i.e. is independent from a future event. The right must be enforceable for all contractual parties in the ordinary course and also in the event of insolvency of one of the parties. IAS 32 moreover clarifies that a gross settlement method may be effectively equivalent to a net settlement where certain conditions are met, thus satisfying the criterion of IAS 32. However, the method must result in the elimination of default and liquidity risks and in the processing of receivables and liabilities in a single settlement procedure. Master netting arrangements in which the legal right to offsetting is enforceable only upon the occurrence of future events will not satisfy the offsetting criteria in future either. The amendments are to be applied to financial years commencing on or after 1 January 2014. RHÖN-KLINIKUM AG is currently reviewing the precise impact in terms of accounting policies.

- Amendment to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"

In December 2011 the IASB published amendments to IFRS 7 "Financial Instruments: Disclosures" with respect to offsetting financial assets and financial liabilities. It specifies further new disclosure obligations in connection with certain netting arrangements. Disclosure of this information is required regardless of whether the netting arrangement has actually resulted in a set-off of the financial assets and liabilities concerned. Qualitative descriptions and quantitative information of offsetting rights must be disclosed. The amendments are to be applied to financial years commencing on or after 1 January 2013. 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 2012

As far as can be seen at present, the following revised and newly published standards and interpretations which have not yet been adopted by the European Union are of no practical relevance for 2012 as well as subsequent financial years:

- Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"
- Amendments to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates"
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

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 25 April 2012.

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.

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. They also contain the fair values of all recognised assets and liabilities resulting from a contingent consideration agreement. Upon their first-time consolidation, assets, liabilities and contingent liabilities identifiable within the scope of a business combination are recognised separately at their fair values at the acquisition date. For each company acquisition the Group decides on a case-by-case basis whether the non-controllable interests in the acquired company are recognised at fair value or based on the proportionate share in the net assets of the acquired company. Costs relating to the acquisition are expensed as incurred.

In the event of a successive business combination, the previously acquired equity capital share of the company is redefined at its fair value applicable at the acquisition date. The resulting profit or loss is recognised in the income statement.

Any contingent considerations are measured at their fair value at the acquisition date. Subsequent changes in the fair value of a contingent consideration qualified as an asset or as a liability are measured subject to IAS 39, and any profit or loss resulting therefrom is recognised either in profit or loss or under other income. A contingent consideration which is qualified as equity capital is not re-measured and its later settlement is recognised in equity.

The value resulting from any excess in the cost of the acquisition, the amount of the non-controlling interests in the acquired company as well as the fair value of any previously held equity interests at the acquisition date over the Group's interest in the fair value of the net assets is recognised as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the consolidated income statement. Group-internal transactions 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 non-controlling interests (minority interests) are treated like transactions with equity investors. Any difference arising on acquisition of a non-controlling interest between the consideration paid and the relevant share in the carrying amount of the subsidiary's net assets is recognised at equity. Profits and losses arising on disposal of non-controlling interests 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 venture 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 an equity-accounted company 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 equity-accounted investments are 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.

2.2.4 Sale of subsidiaries

If the Group loses either control or material influence over a company, the remaining interest is re-measured at fair value and the resulting difference recognised as profit or loss. Fair value is the fair value calculated upon the initial recognition of an associate, joint venture or financial asset. Moreover, all amounts stated in other income are accounted for with reference to such company in the same way as would be required if the related assets and liabilities had been sold by the parent company directly. That means that a profit or loss previously recognised under other income is transferred to the income statement.

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 the 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 3 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 at least to an annual impairment test and measured at its historical cost less any impairment losses. A review is also performed when there are events or circumstances indicating that the value might be impaired. 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.

If the recoverable amount is below the carrying amount, an impairment loss is recognised. Here, the recoverable amount is the higher of the two fair value amounts less costs to sell the asset and its value in use.

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 periods necessary to match them with the related costs for which they are intended to compensate. Government grants are generally given with conditions attached that must be observed within a certain period. Grants promised by 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. The 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 being sold it in the near term, or has been designated as such by the 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 12 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 12 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 the Management does not have the intention of selling them within twelve months from the balance sheet date.

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 at equity without effect in profit or loss 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 12 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 – it is decisive 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 in 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 CURRENT AND DEFERRED TAXES

The tax expense of the period is made up of current and deferred taxes. Taxes are recognised in the income statement unless they relate to items which were directly recognised in equity or in other income. In this case, taxes are likewise recognised in equity or other income.

Deferred tax is recognised using the liability method for all temporary differences between the tax basis of assets and liabilities 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 accounting nor taxable profit or loss, 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 Prof. Dr. Klaus Heubeck with a discount rate of 2.6% (previous year: 3.2%) 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 the 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 2011, please refer to our comments under Note 7.9 et seq. "Accounts receivable, other financial assets and other 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, 50.9% (previous year: 57.0%) were subject to a fixed interest rate and 49.1% (previous year: 43.0%) 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. 60.0% of cash at banks (previous year: 67.8%) was invested at a fixed interest rate subject to an interest term of between one and three months and 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 € 0.4 million lower.

The theoretical impact of rising interest rates on the financial result is attributable to the potential effects of the floating-interest liabilities (€ –1.2 million) as well as the effects attributable to the floating-interest cash at banks (€ 2.1 million). If the level of the market interest rates had been 100 basis points higher as at 31 December 2011, the valuation of the derivatives would have increased by € 12.8 million. The change in value of the derivatives would have had an increasing effect on equity capital by € 12.8 million.

The theoretical impacts of ad hoc declining interest rates on the financial result arise from the effects of the floating-interest liabilities (€ 1.2 million) as well as the effects attributable to the floating-interest cash at banks (€ –1.6 million). If the level of the market interest rates had been 100 basis points lower as at 31 December 2011, the valuation of the derivatives would have decreased by € 13.7 million. The change in value of the derivatives would have had a decreasing effect on equity capital by € 13.7 million.

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 117.7% in the year under review (previous year: 112.0%). Long-term appropriation of funds relates to financial assets and property, plant and equipment. Although given the personnel cost ratio of more than 50% the Group of RHÖN-KLINIKUM AG is 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 2011, this ratio at the Group level was 50.3% (previous year: 48.9%).

Group growth is also managed 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, the management focuses on an equity ratio of 25%.

In order to finance further sound growth by way of equity, the management had authorised capital of € 43.2 million approved until 31 May 2012 by the Annual General Meeting held on 10 June 2009.

With regard to the use of debt, the management focuses on the following management ratios for minimising risks. The 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 € 354.7 million (previous year: € 307.3 million). The maximum limit in financial year 2011 would be € 1,064.1 million (previous year: € 921.9 million). This ratio was met in the year under review, with a ratio of 1.6 (previous year: 1.8).

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 2011, EBITDA was € 354.7 million and the financial result was € 26.7 million. The resultant ratio of 13.3 (previous year: 12.8) 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 at the weighted average cost of capital (Weighted Average Cost of Capital, WACC) after tax of 5.94% (previous year: 5.90%). 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 our Note under 7.1 for average growth in revenues and average EBIT margin. For the cash generating units, the recoverable amount is equal to the carrying amount as of an assumed cost of capital rate of 6.0% (previous year: 7.1%).

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 InEK (Institut für das Entgeltsystem im Krankenhaus GmbH).

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 2011, we adhered strictly to the legal framework in our accounting. We assume that the agreements for 2011 will not have any negative impact on the result in 2012.

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 103 subsidiaries in Germany of which 96 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.

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 10 ophthalmologist's practices and one anaesthetics practice. Since the conditions of validity were met in accordance with agreement as at 1 January 2011, consolidation into the Group took place as at 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 of financial year 2010. The final purchase price allocation has the following impact 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 post 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			0.0
– acquired cash and cash equivalents			0.0
Cash outflow on transaction			**12.2**

In financial year 2011 a total of 17.5 doctor's practices close to hospitals and 14 ophthalmological doctor's practices were acquired whose conditions of validity as per agreement were satisfied during the reporting period of 2011. Consolidation in the Group also took place in financial year 2011. As part of the acquisition of the doctor's practices, costs of € 0.1 million were incurred which were recognised in expenditure. The final purchase price allocation has the following impact on the Group's net assets in 2011:

Purchase of practices, Jan.–Dec. 2011	Carrying amount before acquisition € million	Adjustment amount € million	Carrying amount after acquisition € million
Acquired assets and liabilities			
Property, plant and equipment	3.0		3.0
Net assets acquired			**3.0**
+ goodwill			10.2
Cost			**13.2**
– purchase price payments outstanding			–4.8
– acquired cash and cash equivalents			0.0
Cash outflow on transaction			**8.4**

Moreover, 7.5 doctor's practices close to hospitals and five ophthalmological doctor's practices were acquired in 2011. Since the conditions of validity were met in accordance with agreement as at 1 January 2012 and 1 February 2012, respectively, the doctor's practices will be transferred in the first quarter of 2012. Consolidation in the Group will also take place in the first quarter of 2012. No costs were incurred from the acquisition of the doctor's practices. The provisional purchase price allocation provides for the following effects on the Group's net assets in the first quarter of 2012:

Purchase of practices valid as of 1 January 2012	Carrying amount before acquisition € million	Adjustment amount € million	Carrying amount after acquisition € million
Acquired assets and liabilities			
Property, plant and equipment	0.8		0.8
Net assets acquired			**0.8**
+ goodwill			6.4
Cost			**7.2**
– purchase price payments outstanding			–7.2
– acquired cash and cash equivalents			0.0
Cash outflow on transaction			**0.0**

Goodwill amounting to € 11.7 million and € 10.2 million and € 6.4 million essentially includes synergy effects expected from the expansion of medical care centres (MVZs). The goodwill values recognised are likely to be tax-deductible.

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 and which is reported to based on the figures of the individual hospitals and subsidiaries. Accordingly, RHÖN-KLINIKUM AG with its acute hospitals and other facilities continues to have only 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:

	2011 € million	2010 € million
Business areas		
Acute hospitals	2,541.8	2,483.8
Medical care centres	40.2	22.3
Rehabilitation hospitals	47.1	44.3
	2,629.1	**2,550.4**
Regions		
Bavaria	516.1	505.5
Saxony	372.1	351.8
Thuringia	306.7	315.7
Brandenburg	117.6	111.7
Baden-Wuerttemberg	126.7	124.2
Hesse	583.6	557.3
Lower Saxony	413.0	404.5
North Rhine-Westphalia	64.9	51.3
Mecklenburg-West Pomerania	6.3	6.4
Saxony-Anhalt	122.1	122.0
	2,629.1	**2,550.4**

According to IAS 18, revenues constitute revenues generated from the provision of services and in financial year 2011 rose by € 78.7 million or 3.1% to reach € 2,629.1 million, of which our acute and rehabilitation hospitals accounted for € 2,588.9 million (previous year: € 2,528.1 million) and revenues generated by our medical care centres (MVZs) for € 40.2 million (previous year: € 22.3 million). Organic growth accounts for € 60.2 million, or 2.4%, of this increase in revenues. Note that the revenues of the previous year included a budget effect, not attributable to the period under review, of € 8.3 million.

6.2 OTHER OPERATING INCOME

Other operating income comprises:

	2011 € million	2010 € million
Income from services rendered	149.8	139.8
Income from grants and other allowances	16.8	13.8
Income from adjustment of receivables	3.1	2.5
Income from indemnification payments/Other reimbursements	19.3	4.9
Other	27.2	17.7
	216.2	**178.7**

Income from services rendered includes income from ancillary and incidental activities amounting to € 136.7 million (previous year: € 127.5 million) as well as income from rental and lease agreements amounting to € 13.1 million (previous year: € 12.3 million). The rise in income from ancillary and incidental activities results from higher sales of drugs and higher revenues from the sale of energy.

The Group received grants and other allowances as compensation for certain expenditures earmarked for specific purposes in connection with publicly financed measures (e.g. costs of personnel and materials for research and teaching, benefits under German legislation governing part-time employment for senior workers, and for other subsidised measures).

In the third quarter of 2011, RHÖN-KLINIKUM AG and Siemens AG reached an agreement whereby RHÖN-KLINIKUM AG will be compensated for the financial disadvantages of the "Marburg Particle Therapy" development project being discontinued. The discontinuation of the project resulted in impairments of € 17.0 million, which were offset by compensation payments of Siemens AG in the same amount. The compensation payments resulted in a rise in income from indemnities received/other reimbursements.

The remaining other income amounts are attributable to various factors, including the following: in the amount of € 6.6 million (previous year: € 5.8 million) to reimbursements by the payers for reviews of cases by the Medical Review Board (MDK) of the health insurance funds concluded without objections, in the amount of € 1.1 million (previous year: € 1.5 million) to own work capitalised, and in the amount of € 6.9 million (previous year: € 6.9 million) to funds to compensate for expenses in connection with the performance of studies.

6.3 MATERIALS AND CONSUMABLES USED

	2011 € million	2010 € million
Cost of raw materials, consumables and supplies	554.6	538.8
Cost of purchased services	124.0	118.1
	678.6	**656.9**

Compared with the previous year, the cost of materials, based on a constant cost-of-materials ratio of 25.8%, increased by € 21.7 million or 3.3% to reach € 678.6 million. Sharp price increases were more than offset in financial year 2011 by product standardisation and advice to users. The steadily rising services purchased from locum doctors, which only in some cases compensate original personnel expenditures, had an expenditure increasing effect. Adjusted for the effect of locum doctors, the material cost ratio declined from 24.4% by 0.1 percentage points to 24.3%. Consolidation effects account for € 3.0 million, or 0.5%, of the increase in materials and consumables used.

6.4 EMPLOYEE BENEFITS EXPENSE

	2011 € million	2010 € million
Wages and salaries	1,296.1	1,260.3
Social insurance contributions	108.8	101.2
Expenditure for post-employment benefits		
defined contribution plans	155.1	150.1
defined benefit plans	2.1	2.2
	1,562.1	**1,513.8**

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 € 0.7 million for severance payments.

€ 9.5 million of the rise in employee benefits expenses is attributable to the first-time consolidation of Klinik Hildesheimer Land GmbH and newly commissioned MVZ companies. Adjusted for the above consolidation effects, employee benefits expenses rose by € 38.8 million or 2.6%.

6.5 DEPRECIATION/AMORTISATION AND IMPAIRMENT

This item includes amortisation and impairment of intangible assets and depreciation of property, plant and equipment and investment property. The rise of € 32.1 million or 29.3% to € 141.5 million includes the impairments arising as part of the discontinuation of the "Marburg Particle Therapy" development project in the amount of € 17.0 million which resulted in a rise in other income in the same amount, as well as € 0.7 million from the initial recognition of depreciation of Klinik Hildesheimer Land GmbH and MVZ companies consolidated for the first time. The remaining € 14.4 million are attributable to various factors, including the commissioning of our new building in Salzgitter (December 2010), of our extension in Erlenbach (February 2011), to completions of construction measures in Marburg and Gießen (March and May 2011, respectively) as well as in Hildesheim (October 2011) as well as to current investments.

6.6 OTHER EXPENDITURES

Other operating expenses break down as shown in the following table:

	2011 € million	2010 € million
Maintenance	91.8	89.0
Charges, subscriptions and consulting fees	58.8	56.9
Administrative and IT costs	22.3	20.9
Impairment on receivables	2.6	7.6
Insurance	8.9	11.2
Rents and leaseholds	15.5	14.7
Travelling, entertaining and representation expenses	8.1	7.3
Other personnel and continuing training costs	14.0	12.3
Losses on disposal of non-current assets	1.9	1.7
Secondary taxes	1.2	1.3
Other	24.8	28.2
	249.9	**251.1**

In financial year 2011, other expenses declined by € 1.2 million or 0.5% to € 249.9 million.

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:

	2011 € million	2010 € million
Finance income		
Bank balances	7.6	6.1
Other interest income	1.3	1.3
	8.9	**7.4**
Finance expenses		
Bond	16.1	15.1
Liabilities to banks	17.5	13.8
Losses from change in fair values of financial derivatives	0.0	0.2
Other interest expenses	2.0	2.3
	35.6	**31.4**
	–26.7	**–24.0**

Other interest income relates in particular to interest income from tax receivables.

Other interest income includes the profit shares in companies accounted for at-equity amounting to € 45,000. In the previous year, loss shares of companies accounted for at-equity amounting to € 30,000 were stated in other interest expenses.

In accordance with IAS 17 (Leases), finance leases are reported under property, plant and equipment, and the interest component of € 21,000 (previous year: € 232,000) 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 and liabilities shown at fair value in profit and loss" amounted to € 31.3 million in financial year 2011 (previous year: € 29.9 million), and comprises income of € 8.2 million (previous year: € 6.5 million) and expenses of € 39.5 million (previous year: € 36.4 million).

6.9 INCOME TAXES

Income taxes consist of the corporate income tax including the solidarity surcharge, and consist to a lesser extent of trade tax. This item also includes deferred taxes resulting from differences between the carrying amount and the tax base 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:

	2011 € million	2010 € million
Current income tax	26.2	29.8
Deferred taxes	–0.8	–1.0
	25.4	**28.8**

The income tax expense item declined by € 3.4 million to € 25.4 million (previous year: € 28.8 million) compared with the previous year. The income tax burden stands at 13.6% (previous year: 16.6%).

With retroactive effect as of 1 January 2011, RHÖN-KLINIKUM AG entered into profit-and-loss transfer agreements with tax effect with the hospitals in Leipzig, Meiningen, Karlsruhe and Kipfenberg. As a result, non-recognised loss and interest carry-forwards that accrued at RHÖN-KLINIKUM AG up to the last reporting date of 31 December 2010 were recognised at the rate of taxation, since the attribution of earnings contributions from tax consolidated groups now creates the basis for offsetting. This one-off effect has an effect of € 9.0 million in financial year 2011.

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

	2011		2010	
	€ million	%	€ million	%
Earnings before taxes	**186.5**	**100.0**	**173.9**	**100.0**
Nominal tax expense (tax rate 15.0%, previous year 15.0%)	28.0	15.0	26.1	15.0
Solidarity surcharge (tax rate 5.5%)	1.5	0.8	1.4	0.8
Additional expense from dividend payment	2.2	1.2	0.6	0.3
Increase in tax liability due to non-deductible charges	0.3	0.2	0.2	0.1
Taxes, previous years	0.3	0.2	0.3	0.2
Trade tax	0.6	0.3	0.4	0.2
Recognition of loss carry-forwards	–9.0	–4.8	–0.9	–0.5
Derecognition of previous loss carry-forwards	1.8	1.0	0.9	0.5
Other	–0.3	–0.2	–0.2	–0.1
Effective income tax expense	**25.4**	**13.6**	**28.8**	**16.6**

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 is 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. 2011	No. of shares on 31 Dec. 2011
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 7.14).

Earnings per share are calculated as follows:

	Ordinary shares
Share in net consolidated profit (€ '000)	156,114
previous year	(139,693)
Weighted average number of shares outstanding, in thousands	138,208
previous year	(138,208)
Earnings per share in €	1.13
previous year	(1.01)
Dividend per share in €	0.45
previous year	(0.37)

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

7 NOTES TO THE CONSOLIDATED BALANCE SHEET

7.1 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill € million	Other intangible assets € million	Total € million
Cost			
1 January 2011	**323.1**	**54.8**	**377.9**
Additions due to changes in scope of consolidation	21.9	0.0	21.9
Additions	0.0	4.3	4.3
Disposals	0.0	1.4	1.4
Transfers	0.0	0.4	0.4
31 December 2011	**345.0**	**58.1**	**403.1**
Cumulative depreciation and impairment			
1 January 2011	**0.0**	**31.0**	**31.0**
Depreciation	0.0	7.9	7.9
Disposals	0.0	1.2	1.2
31 December 2011	**0.0**	**37.7**	**37.7**
Balance sheet value at 31 December 2011	**345.0**	**20.4**	**365.4**

	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 sheet value at 31 December 2010	**323.1**	**23.8**	**346.9**

The item "Other intangible assets" primarily includes software. 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 ac-

cordingly based on the 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, a review is carried out to determine whether the economic situation continues to support the results of the impairment test in the same way as before. This was the case on 31 December 2011.

We tested goodwill of the acquired companies for impairment as at 31 December 2011 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 2011, we have defined this discount rate at 5.94% (previous year: 5.90%). Significant goodwill relates to the following cash generating units:

Company	31 Dec. 2011 € million	31 Dec. 2010 € million
Universitätsklinikum Gießen und Marburg GmbH	137.5	137.5
MEDIGREIF-Group	93.9	93.9
Zentralklinik Bad Berka GmbH	13.8	13.8
MVZ ADTC Düsseldorf GmbH	11.7	0.0
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	36.7	26.5
	345.0	**323.1**

For the planning period 2012–2022 (previous year: 2011–2021), revenue growth of companies accounting for the main portion of goodwill is in the average range of 1.3% to 3.9% (previous year: 1.4% to 3.9%).

The EBIT margins of the companies during the planning period range from 6.7% to 17.3% (previous year: 6.2% to 13.6%) in the planning period.

A sensitivity analysis was also performed in connection with the impairment test. The following assumptions were used within the test:

- EBIT declines by 10%
- Increase of 0.5% in WACC.

As a result of the sensitivity analysis we were able to determine that a decline in EBIT by 10% results in an impairment requirement equal to € 0.9 million. An increase of 0.5% in WACC gives rise to an impairment requirement of € 0.4 million.

For planning purposes, the companies accounting for the main portion of goodwill are assumed to have a homogenous structure.

7.2 PROPERTY, PLANT & EQUIPMENT

	Land and buildings € million	Technical plant and equipment € million	Operational and office equipment € million	Plant under construction € million	Total € million
Cost					
1 January 2011	**1,504.6**	**69.9**	**491.5**	**490.8**	**2,556.8**
Additions due to changes in scope of consolidation	0.1	0.0	3.5	0.0	3.6
Additions	67.9	5.6	74.3	93.3	241.1
Disposals	27.0	1.9	16.7	63.0	108.6
Transfers	335.9	10.0	17.7	–364.0	–0.4
31 December 2011	**1,881.5**	**83.6**	**570.3**	**157.1**	**2,692.5**
Cumulative depreciation and impairment					
1 January 2011	**403.5**	**42.6**	**283.2**	**0.0**	**729.3**
Depreciation	65.4	5.3	62.7	0.0	133.4
Disposals	12.2	1.9	15.2	0.0	29.3
31 December 2011	**456.7**	**46.0**	**330.7**	**0.0**	**833.4**
Balance sheet value at 31 December 2011	**1,424.8**	**37.6**	**239.6**	**157.1**	**1,859.1**

	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 sheet value at 31 December 2010	**1,101.1**	**27.3**	**208.3**	**490.8**	**1,827.5**

During the financial year, borrowing costs of € 5.6 million (previous year: € 7.5 million) were related to financing the acquisition/production of qualifying assets and were recognised in additions to property, plant and equipment. An average interest rate of 4.0% (previous year: 4.1%) 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 book value of € 15.6 million (€ 33.2 million). The financial liabilities secured by registered charges on real property as at the balance sheet date amounted to € 5.9 million (previous year: € 13.8 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 € 735.1 million (previous year: € 777.8 million). To secure conditionally repayable single grants under the KHG (e.g. for the construction of new hospitals or major extensions) totalling

€ 246.1 million (previous year: 235.3 million), the Group holds registered charges on real property in the amount of € 460.0 million (previous year: € 445.5 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. 2011 € million	31 Dec. 2010 € million
Cost of assets capitalised under finance leases	9.3	9.3
Accumulated amortisation and impairment	9.0	8.7
Net carrying amount	0.3	0.6

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) which will be paid out in equal annual instalments during the period between 2013 and 2017. They are shown at their present value of € 11.6 million (previous year: € 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. 2011		31 Dec. 2010	
	assets € million	liabilities € million	assets € million	liabilities € million
Tax loss carry-forwards	13.8	0.0	11.6	0.0
Property, plant and equipment/Intangible assets	0.0	19.8	0.0	20.4
Interest bearing liabilities	5.6	0.0	3.9	0.0
Valuation differences at subsidiaries	0.0	0.9	0.0	0.9
Other assets and liabilities	8.0	3.4	10.9	4.3
Total	**27.4**	**24.1**	**26.4**	**25.6**
Balance	**3.3**		**0.8**	

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 € 87.2 million (previous year: € 73.0 million). On the balance sheet date, tax losses carried forward which have so far not been utilised amounted to € 136.7 million (previous year: € 108.3 million); no deferred tax assets were recognised in relation to € 49.5 million (€ 35.3 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 € 115.0 million (previous year: € 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. 2011 € million	31 Dec. 2010 € million
Deferred tax assets (previous year: deferred tax liabilities) at beginning of year	**0.8**	**–1.3**
Recognition directly in equity in connection with financial derivatives recognised in equity	1.7	1.0
Gain/loss from current netting in the income statement	0.8	1.1
Deferred tax assets at end of year	**3.3**	**0.8**

7.5 EQUITY-ACCOUNTED INVESTMENTS

The equity-accounted investments relate to an associate as well as a joint venture. The object of enterprise of the associate operating under the name Medizinisches Versorgungszentrum Nikomedicum Bad Sachsa GmbH 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. The object of enterprise of the joint venture operating under the name Energiezentrale Universitätsklinikum Gießen GmbH is to supply energy – together with Stadtwerke Gießen – to the University Hospital of Gießen.

The conditions for the equity-accounting of both interests 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. 2011 € million	31 Dec. 2010 € million
Non-current assets	1.2	1.9
Current assets	1.4	0.5
Non-current liabilities to shareholders	2.3	1.9
Current liabilities	0.2	0.4
Shareholders' equity	0.1	0.1
Carrying amount of equity-accounted interests	**0.1**	**0.1**

Income statement data for equity-accounted investments	2011 € million	2010 € million
Revenues	0.7	0.1
Result for the year	**0.0**	**0.0**

Interests in companies accounted for at equity at € 107,000 (previous year: € 62,000) are reported under the other assets (non-current) on the grounds of materiality.

7.6 OTHER FINANCIAL ASSETS (NON-CURRENT)

	31 Dec. 2011 € million	31 Dec. 2010 € million
Participating interests	0.2	0.2
Financial derivatives	0.1	0.0
Other financial assets (non-current) (financial instruments)	**0.3**	**0.2**

Investments relate to companies in which we hold an interest of between 20.0% and 50.0%. These are not consolidated. In general, they are shown at cost.

7.7 OTHER ASSETS (NON-CURRENT)

Of the figure shown for other assets (non-current) (€ 1.8 million; previous year: € 1.5 million), an amount of € 1.7 million (previous year: € 1.5 million) was attributable essentially to reimbursement rights not covered against insolvency for pension commitments, and an amount of € 0.1 million (previous year: € 0.0 million) attributable essentially to interests in companies accounted for at equity.

7.8 INVENTORIES

Raw materials, consumables and supplies of € 50.3 million (previous year: € 47.9 million) mainly consist of medical supplies. Impairment losses of € 5.5 million (previous year: € 5.2 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.

7.9 ACCOUNTS RECEIVABLE

	31 Dec. 2011 < 1 year € million	31 Dec. 2010 < 1 year € million
Accounts receivable (gross)	366.0	350.3
Impairments on accounts receivable	–14.0	–18.9
Accounts receivable (net)	**352.0**	**331.4**

Allowances recognised on accounts receivable (net) totalling € 352.0 million (previous year: € 331.4 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. Although it is in principle possible for an individual public payer to become insolvent, we regard the risk of default as low given the joint and several liability of the payers.

The fair values of accounts receivable 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 due on reporting date	of which not impaired on the reporting date and 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 2011						
Accounts receivable	366.0	279.9	41.1	11.4	9.1	24.5
31 December 2010						
Accounts receivable	350.3	263.1	40.8	10.4	9.0	27.0

With regard to the accounts receivable in the amount of € 279.9 million (previous year: € 263.1 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 € 14.0 million in the financial year (previous year: € 18.9 million).

Accounts receivable were derecognised in the income statement in the amount of € 3.7 million in financial year 2011 (previous year: € 3.2 million). Settlement mechanisms in accordance with the Hospital Remuneration Act (KHEntgG) partially compensated for these defaults. Inflows of € 0.5 million (previous year: € 0.5 million) were recognised in the income statement in relation to previously derecognised accounts receivable.

7.10 OTHER FINANCIAL ASSETS

	31 Dec. 2011 < 1 year € million	31 Dec. 2010 < 1 year € million
Receivables under hospital financing law	7.0	9.0
Remaining other financial assets	25.9	21.1
	32.9	**30.1**

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).

The remaining other financial assets notably include € 8.5 million (previous year: € 5.5 million) in receivables from services rendered which are not primarily related to patient treatments at hospitals as well as € 1.5 million (previous year: € 2.2 million) in receivables due from employees in particular from invoices which head physicians are entitled to issue.. Also shown are accounts receivable with a debit balance in the amount of € 1.7 million (previous year: € 1.9 million) as well as receivables under a restructuring subsidy in the amount of € 2.5 million (previous year: € 0.0 million).

No impairment losses or reversals of impairment losses were recognised in relation to other financial assets.

7.11 OTHER ASSETS

Of other assets in the amount of € 11.5 million (previous year: € 10.1 million), € 6.5 million (previous year: € 6.1 million) is attributable to prepaid expenses, notably insurance expenses, as well as € 5.0 million (previous year: € 4.0 million) to reimbursement claims against insurers under liability claims.

7.12 CURRENT INCOME TAXES RECEIVABLE

Current income taxes receivable include claims against tax authorities for reimbursement of corporate income tax.

7.13 CASH AND CASH EQUIVALENTS

	31 Dec. 2011 € million	31 Dec. 2010 € million
Cash with banks and cash on hand	142.0	81.9
Short-term bank deposits	335.5	333.8
	477.5	**415.7**

As at the balance sheet date, the effective interest rate for bank balances was 1.8% (previous year: 1.6%). The average remaining term of these deposits was 15 days (previous year: 9 days).

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

	31 Dec. 2011 € million	31 Dec. 2010 € million
Cash and cash equivalents	477.5	415.7
Bank overdrafts	–37.6	–22.5
Cash position	**439.9**	**393.2**

7.14 SHAREHOLDERS' EQUITY

The registered share capital of RHÖN-KLINIKUM AG was € 345,580,000. It consists of 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 2011	**138,232,000**	**345,580,000**
Changes in 2011	0	0
Ordinary shares as at 31 December 2011	**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 2011, RHÖN-KLINIKUM AG's authorised capital was unchanged at € 43,220,000, and can be issued up to the amount of € 43,220,000 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 € 813.5 million (previous year: € 717.4 million) comprise earnings generated in prior years of companies included in the consolidated financial statements amounting (to the extent not paid out to shareholders) to € 843.8 million (previous year: € 738.8 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 deferred tax into account. As at 31 December 2011 a total of € 30.3 million (previous year: € 21.4 million) was allocated from hedging relationships to "Other reserves" resulting in a reduction in equity. The sum of net consolidated profit as well as net result (the latter being directly recognised in equity) includes, in addition to net consolidated profit in the amount of € 161.1 million (previous year: € 145.1 million), the change in the fair value of derivatives used for hedging purposes in the amount of € 10.5 million (previous year: € 6.2 million) less deferred income tax in the amount of € 1.7 million (previous year: € 1.0 million), which are included in the Other reserves on a cumulative basis.

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 2011	**24,000**
Changes in 2011	0
Treasury shares as at 31 December 2011	**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 45 cents (previous year: 37 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 37 cents (previous year: 30 cents) was made in financial year 2011.

The Board of Management therefore proposes to the Annual General Meeting that € 62.2 million (previous year: € 51.1 million) of the net distributable profit of RHÖN-KLINIKUM AG should be used to pay out a dividend of 45 cents per ordinary share (previous year: 37 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 € 43.7 million (previous year: € 36.3 million) relate to interests held by non-Group third parties in the following consolidated subsidiaries:

	External shareholders' interests	
	31 Dec. 2011 %	31 Dec. 2010 %
Hospital companies		
Amper Kliniken AG, Dachau	5.1	5.1
Frankenwaldklinik Kronach GmbH, Kronach	5.1	5.1
Kliniken München Pasing und Perlach GmbH, München	1.3	1.3
Klinikum Gifhorn GmbH, Gifhorn	4.0	4.0
Klinikum Pforzheim GmbH, Pforzheim	5.1	5.1
Klinikum Salzgitter GmbH, Salzgitter	5.1	5.1
Krankenhaus Boizenburg GmbH, Boizenburg (formerly: IGB Integratives Gesundheitszentrum Boizenburg GmbH, Boizenburg)	8.0	8.0
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 Therapiecentrum Mönchengladbach/Erkelenz GmbH, Erkelenz (formerly: RK Klinik Betriebs GmbH Nr. 31, Bad Neustadt a. d. Saale)	10.0	–
MVZ Augenärztliches Diagnostik- und Therapiecentrum Siegburg GmbH, Siegburg (formerly: RK Klinik Betriebs GmbH Nr. 36, Bad Neustadt a. d. Saale)	30.0	–
MVZ Augenärztliches Diagnostik- und Therapiezentrum Düsseldorf GmbH, Düsseldorf	40.0	5.0
MVZ Augenärztliches Diagnostik- und Therapiezentrum Wuppertal GmbH, Wuppertal	45.0	45.0
MVZ Universitätsklinikum Marburg GmbH, Marburg	5.0	5.0
Q.sana Gesellschaft bürgerlichen Rechts	20.0	–

	External shareholders' interests	
	31 Dec. 2011	31 Dec. 2010
	%	%
Service companies		
KDI Klinikservice GmbH, Dachau	5.1	5.1
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 Süd GmbH, Bad Neustadt a. d. Saale (formerly: RK-Wäschereinigung GmbH, Bad Neustadt a. d. Saale)	49.0	49.0
Other companies		
Altmühltalklinik-Leasing-GmbH, Kipfenberg	49.0	49.0

Payments from minorities into the equity capital of subsidiaries were made in the total amount of € 5.5 million in connection with the acquisition of the ophthalmological specialist doctor's practices in Düsseldorf, Mönchengladbach, Siegburg and Wuppertal (see Note 4) resulting in an increase in the share of minority owners in Group equity by the same amount. However, since the Group still has control over these subsidiaries, this is recognised as an equity capital transaction without effect in profit or loss.

7.15 FINANCIAL LIABILITIES

	31 Dec. 2011		31 Dec. 2010	
	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	397.2	12.6	396.6	12.6
Liabilities to banks	574.3	7.4	500.6	34.4
Negative fair values of derivative financial instruments	36.0	0.0	25.5	0.0
Total non-current financial liabilities	**1,007.5**	**20.0**	**922.7**	**47.0**
Current financial liabilities				
Liabilities to banks	0.0	37.6	0.0	22.5
Total current financial liabilities	**0.0**	**37.6**	**0.0**	**22.5**
Total financial liabilities	**1,007.5**	**57.6**	**922.7**	**69.5**

In financial year 2006, RHÖN-KLINIKUM AG took out a syndicated loan in the amount of € 400 million under the lead management of Commerzbank AG, Luxembourg branch, for financing investments. This contract has a term running until 2013, with a partial amount of € 55.0 million to fall due in 2012. As at the reporting date of 31 December 2011, € 285.0 million of the total volume had been drawn down. The term-linked interest rate was between 1.34% p.a. and 2.02% p.a. in the year under review. Interest is charged at a rate of 0.20% p.a. on the credit volume not drawn down.

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. An interest rate hedge was taken out to hedge against interest rate risks.

In financial year 2009, a loan with a volume of € 15.0 million and a term of 10 years was taken out. The interest rate is fixed at 5.45% p.a. until the end of the term.

In financial year 2010, RHÖN-KLINIKUM AG successfully placed on the market a bond with a volume of € 400.0 million and a maturity of six years (ISIN XS0491047154). 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 financial year 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 2011. Interest is charged at a rate of 0.56% p.a. on the credit volume not drawn down.

In financial year 2011, no substantially new financing transactions were concluded.

Of the non-current financial liabilities, non-fixed interest is charged on € 468.0 million (previous year: € 392.4 million). To limit interest rate risk, 79.7% of the volume bearing a non-fixed 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. 2011			31 Dec. 2010		
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	397.2	4.06	400.0	396.6
Interest on bond			12.6			12.6
		400.0	**409.8**		**400.0**	**409.2**
Liabilities to banks						
2011				1.60	447.9	410.3
2012	2.05	480.2	461.0	5.34	3.7	2.9
2013	4.45	2.0	0.8	4.46	2.0	1.2
2014	5.60	1.5	0.6	5.60	1.5	0.8
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	5.17	102.5	101.3	5.17	102.5	101.5
> 2018	5.34	19.6	18.0	5.33	19.6	18.3
		605.8	**581.7**		**577.2**	**535.0**
		1,005.8	**991.5**		**977.2**	**944.2**

[1] *Weighted interest rate*

The effective interest rates at balance sheet date are:

	31 Dec. 2011 %	31 Dec. 2010 %
Bond	4.06	4.06
Liabilities to banks	2.71	2.18
Overdrafts with banks	1.75	2.73

The remaining terms of the financial liabilities are:

	31 Dec. 2011 € million	31 Dec. 2010 € million
Up to 1 year	57.6	69.5
Between 1 and 5 years	854.3	377.3
More than 5 years	153.2	545.4
Total	**1,065.1**	**992.2**

Of the reported financial liabilities, € 5.9 million (previous year: € 13.8 million) is secured by registered charges on real property.

The profits and losses from hedging transactions recognised at equity as at 31 December 2011 are continually recognised with effect in profit and loss through the income statement until repayment of the liabilities to banks.

7.16 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 4 (previous year: 4) 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-retirement benefits. In addition to their regular remuneration the members of the Board of Management, on termination of their employment as Board members, receive a post-retirement benefit 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:

	2011 € million	2010 € million
Current service cost	0.8	1.1
Interest cost (unwinding of the discount related to projected benefits)	0.3	0.6
Netted actuarial gains or losses	1.0	0.3
	2.1	**2.0**

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. 2011 € million	31 Dec. 2010 € million
Defined benefit obligation	9.8	14.4
Actuarial gains and losses not yet netted	–0.9	–1.8
Provision for pensions (defined benefit liability)	**8.9**	**12.6**

	2011 € million	2010 € million
As at 1 January	**12.6**	**11.0**
Current service cost	0.8	1.1
Interest cost (unwinding of the discount related to projected benefits)	0.3	0.6
Netted actuarial gains or losses	1.0	0.3
Plan change	0.0	0.2
Payments rendered	–5.8	–0.6
As at 31 December	**8.9**	**12.6**

The calculation is based on the following assumptions:

	31 Dec. 2011 %	31 Dec. 2010 %
Rate of interest	4.90	4.95
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:

	2011 € million	2010 € million	2009 € million	2008 € million	2007 € million
Defined benefit obligation, 31 December	9.8	14.4	12.3	11.0	9.6
Fair value of plan assets	0.0	0.0	0.0	0.0	0.0
Shortfall, 31 December	9.8	14.4	12.3	11.0	9.6
Experience-based adjustment to plan liabilities	0.5	0.7	–0.1	0.7	–0.3

The development of the defined benefit obligation in financial year 2011 compared with the previous year is shown in the following:

	2011 € million	2010 € million
As at 1 January	**14.4**	**12.3**
Service time cost	0.8	1.1
Interest expense	0.3	0.6
Pension payments	–5.8	–0.6
Actuarial gains/losses	0.1	1.0
As at 31 December	**9.8**	**14.4**

In 2011 pension payments of € 1.8 million (previous year: € 5.8 million) were expected to be made in 2012.

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).

7.17 OTHER PROVISIONS

Other provisions developed as follows in the financial year:

	1 Jan. 2011	Change in scope of consolidation	Consumption	Writeback	Allocation	31 Dec. 2011	of which < 1 year	of which > 1 year
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Demolition obligations	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Liability risks	22.0	0.0	9.2	0.0	7.3	20.1	20.1	0.0
Other provisions	0.3	0.0	0.0	0.0	0.2	0.5	0.5	0.0
	22.4	**0.0**	**9.2**	**0.0**	**7.5**	**20.7**	**20.7**	**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 2012.

The provisions for liability risks relate to claims for damages by third parties. These compare with repayment claims of € 5.0 million (previous year: € 4.0 million) against insurers; these are shown under other non-current assets. 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:

	31 Dec. 2011	of which < 1 year	of which > 1 year	31 Dec. 2010	of which < 1 year	of which > 1 year
	€ million	€ million	€ million	€ million	€ million	€ million
Demolition obligations	0.1	0.1	0.0	0.1	0.1	0.0
Liability risks	20.1	20.1	0.0	22.0	22.0	0.0
Other provisions	0.5	0.5	0.0	0.3	0.3	0.0
	20.7	**20.7**	**0.0**	**22.4**	**22.4**	**0.0**

In financial year 2011, the Group of RHÖN-KLINIKUM AG had contingent liabilities of up to € 1.5 million (previous year: € 5.7 million). At the present time RHÖN-KLINIKUM AG does not expect any significant usage in future.

7.18 ACCOUNTS PAYABLE

	31 Dec. 2011		31 Dec. 2010	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Accounts payable	129.0	0.0	151.5	0.0

Accounts payable exist towards third parties. The total amount of € 129.0 million (previous year: € 151.5 million) is due within one year.

7.19 OTHER FINANCIAL LIABILITIES

	31 Dec. 2011		31 Dec. 2010	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Liabilities under Hospital Financing Act	98.3	0.0	112.8	0.0
Purchase prices	4.8	0.0	0.0	0.0
Leasing	0.2	0.1	0.2	0.3
Other financial liabilities	41.5	23.6	51.2	21.3
Other financial liabilities (financial instruments)	**144.8**	**23.7**	**164.2**	**21.6**

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 purchase prices relate to contractual obligations subject to conditions.

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 remaining non-current financial liabilities with remaining maturities of more than five years in the amount of € 12.4 million (previous year: € 13.5 million), € 12.2 million (previous year: € 13.3 million) is attributable to obligations arising from research grants owed to the University of Gießen and Marburg.

7.20 OTHER LIABILITIES

	31 Dec. 2011		31 Dec. 2010	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Personnel liabilities	133.0	4.3	150.4	7.2
Deferred income	11.3	0.0	9.5	0.0
Operating taxes and social security contributions	21.4	0.0	21.3	0.0
Pre-payments	2.2	0.0	0.8	0.0
Other liabilities	3.4	0.0	0.6	0.0
Other liabilities (non-financial instruments)	**171.3**	**4.3**	**182.6**	**7.2**

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 remaining liabilities essentially include the use and supply agreement (Nutzungs- und Überlassungsvertrag) of Universitätsklinikum Gießen und Marburg GmbH with the Carreras Leukemia Center. The university paid fixed advance user fees totalling € 1.6 million for use of the premises for research and teaching purposes.

7.21 CURRENT INCOME TAX LIABILITIES

Current income tax liabilities in the amount of € 8.7 million (previous year: € 8.8 million) comprise corporate income tax and solidarity surcharge not yet assessed for the past financial year and previous years.

7.22 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 € 991.5 million (previous year: € 944.2 million); of this figure, € 523.5 million (previous year: € 551.8 million) was subject to fixed interest rates and terms running until 2027. Interest hedges in a volume of € 473.0 million (previous year: € 578.8 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 rate caps 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 income of € 0.0 million (previous year: losses of € 0.2 million).

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). Many hedging instruments are considered to be one unit with the hedged item under hedge accounting. In these hedging relationships, changes in the market values of derivatives less deferred tax are recorded in a hedge reserve under equity amounting to € 30.3 million (previous year: € 21.4 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. 2011	Interest rate cap or fixed rate	Reference amount 31 Dec. 2011
		from	to			
2011	€ million			%	%	€ million
Interest rate swaps, liabilities	–26.9	11 June 2008	11 June 2018	1.47	4.65	150.0
	–0.3	2 Jan. 2007	30 Sep. 2018	1.39	3.94	3.8
	–0.1	16 Jan. 2008	6 Mar. 2013	1.47	4.25	2.0
	0.0	30 Sep. 2009	30 Dec. 2013	1.39	2.31	0.7
	0.0	30 Sep. 2009	30 June 2014	1.39	2.42	1.5
	0.0	30 Nov. 2009	28 Mar. 2013	1.39	1.83	1.0
	–0.2	30 Nov. 2009	30 June 2016	1.39	2.57	5.4
	–0.4	31 Mar. 2010	30 Dec. 2022	1.39	2.79	8.7
Interest rate caps, assets	0.0	2 Jan. 2007	1 Jan. 2012	1.78	4.00	100.0
Forward swaps, liabilities	–7.9	2 Jan. 2012	7 June 2013	0.92	3.49	200.0

	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

7.23 ADDITIONAL DISCLOSURES REGARDING FINANCIAL INSTRUMENTS

7.23.1 Carrying amounts, recognised figures and fair values according to measurement categories

	Measurement category under IAS 39	2011	of which financial instruments		2010	of which financial instruments	
			Carrying amount	Fair value		Carrying amount	Fair value
ASSETS		€ million	€ million	€ million	€ million	€ million	€ million
Non-current assets							
Other financial assets (non-current)		**0.3**	0.3	0.3	**0.2**	0.2	0.2
of which investments	Available-for-sale financial assets	**0.2**	0.2	0.2	**0.2**	0.2	0.2
of which derivative financial instruments (HfT)	Financial assets measured at fair value through profit or loss	**0.1**	0.1	0.1	**0.0**	0.0	0.0
Current assets							
Accounts receivable and other financial assets		**384.9**	384.9	384.9	**361.5**	361.5	361.5
of which accounts receivable and other financial assets	Loans + receivables	**384.9**	384.9	384.9	**361.4**	361.4	361.4
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	**0.0**	0.0	0.0	**0.1**	0.1	0.1
Cash and cash equivalents	Loans + receivables	**477.5**	477.5	477.5	**415.7**	415.7	415.7
SHAREHOLDERS' EQUITY AND LIABILITIES							
Non-current liabilities							
Financial liabilities		**1,007.5**	1,007.5	888.7	**922.7**	922.7	772.4
of which financial liabilities	Financial liabilities measured at amortised cost	**971.5**	971.5	852.7	**897.2**	897.2	746.9
of which derivative financial instruments (hedge accounting)	n. a.	**36.0**	36.0	36.0	**25.5**	25.5	25.5
Other financial liabilities		**23.7**	23.7	24.1	**21.6**	21.6	22.3
of which other financial liabilities	Financial liabilities measured at amortised cost	**23.6**	23.6	24.0	**21.3**	21.3	22.0
of which under finance leases	n. a.	**0.1**	0.1	0.1	**0.3**	0.3	0.3
Current liabilities							
Accounts payable	Financial liabilities measured at amortised cost	**129.0**	129.0	129.0	**151.5**	151.5	151.5
Financial liabilities		**57.6**	57.6	57.6	**69.5**	69.5	69.5
of which financial liabilities	Financial liabilities measured at amortised cost	**57.6**	57.6	57.6	**69.5**	69.5	69.5
of which derivative financial instruments (HfT)	Liabilities measured at fair value through profit or loss	**0.0**	0.0	0.0	**0.0**	0.0	0.0
Other financial liabilities		**144.8**	144.8	144.8	**164.2**	164.2	164.2
of which other financial liabilities	Financial liabilities measured at amortised cost	**144.6**	144.6	144.6	**164.0**	164.0	164.0
of which under finance leases	n. a.	**0.2**	0.2	0.2	**0.2**	0.2	0.2

Aggregated according to measurement categories, the above figures are as follows:

	Loans + receivables		862.4	862.4		777.1	777.1
	Available-for-sale financial assets		0.2	0.2		0.2	0.2
	Financial assets measured at fair value through profit or loss		0.1	0.1		0.1	0.1
	Financial liabilities measured at amortised cost		1,326.3	1,207.9		1,303.5	1,153.9
	Liabilities measured at fair value through profit or loss		0.0	0.0		0.0	0.0

The following table shows a classification of our financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Non-current derivative assets	0.0	0.1	0.0	0.1
Securities	0.0	0.0	0.0	0.0
Current derivative assets	0.0	0.0	0.0	0.0
Non-current derivative liabilities	0.0	36.0	0.0	36.0
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 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 financial 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.

7.23.2 Net gains or losses by measurement category

	From capital gains	From subsequent measurement		From disposal	Net result	
		at fair value	impairment		2011	2010
	€ million	€ million	€ million	€ million	€ million	€ million
Loans and receivables	0.0	0.0	–5.0	–1.8	–6.8	4.1
Financial assets and liabilities measured at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.2
Total	**0.0**	**0.0**	**–5.0**	**–1.8**	**–6.8**	**4.3**

+ = 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 includes 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.

7.23.3 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 outflows		
	2012	2013–2018	> 2018
	€ million	€ million	€ million
Financial liabilities	–84.0	–1,059.1	–8.9
Accounts payable	–129.0	0.0	0.0
Derivatives	0.0	–35.6	–0.4
Other financial liabilities	–107.6	–11.0	–12.4
Liabilities from finance leases	–0.3	–0.1	0.0
	–320.9	**–1,105.8**	**–21.7**

The following table shows the maturity analysis of the previous year:

	Cash outflows		
	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 financial liabilities	–145.5	–7.8	–13.5
Liabilities from finance leases	–0.3	–0.4	0.0
	–372.5	**–970.3**	**–60.3**

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 € 27.2 million (previous year: € 35.8 million) for outstanding construction invoices and a figure € 0.0 million (previous year: € 0.2 million) for non-cash losses from financial derivatives.

The discontinuation or winding-up of the "Marburg Particle Therapy" development project led to a disposal of plant under construction, in conjunction with a payment received in the amount of € 62.8 million.

Dividends paid to minority interests amounted to € 3.1 million (previous year: € 2.1 million). Moreover, in financial year 2011 there were equity transactions amounting to € 5.1 million in connection with the majority takeover of the ophthalmological centre in Düsseldorf, additional transactions in the total amount

of € 0.4 million in connection with the takeover of the ophthalmological centres in Mönchengladbach, Siegburg and Wuppertal, as well as a transaction with a service company in the amount of € 0.1 million from 2010 which was only paid in financial year 2011.

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	83,636	10,975
Aukamm-Klinik für operative Rheumatologie und Orthopädie GmbH, Wiesbaden	100.0	1,857	1,010
Bördekrankenhaus GmbH, Neindorf (formerly: MEDIGREIF Bördekrankenhaus GmbH, Neindorf)	100.0	1,272	284
Fachkrankenhaus für Psychiatrie und Neurologie Hildburghausen GmbH, Hildburghausen	100.0	20,884	6,565
Fachkrankenhaus Vogelsang-Gommern GmbH, Greifswald (formerly: MEDIGREIF Verwaltungs- und Betriebsgesellschaft Fachkrankenhaus Vogelsang-Gommern mit beschränkter Haftung, Greifswald)	100.0	4,447	2,069
Frankenwaldklinik Kronach GmbH, Kronach	94.9	27,861	1,676
Gesundheitsmanagement GmbH, Greifswald (formerly: MEDIGREIF – Betriebsgesellschaft für Krankenhäuser und Integrative Gesundheitszentren mit beschränkter Haftung (MEDIGREIF BKIG mbH), Greifswald)	100.0	14,000	13,642
Haus Saaletal GmbH, Bad Neustadt a. d. Saale	100.0	254	65
Herz- und Gefäß-Klinik GmbH Bad Neustadt, Bad Neustadt a. d. Saale[1]	100.0	12,158	0
Herzzentrum Leipzig GmbH, Leipzig[1]	100.0	19,911	0
Klinik »HAUS FRANKEN« GMBH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	22,096	49
Klinik für Herzchirurgie Karlsruhe GmbH, Karlsruhe[1]	100.0	5,847	0
Klinik Hildesheimer Land GmbH, Bad Salzdetfurth	100.0	1,851	244
Klinik Kipfenberg GmbH Neurochirurgische und Neurologische Fachklinik, Kipfenberg[1]	100.0	3,100	0
Kliniken Herzberg und Osterode GmbH, Herzberg am Harz	100.0	15,473	562
Kliniken Miltenberg-Erlenbach GmbH, Erlenbach	100.0	10,952	–589
Kliniken München Pasing und Perlach GmbH, Munich	98.7	36,020	7,875
Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder)	100.0	73,724	7,661
Klinikum Gifhorn GmbH, Gifhorn	96.0	20,527	5,027
Klinikum Hildesheim GmbH, Hildesheim	100.0	64,380	12,341
Klinikum Meiningen GmbH, Meiningen[1]	100.0	16,055	0
Klinikum Pforzheim GmbH, Pforzheim	94.9	65,718	3,496
Klinikum Pirna GmbH, Pirna	100.0	21,578	5,703
Klinikum Salzgitter GmbH, Salzgitter	94.9	28,909	1,500
Klinikum Uelzen GmbH, Uelzen	100.0	23,330	3,125
Krankenhaus Boizenburg GmbH, Boizenburg (formerly: IGB Integratives Gesundheitszentrum Boizenburg GmbH, Boizenburg)	92.0	1,411	811
Krankenhaus Cuxhaven GmbH, Cuxhaven	100.0	17,504	426
Krankenhaus Jerichower Land GmbH, Burg (formerly: MEDIGREIF Kreiskrankenhaus Burg GmbH, Burg)	100.0	15,094	3,577
Krankenhaus Köthen GmbH, Köthen	100.0	11,487	1,487
Krankenhaus St. Barbara Attendorn GmbH, Attendorn	100.0	8,334	–1,911
Krankenhaus Waltershausen-Friedrichroda GmbH, Friedrichroda	100.0	12,850	1,288
Krankenhaus Zerbst GmbH, Zerbst (formerly: Krankenhaus Anhalt-Zerbst GmbH, Zerbst)	100.0	4,702	1,449

[1] *The Company claims the exemption from the disclosure obligation pursuant to section 264 (3) of the HGB:*

Hospital companies	Interest held %	Equity € '000	Result for the year € '000
Mittelweser Kliniken GmbH Nienburg Hoya Stolzenau, Nienburg	100.0	26,551	1,258
Neurologische Klinik GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	4,809	2,019
Park-Krankenhaus Leipzig GmbH, Leipzig	100.0	12,818	4,801
Soteria Klinik Leipzig GmbH, Leipzig	100.0	3,504	1,480
St. Elisabeth-Krankenhaus GmbH Bad Kissingen, Bad Kissingen	98.5	8,679	–50
St. Petri-Hospital Warburg GmbH, Warburg	100.0	3,650	–2,330
Städtisches Krankenhaus Wittingen GmbH, Wittingen	96.0	3,043	–1,006
Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden	100.0	13,242	1,744
Universitätsklinikum Gießen und Marburg GmbH, Gießen	95.0	81,320	15,206
Weißeritztal-Kliniken GmbH, Freital	100.0	28,368	3,153
Wesermarsch-Klinik Nordenham GmbH, Nordenham	100.0	2,981	–4,486
Zentralklinik Bad Berka GmbH, Bad Berka	87.5	116,450	18,625

MVZ companies	Interest held %	Equity € '000	Result for the year € '000
Medizinisches Versorgungszentrum Anhalt GmbH, Zerbst	100.0	382	127
Medizinisches Versorgungszentrum NikoMedicum Bad Sachsa GmbH, Bad Sachsa	45.0	74	54
Medizinisches Versorgungszentrum Sachsen-Anhalt GmbH, Burg	100.0	846	–228
MVZ Augenärztliches Diagnostik- und Therapiecentrum Mönchengladbach/ Erkelenz GmbH, Erkelenz (formerly: RK Klinik Betriebs GmbH Nr. 31, Bad Neustadt a. d. Saale)	90.0	144	–236
MVZ Augenärztliches Diagnostik- und Therapiecentrum Siegburg GmbH, Siegburg (formerly: RK Klinik Betriebs GmbH Nr. 36, Bad Neustadt a. d. Saale)	70.0	304	–498
MVZ Augenärztliches Diagnostik- und Therapiezentrum Düsseldorf GmbH, Düsseldorf	60.0	12,838	422
MVZ Augenärztliches Diagnostik- und Therapiezentrum Wuppertal GmbH, Wuppertal	55.0	131	–162
MVZ Campus Gifhorn GmbH, Gifhorn (formerly: RK Klinik Betriebs GmbH Nr. 16, Bad Neustadt a. d. Saale)	100.0	35	–7
MVZ Management GmbH Attendorn, Attendorn	100.0	128	–630
MVZ Management GmbH Baden-Württemberg, Pforzheim	100.0	170	14
MVZ Management GmbH Brandenburg, Frankfurt (Oder)	100.0	234	–218
MVZ Management GmbH Nord, Nienburg	100.0	611	–1,839
MVZ Management GmbH Ost, Pirna	100.0	997	414
MVZ Management GmbH Sachsen-Anhalt, Köthen	100.0	166	–194
MVZ Management GmbH Süd, Bad Neustadt a. d. Saale	100.0	101	–2,431
MVZ Management GmbH Thüringen, Bad Berka	100.0	138	–983
MVZ Management GmbH West, Wiesbaden	100.0	1,029	–1,330
MVZ Service Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	1,490	1
MVZ Universitätsklinikum Marburg GmbH, Marburg	95.0	128	17
Q.sana Gesellschaft bürgerlichen Rechts, Weimar	80.0	–75	–75

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	1,668	–118
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	32	0

Property companies	Interest held %	Equity € '000	Result for the year € '000
Altmühltalklinik-Leasing GmbH, Kipfenberg	51.0	7,419	761
BGL Grundbesitzverwaltungs-GmbH, Bad Neustadt a. d. Saale	100.0	25,911	298
GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH, Leipzig	100.0	320	46
Grundstücksgesellschaft Park Dösen GmbH, Bad Neustadt a. d. Saale	100.0	5,921	–218
GTB Grundstücksgesellschaft mbH, Bad Neustadt a. d. Saale	100.0	46,549	2,338

Service companies	Interest held %	Equity € '000	Result for the year € '000
KDI Klinikservice GmbH, Dachau	94.9	123	3
RK Reinigungsgesellschaft Nordost mbH, Bad Neustadt a. d. Saale (formerly: RK Klinik Betriebs GmbH Nr. 33, Bad Neustadt a. d. Saale)	100.0	25	–6
RK-Cateringgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	51.0	77	0
RK-Cateringgesellschaft Süd mbH, Bad Neustadt a. d. Saale	51.0	51	0
RK-Cateringgesellschaft West mbH, Bad Neustadt a. d. Saale	51.0	101	4
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	756	409
RK-Reinigungsgesellschaft Süd mbH, Bad Neustadt a. d. Saale	51.0	101	18
RK-Reinigungsgesellschaft West mbH, Bad Neustadt a. d. Saale	51.0	95	5
RK-Reinigungsgesellschaft Zentral mbH, Bad Neustadt a. d. Saale	51.0	187	32
RK-Wäschereinigung Süd GmbH, Bad Neustadt a. d. Saale (formerly: RK-Wäschereinigung GmbH, Bad Neustadt a. d. Saale)	51.0	30	0
UKGM Service GmbH, Bad Neustadt a. d. Saale	100.0	103	10

Shelf companies/other companies	Interest held %	Equity € '000	Result for the year € '000
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	94.9	137	8
Energiezentrale Universitätsklinikum Gießen GmbH, Gießen	50.0	144	68
HEILBAD BAD NEUSTADT GMBH, Bad Neustadt a. d. Saale	100.0	2,454	545
Kinderhort Salzburger Leite gemeinnützige Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	232	–65
Klinik Feuerberg GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	43	–4
Leben am Rosenberg GmbH, Kronach	100.0	165	15
Psychosomatische Klinik GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	28	–3
PTZ GmbH, Marburg	100.0	19,200	3,504
RK Bauträger GmbH, Bad Neustadt a. d. Saale	100.0	263	–11
RK Klinik Betriebs GmbH Nr. 32, Bad Neustadt a. d. Saale	100.0	36	–5
RK Klinik Betriebs GmbH Nr. 34, Bad Neustadt a. d. Saale	100.0	35	–5
RK Klinik Betriebs GmbH Nr. 35, Bad Neustadt a. d. Saale	100.0	190	–3
RK Klinik Betriebs GmbH Nr. 37, Bad Neustadt a. d. Saale	100.0	27	–4
Wolfgang Schaffer GmbH, Bad Neustadt a. d. Saale	100.0	592	28

9.2 OTHER COMPANIES IN ACCORDANCE WITH SECTION 313 (2) NO. 2 ET SEQ. HGB

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
4QD – Qualitätskliniken.de GmbH, Berlin[1]	25.0	363	–878
Christliches Hospiz Pforzheim GmbH, Pforzheim[1]	13.6	1,573	3
Hospiz Mittelhessen gGmbH, Wetzlar[1]	15.9	297	30
Imaging Service AG, Niederpöcking[1]	23.8	474	–34
miCura Pflegedienste Dachau GmbH, Dachau[1]	46.5	62	3
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale[1]	25.0	1,708	200
Soemmerring GmbH privates Institut für Bewegungsstörungen und Verhaltensneurologie, Bad Nauheim[1]	31.7	6	5

[1] *Figures according to annual financial statement of 31 December 2010*

10 OTHER DISCLOSURES

10.1 ANNUAL AVERAGE NUMBER OF EMPLOYEES

	2011	2010	Change	
	Number[1]	Number[1]	Number[1]	%
Medical doctors	3,905	3,691	214	5.8
Nursing services	11,621	11,482	139	1.2
Medical-technical services	5,100	4,830	270	5.6
Functional	3,978	3,783	195	5.2
Supply and misc. services	4,766	4,601	165	3.6
Technical	572	569	3	0.5
Administrative	2,642	2,578	64	2.5
Other personnel	494	462	32	6.9
	33,078	**31,996**	**1,082**	**3.4**

[1] *Headcount, excluding board members, managing directors, apprentices, trainees and those in alternative national service.*

10.2 OTHER FINANCIAL OBLIGATIONS

	31 Dec. 2011	31 Dec. 2010
	€ million	€ million
Order commitments	**35.8**	**40.9**
Operating leases		
Due in subsequent year	4.8	4.7
Due in 2 to 5 years	5.2	6.0
Due in 5 years	0.9	0.6
Total operating leases	**10.9**	**11.3**
Other		
Due in subsequent year	70.1	66.8
Due in 2 to 5 years	31.1	31.9
Due in 5 years	5.2	5.2
Total other	**106.4**	**103.9**

Of the figure for order commitments, € 0.2 million (previous year: € 0.5 million) is attributable to intangible assets, and € 32.6 million (previous year: € 37.7 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 € 42.0 million (previous year: € 99.1 million); most of these obligations have to be settled within a period of up to 36 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: € 9.3 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 to provide max. 12 months notice to terminate the leases at the end of their 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 € 0.3 million (previous year: € 0.6 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:	2011 € million	2010 € million
Due in subsequent year	0.2	0.3
Due in 2 to 5 years	0.1	0.3
Due in 5 years	0.0	0.0
	0.3	**0.6**
Future financing costs under finance leases	**0.0**	**0.0**
Present value of liabilities under finance leases	**0.3**	**0.6**

Present value of liabilities under finance leases:	2011 € million	2010 € million
Due in subsequent year	0.2	0.2
Due in 2 to 5 years	0.1	0.4
Due in 5 years	0.0	0.0
	0.3	**0.6**

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 2011	**6.3**
Additions	0.0
Disposals	0.0
31 December 2011	**6.3**
Cumulative depreciation	
1 January 2011	**1.4**
Depreciation	0.2
31 December 2011	**1.6**
Balance sheet value at 31 Dec. 2011	**4.7**

	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 sheet value at 31 Dec. 2010	**4.9**

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 2011. The operating costs for these investment properties amounted to € 0.3 million in the financial year (previous year: € 0.3 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 1 year) are € 2.6 million. The minimum lease payments for the period of up to five years are € 5.3 million. The corresponding figure for the period in excess of five years is € 4.9 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 2011 was as follows:

	Expenses 2011 € '000	Income 2011 € '000	Receivables 31 Dec. 2011 € '000	Liabilities 31 Dec. 2011 € '000
Imaging Service AG, Niederpöcking	121.8	163.4	1.5	21.6
miCura Pflegedienste Dachau GmbH, Dachau	141.1	0.0	0.0	0.0
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale	0.0	450.7	16.9	0.0
4QD – Qualitätskliniken.de GmbH, Berlin	234.3	0.0	23.1	0.0
	497.2	**614.1**	**41.5**	**21.6**

From the point of view of the Group, the volume of transactions with equity-accounted companies in financial year 2011 was as follows:

	Expenses 2011 € '000	Income 2011 € '000	Receivables 31 Dec. 2011 € '000	Liabilities 31 Dec. 2011 € '000
Energiezentrale Universitätsklinikum Gießen GmbH, Gießen	1,286.5	70.3	2,664.5	1,286.5
Medizinisches Versorgungszentrum NikoMedicum Bad Sachsa GmbH, Bad Sachsa	0.0	0.0	77.8	0.0
	1,286.5	**70.3**	**2,742.3**	**1,286.5**

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	2011 € '000	2010 € '000
Prof. Dr. Gerhard Ehninger	AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	76.8	139.7
	DKMS – Deutsche Knochenmarkspenderdatei gemeinnützige Ges. mbH, Tübingen	Transplants/removals	641.4	557.2

As at the balance sheet date of 31 December 2011, there were net accounts payable totalling € 46,000 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 2011.

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	Profit-linked € '000	Total 2011 € '000	Total 2010 € '000
Dr. Bernhard Aisch	–	–	–	80
Gisela Ballauf	–	–	–	32
Peter Berghöfer	109	35	144	156
Bettina Böttcher	30	1	31	30
Helmut Bühner (since 1 May 2011)	44	4	48	47
Stefan Härtel	39	1	40	37
Ursula Harres	–	–	–	42
Annett Müller	25	3	28	32
Werner Prange	46	1	47	45
Joachim Schaar	–	–	–	75
Prof. Dr. Jan Schmitt	124	0	124	123
Dr. Rudolf Schwab (until 30 April 2011)	29	3	32	91
	446	**48**	**494**	**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

	2011 € '000	2010 € '000
Remuneration of the Supervisory Board	2,675	2,426
Remuneration of the current Board of Management	6,461	9,134
Remuneration of former members of the Board of Management	5,413	1,224
Remuneration of the Advisory Board	24	21

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 2011 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). During the reporting period, RHÖN-KLINIKUM AG was notified of transactions pursuant to section 15a of the WpHG of members of the Board of Management or of the Supervisory Board (directors' dealings). These concern the purchase by Mr. Detlef Klimpe, a member of the Supervisory Board, of 980 ordinary shares via XETRA on 16 May 2011 at a price of € 16.85 for a total volume of € 16,513.00.

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 2011 € '000	Total 2010 € '000
Eugen Münch	20	52	162	280	514	468
Joachim Lüddecke	20	48	71	0	139	113
Wolfgang Mündel	20	48	164	177	409	386
Peter Berghöfer	20	20	65	0	105	39
Bettina Böttcher	20	10	26	0	56	21
Sylvia Bühler	20	20	75	0	115	80
Helmut Bühner (until 9 June 2010/ since 1 May 2011)	13	6	14	0	33	39
Prof. Dr. Gerhard Ehninger	20	12	30	0	62	48
Stefan Härtel	20	20	65	0	105	39
Caspar von Hauenschild	20	20	75	16	131	131
Detlef Klimpe	20	24	114	0	158	139
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach	20	12	30	0	62	56
Michael Mendel	20	20	87	0	127	107
Dr. Rüdiger Merz	20	18	65	0	103	53
Dr. Brigitte Mohn	20	16	37	0	73	74
Annett Müller	20	16	37	0	73	62
Jens-Peter Neumann	20	24	114	0	158	111
Werner Prange	20	20	65	0	105	85
Prof. Dr. Jan Schmitt	20	12	30	0	62	29
Georg Schulze-Ziehaus	20	12	30	0	62	29
Dr. Rudolf Schwab (until 30 April 2011)	7	4	12	0	23	29
Former members of the Supervisory Board	0	0	0	0	0	288
	400	**434**	**1,368**	**473**	**2,675**	**2,426**

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

	Fixed				
Total remuneration	Basic salary € '000	Fringe benefits € '000	Profit-linked € '000	Total 2011 € '000	Total 2010 € '000
Current Members of the Board of Management					
Volker Feldkamp	184	12	471	667	199
Dr. Erik Hamann	208	7	471	686	586
Wolfgang Kunz[1]	144	2	639	785	968
Martin Menger[2]	174	6	356	536	0
Wolfgang Pföhler	384	12	2,343	2,739	2,492
Dr. Irmgard Stippler	192	8	454	654	563
Dr. Christoph Straub[3]	96	0	298	394	875
Former members of the Supervisory Board	0	0	0	0	3,451
	1,382	**47**	**5,032**	**6,461**	**9,134**

[1] *until 30 September 2011.*

[2] *since 1 January 2011.*

[3] *until 30 June 2011.*

On termination of their service contracts, the board members receive a post-retirement benefit 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. 2010 € '000	Change in severence claims € '000	Provision as at 31 Dec. 2011 € '000	Nominal amount on contract expiry[4] € '000
Volker Feldkamp	6	21	26	426
Dr. Erik Hamann	95	77	172	441
Wolfgang Kunz[1]	854	433	1,287	1,287
Martin Menger[2]	0	55	55	205
Wolfgang Pföhler	1,352	487	1,838	3,157
Dr. Irmgard Stippler	95	74	169	395
Dr. Christoph Straub[3]	128	–128	0	0
Former members of the Board of Management	4,571	– 4,571	0	0
	7,101	**–3,554**	**3,546**	**5,911**

[1] *until 30 September 2011.*
[2] *since 1 January 2011.*
[3] *until 30 June 2011.*
[4] *Claim after ordinary expiry of contract based on remuneration of the past financial year.*

Members of the Board of Management no longer holding office as at the reporting date received remuneration totalling € 5.4 million (previous year: € 1.2 million) for their past work as members of the Board of Management during financial year 2011. The benefits in question are post-retirement benefits which fall due upon retirement from the Board of Management if certain conditions are met. The provisions formed for this in previous years were used in the amount of € 4.6 million in accordance with their intended purpose. IAS 19.92 et seq. requires recognition through profit or loss of actuarial losses (corridor method) for the members of the Board of Management no longer holding office in the amount of € 0.8 million 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. The family of the chairman of the Supervisory Board, Mr. Eugen Münch, 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 26 October 2011, 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 2011. 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 WITHOUT VAT) FOR THE STATUTORY AUDITORS

In financial year 2011, expenses resulting from fees for statutory auditors amounting to € 3.9 million (previous year: € 4.0 million) were incurred Group-wide. A breakdown of these fees (including outlays and excluding VAT) by service rendered is provided below:

	2011 € '000	2010 € '000
Fees for auditing financial statements	2,686	2,529
Fees for other auditing services	345	381
Fees for tax advice	455	774
Fees for other services	388	282
	3,874	**3,966**

Of the total fee (excluding VAT), € 1.2 million (previous year: € 1.3 million) is attributable to other statutory auditors who are not auditors of the consolidated financial statements. The fees comprise the following:

	2011 € '000	2010 € '000
Fees for auditing financial statements	981	1,051
Fees for other auditing services	44	46
Fees for tax advice	129	177
Fees for other services	57	52
	1,211	**1,326**

11 CORPORATE BODIES AND ADVISORY BOARD OF RHÖN-KLINIKUM AG

THE **SUPERVISORY BOARD** OF RHÖN-KLINIKUM AG COMPRISES THE FOLLOWING PERSONS:

EUGEN MÜNCH
Bad Neustadt a. d. Saale, Chairman of the Supervisory Board
Other mandates:
– *Stiftungsrat Deutsche Hospizstiftung*
– *Stiftungsrat Deutsche Schlaganfall-Hilfe*
– *Bundesverband Deutscher Privatkliniken e. V. (deputy chairman of the Board of Management)*

JOACHIM LÜDDECKE
Hanover, 1st Deputy Chairman, 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 (until 15 November 2011)*

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)*

PETER BERGHÖFER
Münchhausen, Head of Finance of Universtätsklinikum Gießen und Marburg GmbH, Giessen

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, Giessen (until 30 June 2011)*

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 (since 1 May 2011)
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)
Other mandates:
– *Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder) (member of the Advisory Board)*

CASPAR VON HAUENSCHILD
Munich, management consultant in own practice
Also a member of the supervisory board of:
– *St. Gobain ISOVER G+H 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*
– *Prodia Kolping Werkstatt für behinderte Menschen gGmbH, Aachen*

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

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)*
– *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)*
– *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, corporate 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*

PROFESSOR DR. JAN SCHMITT
Marburg, managing head physician at Universitätsklinikum Gießen und Marburg GmbH, Gießen
Also a member of the Supervisory Board of:
– *Universitätsklinikum Gießen und Marburg GmbH, Gießen*

GEORG SCHULZE-ZIEHAUS
Frankfurt am Main, Regional Director of ver.di for the region of Hesse

DR. RUDOLF SCHWAB
Munich, MD at Kliniken München Pasing und Perlach GmbH, Munich (until 30 April 2011)

THE **BOARD OF MANAGEMENT** OF RHÖN-KLINIKUM AG COMPRISES OF THE FOLLOWING PERSONS:

WOLFGANG PFÖHLER
business address at Bad Neustadt a. d. Saale,
Chairman of the Board of Management
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*

VOLKER FELDKAMP
business address at Bad Neustadt a. d. Saale, responsible for South/West, Major Investments and Process Management
Member of the supervisory board of:
– *Universitätsklinikum Gießen und Marburg GmbH, Giessen (as of 1 January 2011)*
– *Landeskrankenhausgesellschaft Thüringen e. V., Erfurt (member of the Board of Management)*
Other mandates:
– *Verband der Privatkliniken in Thüringen e.V. (3rd chairman)*

DR. ERIK HAMANN
business address Bad Neustadt a. d. Saale, Finance, Investor Relations and Controlling
Member of the supervisory board of:
– *Klinikum Pforzheim GmbH, Pforzheim*
– *Klinikum Salzgitter GmbH, Salzgitter*
– *Amper Kliniken AG, Dachau*
Other mandates:
– *gemeinnützige Heinrich-Lanz-Stiftung, Mannheim (member of the Board of Directors)*

WOLFGANG KUNZ
business address at Bad Neustadt a. d. Saale,
Company and Group Accounting (until 30 September 2011)
Member of the supervisory board of:
– *Klinikum Pforzheim GmbH, Pforzheim (until 6 October 2011)*
– *Klinikum Salzgitter GmbH, Salzgitter (until 6 October 2011)*
– *Klinikum Hildesheim GmbH, Hildesheim (until 6 October 2011)*

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 (Member of the Advisory Board)*
– *Krankenhaus Cuxhaven GmbH (Chairman of the Advisory Board)*
– *Klinikum Frankfurt (Oder) GmbH (Chairman of the Advisory Board)*
– *Mittelweser Kliniken GmbH (Member of the Advisory Board)*
– *Klinikum Gifhorn GmbH (Chairman of the Advisory Board)*
– *Niedersächsische Krankenhausgesellschaft (Member of the Arbitration Body)*
– *Wesermarsch-Klinik Nordenham GmbH (Member of the Advisory Board)*

DR. IRMGARD STIPPLER
business address at Bad Neustadt a. d. Saale, responsible for Universitätsklinikum Gießen und Marburg GmbH, Materials Management and IT

DR. CHRISTOPH STRAUB
business address at Bad Neustadt a. d. Saale, Outpatient-Inpatient Basic and Standard Care division (until 30 June 2011)
Member of the supervisory board of:
– *Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden (Chairman) (until 30 June 2011)*
Other mandates:
– *Wesermarsch-Klinik Nordenham GmbH, Nordenham (Chairman of the Advisory Board) (until 30 June 2011)*
– *Krankenhaus Waltershausen-Friedrichroda GmbH, Friedrichroda (Member of the Advisory Board) (until 30 June 2011)*
– *Mittelweser Kliniken GmbH, Nienburg Hoya Stolzenau (Chairman of the Advisory Board) (until 30 June 2011)*

THE **ADVISORY BOARD** OF RHÖN-KLINIKUM AG COMPRISES OF THE FOLLOWING PERSONS:

PROFESSOR DR. MED. FREDERIK WENZ
Heidelberg (Chairman)

DIPL.-POLITOLOGIN DOROTHEE BÄR
Berlin

HEINZ DOLLINGER
Dittelbrunn

DR. HEINZ KORTE
Munich

MINISTERIALRAT A. D. HELMUT MEINHOLD
Heppenheim

PROFESSOR DR. RER. POL. GEORG MILBRADT
Dresden

PROFESSOR DR. MICHAEL-J. POLONIUS
Dortmund

HELMUT REUBELT
Dortmund

SEPP-RAINER SPEIDEL
Schriesheim (since 18 June 2011)

MICHAEL WENDL
Munich

FRANZ WIDERA
Duisburg (until 17 June 2011)

Bad Neustadt a. d. Saale, 7 March 2012

The Board of Management

Volker Feldkamp Dr. Erik Hamann Martin Menger

Wolfgang Pföhler Dr. Irmgard Stippler

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 the 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, 7 March 2012

The Board of Management

Volker Feldkamp

Dr. Erik Hamann

Martin Menger

Wolfgang Pföhler

Dr. Irmgard Stippler

INDEPENDENT AUDITOR'S REPORT

to RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale, and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements for the business year from January 1 to December 31, 2011.

Board of Managing Directors' Responsibility for the Consolidated Financial Statements

The Board of Managing Directors of RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale, is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Board of Managing Directors is also responsible for the internal controls as the Board of Managing Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2011, as well as the results of operations for the business year then ended, in accordance with these requirements.

REPORT ON THE GROUP MANAGEMENT REPORT

We have audited the accompanying group management report of RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale, for the business year from January 1 to December 31, 2011. The Board of Managing Directors of RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale, is responsible for the preparation of the group management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the group management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state that our audit of the group management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 7 March 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Michael Burkhart)	(ppa. Andreas Heinrich)
Wirtschaftsprüfer	*Wirtschaftsprüfer*
German Public Auditor	*German Public Auditor*

SUMMARY REPORT OF RHÖN-KLINIKUM AG

BALANCE SHEET

ASSETS	31 Dec. 2011 € million	31 Dec. 2010 € million
Intangible assets	5.0	5.3
Property, plant and equipment	31.5	32.6
Financial assets	1,527.5	1,391.9
Fixed assets	**1,564.0**	**1,429.8**
Inventories	4.0	5.4
Receivables and other assets	513.0	358.7
Securities, cash and cash equivalents	296.6	313.0
Current assets	**813.6**	**677.1**
Prepaid expenses	**2.5**	**3.2**
Deferred tax assets	7.1	2.0
	2,387.2	**2,112.1**

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec. 2011 € million	31 Dec. 2010 € million
Subscribed capital	345.5	345.5
Capital reserve	410.9	410.9
Retained earnings	172.9	147.1
Net distributable profit	305.0	51.1
Shareholders' equity	**1,234.3**	**954.6**
Contributions to finance fixed assets	**0.7**	**0.7**
Other provisions	28.1	36.0
Provisions	**28.1**	**36.0**
Liabilities	**1,124.1**	**1,120.8**
	2,387.2	**2,112.1**

INCOME STATEMENT

	2011 € million	2010 € million
Revenues	147.6	144.5
Changes in services in progress	–0.7	0.5
Other operating income	32.6	22.7
Materials and consumables used	40.9	39.8
Employee benefits expense	84.3	85.3
Depreciation	6.4	6.5
Other operating expenses	39.5	42.4
Operating result	**8.4**	**–6.3**
Investment result	337.4	81.1
Financial result	–14.0	–17.4
Earnings from ordinary operations	**331.8**	**57.4**
Taxes	**0.9**	**0.4**
Net profit for the year	**330.9**	**57.0**
Allocation to retained earnings	25.9	5.9
Net distributable profit	**305.0**	**51.1**

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 2011, 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 € 305,048,039.36. From this net distributable profit, the Board of Management and the Supervisory Board propose

appropriating an amount of € 62,193,600.00 for distribution of a dividend of € 0.45 per no-par value share with dividend entitlement (DE0007042301),

allocating an amount of € 242,843,639.36 to other retained earnings, and

carrying forward the remaining amount of € 10,800.00 to new account.

Bad Neustadt a. d. Saale, 25 April 2012

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

1997

Opening of Soteria Klinik Leipzig-Probstheida

Takeover of Krankenhaus Walters-hausen-Friedrichroda with 248 beds

The day clinic of Zentralklinik Bad Berka, located opposite the main entrance, is also an important part of the comprehensive care provided locally.

In the evening as well, the entrance area of Zentralklinik Bad Berka shines in a warm glow. The vestiges of the old foundation walls preserved as part of the refurbishment are easily recognised.

1998

Takeover of Kliniken Herzberg und Osterode with 279 beds

Opening of west wing of Zentralklinik Bad Berka including centre for paraplegia (66 beds), central diagnostics, PET and low-care ward

Commissioning of vascular centre at Herz- und Gefäß-Klinik Bad Neustadt 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 Dippoldiswalde (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

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

For patients and visitors, a landscape for recuperating and relaxing was created from natural stones – the glass-roofed winter gardens of Zentralklinik Bad Berka.

Here also, the main theme of the interior design of Zentralklinik Bad Berka is once again visible: green plants in the central entrance areas.

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

2011

Inauguration of the third construction phase in Marburger Lahnbergen at the University Hospital Gießen and Marburg

Inauguration of the new building in Gießen at the University of Gießen and Marburg

Topping-out ceremony of the replacement and extension building at Klinik Kipfenberg

Opening of new hospital building in Hildesheim

Completion of thoroughgoing extension and modernisation of Klinikum Erlenbach

Opening of new hospital building in München-Pasing

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 39 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 2011)

Hospital	Capacities						Care levels					Status	
	Acute inpatient[1]	Day-care clinical/ day-case treatment[1]	Rehab/other[2]	Total 2011	Total 2010	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)	65			65	60	x							
St. Elisabeth-Krankenhaus, Bad Kissingen	185			185	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	0		140	140	125								
Haus Saaletal, Bad Neustadt a. d. Saale	0		232	232	232								
Neurologische Klinik, Bad Neustadt a. d. Saale	163		121	284	271				x				
Psychosomatische Klinik, Bad Neustadt a. d. Saale	200		140	340	340				x				
Amper Kliniken (Dachau)	435	6		441	416		x						x
Amper Kliniken (Indersdorf)	25	10	60	95	120	x							
Kliniken Miltenberg-Erlenbach (Miltenberg)	80			80	80	x					x		
Kliniken Miltenberg-Erlenbach (Erlenbach)	220		32	252	252	x				x			
Klinik Kipfenberg	100		72	172	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	1,145			x		x		x	
Universitätsklinikum Gießen und Marburg (Marburg)	1,123	73		1,196	1,152			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[4]	48			48	46	x							
LOWER SAXONY													
Krankenhaus Cuxhaven	250			250	250	x				x			x
Krankenhaus Gifhorn	344			344	344		x						
Klinik Herzberg	244			244	254	x				x			x
Klinikum Hildesheim	535			535	535		x						x
Klinik Hildesheimer Land	25		143	168	170				x				
Mittelweser Kliniken (Nienburg)	243			243	243	x				x			
Mittelweser Kliniken (Stolzenau)	63			63	63	x				x	x		
Wesermarsch-Klinik Nordenham	130			130	130	x							
Klinikum Salzgitter	365			365	385	x							x
Klinikum Uelzen	346			346	346		x						x
Städtisches Krankenhaus Wittingen	50			50	50	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	x
Park-Krankenhaus Leipzig	545	70		615	600	x				x			x
Soteria Klinik Leipzig	56		177	233	230				x				x
Klinikum Pirna	380	20		400	400	x				x			x
SAXONY-ANHALT													
Krankenhaus Anhalt-Zerbst[4]	202			202	202	x				x			
Kreiskrankenhaus Burg[4]	241			241	241	x				x			x
Bördekrankenhaus Neindorf[4]	205			205	205	x							
Fachkrankenhaus Vogelsang-Gommern[4]	151			151	148				x	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	307	95	186	588	548				x				x
Klinikum Meiningen	558			558	568		x			x			x
Total	**14,157**	**436**	**1,380**	**15,973**	**15,900**								

[1] *Acute inpatient approved beds and day-clinic day-case places according to requirement plan and sections 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, Frankenwaldklinik Kronach "Leben am Rosenberg": 33 beds for short-term and long-term care, Soteria Klinik Leipzig: 23 beds for adaptation, Fachkrankenhaus Hildburghausen: 58 beds in nursing home section and 128 beds for forensic hospital.*

[3] *Other MVZs: MVZ ADTC Wuppertal GmbH, MVZ ADTC Düsseldorf GmbH, MVZ ADTC Mönchengladbach/Erkelenz GmbH, MVZ ADTC Siegburg GmbH.*

[4] *Change of name from May 2012, see "The addresses of RHÖN-KLINIKUM AG" from page 185.*

THE ADDRESSES OF RHÖN-KLINIKUM AG

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