ANNUAL REPORT
2012

RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

CONTENTS

FINANCIAL CALENDAR 2013

DATES FOR RHÖN-KLINIKUM SHAREHOLDERS AND FINANCIAL ANALYSTS

21 February 2013	Preliminary results for financial year 2012
25 April 2013	Results Press Conference: publication of 2012 annual financial report
25 April 2013	Publication of interim report for the quarter ending 31 March 2013
12 June 2013	Annual General Meeting (Jahrhunderthalle Frankfurt)
8 August 2013	Publication of half-year financial report as at 30 June 2013
7 November 2013	Publication of interim report for the quarter ending 30 September 2013

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 2012

	Jan.–Dec. 2012 € '000	Oct.–Dec. 2012 € '000	July–Sept. 2012 € '000	April–June 2012 € '000	Jan.–March 2012 € '000
Revenues	2,864,909	742,401	732,204	708,033	682,271
Materials and consumables used	753,354	193,967	194,935	186,453	177,999
Employee benefits expense	1,740,870	449,519	447,245	435,737	408,369
Depreciation/amortisation and impairment	141,161	37,258	35,525	35,129	33,249
Net consolidated profit according to IFRS[1]	91,970	21,801	20,111	15,936	34,122
– Earnings share of RHÖN-KLINIKUM AG shareholders	89,685	21,420	19,535	15,547	33,183
– Earnings share of non-controlling interests	2,285	381	576	389	939
Return on sales (%)	3.2	2.9	2.7	2.3	5.0
EBT	113,654	27,771	25,528	19,345	41,010
EBIT	150,301	38,856	34,605	28,294	48,546
EBIT ratio (%)	5.2	5.2	4.7	4.0	7.1
EBITDA	291,462	76,114	70,130	63,423	81,795
EBITDA ratio (%)	10.2	10.3	9.6	9.0	12.0
Operating cash flow	231,832	59,068	55,739	51,046	65,979
Property, plant and equipment as well as investment property	1,924,128	1,924,128	1,934,037	1,942,116	1,865,921
Non-current income tax claims	9,480	9,480	9,401	11,808	11,692
Equity according to IFRS[1]	1,607,456	1,607,456	1,586,333	1,569,389	1,632,433
Return on equity (%)	5.7	5.8	5.1	4.0	8.5
Balance sheet total according to IFRS[1]	3,184,389	3,184,389	3,143,485	3,334,540	3,171,920
Investments[2]					
– in goodwill, in other intangible assets, as well as in property, plant and equipment and in investment property	273,511	31,619	27,718	171,961	42,213
– in other non-current assets, in other non-current financial assets	765	57	122	579	7
Earnings per ordinary share (€)	0.65	0.16	0.14	0.11	0.24
Number of employees (headcount)	43,059	43,059	43,296	42,994	39,380
Case numbers (patients treated)	2,555,822	656,809	642,531	646,586	609,896
Beds and places	17,089	17,089	17,083	17,083	16,060

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

KEY RATIOS 2008–2012

	2008 € '000	2009 € '000	2010 € '000	2011 € '000	2012 € '000
Revenues	2,130,277	2,320,089	2,550,384	2,629,148	2,864,909
Materials and consumables used	539,863	595,203	656,902	678,622	753,354
Employee benefits expense	1,270,593	1,379,245	1,513,848	1,562,100	1,740,870
Depreciation/amortisation and impairment	90,680	101,996	109,399	141,535	141,161
Net consolidated profit according to IFRS[1]	122,644	131,652	145,069	161,073	91,970
– Earnings share of RHÖN-KLINIKUM AG shareholders	117,299	125,721	139,693	156,114	89,685
– Earnings share of non-controlling interests	5,345	5,931	5,376	4,959	2,285
EBT	142,912	158,709	173,852	186,464	113,654
EBIT	172,077	181,998	197,857	213,188	150,301
EBITDA	262,757	283,994	307,256	354,723	291,462
Operating cash flow	213,745	238,286	255,889	303,875	231,832
Property, plant and equipment as well as investment property	1,391,019	1,604,930	1,832,361	1,863,705	1,924,128
Income tax receivables	18,776	17,149	13,616	11,572	9,480
Other non-current assets, other non-current financial assets	2,308	1,788	1,724	2,064	13,668
Equity according to IFRS[1]	889,263	1,422,939	1,495,195	1,598,658	1,607,456
Return on equity (%)	14.4	11.4	9.9	10.4	5.7
Balance sheet total according to IFRS[1]	2,140,894	2,858,548	3,058,244	3,175,265	3,184,389
Investments[2]					
– in goodwill, in other intangible assets, as well as in property, plant and equipment and in investment property	278,784	414,413	348,428	270,853	273,511
– in other non-current assets, in other non-current financial assets	103	199	178	220	765
Earnings per ordinary share (€)	1.13	1.07	1.01	1.13	0.65
Total dividend amount	36,288	41,462	51,137	62,194	34,552
Number of employees (headcount)	33,679	36,882	38,058	39,325	43,059
Case numbers (patients treated)	1,647,972	1,799,939	2,041,782	2,277,153	2,555,822
Beds and places	14,828	15,729	15,900	15,973	17,089

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

The Board of Management of RHÖN-KLINIKUM AG (f.l.t.r.): Dr. Dr. Martin Siebert Martin Menger Jens-Peter Neumann Volker Feldkamp

EMBRACING INNOVATION – UNLOCKING POTENTIAL

"Our Company will continue to focus on its strengths: providing cutting-edge medicine for everyone at affordable prices, nursing expertise and the innovative strength of an experienced, dynamic hospital network. It is on this proven foundation that we continue to build and promote the future of our Company with its long-standing tradition. All are called upon to contribute their ideas and talent so that we can achieve our paramount objective also in 2013: providing the best possible care for our patients."

Dear Shareholders,

As the new chairman of the Board of Management of RHÖN-KLINIKUM AG, I am now turning to you in this way for the first time and would like to emphasise from the outset that I gladly embrace this challenge.

I take up my work for RHÖN-KLINIKUM AG in the firm resolve of working together as a team with my new colleagues on the Board of Management with a view to modernising this Company in its structures and processes, clarifying its goals and further developing its corporate culture in a spirit of consensus. In this way we want to create the basis of putting RHÖN-KLINIKUM AG back where the Company, with a tradition going back more than 40 years, belongs: at the top of the market, leading the industry!

TAKEOVER ATTEMPT FAILED, NOT RHÖN-KLINIKUM AG

The efforts and attempts undertaken over a period of nearly half a year to broker a takeover of our Company by Fresenius SE have been a considerable trial for the Management as well as the Group's employees. Besides a weakening in operating business perceptible in 2012, the result was additionally burdened by other extraordinary effects. The continued unfavourable political and financial environment also made it hard for us to maintain margins at their existing levels.

CORE COMPETENCE: INPATIENT CARE

The huge step-up in efforts over the past financial years for a massive expansion into the outpatient sector did not sufficiently reflect the need for a structural, functional and organisational networking and integration with the hospitals and their departments. We have not been helped by the fact that we have been perceived by community-based doctors more as a rival than a competent partner. That is something that we will correct: in future we will therefore integrate our outpatient facilities, and in particular our medical care centres (MVZs), ever more closely with our hospitals and will gauge their performance to a greater extent in terms of what contribution they make to the Group's success.

COMMITMENT TO CUTTING-EDGE MEDICINE

The investment in Gießen and Marburg University Hospital is currently the greatest operative challenge facing our Company. During the past financial year, it was especially because of the university hospital that we had to correct our forecast for full-year earnings in various ad hoc notices. We are glad to have succeeded in concluding the difficult negotiations with the Federal

State of Hesse with a joint agreement at the end of January, thus providing Gießen and Marburg University Hospital with new prospects. Despite the sometimes heated public debate that has surrounded Germany's first privatised university hospital over the past years, this may never be allowed to make us lose sight of the fact that this highly modern facility represents the standing and reputation of our Company as a provider of cutting-edge medicine in an excellent manner.

PRESSING AHEAD WITH INTEGRATION

We have made a fair amount of progress with the integration of the Wiesbaden-based site Dr. Horst Schmidt Kliniken that we acquired early in 2012. But in this project, too, there is no automatic guarantee of success. The challenges are considerable, the initial situation by no means easy. Although the integration process is generally on target, the currently loss-making initial situation is putting an addition squeeze on our consolidated result in this initial phase. Nonetheless, we have already succeeded in making major headway. We expect our efforts to start paying off in 2013 with a first positive contribution to the Company's overall success.

In addition to that, the process of investment and operative modernisation and integration is continuing in full swing, also at our facilities that have belonged to the Group for somewhat longer but have not yet reached their full potential.

INVESTMENT AND MODERNISATION – STAYING ON TRACK

Beyond the aforementioned major projects that are a particular focus of public interest, I feel the tremendous need personally to underscore the fact that the Board of Management of course must continue to keep its eye on all our facilities and continue forging ahead with investments at numerous other sites such as the RHÖN-KLINIKUM Campus in Bad Neustadt a. d. Saale – even though individual projects in some cases have had to be scaled back.

Also in future, RHÖN-KLINIKUM AG will employ its capital strength to achieve integration success quickly, flexibly and affordably based on investments financed from own funds. But since the high depreciation associated with such activities places a burden on the result, we will avail ourselves to a greater extent than in the past of public hospital funding. That is because the hospitals of RHÖN-KLINIKUM AG are also part of the basic healthcare delivery structures of the State. And since we are entitled to these funds by statute, claiming them is not only legal but also legitimate. Choosing not to avail ourselves of such hospital funding – as the past has sometimes shown – can undoubtedly give us an advantage over our competitors; but it can also put us at a competitive disadvantage. We will analyse the situation in each individual case and reach a decision accordingly. And in this regard we will orient our investment decisions in future to a greater extent on the contribution they make to the Company's positive overall result and sustainable competitiveness.

STILL COMPETING FOR MARKET LEADERSHIP

Given the overall situation in 2012, what RHÖN-KLINIKUM AG achieved in financial year 2012 can be seen as a respectable performance. After all, we generated a net consolidated profit of 92.0 million euros. Operative EBITDA stands at 291.5 million euros, 13.7 per cent below the result of the previous year. But even more importantly: in 2012 more than 2.5 million patients put their trust in us. That is something that – after over 2.2 million patients in the previous year – once again represents another record, translating into growth of 12.2 per cent compared with the year before. Revenues rose over the same period by 9.0 per cent to reach 2.86 billion euros.

But overall we have to recognise that the challenges were greater, also for RHÖN-KLINIKUM AG. Some problems are inherent to the industry, whilst others are homemade. Looking forward to the challenges ahead of us, it will be our joint task to put the Company in a new and better position.

FOCUSING ON STRENGTHS AND BEING READY FOR NEW APPROACHES

The personnel changes within the Board of Management make room for fresh ideas and different perspectives. On a cautious outlook, the first interim conclusion to be drawn for the future is therefore also optimistic. The Company is on a sound footing. Many good ideas and conceptual approaches are there, but it has not yet been possible to fully exploit them. After taking a fresh look at the business model, we have identified some operative weaknesses that we will consistently address and resolve. The institutional basis for this is provided by a systematic, Group-wide optimisation programme which is currently being launched and which on the one hand refers to our traditional strengths and on the other invigorates our practised business model with fresh impetus. The primary concern in this regard is to take the necessary step from being a traditionally decentrally oriented hospital operator to becoming an integrated healthcare group with close-knit, efficient and cross-facility operative service structures. Raising our earnings strength is not an end in itself here, but first and foremost serves to strengthen our ability to take account of the high investment needs within the hospital sector out of a position of strength and thus to ensure the sustained resilience of our Company with its high qualitative standards of care. In these efforts we will not shrink from questioning existing structures, will be open to new approaches and flexible in trying out less dogmatic solutions. In this way we will be better able to keep pace with the growing expectations: of that I am firmly convinced.

MEETING CHALLENGES, AGREEING ON TARGETS

During the past financial year, and particularly in the second half, a slight weakening in the growth of case numbers compared with the high growth rates of previous years was seen. This trend is also continuing in part in the first months of the still-young financial year 2013. The causes of this are complex and, firstly, are attributable to growth rates returning to normal levels following the one-off effects from the recent opening of new hospital buildings. Secondly, it has become much more difficult to achieve significant growth rates over and above the market level in an environment in which almost all providers are looking to expand their service volumes. Additional influencing factors stem for example from impacts of the takeover bid by Fresenius at the management level, the mild climatic conditions experienced in the latter part and the winter of last year, and the most recent reports in the media concerning allegedly unnecessary operations performed in German hospitals. Moreover, the widening gap between revenues and costs that has been witnessed for several years in the hospital sector is having a burdening effect on the operating result and is putting higher external economic pressures on all market participants. However, as the Management of RHÖN-KLINIKUM AG we are used to developing and implementing effective strategies to meet the ongoing regulatory and market challenges within the healthcare system. Consequently, barring any further acquisitions, we expect, on the basis of the steps already taken since I assumed my office January 2013, revenues of 3.03 billion euros (which may fluctuate within a range of plus or minus 2.5 per cent), operating earnings (EBITDA) of 325 million euros and net consolidated profit of 110 million euros in 2013. As in the previous year we see the possibility, given the potential risks and opportunities, of EBITDA and net consolidated profit fluctuating within a range of plus or minus 5 per cent with reference to our initial figure. Moreover, it remains our Company's utmost principle to provide everyone with affordable medical care meeting the highest standards. To better achieve and secure our objectives, we will work even harder than in the past to motivate our employees. Here we will adopt a new, more dialogue-oriented form of internal communication and a management style geared more towards consensus. The motto for each management team – wherever that may be in the Company – is: Leading by good example.

GROWTH, BUT NOT AT ANY PRICE

As in previous years, the main development impetus of RHÖN-KLINIKUM AG will stem, in addition to our organic growth, from acquisition successes. In future we will be particularly circumspect and careful in that regard not to give in to the temptation of generating growth at any price. The key data of a transaction must be in line with our internal valuation principles, with the decision being governed by the criteria of future security and the integration prospects.

STABLE BUSINESS MODEL: LOOKING BACK AT MORE THAN 40 YEARS OF SUCCESS

RHÖN-KLINIKUM AG will continue to be associated with a stable business model in uncertain times. Even though the hospital market continues to be largely influenced by healthcare policy regulation and intervention, it participates in substantial and sustained growth trends on account of medical and demographic developments. That is because the market shares of the sector's leading hospital companies – amongst which is RHÖN-KLINIKUM AG – are still relatively small with reference to the aggregate market. That is why our business model still has its future ahead of it and offers attractive upside also over the long term. And one thing must not be forgotten either: our Company has earned itself a strong name over the past years. It now has more than 40 years of experience and expertise in the acquisition and successful restructuring of hospitals. We gladly took this interim anniversary as an occasion to give a detailed overview of our Company's success story from its beginnings to this day. I therefore invite you on a journey through time spanning four exciting and eventual decades of pioneering work on the German hospital market.

THANKS TO ALL THOSE WHO CONTRIBUTED

Our success became possible in the first place only thanks to the dedication, wealth of ideas, loyalty and co-operation of over 43,000 employees of RHÖN-KLINIKUM AG. On behalf of the Board of Management I therefore would like to express my sincere thanks to all employees for their extraordinary commitment in 2012. You have made a decisive contribution to our patients having been provided with the highest standards of medical and nursing care. It is also by dint of their work that we succeeded once again in 2012 in reaching a new record for the number of patients treated in our facilities. We are also counting on your commitment in 2013!

I would also like to thank the members of our Supervisory Board, our Advisory Board, our works councils and business partners for their constructive collaboration at all times characterised by a spirit of mutual trust. But I would also like to thank our shareholders for their commitment to and trust in our Company's future viability and its attractive business model, the long-term value of their investment and the creative strength and will of the new Management in shaping our Company's future. We are steadfastly working towards optimising the business and strengthening the Group's prosperity. We not only wish to maintain this trust but to further strengthen it. For that reason the Board of Management will intensify its contact with the shareholders this year to ensure that their views and expectations are reflected in the business model to an even greater extent.

My appeal to you all is: please continue with us on our path – with your trust and dedication.

Yours sincerely,

Dr. med. Dr. jur. Martin Siebert
Chairman of the Board of Management of RHÖN-KLINIKUM AG

Bad Neustadt a. d. Saale, April 2013

COMPANY ON THE MOVE

Despite a turbulent financial year, the hospital network of RHÖN-KLINIKUM succeeded in reaching a record level of patient numbers also in 2012: last year 2,555,822 patients were treated at our facilities, about 12 per cent more than the year before. Accordingly, consolidated revenues rose by around 9 per cent to reach 2,865 million euros. But we also suffered setbacks during the past financial year, with profit declining by roughly 43 per cent and EBITDA by 18 per cent due to external effects, one-off extraordinary expenditures and various burdens in connection with the integration of new subsidiaries.

The inviting entrance area of Saaletalklinik in Bad Neustadt is a meeting point for patients and visitors.

SOFT FACTS

In 2012, RHÖN-KLINIKUM AG established and implemented a host of measures to secure and raise quality standards in the provision of medical services, such as:

- Establishing and implementing measures for raising and securing the quality of hospital services performed (Critical Incident Reporting System, electronic drugs therapy safety review (eAMTS), Qualitätskliniken.de)
- Developing and implementing intrafacility qualification programmes for our professional groups
- Commitment of our medical staff to a more intensive exchange between science and practice
- Group-wide implementation of recording and invoicing of highly complex nursing services (PKMS = nursing complex procedure score)
- Further expansion of telemedical networking within our hospital network

The achievements of our employees can also ultimately be seen in numerous awards recognising this commitment.

DATES AND FACTS

Following a phase of acquisition in 2011, our Group successfully continued its steady path of growth in 2012 by its successful acquisition of an equity interest in HSK-Gruppe, which comprises a maximum-care provider with 1,027 approved beds, one MVZ company, one service company as well as one real estate company. In financial year 2012, the Group of RHÖN-KLINIKUM AG thus also continued its development to becoming an integrated provider of healthcare services.

Thanks to our expertise in providing generalised healthcare and the high quality of the medical offering, we succeeded in 2012 in convincing 2.6 million patients (12.2 per cent more than in financial year 2011) of the high performance of our 54 facilities with a total of 17,089 beds and our medical care centres. Here our 43,059 employees looked after the well-being of our patients.

Accordingly, our revenues posted a 9.0 per cent rise in financial year 2012 to 2,864.9 million euros, of which our acute and rehabilitation hospitals accounted for 2,807.5 million euros and revenues generated in our medical care centres (MVZs) for 57.4 million euros. Organic growth accounts for 75.3 million euros, or 2.9 per cent, of this rise.

We steadfastly pursued the further expansion of our network of generalised healthcare delivery for all patients in 2012, adding three additional medical care centres (MVZs) and 33 specialist doctor's practices. We thus have over 41 medical care centres and some 200 doctor's practices within our outpatient structures.

The basis for sustainable, efficient, and thus also affordable inpatient medical care is our high level of investment. During the past financial year we opened new and extension buildings in Gifhorn, Köthen, Leipzig and Pforzheim. In 2012 we made investments totalling 326.4 million euros. In this total, net investments in assets acquired on takeovers amounted to 148.8 million euros and current capital expenditure of the financial year reached 124.7 million euros.

Compared with financial year 2011, other income recorded a rise in 2012 from 199.2 million euros (adjusted by the effects of the "Marburg particle therapy project") by 7.2 million euros or 3.6 per cent to reach 206.4 million euros.

THE PICTURES

RHÖN-KLINIKUM AG traces its origins to Bad Neustadt a. d. Saale in the region of Lower Franconia, Germany. In 1973, the groundwork was laid for today's Company when the management of the Kur- und Therapiezentrum (health and therapy centre) was taken over as a rehabilitation centre. We have chosen this 40th anniversary as an occasion to find out in Bad Neustadt (the "cradle" of the Group) and in Meiningen (the site of the Group's first full-service acute hospital) what motivated our employees to work for us and what their expectations of us are for the future.

For the photo reportage of this Annual Report, we embarked on a journey together with photographer Sylvia Willax to gain a brief cross-section of opinions. We portrayed staff from a wide range of professional groups and different Group affiliations at the Bad Neustadt and Meiningen sites, who had the choice of answering the following five questions:

- *What motivated you to work for RHÖN-KLINIKUM and stay there until now?*
- *What special advantages does the employer RHÖN-KLINIKUM offer you as compared with its competitors?*
- *What in your experience are the special advantages that the service offering of RHÖN-KLINIKUM offers its patients?*
- *How can you share in and/or influence developments personally?*
- *What future expectations do you associate with the Company when you think ahead to the year 2020?*

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.

Waltraud Hahn
Accounting employee, Bad Neustadt a. d. Saale
With Company since 1973
"I will no longer be with RHÖN-KLINIKUM in 2020, but hope that things will continue to improve."

Heidrun Heß-Lorz
Office clerk, Bad Neustadt a. d. Saale
With Company since 1973
In the past I "experienced all the ups and downs with the Company". For me it was "therefore a reliable employer and very fair. From 1973 to 1989, as a housewife with a child, I didn't have many opportunities of working part-time with another employer".

Essentially as a result of the commissioning of our new and extension buildings in financial years 2011 and 2012, the commissioning of further MVZs as well as the consolidation of HSK-Gruppe, the depreciation/amortisation item in financial year 2012 rose disproportionately by 13.4 per cent to 141.2 million euros (previous year: 124.5 million euros, adjusted by the effects of the "Marburg particle therapy project").

In 2012 our result was negatively impacted above all by the following factors: loss at HSK Wiesbaden consolidated for the first time, considerable decline in earnings at Gießen and Marburg University Hospital, negative one-off effects from the failed takeover bid by Fresenius, deviations of actual performance ratios from the targeted ones, as well as the fact that during the previous year net consolidated profit had been influenced to a not insignificant extent by extraordinary income. Overall, this led to a deterioration in net consolidated profit by 69.1 million euros or 42.9 per cent to 92.0 million euros.

Compared with the previous year, the balance sheet total rose by 0.3 per cent to 3,184.4 million euros. Compared with the last reporting date, our equity capital ratio edged up from 50.3 per cent to 50.5 per cent. Equity now stands at 1,607.5 million euros.

Compared with the same period last year, operating cash flow, calculated from net consolidated profit plus depreciation/amortisation and other non-operative items, declined by 23.7 per cent to 231.8 million euros.

On 28 January 2013 we reached agreement with the Federal State of Hesse on a future concept for Gießen and Marburg University Hospital with the aim of further developing cutting-edge medicine in Central Hesse, securing first-class research and teaching, and bringing about more intensive co-operation between the Federal State, the universities, the University Hospital and RHÖN-KLINIKUM AG.

OUTLOOK

The starting point for our sound growth course, whose core element is the focus on sustainable and integrated care structures, is our high level of investment.

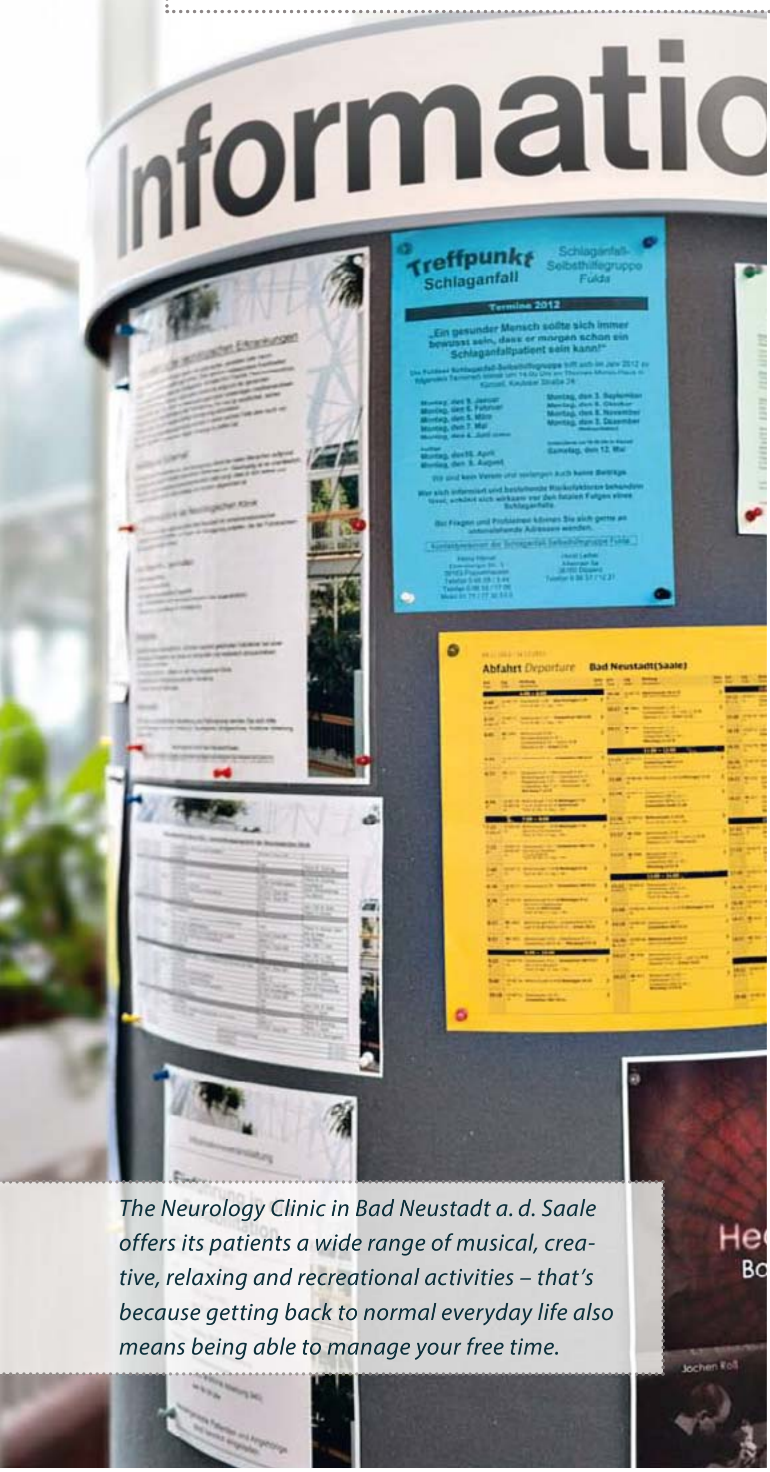
In future also, qualified organic and acquisition-driven growth will be the determinant factor for the Group's development. Within the bounds set by healthcare legislation, organic growth is possible only with limits – generally by 3 to 5 per cent. To generate sound growth, we will chiefly seek to expand our capacities in the acute inpatient and outpatient areas through acquisitions, but also to broaden the service offering both qualitatively and quantitatively at already existing sites. Working together with our partners, we are striving to establish a full-coverage healthcare network with integrated outpatient and inpatient structures in our regions. Together with suitable larger facilities as well as specialised hospitals we are forming telemedically supported networks, thus offering our patients cutting-edge medical care throughout Germany.

By overcoming sectoral boundaries we are forging ahead with the close integration with the performance of outpatient services, are pulling down the barriers between hospitals and outpatient medical care centres (MVZs) and are thus steadfastly continuing the development of our business model from that of classic hospital operator to integrated provider of healthcare services.

We continue to promote the transfer of knowledge from Gießen and Marburg University Hospital, Herzzentrum Leipzig and our other scientific sites as well as access to the latest scientific findings as quickly as possible to all our hospitals.

THE RHÖN-KLINIKUM SHARE

Share price performance in 2012 decouples from market trend as a result of take-over scenario.
Board of Management and Supervisory Board propose dividend of 0.25 euros per share.



The Neurology Clinic in Bad Neustadt a. d. Saale offers its patients a wide range of musical, creative, relaxing and recreational activities – that's because getting back to normal everyday life also means being able to manage your free time.

THE STOCK MARKETS IN 2012

The stock markets in 2012 were dominated by policy measures aimed at stabilising the economy. Given the continuing financial woes of various member states, activity in the euro zone repeatedly came to be defined in terms of public debt rescheduling aspects, guarantees and the joint commitment to preserve the single currency. In this environment, developments on the stock markets were especially driven by the central banks with their extensive monetary policy support measures backed by the ECB in the euro zone with its clear commitment to the single currency. By contrast, the importance of underlying economic aspects on the stock markets declined.

After getting off to a strong start to the year, set-backs towards the middle of the year and a strong second half, the DAX® in this mixed environment witnessed a total gain of 29.1 per cent over the year. The German second-tier index MDAX® gained 33.9 per cent and the DJ EURO STOXX® grew by 15.5 per cent.

SHARE PRICE DECOUPLES FROM MARKET TREND AFTER TAKEOVER OFFER

On 26 April 2012, Fresenius had notified the shareholders of RHÖN-KLINIKUM AG of its intention to submit an offer for all shares in issue of the Company in return for monetary consideration of 22.50 euros per share. Publication of the offer documentation followed on 18 May 2012. Upon the announcement of the takeover offer, the share price trend of the RHÖN-KLINIKUM share in the course of the second quarter decoupled completely from that of the aggregate economy and the general stock market environment. Until just before the end of the acceptance deadline on 27 June 2012, the share price was moving in very high trading volumes within a range of between 21.10 and 22.10 euros and thus just below the offer price of 22.50 euros.

After expiry of the acceptance period, Fresenius declared at the end of the second quarter that the acceptance threshold of at least 90 per cent of RHÖN-KLINIKUM shares, which had been specified as a condition for executing the takeover offer, had not been reached. The price of the RHÖN-KLINIKUM share then fell sharply and at times traded under 16 euros towards the middle of the year.

After Fresenius had announced its intention to decide on a possible second offer subject to modified terms by the end of August, the price of the share initially picked up again in the further course to over 20 euros. However, at the beginning of September Fresenius SE & Co. KGaA announced that it would not be submitting a new takeover offer to the shareholders of RHÖN-KLINIKUM AG for the time being. The share price then fell back again sharply, closing the third quarter at 15.32 euros.

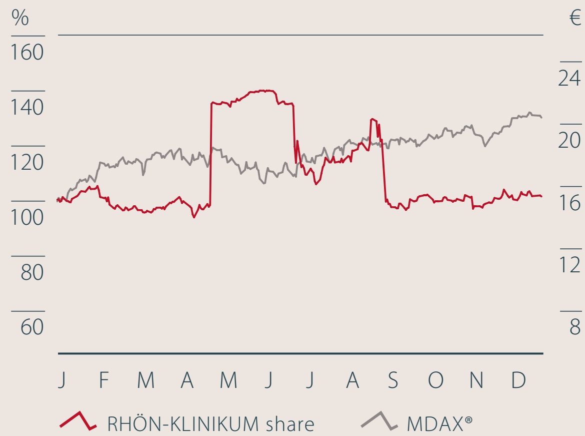
In the fourth quarter the share witnessed a mostly sideways movement. It closed the year also at a price of 15.32 euros. Based on the closing price of the previous year (14.72 euros), this translated into a share price gain over the year of plus 4.1 per cent. Including the dividend payment, share price performance over the year stood at plus 7.1 per cent.

At year-end, the 138.2 million non-par shares in issue had a market capitalisation of 2.1 billion euros (previous year: 2.0 billion euros). As at 31 December 2012, the RHÖN-KLINIKUM share thus ranked 19th (previous year: 11th) in the MDAX® by market capitalisation. Daily average trading volume on the German stock exchanges including Xetra® trading stood at roughly 1.035 million shares in 2012. It was thus – as a result of the takeover offer – more than twice as high than in 2011 (previous year: 0.487 million shares).

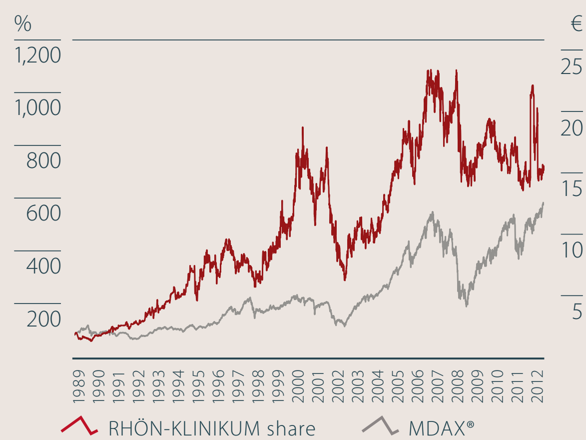
DIVIDEND

The Board of Management and the Supervisory Board propose to the Annual General Meeting that a dividend of 0.25 euros (previous year: 0.45 euros per non-par share) be distributed for financial year 2012. With reference to earnings per share of 0.65 euros, this translates into a distribution ratio of 38.5 per cent.

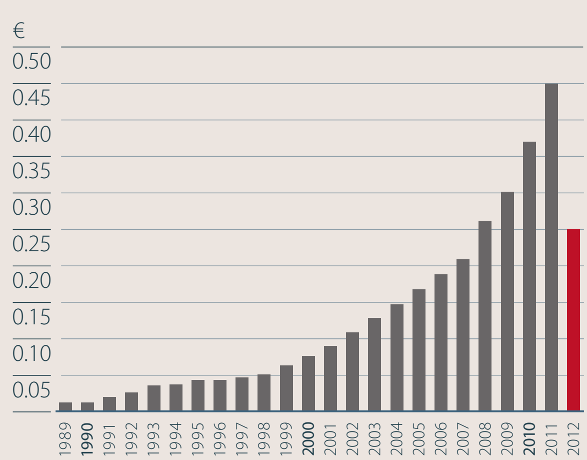
RHÖN-KLINIKUM SHARE ON A SHORT-TERM COMPARISON …



… AND A LONG-TERM COMPARISON WITH THE MDAX®



DIVIDEND DEVELOPMENT



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

2012: dividends will be proposed to the shareholders at the AGM on 12 June 2013

Christiane Hanshans
Adviser to foreign staff, Bad Neustadt a. d. Saale
With Company since 2001
"Through the establishment of our Scholarship Programme in Bad Neustadt, I personally have the opportunity of playing an active role in the development of medical doctors in Bad Neustadt and the surrounding Group facilities."

Klaus Wessing
Manager of day-care centre, Bad Neustadt a. d. Saale
With Company since 1993
"I am employed outside the area of medical services as 'local minister of social affairs', responsible for crèche, kindergarten, company apartments, etc. Over the past years, balancing career and family life and integrating foreign staff have become increasingly important matters."

INVESTOR RELATIONS ACTIVITIES

RHÖN-KLINIKUM AG is committed to transparent and fair communication. That is why investor relations (i.e. the dealings we have with our shareholders and bond investors) enjoy high priority for us. 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 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. The investor relations division reports directly to the chief financial officer (CFO).

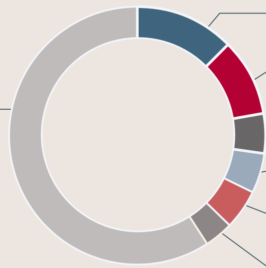
RHÖN-KLINIKUM share	
ISIN	DE0007042301
Ticker symbol	RHK
Share capital	345,580,000 euros
Number of shares	138,232,000

	2012	2011
Share prices (€)		
Year-end closing price	15.32	14.72
High	22.10	17.96
Low	13.97	13.67
Market capitalisation (€ m, to 31 Dec.)	2,117.71	2,034.78
Key ratios per share (€)		
Dividend	0.25	0.45
Earnings	0.65	1.13
Cash flow	1.68	2.20

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

SHAREHOLDER STRUCTURE OF RHÖN-KLINIKUM AG

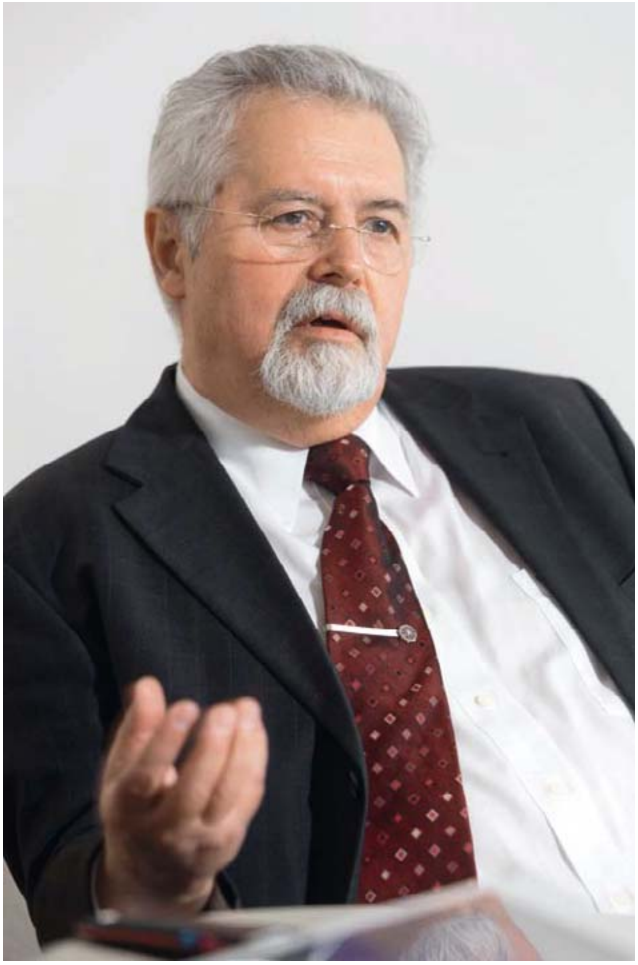
as of 31 December 2012, according to the most recent notifications of voting rights at that time



directly, publishing the same promptly 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.

The next Annual General Meeting will take place on Wednesday, 12 June 2013 at 10.00 a.m. (admission from 9.00 a.m.) at the Jahrhunderthalle in Frankfurt/Main.

You will find a financial calendar containing all important financial dates for 2013 on the front inside cover as well as on our website at www.rhoen-klinikum-ag.com under the "Investors" section.



Eugen Münch
Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

FOR THE FINANCIAL YEAR OF RHÖN-KLINIKUM AG FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

DEAR SHAREHOLDERS,

The year 2012 will undoubtedly go down in our Company's long history as a special year marked by unsuccessful efforts to forge a merger of the private hospital operators Helios and RHÖN-KLINIKUM. That is why the Supervisory Board first of all makes a particular point of expressing their thanks to the employees for their commitment and loyalty to the Company in what proved to be a turbulent financial year, and at the same time appeals to them once again to continue, by dint of their personal dedication, to strengthen RHÖN-KLINIKUM AG as a pioneer on the private hospital market – and this in the best interests and for the good of our patients as well as our continuing high claim to being a reliable provider of cutting-edge medical services. In the same vein we express our thanks for the constructive collaboration with the employee representative bodies.

Particularly in a persistently challenging economic environment and the ongoing realignment, intensive exchange between the Supervisory Board and the Board of Management of the Company forms the basis for effective performance of the duties and activities of the Supervisory Board defined by legislation. This, in addition to the essential points of emphasis of consultation with the Board of Management, issues of corporate governance and the annual and consolidated financial statements, is one of the things we will elaborate on further in this Report.

CO-OPERATION BETWEEN BOARD OF MANAGEMENT AND SUPERVISORY BOARD

During financial year 2012, the Supervisory Board examined on an ongoing basis and in detail the situation and development of our Company, performing the duties incumbent on it by law and the Articles of Association. These notably include monitoring the management activity of the Board of Management and advising the Board of Management on the operative management of the Company. At the same time the Supervisory Board, in performing its duties, was at all times guided by the decisive principles of appropriateness, compliance with legal provisions, expediency and efficiency. Observance of these principles by the Board of Management was monitored by regularly reviewing the Company's general organisation and verifying the instruments used for internal risk control.

Following the unsuccessful second attempt at a merger with the Helios hospital group, the Board of Management and the Supervisory Board, of one accord, decided to devote themselves to a greater extent to significant strategic issues under the lead and responsibility of the Board of Management. Following this decision, a particularly intensive exchange took place between the Board of Management and the Supervisory Board regarding the Group's future strategy.

Beyond these efforts at stepping up the strategy review process, the Supervisory Board was fully and directly involved in all fundamental and important decisions of the Board of Management of RHÖN-KLINIKUM AG. The Board of Management kept us informed on a timely basis both in written form and orally, with documents and records of relevance for decisions being provided to the Supervisory Board in good time prior to the consultations and meetings. The Supervisory Board reviewed the information submitted by the Board of Management regarding operative business performance, compliance issues as well as risks and risk management in terms of conclusiveness and plausibility and also scrutinised the same whenever required.

The material focus of the numerous consultations was on the strategic and operative consequences drawn from the failed attempt to bring about a merger of Helios and RHÖN-KLINIKUM as well as on the restructuring and sustained economic recovery of Germany's first private university hospital, Universitätsklinikum Gießen und Marburg GmbH. A further focus of interest of the consultations was on the integration of the Wiesbaden-based hospital company Dr. Horst Schmidt Kliniken GmbH and its subsidiaries acquired in 2012, as well as on the personnel changes within the Board of Management.

The chairman of the Supervisory Board was moreover kept informed – also between the scheduled meetings of the Supervisory Board and its committees – on a continuous basis and thoroughly by the chairman of the Board of Management. For example, the chairman of the Supervisory Board held regular meetings with the chairman of the Board of Management and other members of the Board of Management to discuss the strategy, current business performance and situation, risk management as well as individual issues and decisions of material importance.

We have not found the Board of Management to have breached any of its duties to inform. We thoroughly discussed the resolution proposals of the Board of Management and, to the extent required by statute and the Articles of Association, gave our vote on the same after a thoroughgoing review – in certain cases seeing the need to consult external experts and advisers in the interests of the shareholders. Where required in the case of particularly pressing business matters, the Supervisory Board or, as the case may be, the competent committee held conference calls and adopted resolutions by voting in written form.

WORK OF THE SUPERVISORY BOARD IN COMMITTEES AND PLENARY MEETING

With a view to performing its tasks and assuming its responsibility in the best possible way, the Supervisory Board has set up a total of seven standing committees whose members possess specific expertise and experience for the special issues dealt with in the committees.

Immediately after a takeover bid by Fresenius was announced, the Supervisory Board additionally formed a special committee made up of four members to prepare the statement pursuant to section 27 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG).

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 – and the Terms of Reference of the latter to the extent consistent with statute and previously defined by the Supervisory Board. The committees generally meet separately from plenary meetings. However, wherever required by the subjects to be covered, joint meetings of committees were also held drawing on the expertise of the respective committees. In addition, conference calls were conducted as required.

The **Investment, Strategy and Finance Committee** held seven ordinary meetings during the year under review (attendance rate: 98 per cent), of which one meeting was held as a joint meeting with the Personnel Affairs Committee and the Medical Innovation and Quality Committee. At the beginning of the year, the strategic consultations within the Committee focused on the further development and implementation of a business model for creating full-service generalised healthcare provision with national coverage including supplementary insurance for members of Germany's statutory health insurance scheme through the Group acting as the general service provider. Since the general coverage and presence required for this can be achieved only through the merger of at least two of the "big" private **hospital chains**, the available avenues of achieving this goal were discussed and reviewed.

At all meetings, the Committee looked at the economic development of the subsidiary Universitätsklinikum Gießen und Marburg GmbH, in particular the structuring and consolidation strategy and measures to improve business processes at the Gießen and Marburg sites. At one meeting the corporate consultancy appointed by the management of that entity, McKinsey, reported to the

Committee on the results of the analysis carried out by it and on the options identified therein for improving earnings; these were then discussed jointly with the members of the Committee and the Board of Management. One other item of the consultations of material importance was the future concept developed by the Board of Management for the particle therapy centre in Marburg.

The Committee promptly and thoroughly examined the takeover offer by Fresenius and its probable impact on the Company's further development. It recommended the Supervisory Board to submit a separate statement on the takeover offer and to form a separate committee for this purpose. 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. The 2012 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. Specific motions for approval of investment projects were subsequently openly discussed, critically reviewed and adopted based on detailed written resolution proposals of the Board of Management, including market studies and investment calculations.

The consequences and indispensable measures to be taken following the failure of the expected second takeover offer by the Fresenius Group were the focus of interest of a **joint meeting with the Personnel Affairs Committee and the Medical Innovation and Quality Committee.** This meeting was held without the involvement of the Board of Management, and addressed the development of the Group's future strategy as well as possible personnel changes within the Board of Management. Both issues were initiated by corresponding resolutions and resolution proposals to the plenary meeting – just as the already mentioned joint strategy development process of the Board of Management and the Supervisory Board.

The **Special Committee for Preparation of the Statement pursuant to section 27 of the German Securities Takeover Act** was formed immediately after the intention of Fresenius to make a takeover offer was announced and set about its work immediately. This Committee was headed by Jens-Peter Neumann, and was further composed of the members Michael Mendel, Joachim Lüddecke and Stefan Härtel. Supported by the necessary expert advice of an investment bank on what is referred to as a "fairness opinion" and a highly specialised law firm on the evaluation of the complex legal issues, the statement by the Supervisory Board on the takeover offer required by the German Securities Takeover Act was prepared for adoption by the plenary meeting. This Committee was dissolved immediately after discharging its duties.

The **Personnel Affairs Committee** held three meetings during the year under review (attendance rate: 83 per cent), of which one meeting was held as a joint meeting with the Investment, Strategy and Finance Committee and the Medical Innovation and Quality Committee. The Committee examined the personnel changes on the Board of Management and the reorganisation of duties and Board divisions. The newly defined duties resulted from the departure of Dr. Stippler (who resigned as of 23 May 2012) and the appointment of Mr. Menger to the management of Universitätsklinikum Gießen und Marburg GmbH, on the one hand, and from the departure of the members of the Board of Management Dr. Hamann (who stepped down as of 30 September 2012) and Mr. Pföhler (who resigned his office as of 30 December 2012), on the other. Dr. Dr. Siebert and Mr. Neumann joined the Board of Management of the Company with effect from 1 October 2012 and 1 November 2012, respectively. In this context the Personnel Affairs Committee advised on the termination of existing service contracts and the conclusion of new service contracts, and also made corresponding resolution proposals to the plenary meeting.

The routine review of the guidelines on the remuneration of members of the Board of Management by the Committee resulted in an adjustment to remuneration system already approved by the Annual General Meeting with a view to preventing distorted developments in remuneration. At all meetings the Committee moreover 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 a remuneration commensurate with such appraisals. Draft resolutions for adjustment of 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. All service contracts with Board members active as at 31 December 2012 now correspond to the modified remuneration system.

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** of the Supervisory Board met five times in the year under review (attendance rate: 97 per cent). All members of the Board of Management attended four meetings, and at one meeting the Board of Management was represented by the chairman and the chief financial officer (CFO). Two meetings were attended by the statutory auditor. 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 additional reports and questions. At one meeting issues involving different fields in connection with Universitätsklinikum Gießen und Marburg GmbH were discussed together with the Investment, Strategy and Finance Committee.

This Committee notably was responsible for reviewing and preparing the RHÖN-KLINIKUM AG consolidated annual financial statements for financial year 2011. Also reviewed and discussed were the stand-alone financial statements, the management reports and the respective audit reports of the Group subsidiaries (here with particular emphasis on the annual financial statement of Universitätsklinikum Gießen und Marburg GmbH) 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 assessed the independence of the auditor designated for the auditing of the annual financial statements for financial year 2012 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 with him a reasonable remuneration agreement for the same. The statutory auditor moreover reported to the Committee 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 2012, a list of audit items was developed and defined.

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 (including special business risks), the internal audit system and the compliance system were discussed with the Board of Management and in some cases also with the statutory auditor. The interim reports were thoroughly discussed on a regular basis with the Board of Management prior to their publication as well as the half-year financial report with the Board of Management and the statutory auditor. In this context, the causes of the emerging declining trend in earnings of the current financial year were precisely analysed and suitable counter-measures discussed.

The Committee was kept informed on a continuous basis by the Board of Management on the course and content of another audit by the German Financial Reporting Enforcement Panel – FREP – (normal audit conducted on a random sampling basis without any immediate cause) which was concluded 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 thoroughly discussed with the Board of Management. Here the performance trend of the Group's individual hospitals is presented, discussed and scrutinised 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, and examined the auditing plan for 2012 as well as its update. The audit reports of the Internal Auditing department as well as the 2011 activity 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.

The Board of Management regularly reported to us on the organisation and work of the Compliance department, with the result that we were once again convinced of the effectiveness of our 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 2011 activity report were then submitted and discussed with the Board of Management. The Audit Committee approved the 2012 compliance programme and agreed to the compliance guidelines submitted by the Board of Management after ample and critical discussion. Regular reporting by the Board of Management in this regard also includes a quarterly report on notified violations, their review and processing. At each meeting the Board of Management thus, for example, informed about the stage reached in a customs investigation proceeding concerning the Group's cleaning companies – initiated already at the end of 2011 but not yet concluded – for suspicion of withholding remuneration for work.

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 15 May 2012 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** (attendance rate: 100 per cent) at one meeting held looked at a case of suspected corruption on the part of a head physician at one of the Group's hospitals. However, according to the finding of extensive investigations by the Compliance department, this suspicion was not confirmed. There were no further reported suspected cases of corruption. The reports of the Auditing and Compliance department to the Audit Committee confirm the experience that employees, suppliers or patients in most cases turn to the compliance officers of the local hospitals in suspected cases of corruption. That is seen by the Committee as a good sign of effective and continued integration of the compliance management system into the Group's day-to-day processes and culture.

The **Medical Innovation and Quality Committee** monitors the situation and development of medical quality in the Company. During the financial year the Committee held one meeting (attendance rate: 80 per cent) as part of the joint meeting with the Investment, Strategy and Finance Committee and the Personnel Affairs Committee.

The **Nomination Committee** elects candidates from the shareholders' representatives for supervisory board office and proposes them to the Supervisory Board for nomination. The application for judicial appointment of Dr. Korte as substitute member to succeed the Supervisory Board member delegated to the Board of Management, Mr. Neumann, was approved by the Committee by written procedure.

In the **plenary** the Supervisory Board held four ordinary meetings during the past financial year (full attendance rate) and three extraordinary meetings (attendance rate: 93 per cent). No member attended fewer than half the meetings.

The three extraordinary meetings resulted from the takeover offer by the Fresenius Group: at the meeting on 28 May 2012 the statement of the Supervisory Board prepared by the Special Committee on the takeover offer by FPS Beteiligungs AG (Beteiligungsgesellschaft der Fresenius SE & Co. KGaA) was deliberated on and after a thoroughgoing discussion approved by way of resolution. The meeting on 14 August 2012 primarily served to inform on and prepare an expected new takeover offer by Fresenius subject to partially modified takeover terms and conditions. The Supervisory Board adopted a majority resolution on the acceptance of a new offer subject to adherence to certain key data. The items dealt with at the meeting held on 27 September 2012 following the failure of the new takeover offer expected from Fresenius were the assessment of the consequences for the Group and strategic considerations and measures to re-orient and restructure the Group. For the proposed resolutions submitted to the plenary from the joint meeting held by the Investment, Strategy and Finance Committee, the Personnel Affairs Committee and the Medical Innovation and Quality Committee regarding the personnel changes of the Board of Management – approval of the termination agreements with the Board member Dr. Hamann and the chairman of the Board of Management Mr. Pföhler as well as delegation of the Supervisory Board member Mr. Neumann to the Board of Management and his appointment – the plenary meeting adopted the required resolutions. The resolution to appoint Dr. Dr. Siebert as member of the Board of Management was adopted in advance by way of written procedure.

At the four ordinary meetings of the Supervisory Board the plenary meeting, based on detailed written reports and presentations by the Board of Management, regularly deliberated together with the Board of Management on the net assets, financial position and results of operations, the trend in revenues and earnings, the performance data, the key ratios and the personnel of the Company and Group as well as the individual Group subsidiaries. The respective interim reports for the past quarters were explained by the Board of Management in detail at the plenary meeting prior to publication.

At the meeting held on 8 February 2012, the Supervisory Board – based on the detailed report of the chairman of the Investment, Strategy and Finance Committee on the consultations conducted in that Committee – examined the fundamental issues of "Prospects of the Company" and "Economic Situation and Stage of Restructuring Measures at Gießen and Marburg University Hospital". Regarding the acute situation that had emerged in 2012 at Gießen and Marburg University Hospital, the Supervisory Board emphatically drew attention at this meeting to the need for the management executives to act immediately so as to halt the noticeable negative development in time and to step up efforts to meet the existing expectations for profitability given the high investments made in Gießen and Marburg University Hospital – whilst maintaining the continued high quality of in all areas of care. In the self-evaluation of the Supervisory Board's activity, the subjects of provision of information and the conducting of meetings were dealt with. This ultimately resulted in the provisions of the Terms of Reference of the Supervisory Board being adjusted.

At the balance sheet meeting on 25 April 2012, the plenary meeting first discussed, by reason of the most recent developments, the situation immediately arising from the impending announcement that Fresenius intended to submit a takeover offer. The chairman of the Board of Management and the chairman of the Supervisory Board informed the plenary meeting about the stage reached, the further course of action and the statutory duties incumbent on the corporate bodies for execution. The Investment, Strategy and Finance Committee already in a preceding meeting had examined the subject and submitted a resolution proposal for establishing a Special Committee to prepare a statement of the Supervisory Board pursuant to section 27 of the German Securities Acquisition and Takeover Act, which the plenary meeting accepted at this meeting. With the attendance of the statutory auditors the plenary meeting discussed 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 2011 together with the Board of Management and the statutory auditor. The auditors reported on the essential findings and results of the audits, made recommendations on operative processes based on their audit findings, and were available to the Supervisory Board for questions and additional information. The plenary meeting approved the annual financial statements. Also discussed at this meeting were the preparations for the 2012 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. As part of the discussion of matters pertaining to the Board of Management, resolutions on the termination of the Board of Management service contract of Dr. Stippler and on the amendment of the remuneration agreement with Mr. Menger were adopted. The submitted updated General Terms of Reference of the Board of Management including the distribution-of-business plan were also approved. Approving resolutions were also adopted for the Report of the Supervisory Board, Corporate Governance Report and the Declaration on Corporate Governance pursuant to section 289a of the German Commercial Code (Handelsgesetzbuch, HGB).

At the meeting on 4 July 2012, which took place just after expiry of the acceptance period for the takeover offer of Fresenius, the Supervisory Board plenary meeting analysed the causes of the failure of the offer. The chairman of the Management Board of Fresenius, Dr. Ulf Schneider, who had been invited to the meeting as a guest for this agenda item, gave an assessment of the situation from his perspective and was available to the members of the Supervisory Board to answer questions. The Supervisory Board then dealt with the prospects of success of a further possible takeover offer subject to modified terms and conditions and the further corporate strategy. After the situation with regard to the Gießen and Marburg University Hospital further deteriorated, discussions in the plenary meeting increasingly revolved around the causes of the drop in performance and earnings there. Since information from the meeting on 4 July 2012 was apparently leaked to the media, the chairman of the Board of Management initiated an investigation by the compliance officer at the request of the chairman of the Supervisory Board whose findings are still pending.

At the Supervisory Board meeting on 7 November 2012, the plenary meeting, based on the report from the Personnel Affairs Committee, initially looked at the remuneration system of the Board of Management and the reasonableness of the remuneration packages received by the members of the Board of Management. By reason of the preceding ad hoc notice on the lowering of the forecast for net consolidated profit for 2012, the plenary at this meeting primarily discussed the main reasons that led to the deterioration in earnings. The earnings targets submitted by the Board of Management for financial year 2013 were discussed critically by the plenary meeting in terms of their premises and the targets specified for the Group companies. At this meeting, the Supervisory Board appointed Dr. Dr. Martin Siebert as chairman of the Board of Management and Mr. Jens-Peter Neumann as his permanent representative, in each case with effect from 1 January 2013.

CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE

During the past financial year also, the Supervisory Board examined the further development and the implementation of the recommendations and suggestions as set out in the German Corporate Governance Code. Overall, derogations from the Code's recommendations were kept to a minimum. Giving due regard to the revision of the Code on 15 May 2012, the Declaration of Compliance issued on 26 October 2011 pursuant to section 161 of the Stock Corporation Act (AktG) was replaced by an updated Declaration of Compliance issued on 7 November 2012 by the Board of Management and the Supervisory Board. A further update was effected by the Board of Management and the Supervisory Board on 24 April 2013. The Declarations were 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 2012 FINANCIAL STATEMENTS

The Board of Management adopted the financial statements of the Company and the management report for the year ended 31 December 2012 in accordance with the provisions of the German Commercial Code (HGB), while the consolidated financial statements and Group management report for the year ended 31 December 2012 were adopted pursuant to section 315a of the German Commercial Code (HGB) in accordance with the principles set out in the International Financial Reporting Standards (IFRS). The auditors, PricewaterhouseCoopers Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, have examined the financial statements of the Company and Management's report as well as the consolidated financial statements and Management's consolidated report for the year ended 31 December 2012. Their audit gave no cause for objections, whereupon the auditors 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 received by 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. As part of the audit, the Audit Committee and the Supervisory Board examined both the accounting findings and the procedures and processes relating to the accounting findings. As the standard of their review, they primarily applied the criterion of legality and verified whether the documents submitted comply with legislation in force and in particular with applicable accounting rules. Furthermore, in addition to their review of legality they also conducted an expediency review in terms of accounting, financial and business policy aspects. Based on the findings of the preliminary review by the Audit Committee, the Supervisory Board concurred with the findings of the auditors and, having conducted its own review, 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 24 April 2013 on recommendation of the Audit Committee; the financial statements of the Company are thus adopted as final. The proposal of the Board of Management on the appropriation of net distributable profit was reviewed in particular with regard to the economic position, liquidity situation as well as the Company's accounting and dividend policy giving due regard to the justified interests of the shareholders. 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

In the present Report we have already detailed the various personnel changes within the Board of Management of the Company. To avoid repetitions and for further information on the composition of the Board of Management and the personal data, functions and duties of the individual members of the Board of Management, we hereby refer to the closing section of the Notes to the annual financial statements of this Annual Report under the heading "Corporate bodies and Advisory Board of the Company".

The Supervisory Board thanks all members leaving the Board of Management for the work with them over the past years.

CHANGES WITHIN THE SUPERVISORY BOARD

Dr. Heinz Korte, retired notary public and attorney, Ammerland, has become a new member of the Supervisory Board of the Company by order of the Register Court of the Local Court of Schweinfurt of 2 November 2012. Dr. Korte was elected by way of substitution election for Mr. Neumann as member of the Audit Committee and as member of the Investment, Strategy and Finance Committee because the Supervisory Board delegated Mr. Neumann to the Board of Management of the Company in accordance with the German Stock Corporation Act (Aktiengesetz, AktG).

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.

Bad Neustadt a. d. Saale, 24 April 2013

The Supervisory Board

Eugen Münch
Chairman

OVERVIEW OF ORGANISATIONAL STRUCTURE OF THE SUPERVISORY BOARD AND THE COMPOSITION OF THE STANDING 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
Dr. Heinz Korte
(from 7 November 2012)
Joachim Lüddecke
Michael Mendel
Wolfgang Mündel
Jens-Peter Neumann
(until 31 October 2012)
Werner Prange

PERSONNEL AFFAIRS COMMITTEE

Eugen Münch
Chairman
Joachim Lüddecke
Dr. Brigitte Mohn
Annett Müller

MEDIATION COMMITTEE

Eugen Münch
Chairman
Joachim Lüddecke
Sylvia Bühler
Detlef Klimpe

AUDIT COMMITTEE

Wolfgang Mündel
Chairman
Sylvia Bühler
Caspar von Hauenschild
Detlef Klimpe
Dr. Heinz Korte
(from 7 November 2012)
Michael Mendel
Jens-Peter Neumann
(until 31 October 2012)

ANTI-CORRUPTION COMMITTEE

Caspar von Hauenschild
Chairman
Bettina Böttcher
Helmut Bühner
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. Brigitte Mohn
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.

At Klinikum Meiningen patients benefit from the "one-stop-shop" concept. Continuous patient care from the first diagnosis to a possible operating procedure and post-operative care are all provided at the same place.

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 2012, the Supervisory Board and the Board of Management 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. Detailed 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 (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. The shareholders' representatives on the Supervisory Board are convinced that this practice has proven itself, and therefore see no need to depart from this practice. In respect of the reasonable assistance called for in Code Item 5.4.1 (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. In this regard the Articles of Association do not provide for the performance-linked remuneration of the members of the Supervisory Board with reference to an explicitly sustained corporate development within the meaning of the new Code version in Code Item 5.4.6 (2) sentence 2. At the time when the last Annual General Meeting of the Company was convened, this new recommendation of the Corporate Governance Code was not yet in force. Since application of the new recommendation, it has thus not been possible to revise the relevant provision of the Articles of Association. The Supervisory Board is closely following the debate on supervisory board remuneration and intends to review, in good time for before the next 2014 Annual General Meeting, whether and, if so, at what time the provisions on remuneration are to be modified. In future also we shall continue presenting the annual financial statements of the Company and the Group only in April given the Group's high internal quality requirements. We thus depart from the Code's recommendations in a total of three 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 7 November 2013 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 15 May 2012, which is published on our website:

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 STOCK CORPORATION ACT
(as issued on 7 November 2012)

"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 Federal Gazette, and the recommendations published on 15 June 2012 in the version of the Code as amended on 15 May 2012, have been implemented since issuance of the last Declaration of Compliance as declared on 26 October 2011, and will be implemented, with the following exceptions:

Code Item 7.1.2 sentence 4

Period 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 (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 (2). Consequently, it is not possible to comply with the recommendations based on this pursuant to Code Item 5.4.1 (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 shareholders' representatives on the Supervisory Board are convinced that this practice has proven itself, and consequently no need to change this practice can be seen.

Code Item 5.4.6 (2) sentence 2

Performance-linked remuneration of Supervisory Board

In accordance with the recommendation in Code Item 5.4.6 (2) sentence 1 in the version of the Code valid until 15 June 2012, the members of the Supervisory Board, in addition to a fixed basic remuneration (and fixed attend-

Susanne Haid
Head of executive staff development, Bad Neustadt a. d. Saale
With Company since 1994
"I joined RKA firstly because of the opportunities for development within a Company offering complex areas of responsibility, and secondly because of the proximity to where I live. The rapid pace of the Company's development offering learning by doing, I got the possibility of assuming responsibility and expanding the scope of my duties. You never get bored here."

ance fees), are granted a performance-linked remuneration pursuant to Section 14 clause 3.3 para. 4 of the Articles of Association. In this connection, the performance-linked remuneration is based on the net consolidated profit of a financial year; the Articles of ssociation thus do not provide for any explicit orientation on sustained corporate development within the meaning of the new Code version in Code Item 5.4.6 (2) sentence 2.

At the time when the last Annual General Meeting of the Company was convened, the new recommendation in Code Item 5.4.6 (2) sentence 2 was not yet in force. Since application of the new recommendation, it has thus not been possible to revise the relevant provision of the Articles of Association; the recommendation therefore was not and will not be implemented.

The Supervisory Board is closely following the debate on supervisory board remuneration and intends to review, in good time for the next Annual General Meeting, whether and, if so, to what extent the performance-linked component of the remuneration is to be modified and e.g. determined on an assessment basis covering several years. Depending on the result of this review, the Supervisory Board will, if applicable, submit a corresponding resolution proposal to the next Annual General Meeting.

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."

UPDATED INTERIM DECLARATION OF COMPLIANCE

At its meeting on 24 April 2013, the Supervisory Board adopted an update to the Declaration of Compliance pursuant to section 161 of the AktG jointly issued and updated by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG in accordance with Item 3.10 of the German Corporate Governance Code as amended on 15 May 2012. This updated version is published on our website:

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 STOCK CORPORATION ACT
(as issued on 7 November 2012 in the version of the interim update of 24 April 2013)

"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 Federal Gazette, and the recommendations published on 15 June 2012 in the version of the Code as amended on 15 May 2012, have been implemented since issuance of the last Declaration of Compliance as declared on 26 October 2011, and will be implemented, with the following exceptions:

Code Item 7.1.2 sentence 4

Period 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 (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 (2). Consequently, it is not possible to comply with the recommendations based on this pursuant to Code Item 5.4.1 (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 shareholders' representatives on the Supervisory Board are convinced that this practice has proven itself, and consequently no need to change this practice can be seen.

Code Item 5.4.6 (2) sentence 2

Performance-linked remuneration of supervisory board

In accordance with the recommendation in Code Item 5.4.6 (2) sentence 1 in the version of the Code valid until 15 June 2012, the members of the Supervisory Board, in addition to a fixed basic remuneration (and fixed attendance fees), are granted a performance-linked remuneration pursuant to Section 14 clause 3.3 para. 4 of the Articles of Association. In this connection, the performance-linked remuneration is based on the net consolidated profit of a financial year; in this regard, the Articles of Association thus do not provide for any explicit orientation on sustained corporate development within the meaning of the applicable Code Item 5.4.6 (2) sentence 2.

At the time when the 2012 Annual General Meeting of the Company was convened, the new recommendation in Code Item 5.4.6 (2) sentence 2 was not yet in force. As a result it was not possible to adjust the applicable provision in the Articles of Association. Prior to the 2013 Annual General Meeting, the Supervisory Board, given the current controversial debate on remuneration structure with regard to the share of fixed and variable components and the inclusion of a variable remuneration component reflecting a company's sustained success, had not yet formed any conclusive opinion on whether and, if so, to what extent the performance-linked component should be modified and e.g. calculated on a new assessment basis covering several years and a corresponding resolution proposal submitted to the Annual General Meeting; the recommendation was not and therefore will not be implemented.

The Supervisory Board continues to closely follow the debate on supervisory board remuneration and intends to review, in good time before the 2014 Annual General Meeting, whether and, if so, to what extent the performance-linked component of the remuneration should be modified. Depending on the result of this review, the Supervisory Board will, if applicable, submit a corresponding resolution proposal to the 2014 Annual General Meeting.

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."

Silvia Riegel
Ward management/nurse, Meiningen
With Company since 1995
"I would like to go with the times and orient my work on the wishes and needs of patients. Here patients are given everything they need and want, their needs are respected and taken into account."

Dr. Helgard Unger
Head physician pain and palliative medicine, Meiningen
With Company since 1995, predecessor hospital from 1974
"The establishment phase of Klinikum Meiningen was constructive, innovative and was swiftly implemented. I hope this development will stabilise and be continued, and that new fields of work such as palliative medicine will be established at all facilities."

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 2012 was € 130,000.

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 (IFRSs) 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 position and results of operations 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 2012 as well as the annual financial statement as at 31 December 2012 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 2012, the Board of Management of RHÖN-KLINIKUM AG was comprised of five members and in 2012 was headed by one chairman. Dr. Irmgard Stippler left the Board of Management with effect from 23 May 2012, Dr. Erik Hamann with effect from 30 September 2012, and Mr. Wolfgang Pföhler with effect from 30 December 2012. As of 1 October 2012 Dr. Dr. Martin Siebert and as of 1 November 2012 Mr. Jens-Peter Neumann were appointed as members of the Board of Management. The allocation of responsibilities within the Board of Management was adjusted accordingly in each case. For further information, please refer to the disclosures made in the Notes to the consolidated financial statements.

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

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

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

Dr. Helmut Röthke
Head physician, Bad Neustadt a. d. Saale
With Company since 1986
Some of the things I would start with to influence developments within the Company would include: "Close co-operation with Works Council; staff orientation; exemplary practice of work relationships; establishment of an ethics commission for the clinics on the Bad Neustadt campus."

Joachim Kansog
Head of internal cont. prof. training, Bad Neustadt a. d. Saale
With Company since 2011
"For me the term stands for quality in healthcare provision within the region, that's why I decided for the cardiovascular hospital Herz- und Gefäß-Klinik in Bad Neustadt as employer. "

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 2012, 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 paragraph 2 last sentence of the German Corporate Governance Code.

SUPERVISORY BOARD

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

In line with the principle of equal representation of shareholders and staff pursuant to the German Co-Determination Act (Mitbestimmungsgesetz, MitbestG), the Supervisory Board of RHÖN-KLINIKUM AG comprises a total of 20 employees' and shareholders' representatives and held four regular meetings and three extraordinary meetings in 2012.

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.

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2012 there were seven standing committees: the Mediation Committee, Personnel Affairs Committee, Audit Committee as well as the Investment, Strategy and Financial Committee as committees with power to adopt resolutions within the meaning of section 107 (3) of the AktG, the Anti-Corruption Committee and Nomination Committee, 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.

Jörg Rieger
Management, Bad Neustadt a. d. Saale
With Company since 1974–1978/1994–1995/since 2001
"I have always been fascinated by the person of Eugen Münch, who took the original unprofitable frontier entity and turned it into a major undertaking."

Jochen Bocklet
Management, Bad Neustadt a. d. Saale
With Company since 1998
For the year 2020, I associate – with reference to RHÖN-KLINIKUM – the expectations of "keeping available structures for patient care that will ensure a high quality of patient care also in future".

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.

During the financial year a **Special Committee**, limited in term to the period of the takeover offer by Fresenius, was formed by the Supervisory Board to prepare the statement of the Supervisory Board pursuant to section 27 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG).

The Supervisory Board internally reviews the efficiency of its activity on an ongoing basis and is regularly subjected to an efficiency audit by an external consultant. The results of the last external audit in 2010 based on questionnaires and meetings 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 2012 is provided in the Report of the Supervisory Board of the 2012 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.

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.

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 2012, the members of the Supervisory Board and the Board of Management together held 12.54 per cent of the Company's registered share capital, of which the Supervisory Board accounts for 12.53 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 0.08 per cent of the shares in issue. The members of the Board of Management together hold 0.01 per cent of the Company's registered share capital.

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.

Christine Reißner
Management, Meiningen
With Company since 1995, predecessor hospital from 1978
"I look to the future with the certainty that Klinikum Meiningen will continue to hold a good position. In this regard I trust in the highly innovative strength of all employees in establishing new examination and treatment methods as efforts to strengthen interdisciplinary co-operation are stepped up further – and accompanied by an investment activity geared to available medical knowledge. A good example of this is the large-scale investment project in the amount of € 12.1 million launched in 2012 in which concepts of ward organisation are being implemented; these are also bringing about a significant improvement in the level of comfort for patients. In this way the basis for the continued near-to-long-term of positive and successful development of Klinikum Meiningen – both medically and by economic standards – is being created."

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 pension retirement 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 20 February 2013 the Supervisory Board adjusted the remuneration scheme to the current 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 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. Provisions for a minimum remuneration and for a cap on total remuneration have been put in place to compensate for unexpected earnings developments. The contingent pension retirement 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.

The basic salary as a rule is € 192,000 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 in each case is paid out in advance in 12 equal monthly instalments. At the beginning or upon an amendment of the service contract, the basic amount is approximately two thirds of the assessment basis. The bonus rate for the basic amount is the same for all members of the Board of Management and is defined by the Supervisory Board on recommendation by the Personnel Affairs Committee. If the assessment basis calculated for a financial year is less than the basic amount, such bonus rate is to be applied to the reduced basic amount. The advance payment on the basic bonus not covered results in a recovery claim on the part of the Company. The performance component in each case results from the difference between the assessment basis calculated for the respective financial year less the basic amount. The bonus rate for this performance component is defined by the Supervisory Board individually for each member of the Board of Management on recommendation by the Personnel Affairs Committee giving due regard to the performance, duties and number of terms of office. The chairman of the Board of Management as a rule receives 1.5 to 2 times the bonus rates. For members and in particular deputy members, who have been appointed to the Board of Management for the first time, an appropriate reduction in the bonus rates may be agreed. The same applies in the event of special reasons justifying such reduction, also for the other members of the Board of Management.

The members of the Board of Management are guaranteed a total annual remuneration (sum of base salary and bonus) of at least € 450,000.00. The cap for total annual remuneration is set at € 900,000.00. The minimum remuneration and the cap can be fixed at up to 2.5 times these amounts for the chairman of the Board of Management and at up to 2 times these amounts for his permanent representative and the chief financial officer (CFO).

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 a pension retirement 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 pension retirement 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 pension retirement 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 2012, the remuneration of the members of the Board of Management holding office in financial year 2012 totalled € 10.9 million (€ 6.5 million in previous year). Of this total, € 1.2 million (previous year: € 1.4 million) was accounted for by components that are not performance-linked and € 6.4 million (previous year: € 5.1 million) by variable remuneration components. The provision for claims to pension retirement benefits by the members of the Board of Management amount to € 0.2 million (previous year: € 3.5 million). In financial year 2012, members of the Board of Management (or their surviving dependants) received remuneration for pension retirement benefits amounting to € 4.6 million (previous year: € 5.4 million).

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 p.a. and a fixed attendance fee of € 2,000 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 Supervisory Board is closely following the debate on supervisory board remuneration and intends to review, in good time for the next Annual General Meeting, whether and, if so, at what time the remuneration provisions are to be modified.

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

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

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

The remuneration of the active members of the Supervisory Board amounted to € 2.0 million (previous year: € 2.7 million). Of this total, € 1.0 million was accounted for by fixed remuneration components (previous year: € 0.8 million). € 1.0 million was included as performance-linked remuneration (previous year: € 1.9 million).

REMUNERATION OF THE ADVISORY BOARD

For each meeting attended in person, the members of the Advisory Board receive a fixed attendance fee of € 1.4 thousand. 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 (excluding VAT) during the past financial year amounted to € 26,000 (previous year: € 24,000).

REMUNERATION TABLES, 2012

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

Total remuneration	2012 € '000	2011 € '000
Remuneration of the Supervisory Board	2,029	2,675
Remuneration of the current Board of Management	1,276	1,203
Remuneration of former members of the Board of Management	9,647	5,258
Remuneration of the Advisory Board	26	24

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

Total remuneration	Basic amount € '000	Attend-ance fee, fixed € '000	Attend-ance fee, variable € '000	Function-al days, variable € '000	Total 2012 € '000	Total 2011 € '000
Eugen Münch	20	72	95	121	308	514
Joachim Lüddecke	20	76	52	0	148	139
Wolfgang Mündel	20	64	85	77	246	409
Peter Berghöfer	20	28	43	0	91	105
Bettina Böttcher	20	18	20	0	58	56
Sylvia Bühler	20	24	40	0	84	115
Helmut Bühner	20	18	20	0	58	33
Prof. Dr. Gerhard Ehninger	20	14	16	0	50	62
Stefan Härtel	20	34	49	0	103	105
Caspar von Hauenschild	20	26	43	0	89	131
Detlef Klimpe	20	32	64	0	116	158
Dr. Heinz Korte (since 1 November 2012)	3	4	6	0	13	–
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach	20	22	22	0	64	62
Michael Mendel	20	30	58	0	108	127
Dr. Rüdiger Merz	20	16	19	0	55	103
Dr. Brigitte Mohn	20	14	15	0	49	73
Annett Müller	20	22	24	0	66	73
Jens-Peter Neumann (until 31 Oktober 2012)	17	32	60	0	109	158
Werner Prange	20	32	46	0	98	105
Prof. Dr. Jan Schmitt	20	18	20	0	58	62
Georg Schulze-Ziehaus	20	18	20	0	58	62
Former members of the Supervisory Board	0	0	0	0	0	23
	400	**614**	**817**	**198**	**2,029**	**2,675**

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

Total remuneration	Fixed: Basic salary € '000	Fixed: Fringe Benefits € '000	Profit-linked € '000	Severance compen-sation € '000	Early settlement of pension retirement benefits € '000	Total 2012 € '000	Total 2011 € '000
Current members of the Board of Management							
Volker Feldkamp	184	12	266	0	0	462	667
Martin Menger	192	8	258	0	0	458	536
Jens-Peter Neumann[1]	32	61	85	0	0	178	0
Dr. Dr. Martin Siebert[2]	48	3	127	0	0	178	0
	456	**84**	**736**	**0**	**0**	**1,276**	**1,203**
Former members of the Board of Management							
Dr. Erik Hamann[3]	158	6	168	728	413	1,473	686
Wolfgang Pföhler[4]	382	13	1,165	3,450	2,870	7,880	2,739
Dr. Irmgard Stippler[5]	144	6	144	0	0	294	654
Wolfgang Kunz[6]	0	0	0	0	0	0	785
Dr. Christoph Straub[7]	0	0	0	0	0	0	394
	684	**25**	**1,477**	**4,178**	**3,283**	**9,647**	**5,258**
Total	1,140	109	2,213	4,178	3,283	10,923	6,461

[1] Since 1 November 2012.
[2] Since 1 October 2012.
[3] Until 30 September 2012.
[4] Until 30 December 2012.
[5] Until 23 May 2012.
[6] Until 30 September 2011.
[7] Until 30 June 2011.

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

Retirement pension benefit	Provisions as at 31 Dec. 2011 € '000	Change in pension retirement benefits € '000	Provisions as at 31 Dec. 2012 € '000	Nominal amount for contract expiry[7] € '000
Current members of the Board of Management				
Volker Feldkamp	26	72	98	292
Martin Menger	55	55	110	147
Jens-Peter Neumann[1]	0	4	4	27
Dr. Dr. Martin Siebert[2]	0	6	6	97
	81	**137**	**218**	**563**
Former members of the Board of Management				
Dr. Erik Hamann[3]	172	–172	0	0
Wolfgang Pföhler[4]	1,838	–1,838	0	0
Dr. Irmgard Stippler[5]	169	–169	0	0
Wolfgang Kunz[6]	1,287	–1,287	0	0
	3,466	**–3,466**	**0**	**0**
Total	3,547	–3,329	218	563

[1] Since 1 November 2012.
[2] Since 1 October 2012.
[3] Until 30 September 2012.
[4] Until 30 December 2012.
[5] Until 23 May 2012.
[6] Until 30 September 2011, paid in June 2012 as per contract.
[7] Claim according to ordinary expiry of service contract based on remuneration.

Bad Neustadt a. d. Saale, 24 April 2013

The Supervisory Board

The Board of Management

QUALITY REPORT

The high level of healthcare services we have been providing to all our patients for years can be achieved only through the commitment and contribution on the part of all our employees, allowing for constant improvement and optimisation of the quality in medical and non-medical care at our facilities. Quality comes from the efforts of all employees to give each and every patient the best possible care. For that, a "yardstick" is needed to measure quality as comprehensively as possible at those places where we provide hospital services – from the patient's admission to his discharge.

Little patients are always proud to hold their "bravery certificate" in their hands after undergoing treatment.

QUALITY MANAGEMENT

For this purpose, RHÖN-KLINIKUM AG avails itself of various, complementary quality assurance systems and analysis instruments that measure and evaluate results quality of hospital care, process quality as well as structural quality. In addition to Group-wide performance benchmarks these systems allow each individual employee to measure and evaluate the quality they deliver themselves.

We gear all our efforts and activities towards creating trust with patients through the high quality of healthcare services we provide at the standards of RHÖN-KLINIKUM AG. This decidedly patient oriented approach helps enhance patient satisfaction. In this same vein, the commitment of Rhön-Klinikum AG in the area of quality management was marked in 2012 by the further development of existing instruments and methods of quality control.

Here we of course turned our focus in particular towards the requirements of patients – for example in terms of reasonable waiting times or attentiveness of employees – in addition to the special requirements of certain patients such as mobilisation in endoprosthetic care or properly informing patients in the case of tumour diseases. These aspects are especially important within the scope of nursing as well as medical assistance and care. To this end, we have developed and introduced together with the employees a wide range of instruments and methods over the past years to promote quality.

These focused on:

1. improving existing instruments (e.g. reporting near-miss incidents)

2. developing new instruments (e.g. Group-wide document management system, electronic drug therapy safety)

3. developing new methods (e.g. process-oriented quality management manual, quality circles, patient and referrer surveys)

To meet the challenge of achieving ongoing improvements, we have reviewed our instruments and methods used up to now in terms of adequacy for measuring and reflecting patient satisfaction and patient safety. This includes the quality of the available data basis, e.g. with the quality indicators and the data management of external and internal quality assurance.

In the third year since the quality portal "Qualitätskliniken.de" was established, we have revised and supplemented the dimensions and criteria of patient safety together with our partners under this project. By adapting the Internet presence of "Qualitätskliniken.de" we give patients, their relatives and referrers a further possibility of finding the right hospital for them within our Group.

At the same time there was successful co-operation allowing for the existing indicators used for internal control to be supplemented by hygiene indicators. Decisive measures were also take to supplement the four dimensions of:

- medical quality

- patient safety

- patient satisfaction

- referrer satisfaction

by the dimension "ethics and values". We also broadened the portal's offering beyond coverage of organic diseases to include rehabilitation, psychiatry and psychosomatics facilities. For this the evaluation of patient safety was adjusted to the broadened specialist requirements. RHÖN-KLINIKUM AG has decided to continue to meet these quality criteria that exceed those of statute so as to thereby ensure a high quality standard.

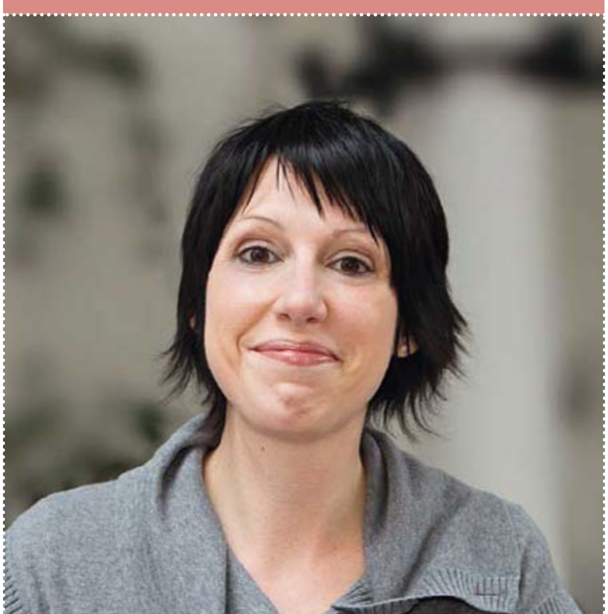
Being convinced that trust, fairness, encouragement and openness benefits the motivation of each individual employee, RHÖN-KLINIKUM AG has scrutinised together with those involved the working approach of the quality circles that for years have been established in all medical and non-medical disciplines. By this we wanted to determine whether the existing approaches are capable of transferring relevant aspects of preserving and improving results into day-to-day clinical life. We have used the insights gained from that to modify the structure and working approach of the quality circles in such a way that co-ordination processes and the implementation of measures can be accelerated. This allows us to improve above all the quality of medical treatment for the individual patient.

The focus of clinical quality management is medical results quality that is measured with the aid of specifically defined quality ratios. Of first and foremost concern is quality assurance pursuant to section 137 of the German Social Insurance Code V (SGB V) by which results quality is measured in key service areas such as cardiology, orthopaedics, obstetrics or nursing (for example decubitus prophylaxis). In addition, RHÖN-KLINIKUM AG uses a wealth of indicators that are calculated on the basis of performance data (pursuant to section 21 of the German Hospital Remuneration Act (Krankenhausentgeltgesetz – KHEntgG)). Above and beyond these quality indicators, further indicators defined within the scope of 4QD quality assurance are also monitored.

To ensure that an ongoing process of improvement is established on the basis of the indicators in the hospitals, the data of quality assurance must be sighted and evaluated at the place where the clinical services are performed. This is ensured by a generalised quality assurance system that allows for hospital-specific evaluation of quality ratios. Through this system employees such as head physicians, managing directors or the quality management officers have the means of initiating on site specific processes of improvement on the basis of the indicators.

In the area of quality management, RHÖN-KLINIKUM AG moreover makes consistent use of the Group's potential as a learning network. Thus, the uniformly gathered ratios allow for a Group-wide performance benchmark representing a fair comparison of quality. That enables every hospital and every specialist department to remedy its own weaknesses by learning from others.

Christina Söder
Secretary, Bad Neustadt a. d. Saale
With Company since 1995
"Everything is covered, from basic and standard care right through to university medicine. From broken legs to transplants, there is nothing that RHÖN-KLINIKUM doesn't do for its patients."



Yvonne Söder
Secretary, Bad Neustadt a. d. Saale
With Company since 1995
By or for 2020, my expectation with regard to RHÖN-KLINIKUM is "innovative development, but without losing sight of the human dimension that daily contributes to this development".

Lastly, this quality assurance process is supplemented by the work of the 18 quality circles of the Group. It is here that the quality indicators are evaluated, improvement processes initiated and implemented, existing indicators adjusted and new ones developed. To ensure application in the clinical performance processes at this Group level as well, nearly all quality circles have appointed working groups that timely implement the newly determined measures in terms of quality improvement and process optimisation.

In addition to the medical quality circles in which all head physicians of the hospitals participate, RHÖN-KLINIKUM AG established a quality circle for nursing in 2012, thus taking account of the fact that clinical performance quality to a decisive extent results from the co-operative interaction of doctors and nurses. From the viewpoint of patients, the quality of their hospital stay also depends significantly on the nursing care they receive. For this reason the quality circle has begun to further develop a Group-specific quality assurance approach in the area of nursing, which for example includes its own systematic wound and decubitus management scheme. The quality circles thus serve as central forums for optimising process and results quality.

RHÖN-KLINIKUM AG is convinced that quality exists only when excellent professional processes are also accompanied by a high level of satisfaction on the part of our patients. To gauge the degree of this satisfaction, we conduct surveys of patients and referrers on the basis of proven surveying methods. With ongoing patient surveys we will further expand this system during the coming year.

How far we are able to improve or further develop the exchange of experience and knowledge and the advising of the employees was the starting point for the following question: Are the instruments in place within the Group suitable for preparing a uniform Group-wide quality management manual?

This question is posed with a view to harmonising the existing QM systems and further developing the same into a Group-specific, process-oriented and integrative quality management system of RHÖN-KLINIKUM AG. This system is to help our facilities to have in place everywhere an objectively correct, legally compliant and efficient quality management system. The jointly developed systematic controlling approach puts the hospitals in the position of developing and specifically implementing targeted improvement measures without being tied to an overly static structure. By this objective we have developed the specialist requirements for uniform Group-wide document management and prepared for their implementation.

HYGIENE MANAGEMENT

After the German legislator adopted an amendment to the German Infection Prevention Act (Infektionsschutzgesetz, IfSG) in July 2011, the state hygiene regulations drawn up by all German federal states were passed in 2012. This means that the requirements in terms of personnel and structural aspects are now also defined at the federal state level in addition to the quality requirements defined in the Infection Protection Act for processes and results in the area 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 requirements is difficult, confronting them with considerable problems particularly when it comes to recruiting qualified hygiene staff. 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 is true both of our requirement calculation for specialised hygiene personnel oriented on the guidelines of the Robert Koch Institute and of the introduction of a qualified infection monitoring system.

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 (example MRSA: see Fig. 1). 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 51 ml of hand disinfectants per nursing day, a continuous increase was achieved in 2012 (see Fig. 2).

NOSOCOMIAL MRSA RATES 2009–2012

Share of nosocomial MRSA (%)

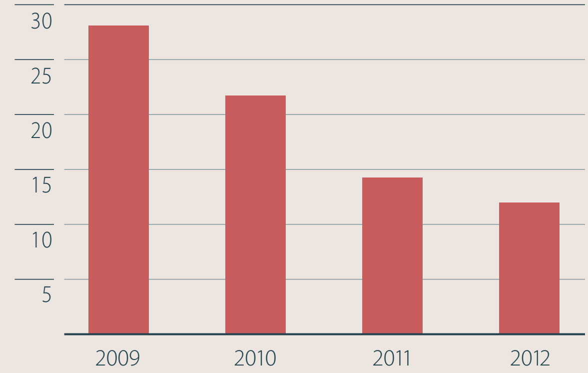


Fig. 1

CONSUMPTION OF HAND DISINFECTANTS 2009–2012

Consumption ml per patient/day

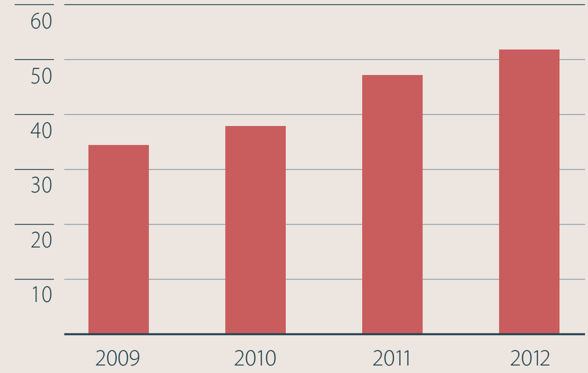


Fig. 2

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 nosocomial transmissions of this notorious hospital pathogen. Whereas the rate was 28 per cent in 2009, it was 12 per cent in 2012. The hospitals thus made a decisive contribution to better quality in the treatment of our patients. That underscores the high priority that our hospitals give to hospital hygiene.

Evelyn Fälber
Physiotherapist, Bad Neustadt a. d. Saale
With Company since 2001
"I wanted to work in the field of neurological rehabilitation and had heard good things about the hospital from colleagues, so I put in my application. I really like working at the hospital and that's why I stayed in Bad Neustadt."

Dr. Christine Schmidt
Head physician for neurology, Meiningen
With Company since 2000
"I hope that in the coming months and years the Group will once again bring high-quality medical care for patients more to the forefront and that it will continue to exist in spite of difficult (external) power relationships. RHÖN-KLINIKUM would then continue to be the market leader within the healthcare sector in 2020."

We are emphasising this attitude through 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 lowering the selection pressure on bacteria as a result of antibiotics, and thus to slowing resistance development in general.

MEDICAL CONTROLLING

The area of medical controlling is the "economic counterpart" to quality management. Medical controllers are internal advisers in the medical and administrative fields. Some of the medical controlling staff are assigned the task of measuring and documenting the services provided for each and every patient or of checking such documentation. They thus create the basis for the accounting of services rendered, since it is only in this way that we can ensure adequate remuneration of these services and create a sound information basis for our budget negotiations with payers.

But this entire documentation also serves as an internal record of the work performed for patients. Recording of all individual steps, of the informing of patients by doctors, as well as the therapeutic measures, also makes it possible to trace back the treatment history in detail if required. Medical controlling thus makes a very considerable contribution towards enhancing transparency and speeding up interfacing processes. This is helpful when the patient has queries later on and at the same time protects the hospital and its staff. 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.

The new provision on measuring and accounting of particularly complex nursing services (PKMS = nursing complex procedure score), which made it possible for the first time in 2012 to bill such services separately as an additional remuneration component, was implemented Group-wide, supported by a monthly benchmark. One crucial precondition was the adjustment of nursing documentation at the facilities to the changed requirements and avoidance of time-consuming multiple documentations.

In addition to analysis and evaluation of Group-wide coding reviews to prevent possible coding errors, new Group-wide coding rules were developed whose purpose is to ensure objective hospital invoicing and help bring about the "right coding". The development of an "MDK reporting system" (MDK: Medical Review Board of the Statutory Health Insurance Funds) revealing ways of optimising the invoicing and review process and determining the financial effects of MDK inspections is to be regarded as an extension of coding reviews. In 2013 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 each individual hospital the opportunity to learn from the best (best practice approach), thereby continually improving.

HUMAN RESOURCES DEVELOPMENT

Our aim is to provide our patients with the best possible treatment. To achieve our target we improve the professional skills of our employees, which also means improving the performance of our Company. Last year our specific focus was on implementing well-structured qualification programmes by promoting an exchange of knowledge and empowered networking and equally the development of individual expertise. Our comprehensive qualification programmes involved our four professional employee groups across our hospital network: nurses, medical doctors, health professionals and managers. Another important focus was ensuring optimised access to expert knowledge for all employees.

Interdisciplinary teamwork with all professional groups involved in treating and caring for our patients is promoted at Klinikum Meiningen. This means that all those involve strive to co-ordinate workflows optimally in the interests of patients.

QUALIFICATION OF NURSES

Nurses make up our largest professional group and will be in the focus of our structured qualification efforts. For this purpose we established and implemented the working group "Nursing – Qualification and Development" in 2012. Its mission is to perform the task of drawing up human resources development measures for our nursing sector with the aim of attracting and retaining a qualified workforce in the long term. The main participants are nursing directors of various hospitals with different care levels and directors of our nursing schools. As a first qualification measure, the traditional ward management course was revised to adapt it to the modern requirements of nursing and nursing management. In addition to the qualification for guiding and leading an integrated standard-care ward, we will provide the "Ward management course plus" for our hospitals already in 2013.

WARD MANAGEMENT QUALIFICATION: INTEGRATED STANDARD-CARE WARD

Managing a large unit such as an integrated standard-care ward is a new challenge for head nurses and goes beyond the duties of classic ward management. It involves the development and implementation of new clinical processes as well as team integration of service professionals. As a part of this training we provide our head nurses with useful management tools to simplify their everyday management duties and make it easier for them to handle their new responsibilities. The subjects dealt with include "Communicating with and Motivating Employees", "Self- and Time management", "The Executive Employee" and "Team Leadership". The thematic outline is modular in structure. For this reason it is necessary to plan for attendance of all sessions. The programme contains four modules covered every two days distributed over twelve months. Currently, 15 ward heads are enrolled in this training programme. As a result of the high demand, additional courses are being planned for 2013. The costs of the training programme are assumed by the Group, while travel expenses and release from working duties are covered by the respective hospital.

TRAINING OF SERVICE PROFESSIONALS

Service professionals belonging to the integrated standard-care ward participate in a special training programme. Together with our hospitals we developed a service training programme with the aim of conveying the knowledge and the skills they need to perform their work within the ward team. It includes 14 modules in total consisting of an 8-module one-week centralised session as well as six further practical modules provided by the local hospital.

The one-week training session covers the subjects of "Introduction to Admissions Housekeeping/Guestroom Maintenance", "Nutrition/Diet Types/Allergies", "Dementia", "Hygiene", "Occupational Safety", "Communication with Patients and Relatives", "Communication in the Hospital" and "Performance Documentation Procedures". Furthermore, at the hospital the following subjects are taught: "Adequate Introduction to Hospital and Ward Procedures", "Briefing on In-Room Patient Service", "Introduction to Kitchen Procedures", "Introduction to the Menu Recording System and the Input Mask", for example PPC (Pocket PC), and "First Aid, Emergency Communication". In 2012 two training courses took place in Hildesheim which were attended by 23 service professionals in total. For 2013 a total of 15 training courses are planned.

QUALIFICATION OF DOCTORS

Having qualified and motivated doctors is vital to the success of our hospitals and medical centres (MVZ). From this perspective we systematically unlock the expert skills lying within our network for the benefit of our young doctors. An additional aim is to facilitate predictable and substantial residency programmes within the group.

All sites of our hospital network offer the opportunity of completing higher-qualification training as a specialist. Our doctors also have extensive possibilities to obtain supplementary qualifications as well as qualifications in specific areas of focus. The greatest opportunities are provided by the Gießen and Marburg university hospitals as well as our maximum-care hospitals. Given the increasing (demand) share of outpatient care, we will offer our hospital doctors in future the opportunity to work additionally on an interdisciplinary basis in our medical care centres.

At the end of 2012, the doctors at the 54 facilities of RHÖN-KLINIKUM Group had a total of 1,132 residency programme accreditations. In 2012 our doctors had the possibility of acquiring around 95 out 107 (i.e. 89 per cent) possible medical qualifications.

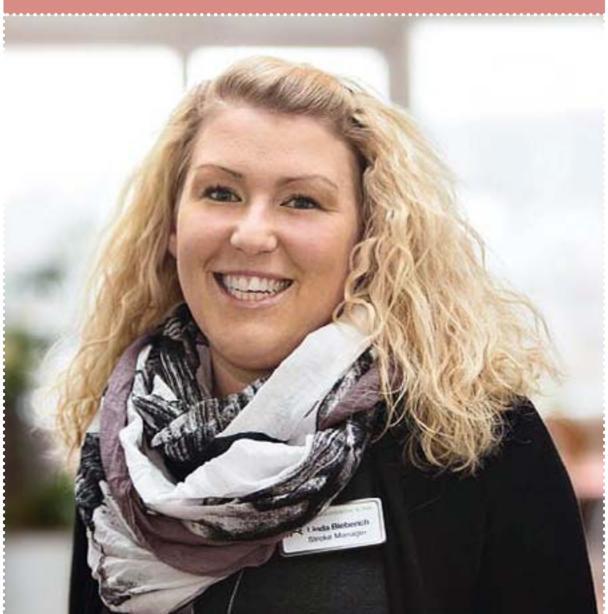
As a recruiting instrument we have developed standardised loan contracts for students. These are available across the group.

INTERN AND SPECIALIST DOCTORS: STRUCTURED FURTHER TRAINING

On 31 March and 30 September of each year, we centrally record all residency programme accreditations for each year which are published in our brochure on further training. This takes place once a year in printed and twice a year in electronic form. In 2012 we issued these for the first time in the form of an app. In this way we are reaching the target group of students in their practical year of training and graduates. This is confirmed by the very positive feedback received so far.

Joachim Stengler
Kitchen manager HGK, Bad Neustadt a. d. Saale
With Company since 1984
"For the most part I am free to bring in my own ideas here. With employees in the field of gastronomy at other hospitals, everything is defined along very bureaucratic lines."

Jens Nennstiel
Responsible for OR organisation, Meiningen
With Company since 1994
"Particularly at our facility in Meiningen, patients can be provided with comprehensive 'all-encompassing' care. At the same time it's a challenge for me to have so many specialist disciplines at one location."



Linda Bieberich
Stroke manager, Bad Neustadt a. d. Saale
With Company since 2011
"I can bring in my own ideas, suggestions and concepts to inpatient and post-inpatient care and thus maintain close ties to the families even after the patients are discharged."

Katharina Sittig
Head pharmacist, Meiningen
With Company since 2003
"In 2004 I was given the opportunity to assume a leading role in establishing the new centralised pharmacy. The customers we now supply has since grown to 14 facilities with some 3,600 beds. That is something I'm very proud of."

CROSS-SECTOR TRAINING

We continued the project "Networked residencies in general medicine" in 2012. Its purpose is to promote general medicine to ensure a sufficient number of young GPs in rural regions. We offer complete residency programmes to young doctors with the aim of motivating them to establish a GP practice close to our hospitals. This is very important to us given the shortage of GPs in rural areas, and is our contribution towards securing generalised healthcare coverage.

We have now implemented this offering in many of our hospitals in Lower Saxony, Thuringia and Saxony. In 2012 our two clinics located in North Rhine-Westphalia (Krankenhaus St. Barbara Attendorn, St. Petri-Hospital Warburg) joined this programme. We offer a comprehensive residency programme for GPs. This meets the requirements and regulations for residency programmes and gives young physicians the opportunity of gaining 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. In 2012 we made available a total of 20 positions in our hospitals. The plan is to establish such residency programmes in other group hospitals. It is also conceivable to use this model for further specialised disciplines such as paediatric and juvenile medicine.

SENIOR PHYSICIAN: MANAGER QUALIFICATIONS

For further management duties we promote not only the expansion of specialist skills but also the acquisition of emotional and interpersonal skills. Thus, in 2012 we started the programme "Executive Qualification of senior Physicians". With these training courses, senior physicians are prepared for future management duties within 18 months (spread over eight modules). The subjects include "Rhetoric and Communication", "Presentation Techniques", "Time, Self-, Stress and Resource Management", "Managing and Leading teams", "The Manager and his Culture of Confidence and Mistakes", "Process and Project Management" and "Change Management". A total of 58 senior physicians are taking part in this programme. The fact that senior physicians of several clinics are brought together promotes networking among the participants.

MANAGEMENT, MEDICINE, NURSING: EXECUTIVE STAFF DEVELOPMENT

The executive staff within the Group of RHÖN-KLINIKUM AG hold key functions and have an influence on the Company's further development. They assume responsibility for patients, employees and thus for securing their facilities and the Company's success in the long term.

One objective of human resources development is to discover comprehensive talents, expand their potential and extend the scope of existing skills and expertise. With our newly designed programme LEADERSHIP STRATEGY RESPONSIBILITY we offer our executive staff who are already working at a high level a clearly oriented qualification developed in accordance with modern standards.

The programme is designed for a term of four years. The training of our 150 executive employees takes place twice a year at Group headquarters in Bad Neustadt a. d. Saale. We cover the multifaceted subjects under four areas of focus through "leading by example", "knowledge", "leadership" and "innovation". We convey the know-how in the area of hospital-specific subjects through or internal section heads and offer the broadening of management skills through external trainers.

In 2012 we commenced the programme with the divisional and internal divisional heads, our hospital managing directors as well as medical directors, and are expanding the group of participants to include nursing heads in 2013. The seminars are rounded off by keynote speeches given by members of the Board of Management. As part of a joint evening event with the Board of Management they also offer the opportunity of networking and exchange amongst participants. Quoting Dr. Dr. Martin Siebert: "I would like to see us succeed in unleashing creative forces to a greater extent, as well as in increasing trust, self-responsibility and self-initiative."

PROMOTING TALENT

The executive training programme "Focus on Leadership" is aimed at young talent and department heads. Participants are delegated by their respective superiors. Over a period of 24 months, participants refine their knowledge about the various aspects relating to the complex job of an executive. The executive training programme is made up of seven training units. In the training programme, with

Laura Koch
Healthcare services/apprentice, Bad Neustadt a. d. Saale
With Company since 2011
"Through my work as a youth and apprentice representative, I would like above all to offer the apprentices good prospects for achieving a good development here and feeling at ease in the specific departments."

Dr. Dagmar Stelz
Head physician psychosomatic clinic, Bad Neustadt a. d. Saale
With Company since 1987–1990/1994–2013
The special advantages of the service offering of RHÖN-KLINIKUM cover "here at this site the networking of the hospitals and the good co-operation with the purely medical hospitals. For that reason" you will find here "a lot of patients with purely medical diseases in addition to psychological problems".

the active participation in the following progression of two-day seminars: "Leadership Psychology, Rhetoric and Communication", "Time, Self-, Stress Management", "Managing and Leading Teams", "Process Management", "Health at the Workplace", "Project Management" and "Change Management", participants completing the programme will develop and strengthen an understanding of their own role as an executive employee. The seminars are conducted in small groups of participants (ten to twelve persons). In 2012 a first training block began; an additional one is planned for 2013. The costs of the training programme are assumed by the Group, with travel expenses being covered by the facility in question.

YOUNG EXECUTIVES/TRAINEES

In 2011 we brought our junior executives programmes in line with current requirements and expanded their scope. The aim of the modified programme is to prepare participants to assume an executive position within 24 months. Of course, where very good results are achieved such career steps can also be taken at a faster pace. The modified programme was successfully established in 2012, with the first graduates already having assumed management positions in our Group facilities.

Since university graduates and lateral hires always prove to be well qualified candidate, we will not continue the part-time masters programme "Process Management, Specialist Field of Hospital Management". The last students will complete the programme in 2013.

HUMAN RESOURCES MARKETING

Addressing employees systematically is the basis of any targeted human resources marketing approach. In addition to graduate congresses throughout Germany, we use direct contacts to universities to arrange exclusive career events. We co-ordinate Group-wide recruitment and prepare participation of national trade fairs, congresses and job exchanges. Here we are present together with staff from our facilities. Last year the hospitals assumed responsibility for developing and organising regional events.

In 2012, in collaboration with the Association of German Surgeons (BDC) and our surgery departments in Bad Berka managed by the department of general and visceral surgery, we introduced a new event format "Chirurgie PUR". With this event aimed at getting medical students to take an interest in our facilities, we also try to recruit them as future staff members. During the event they had the opportunity to get to know the possibilities offered by the surgical departments of our facilities in Thuringia. We got a decidedly positive response and feedback from the participants. We are planning to repeat this event at further hospitals in 2013.

E-LIBRARY

In 2012 we completely revised our existing E-Library. In total we posted 112 journals online and provided access to additional 2,683 journals. As a result, any employee of our hospitals with access to our intranet can use this service offering. We subsequently acquired the subscriptions for all 54 hospitals and optimised the collections. Part of the resulting cost was used to expand our E-Library in 2013. We will add journals from the field of hospital management and nursing. In addition, web-based access via the Internet is planned for all employees in 2013.

OUTLOOK

Ensuring availability of human resources is something of crucial importance for RHÖN-KLINIKUM AG. This task is firstly the responsibility of the hospitals. The Human Resources Division provides the hospitals with its full assistance in such efforts, also when it comes to the area of networking between facilities. That is because such exchange and interaction makes it possible for them to draw on the experiences of other facilities, enabling them to find the best possible solutions for their own sites.

Over the next few years we will further expand our structured recruiting and qualification concepts. As before the objective, in addition to a networking of knowledge, is to also achieve a networking of the different professional groups in order to promote dialogue as well as mutual respect among such groups. Initial concepts for a "RHÖN KNOW-HOW WORLD" have already been submitted. Moreover, our company size allows us to create high-quality qualification standards for the individual professional groups. In this way we can unlock the potential within our network and use this both for the benefit of the company as a whole and the well-being of our patients.

MEDICAL DEVELOPMENT – QUALITY – INTEGRATION

Demand for medical services is constantly growing, a trend being driven by several developments. On the one hand, steadily rising life expectancy is being accompanied by an increased incidence of chronic illnesses. On the other, people have a growing desire to maintain good health into old age. Both trends are pushing up demand for medical care. Moreover, the pace of innovative of medical research has to keep up with such demands.

The radiology department in Bad Neustadt a. d. Saale is the central service provider for radiology diagnostics and interventional therapy at the Bad Neustadt site and – thanks to teleradiology technology – also for other facilities of the Group.

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 comprehensive 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 itself but also among outpatient doctors (as well as between outpatient and inpatient care). It is in this interactive environment that RHÖN-KLINIKUM AG sees itself as an integrative provider of healthcare services. It takes up this challenge by integrating and co-ordinating care and making it interdisciplinary, pro-active and innovative in accordance with the needs of patients.

With us, integrated care means overcoming the outmoded boundaries between the outpatient and inpatient sectors. In other words: we are increasingly acting in an integrated manner. 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 provides patients with a structured, integrated treatment offering them fast, reliable diagnosis and a means of access to healing and cure for their diseases.

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 sensible medical services in a patient- and problem-oriented manner. Modern medical care is co-ordinated – teams from different areas work hand in hand across specialties, professional groups and sectors. The objective in this is to make sure patients receive neither an over- nor underprovision of care but just the right level of treatment they need.

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, that means 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 continued to initiate modern care concepts based on the above criteria inter alia in pain therapy, rhythmology and geriatric medicine. In a process of close exchange and dialogue with one another, the hospitals involved are putting these concepts into practice.

Multimodal pain treatment as a therapy offering has also been established on an interdisciplinary basis within the RHÖN-KLINIKUM Group for chronic pain diseases. According to estimates of the German Association for the Study of Pain (DGSS), some 6,250 out of 100,000 inhabitants suffer from severe chronic pain which can restrict their quality of life, general capacity and vitality. We now offer good medical care on this definition (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 fourteen hospitals: at Amper Klinik Dachau, Zentralklinik Bad Berka, Klinikum Frankfurt (Oder), Klinikum Hildesheim, Klinik Hildesheimer Land in Bad Salzdetfurth, Kliniken Herzberg und Osterode, Parkkrankenhaus Leipzig, Klinikum Meiningen, Mittelweser Klinik Stolzenau, Klinikum Salzgitter, St. Petri Hospital Warburg, Universitätsklinikum Gießen und Marburg (UKGM), Fachkrankenhaus Vogelsang-Gommern and at Wesermarschklinik Nordenham. At the end of 2012, Klinikum Pforzheim established a new outpatient pain centre for chronic pain patients. For the beginning of 2013 the establishment of an inpatient pain therapy centre is being planned as a further offering.

RHÖN-KLINIKUM AG is also 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. With these facilities as the nuclei, we have extended this high-standard care offering to additional sites: Pforzheim, Miltenberg-Erlenbach, Kronach, Pirna, Frankfurt (Oder), Gifhorn, Nienburg, Uelzen and Wiesbaden. The biggest challenge in the near future will be to find a sufficient number of doctors possessing the skills needed to perform the necessary operations. RHÖN-KLINIKUM AG is meeting this challenge by offering doctors already with experience in cardiology and interested in being further trained in clinical electrophysiology a structured qualification within the Group.

Constantly rising life expectancy and demographic trends in Germany are making it necessary to concentrate more on diseases associated with old age as well as the related healthcare facilities. 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 not seldom impaired in their ability to lead an independent life. 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 Attendorn, Bad Salzdetfurth, Dachau-Indersdorf, Hildesheim, Herzberg, Burg, Freital, Kronach, Nordenham, Neindorf, Pforzheim, Salzgitter and Stolzenau. Given the growing need, we will organise all our facilities in the long term so as to better reflect the needs of elderly patients, providing them with comprehensive and interdisciplinary care with a view to reducing complications.

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 a communication platform and file solution. This technology

Prof. Dr. Rainer Schmitt
Head phys. radiology/med. dir. HGK, Bad Neustadt a. d. Saale
With Company since 1998
I have various possibilities of sharing in developments within the Company and/or of influencing these, e.g. through "– participant in RHÖN-KLINIKUM project groups and quality circles – function of medical director". Nevertheless, there is still room for improvement, e.g. "– closer contact of medical doctors to Board of Management when it comes to issues of medical care".

makes it possible for doctors (from the stand-alone 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 (i.e. without unnecessary multiple diagnosis).

Some specialist disciplines use this offering 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 specialists physicians 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.

There are similar networks, for example, in neuroradiology and paediatric radiology: 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 within what are referred to as tumour boards. These include the Rhön-Gyn network, which has been an established and integrated part of the network of RHÖN-KLINIKUM AG since 2008. Since 2012 we have been working with the involvement of the University Hospital Gießen and Marburg as well as Horst-Schmidt-Klinik in Wiesbaden, i.e. with two of the total of six co-ordinating hospitals in Hesse, on implementing the oncology concept for Hesse. Particularly when it comes to treating cancer, the importance of cross-sector treatment chains will continue to grow in future to ensure high-quality care tailored to the needs of patients.

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. By wirelessly integrating the ambulance with the hospital, the interval between diagnosis and treatment is significantly shortened. 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 on the way. "Stroke Angel" has been implemented in the regions of Bad Neustadt a. d. Saale, Bad Kissingen, Dachau, Fulda, Kronach and in the areas surrounding our facility Klinikum Uelzen. In 2012 it was one of two concepts to be distinguished by the German Society for Telemedicine (DGTelemed) with the Karl Stolz Prize for Telemedicine.

For heart attack patients, we have established a similar network called "Cardio Angel" in the regions of Bad Neustadt a. d. Saale, Fulda, Dachau, Uelzen, Bad Kissingen and Kronach. Wireless transmission of key patient information and initial findings (e.g. an ECG) allows us to achieve a valuable time gain for inpatient care, enabling the admission team to form a picture of the situation and to initiate steps for the necessary treatment even prior to the patient's arrival. This time gain can be crucial for the success of the treatment.

In the region of Saxony-Anhalt, we are pursuing an additional telemedical project for stroke care at the University Hospital of Magdeburg. The internal medicine clinics of the hospital Krankenhaus Zerbst as well as the hospital Krankenhaus Jerichower Land have been networked with the Magdeburg University Hospital using the first "telemedical acute stroke care network" (TASC) in Saxony-Anhalt. After they were merged, it was possible to noticeably reduce the time needed to provide acute care, especially for ischemic strokes and the related lysis treatment. The intensive care units of the facilities are connected with the stroke unit of the University of Magdeburg through a so-called teledoc. That means that diagnosis and therapy can be determined directly with the University's stroke experts. On this basis, we were able to provide neurological complex treatment to over 70 patients in Zerbst alone in 2012.

AWARD-WINNING INNOVATION

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 recognised by high distinctions.

For example, at the Working Convention of the German Society for Neurocritical Care and Emergency Medicine, employees of the hospital Klinik Kipfenberg in 2012 won a poster award for the "Duration of Weaning and Inpatient Care of Critical Illness Polyneuropathy in Neurological Rehabilitation".

The book by one employee of the hospital Parkkrankenhaus Leipzig on "Coercive treatment in psychiatry – clinical, legal and ethical aspects" was distinguished by the "Highly Commended in Psychiatry" category of the "BMA Medical Book Award 2012".

The heart centre Herzzentrum Leipzig received a poster prize at the 46th Annual Meeting of the Association for European Paediatric and Congenital Cardiology (AEPC) in 2012 in Istanbul for "Simulator training improves beginner's skills in performing echocardiography in congenital heart disease". At the Annual Meeting of the German Cardiac Society (DGK), no fewer than five employees of Herzzentrum Leipzig were distinguished for their research activities. This year's congress focused on the field of interventional cardiovascular therapies. For his paper on diastolic heart failure with atrial fibrillation, another employee received the Hugo-von-Ziemssen Poster Prize of the DKG. One employee was appointed to a Lichtenberg Professorship for Genomics of Atrial Fibrillation at the University of Leipzig. The professorship is funded by the Volkswagen Foundation. That makes her the first female professor at Herzzentrum Leipzig.

Employees of the Epilepsy Centre of the University Hospital of Gießen and Marburg, Marburg site, won two poster prizes at the last Annual Meeting of the German Neurological Society (DGN), one in the field of care research and one in the field of epilepsy genetics. One employee of the Clinic of Immunology and Transfusion Medicine of the University of Gießen and Marburg, Gießen site, was distinguished at the 45th Annual Congress of the German Society of Transfusion Medicine and Immunohematology (DGTI) with the Fritz Schiff Prize. Employees of the Clinic of Dermatology and Allergology of the University Hospital of Gießen and Marburg, Marburg site, received the 2012 Bencard Sponsorship Award for Specific Immunotherapy from the German Society of Allergology and Clinical Immunology (DGAKI) as well as a poster prize from the Working Group of Dermatology Research (ADF) at the ADF Annual Meeting. The 2012 Thomas Behr Memorial Prize of Mittelrheinische Gesellschaft für Nuklearmedizin e.V. (MGN) went to an employee of the Clinic of Nuclear Medicine of the University Hospital of Gießen and Marburg, Marburg site. Furthermore, the

Prof. Dr. Jörg van Schoonhoven
Head physician hand surgery clinic, Bad Neustadt a. d. Saale
With Company since 1995–2004/since 2006
"Particularly at the Bad Neustadt site" RHÖN-KLINIKUM offers "highly specialised medical care in sub-specialised clinics meeting the highest standards". Here we have "all diagnostic means necessary for our specialist field at one site, with fast and non-bureaucratic supply of information".

Margret Will
Head MTRA, Meiningen
With Company since 1995, predecessor hospital from 1971
"Always having state-of-the-art technology – that is good for us and our patients. I am being trained on the 3 Tesla MRI and will operate it with a lot of know-how. That way I am in a better position to inform and take care of patients."

Holthusen Prize of the German Society of Radiation Oncology (DEGRO) on the subject of "Tumour-Selective Radiation Therapy: Pre-Clinical and Clinical Developments" went to the clinical and experimental radiation oncology department of the University Hospital of Gießen and Marburg.

The hospital Krankenhaus Jerichower Land in Burg helped develop a stable-angle plate system for operations in trauma surgery. The hospital Klinikum Meiningen is conducting a study on contrast media applications in the field of endosonographic diagnosis for chronic pancreatitis and pancreatic carcinoma.

At the Annual Meeting of the German Society for Thoracic and Cardiovascular Surgery (DGTHG), an employee of the hospital Klinik für Herzchirurgie was awarded the prize of the DGTHG for outstanding research work in the field of vascular and aortic surgery. In a hotline session at the annual Congress of the European Society of Cardiology (ESC) in Munich – the world's largest conference in the field of cardiology with as many as 35,000 participants – the Clinic for Cardiology of Herzzentrum Leipzig for the first time presented the results of the largest study ever conducted on cardiogenic shock. The IABP Shock II Study showed that through use of a special pump in the aorta which is described in the guidelines – the intraaortic balloon pump (IABP) – in the case of cardiogenic shock cannot achieve any reduction in the 30-day mortality after an acute heart attack. At the same time, the results will be published in one of the most reputed medical journals, the New England Journal of Medicine.

INNOVATION THROUGH MEDICAL DEVELOPMENT

In addition, our hospitals are steadfastly pursuing the further development of their medical care at a high level. For example, in the field of cardiology Zentralklinik Bad Berka has introduced renal denervation to treat patients with severe hypertensive diseases.

Herzzentrum Leipzig is the first facility in the world to use an innovative Mediguide system to treat arrhythmia (rhythmology), a kind of navigation system operating on the basis of magnetic location, thus enabling the highly precise placement of catheters and electrodes in the heart. 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 90 heart transplants.

In November 2012, the thousandth patient was successfully operated on the mitral valve at the cardiovascular hospital Herz- und Gefäß-Klinik Bad Neustadt a. d. Saale in a minimal-invasive technique. This minimal-invasive operating technique is now used in over 70 per cent of stand-alone mitral valve operations. That makes Herz- und Gefäß-Klinik one the most experienced hospitals in Germany in the field of mitral valve surgery and the special area of minimal-invasive operating procedures. As a result of this supraregional reputed expertise, Bad Neustadt a. d. Saale regularly hosts workshops and expert meetings. For example, it was there that in 2012 that the internationally renown "Master of Mitral Valve Repair Symposium" was held under the scientific direction of Dr. Patrick Perier.

The University Hospital of Gießen and Marburg further established its Central Hesse Cochlear Implantation Centre, performing over 60 implantations in 2012 alone. The Ophthalmology Clinic at the Marburg site has significantly expanded its focus in the area of corneal diseases to 150 such procedures per year by introducing the minimal-invasive corneal layer transplant technique.

The Marburg-based Comprehensive Cancer Center of the University Hospital Gießen and Marburg was expanded by the Skin Tumour Center in 2012. The University Hospital Gießen and Marburg now offers at both sites HIPEC surgery for patients with peritoneal carcinosis (tumours distributed over the surface of the tissue lining the abdominal cavity). At the Marburg site, the Epilepsy Center Hesse has been offering deep brain stimulation for epilepsy therapy as well as stereo encephalography as new methods since 2012.

To strengthen interdisciplinary co-operation of our sites, we pool high-quality medical care in certified centres. In 2012 we achieved a numerous new certifications: at Parkkrankenhaus Leipzig the competence centre for "early interactive deficits for young families with infants and small children" was opened. The hospital Klinikum Frankfurt (Oder) completed its establishment as a Allogeneic and Autologous Transplantation Centre of Ostbrandenburg as the only reference centre in Brandenburg and Berlin. Since February 2012 it has also established haematopoietic stem cell transplantation from related and unrelated donors as the only centre in Brandenburg. The specialised hospital Fachkrankenhaus Vogelsang-Gommern has successfully certified itself as Rheumatological Acute Hospital (VRA).

The hospital Klinikum Pforzheim has successfully built up its pancreas centre and certified it via the German Cancer Society. Zentralklinik Bad Berka successfully certified itself as the first "Competence Center for Surgical Diseases of the Liver" in the new German federal states and obtained recertification of the "Thorax Centre – Competence Centre for Thoracic Surgery". With the Wound Centre at Klinikum München Pasing the first and to date only centre for vascular and endovascular surgery in Munich was certified. From 2007 already, the Neurology Clinic in Bad Neustadt a. d. Saale has offered its "MS Center" recognised by the German Multiple Sclerosis Society (DMSG). The Center is recertified every two years. Herzzentrum Leipzig certified a supraregional ACHD Centre (ACHD = adults with congenital heart defects, which pools expertise in order to provide comprehensive care to the persons affected beyond their childhood and into old age.

UNIVERSITY TEACHING, RESEARCH & 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 therefore established six German centres of health research to pool research into some of the particularly widespread diseases and to accelerate application of the findings from such research. The Federal Ministry of Education and Research (BMBF) designated the University Hospital Gießen and Marburg and other partners of the research network as new sites of the German Centre for Lung Research (DZL) and the German Centre for Infection Research (DZIF). In 2012, both centres have now been successfully launched. Here, 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 in Bad Nauheim.

At the heart and thoracic vascular surgery hospital Klinik der Herz und thorakalen Gefäßchirurgie the LOEWE research focus (LOEWE = State Initiative for the Development of Scientific-Efficient Excellence) on "Preventive

Gustav Schmitt
Warehouse employee, Bad Neustadt a. d. Saale
With Company since 1991
"Proximity to where I live and job security" were the reasons why I started out and have stayed with RHÖN-KLINIKUM.

Judith Schmitt
Head of hygiene/central sterilisation, Bad Neustadt a. d. Saale
With Company since 1990
It was "the interest in something new" that brought me to RHÖN-KLINIKUM. "I still enjoy going to work and being among my colleagues here."

Doris Zwick
Head OR nurse, Bad Neustadt a. d. Saale
With Company since 1985
"I came from Nuremberg for personal reasons and found a job here in the OR. For me, being an OR nurse is the 'dream job', and since I found a good team for myself here, I was glad to stay!"

Friedhelm Kunick
Masseur and med. spa therapist, Bad Neustadt a. d. Saale
With Company since 1973
"Unlike my previous employer, RHÖN-KLINIKUM was free from religious and other constraints and offered me a substitute position in the physical medicine department."

Biomechanics – PreBionics", also based at UKGM, is using computer simulations to mathematically determine the structure and function of the human body in individual areas. These are reproduced in the form of computer simulations. The objective is to achieve timely diagnosis of a disease and therapy initiation. One branch of this research aims at using numerically biomechanical models based on the finite element method (FEM) to calculate mechanical stresses occurring in the aneurysm wall (wall tensions) and to compare these with models of stress bearing capacity of aneurysms to gain a better understanding of aneurysmal disease and ensure timely initiation of interventional therapies.

The contractual co-operation of the University Hospital of Gießen and Marburg, Gießen site, and Kerckhoff-Klinik Bad Nauheim last year led to the creation of a new competence centre with a heart research institute with the objective of further expanding excellence and the highest standards of quality in research and hospital treatment in Central Hesse. The Clinic for Paediatric and Juvenile Psychiatry at the Marburg site in 2012 began a study of neuropsychological basic deficits in preschool children at risk of developing ADHS. The Clinic for Visceral, Thoracic and Vascular Surgery at the Marburg site is examining the role of certain enzymes (MMP3 and RAC1B) in the development of tumours and the progression of pancreatic carcinoma.

These are only some 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 (for example from the Von-Behring-Röntgen Foundation), the University Hospital of Gießen and Marburg itself each year provides at least € 2 million 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.

HEALTH AND ENVIRONMENT

Health and the environment – for RHÖN-KLINIKUM Group they are an inseparable pair. We spare no efforts when it comes to the health of our patients, and settle for nothing less in our concern for the environment. Whether this relates to energy, water, air or hospital materials – we strive at all times to make responsible use of the resources available. And we know from experience: economic and ecological commitment as a general rule go hand in hand. The aim of sustainability is firmly established as a traditional value at RHÖN-KLINIKUM AG.

Plenty of greenery and the tropical atmosphere in the glass dome of Herz- und Gefäß-Klinik make for a pleasant ambience. Preserving the environment as much as possible forms an integral part of the business activity of RHÖN-KLINIKUM AG.

At each hospital, the patient has priority. Treating patients based on the latest knowledge of science and technology is paramount. But for us such efforts also mean making efficient and safe use of energy, water and materials. Time and again, RHÖN-KLINIKUM Group has proven itself to be a pioneer in energy and environmental technology at the hospital.

When it comes to generating energy using cogeneration plants or fuel cells; using “natural” cooling and heat from the air, the ground or ground water; or simply making the most efficient possible use of all resources, RHÖN-KLINIKUM AG has always been at the forefront of innovative solutions. That is because for our Company efforts to preserve the environment as much as possible form an integral part of our business activity. For that reason we also maintain our own centralised Technical Controlling/Environment department which is responsible for Group-wide energy and emissions controlling as well as the safety of our installations and systems.

Another essential task of this department is to observe and monitor developments in technologies of interest to us when and as they arise: whether in the areas of energy, environmental, safety and disposal technology, it is important for RHÖN-KLINIKUM Group to develop concepts for our highly demanding application world at an early stage. For this reason we conduct timely testing of new technologies in pilot projects with a view to using these Group-wide once they have reached the required maturity. This, too, is part of the synergies that a hospital group can and must unlock.

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 planning, equipping and commissioning new equipment.

He is assisted by the Technical Controlling department, the central know-how pool, which organises not only training measures but also the exchange of experience within the Group. In addition, it has the task of overseeing technical integration of new Group subsidiaries with a view to promptly introducing the Group-wide environmental and energy standards at these new sites. At all times we pursue the objectives of sustainability, safety and efficiency that we seek to harmonise with one another.

HEAT AND COOLING FROM THE GROUND

One very recent example of how economic and ecological interests coincide can be seen in the rebuild of the hospital Wesermarschklinik Nordenham on a green-field site on the left bank of the Weser estuary. As was previously the case with Krankenhaus Cuxhaven, pile foundations are required here due to the damp and soft marshland. That gives us once again the possibility, at relatively low cost, of recovering thermal heat from the ground or of releasing surplus heat to the ground.

At first sight the system looks simple. In Nordenham 219 concrete piles each having a length of approximately 21 to 24 metres and a diameter of 42 to 61 centimetres are installed. Together they form a large-area geothermal field that we can use to tap into the ground's thermal energy, since all foundation piles are provided with plastic pipe coils in which ethylene glycol circulates as the heat transfer medium. The piping system converges on two turbo compressors that can equally serve as coolers and heat pumps.

In the winter, they draw heat out of the ground (thus cooling the ground). In the summer this cooling reservoir is then used to cover as much as the cooling requirements as possible. Another reason why the system achieves a high efficiency rating is that all patient rooms – except the intensive care unit – are equipped with floor and ceiling plates in which a piping system, similar to an underfloor heating system, provides cooling or heating.

This so-called concrete core activation serves to maintain a basic temperature. Including the entrance hall and cafeteria, a total of 2,000 square metres are equipped with this technology. In the summer that allows for a pleasant atmosphere to be maintained, even at high outside temperatures. This benefits both our patients and our staff. For any higher heating requirements in winter, conventional radiators are additionally installed (although these can be considerably smaller in size).

Any peak heating requirements are covered by two condensing boilers having an output of 750 and 400 kilowatts, respectively. Condensing boilers use condensation heat from their own exhaust gas, thus achieving a much better efficiency than conventional heating boilers. When connected to the heat pumps delivering a basic load, they form an overall system that is highly efficient. They moreover ensure that heat is supplied when the "standard fuel", gas, fails: the larger of the two boilers is equipped with a dual fuel burner allowing it to be operated alternatively with heating oil.

Added to this is a natural gas-fired cogeneration plant (CHP) with 110 kilowatts of thermal output and 70 kilowatts of electrical output. Its heating energy is used to supply hot water at a minimum temperature of 60°C, which is indispensable for reasons of hygiene. The simultaneously generated electrical energy is consumed by the hospital itself. Overall, the new building in Wesermarschklinik Nordenham will thus mark a new milestone towards hospitals that are not only energy efficient but also environmentally friendly.

STRIVING FOR SELF-SUFFICIENCY

At its long-standing facilities, RHÖN-KLINIKUM AG is trying to achieve this objective by retrofitting measures. Particularly investments in CHPs are increasingly proving profitable in times of rising electricity prices. Thus, the Group has increased the number of cogeneration units installed at its facilities from 20 to 24 in 2012. The four new units alone deliver an output of 870 kilowatts. We have thus succeeded in raising the share of self-generated electricity from 24.3 per cent to 28.3 per cent. Given steadily rising incidental electricity charges, particularly the surcharge for

Prof. Dr. Anno Diegeler
Head physician cardiosurgery, Bad Neustadt a. d. Saale
With Company since 1994
“By ‘speaking up’ and ‘acting’ on that I can share in developments and influence them.”

Prof. Dr. Sebastian Kerber
Head physician for cardiology, Bad Neustadt a. d. Saale
With Company since 2001
Future expectations for 2020 with reference to RHÖN-KLINIKUM are: “It would be ideal and unique if RHÖN-KLINIKUM AG were the best employer in the healthcare system in all areas of patient care” and “human resources development, if there were equal responsibilities for the Company for economists and the medical team!”

renewal energies, this technology is becoming increasingly attractive, since no such charges are incurred for self-generated electricity. And by the way, in this way we also make a further contribution towards reducing CO_2 emissions.

On the consumer side, we are also fighting hard for every kilowatt hour. Currently we are pressing ahead with the installation of LED lamps wherever this is economically feasible at our facilities. At present it makes sense to install the – still – relatively expensive LEDs especially in places requiring long operating times, for example in hallways and corridors lighted for more than 8,000 hours per year. However, as their prices fall LED lamps will serve as a sensible replacement for conventional light fixtures and fluorescent lamps.

That said, this does not mean we can offset the general rise in electricity requirements. It is a result of the increasingly widespread use of medical and information technology in hospitals. Large equipment units such as computer or magnetic resonance imagers require high power consumption as well as cooling energy. At the same time, though, the heating requirements, particularly for new buildings, are reduced thanks to their better thermal insulation and modern energy saving technologies.

They need only about a third of the heating energy compared with old buildings. 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. Only those responding to such structural changes quickly will be able to keep their costs reasonably under control.

KEY RATIOS

		2012	2011	2010	2009	2008	2007
Company							
Hospitals		54	53	53	53	48	46
Beds and places		17,089	15,973	15,900	15,729	14,828	14,647
Patients treated		2,555,822	2,277,153	2,041,782	1,799,939	1,647,972	1,544,451
Energy							
Primary energy consumption	MWh	963,909	890,615	929,828	865,103	865,775	831,582
Consumption per patient	MWh/pat.	0.38	0.39	0.46	0.48	0.53	0.54
Emissions							
Greenhouse gas emissions	t	220,673	204,443	202,925	190,128	190,200	182,687
Emissions of pollutants	t	263	247	265	243	244	235
Water							
Water consumption	m^3	1,999,637	1,848,020	1,810,706	1,716,646	1,710,111	1,672,021
Consumption per patient	m^3/pat.	0.78	0.81	0.89	0.95	1.04	1.08
Waste							
Waste quantity (residuals)	t	13,028	11,474	11,235	10,084	9,799	9,447
Waste quantity per patient	kg/pat.	5.1	5.1	5.5	5.6	5.9	6.1

All data as at 31 December 2012

The rise in absolute key ratios is attributable to the first-time inclusion of Dr. Horst Schmidt Kliniken, Wiesbaden, in the calculation. Despite the higher heating requirements due to weather conditions, we once again succeeded in lowering specific energy consumption figures.

RHÖN-KLINIKUM: "WORKING SUCCESSFULLY FOR OUR PATIENTS FOR 40 YEARS"

RHÖN-KLINIKUM AG was never a haven of peace and tranquillity. What with the takeover of existing hospitals and the construction of new ones, innovations in technology and organisation, or those first-ever "premiere" events in Germany such as the privatisation of a university hospital – the Company's history has been exciting and full of action. For 40 years.

*By Joachim Weber**

The close co-operation of the Frankenklinik with Herz- und Gefäß-Klinik at the Bad Neustadt a. d. Saale site allows for a smooth treatment chain between hospital treatment and rehabilitation.

Time and again, RHÖN-KLINIKUM AG has gone through turbulent phases. The Company has been as much a target of criticism in its role as restructurer of loss-making public hospitals as it has in its founding of medical care centres (MVZs). Some attempts to acquire such facilities have met with nervousness, initially on the part of employees and trade unions but then often the local population as well. Now and then this has even caused acquisitions to fail – to the obvious detriment of the districts and municipalities concerned, but of course also for the patients, which have had to continue putting up with the shortcomings of their hospitals or were not able on their own to ensure their survival.

Things have been particularly boisterous during the Company's most recent history. The debate surrounding Gießen-Marburg University Hospital, whose takeover was controversial (to say the least) and had been met with tooth-and-nail resistance by some staff, parts of the population and politicians, culminated in an increasingly heated and fierce political debate in which not a few have also been rolling out the "heavy artillery". And the initially failed attempt at taking the first step towards creating through merger or takeover a truly general-coverage hospital group with a significant market share has had a disruptive impact on the Company and the entire industry. But on both fronts it appears that things are gradually returning to calm.

DISPUTE RESOLVED

Under the aegis of Dr. Dr. Martin Siebert, who in early October 2012 joined the Board of Management of RHÖN-KLINIKUM AG and then took over as chairman of the Board of Management at the beginning of 2013, efforts to gradually break the deadlock with the Federal State of Hesse and

**Freelance journalist in Frankfurt am Main* the twin hospital were successful: on 29 January the Federal State government, the two universities (only their hospitals are merged) and the Company reached agreement on a future concept for Gießen-Marburg University Hospital. The Letter of Intent is gradually being thrashed out in various working groups.

According to this Letter of Intent, the particle therapy project at the Marburg hospital – which is enshrined as a key element of investments in the takeover agreement from 2006 and that has now long been completed – will now, after all, start treating cancer patients by the end of 2013 at the latest. The project had come to a halt in early 2012 because the technological challenges of this innovative medical technology had not been met on time by the partners involved in the project. The Federal State of Hesse, however, continued to insist on putting the centre into operation; the political debate most recently revolved around otherwise enforcing a claim for damages. Moreover, the planned staff cuts – most recently in the order of 236 employees and which time and again were the subject of heated debate locally – were put off by a hiring moratorium until 2014. Added to this are three new hospital buildings and numerous modernisation measures that the Company will perform. The agreement should serve as a good basis to renew a flourishing co-operation amongst all parties.

The intended merger with the competitor Helios from the Fresenius Group did not materialise for many different reasons. This attempt was occasionally interpreted as a sign of weakness, but was exactly the opposite: an offensive drive looking to new horizons. But the sense of insecurity it created on the part of employees as to how things should continue with RHÖN-KLINIKUM AG will not be easily forgotten.

STRONG ENOUGH ON ITS OWN

In the meantime, RHÖN-KLINIKUM AG has resumed its traditional role as one of the strongest players on the German healthcare market perfectly capable of surviving on its own. The chairman of the Board of Management Dr. Dr. Martin Siebert clearly set out the Company's path and direction both internally and in public: "We shall continue to vie for market leadership." The new, old course of the hospital group is thus clearly mapped out. Under the sign of the thistle – the plant from the Rhön region that also adorns the logo of RHÖN-KLINIKUM AG – the upward trend is to continue.

RHÖN-KLINIKUM AG is not unfamiliar with the role of market leader – that is something it was born with, so to speak. It was the first German hospital company to endeavour, from the early 1990s onwards, to privatise and restructure perfectly normal general care facilities financed by health insurance fund contributions and to manage them profitably within the bounds set by the state healthcare system. At a time when private hospitals still seemed to be reserved for the rich, that was something completely new. In that regard it is worth taking a closer look at the Company's history.

Up to 1989 the Company (then RHÖN-KLINIKUM GmbH) was an almost normal hospital company with just a few specialised clinics – but which already treated patients under statutory health insurance, and that with great success. What made the Company stand out was its rapid growth and its many new, unconventional ideas. That also included new financing approaches: to "prepare for growth spurts" the two-head management team, led by company founder Eugen Münch, was planning an IPO.

The reason was that the Company was looking to realise numerous projects: the expansion of its cardiovascular hospital and the establishment of a hand surgery hospital, the takeover of the spa bath in Bad Neustadt a. d. Saale, the completion of a neurology clinic and the integration of the "German Mayo hospital" DKD. For that it needed cash. And yet tapping the capital markets to expand, that was an altogether novel concept within the German clinic system. By way of preparation, the limited liability company (GmbH) already in 1988 was converted into a joint stock corporation (AG) with a registered share capital of ten million deutschmarks. At that time, nobody was even remotely thinking about the possibility of German Reunification.

IPO SHORTLY AFTER FALL OF BERLIN WALL

In 1989 revenues of the newly established RHÖN-KLINIKUM AG cleared the mark of 100 million deutschmarks for the first time – a triumph for the management. Just under a quarter a century later they stood at 2.86 billion euros, 55 times the figure that was so impressive back then. In 2013 the barrier of 3 billion euros in revenues would be passed. And those 670 employees at the end of 1989 have grown to more than 43,000 in 2012, almost 65 times the headcount at the time of the IPO. Such a steep growth curve was something that was not planned, nor could have been predicted. But as the saying goes, good fortune comes to those who

Prof. Dr. Bernd Griewing
Medical/managing director, Bad Neustadt a. d. Saale
With Company since 1998
"It was the persuasion and long-term possibility of businessmen and medical professionals 'shaking hands' on pursuing the mutual goal of achieving quality and building up something good for people" that made me come to RHÖN-KLINIKUM and stay here to this day. Moreover, "as a doctor I am treated on the basis of performance, can embark on new paths without any big bureaucratic hurdles, and shape my environment".

earn it. When the RHÖN-KLINIKUM share was listed on the Frankfurt Stock Exchange for the first time on 27 November 1989, the Berlin Wall had come down just eight weeks earlier.

Nothing less than the idea of fate would serve as a fitting description of how these two events are connected: the capital market, as a source of cash, provided the means of investing on a completely new scale. And all of a sudden the opportunities to do so abounded. "The political events taking place on the other side of the border were spontaneously understood by RHÖN-KLINIKUM as a challenge", is what could be read already in the Company's Annual Report back in 1989. And taking that understanding and acting on it turned out to be a very short step: "With the cardiac centre (Herzzentrum) of the Karl Marx University of Leipzig, the first co-operation agreement was already concluded. It is the GDR's largest hospital for heart surgery."

The agreement provided that an operation and transplant centre to be operated privately "under the lead management and active investment of RHÖN-KLINIKUM AG" was to be constructed with affiliation to the university hospital. And before the potential employees had really even begun to understand the concept of market economy, they suddenly found themselves right in the middle of it: "To ensure that in the event of the plans being realised sufficient qualified personnel are available in the Leipzig cardiac hospital, RHÖN-KLINIKUM AG has created a fund there for performance bonuses out of which active employees receive bonuses as a motivation incentive."

"DELIBERATELY DRAMATIC DEVELOPMENT"

Running parallel to that were co-operation negotiations in Weimar, Meiningen and Gera. "The current situation of hospital system in the GDR calls for huge efforts to be undertaken. For RHÖN-KLINIKUM AG as a private operator this offers the opportunity to fully exploit its special potential, flexibility and creativity, and thus also to cover the decisive field of care delivery also in the interests of the population and to gain a corresponding market position", was the assessment voiced by Board of Management back then.

With the IPO the Company had created the basis "for a further 'deliberately dramatic' development". Already back in 1989 the joint stock corporation (AG) increased its registered share capital by five million deutschmarks, and in 1991 doubled it by 15 million to 30 million deutschmarks. A further six million was added in the autumn of 1993. Admittedly, the challenges facing East Germany back then could not be tackled by money alone. It was just as necessary to have viable concepts for equally patient-oriented and cost-efficient hospital operation.

That is because funding in the New Federal States was scarce. The backlog to be made up was of gigantic proportions, as the Board of Management also realised after a short time. "If in the important area of quantitative and qualitative provision of hospital beds the prescribed target standard is compared with the actual situation, the required expenditure in the form of backlog investments – depending on the estimate – is put at between 30 and 40 billion deutschmarks based on today's purchasing power", observed the 1990 Annual Report.

NEW MODELS FOR THE HOSPITAL

Fortunately, there has been no shortage of innovative concepts. Ever since RHÖN-KLINIKUM went into the business of operating hospitals in the 1980s, it has had completely new ideas about what a hospital is, ideas which, by the way, have influenced the structures and thinking of the industry to this day.

Today hardly any large hospital in Germany can manage without an intermediate-care ward – a unit with a level of care between an intensive and standard care. It treats patients who, though still under a high degree of technical observation, no longer need intensive care. The cost advantages are just as obvious as the benefit for patients, since in the intermediate-care ward they are exposed to significantly less stress than on the intensive-care ward. The idea of intermediate care is part of the "flow principle", the basic form under which all hospitals of RHÖN-KLINIKUM Group are organised.

According to the visionary perception of the Company's founder, Eugen Münch, a hospital's processes had to be geared to the individual patient's condition. This created a four-phase concept under which patients are to receive varying degrees of care depending on how their recovery progresses, and thus to be looked after on wards whose technical equipment is adapted accordingly. Patients are thus escorted through a smooth and efficient care process, from the highest level of intensive care over intermediate intensive care not requiring artificial respiration (intermediate care) and the normal care ward right through to the low care ward prior to discharge. This concept, too, has found its imitators.

All these general concepts of a both rational and patient-oriented hospital, seasoned by experience and continuously refined, are still state-of-the-art. And that will continue to be the case in future also because they are like shelves whose compartments can be continuously filled with additional contents depending on the level of available knowledge and advances in technology. One very recent example of that is the Electronic Patient File designed to spare the patient all unnecessary queries and redundant examinations from the GP to the specialist right through to the hospital (and vice versa) – the current level of knowledge about the patient's state of health goes with that patient from one doctor to the next.

LOOKING BACK: THE FIRST HOSPITALS

Eugen Münch, miller and economist by trade and a pragmatist with a good dose of idealism, already had worked out in his mind his basic ideas of hospital operation when at the beginning of the 1980s he started planning the cardiovascular facility in Bad Neustadt an der Saale, the Group's first "real" hospital. This move came after he had repeatedly read headlines like "Death on the waiting list" regarding reports describing the shortage of capacities for heart operations in Germany.

He had already been gripped with an enthusiasm for clinical processes, but at that time it was not primarily Münch's job to establish a specialised hospital. Instead, he was envisioning how to breathe sensible life into a building complex found in a remote corner of the Rhön area only a few kilometres away from the still existing East German border. What he was looking for was "an area of activity that people need, and that people need so badly that they can only do without it at life's peril." And that's just what he found in heart surgery. The cardiovascular hospital Herz- und Gefäß-Klinik continues to be one of Germany's largest heart centres to this day.

Its construction was preceded by a restructuring project lasting several years. On the outskirts of Bad Neustadt an der Saale, brave investors erect four 14-floor high-rise buildings on the countryside. But their project to turn that into a spa and therapy centre fails miserably. After investments of 130 million deutschmarks, the undertaking is on the brink of bankruptcy.

In 1973 the tax adviser of this company takes over the management of the centre with its 1,500 vacant spa apartments as a rehabilitation centre. The idea for that comes from a

Susanne Helm
Head nurse Bettenhaus HGK/KfH, Bad Neustadt a. d. Saale
With Company since 2007
The service offering of RHÖN-KLINIKUM covers, among other things: "Cutting-edge medicine for everyone. Expertise and friendly care/adequate treatment for patients." What makes things easier in this regard is "to be able to rely on the resources of 'short paths' of the site's 6 clinics".

Lothar Kesselring
Head nurse of IC wards, Bad Neustadt a. d. Saale
With Company since 1986
"I visited the intensive care ward, just to take a look. When asked by the ward head back then: 'When can you start', my answer to so much spontaneity was: 'Right away, if I may'. Such spontaneity has – at least in part – continued to this day."

guy from Upper Swabia, Eugen Münch. Brimming with self-confidence, he becomes the sole managing director in 1974 and takes a stake of 25 per cent in the ailing company.

He then goes about the task of getting people to come to the towers. In 1975 he opens a psychosomatic hospital, which at that time was still by no means very common as a stand-alone facility. Two years later Münch designs a non-profit training project for continued professional training of German immigrants who also take up their living quarters in the high-rise buildings. Then Saaletalklinik, an addiction clinic for adults, is added in 1979. During all that time he is enthralled by the growing idea of going into the actual business of operating hospitals. He had thoroughly analysed the clinical processes in the hospitals of the day (most of which were publicly owned and operated), concluding that economically efficient care delivery to patients could not be achieved within such structures.

RATIONALISATION AND HIGH CASE NUMBERS

His conceptual approach: offering the health insurance funds medical services on the basis of rationalised processes (flow principle) at flat rates below customary market prices. And particularly for specialised hospitals, high case numbers should give the doctors experience and routine in performing the procedures, thus ensuring a high level of patient safety. One advantage of high occupancy is that it at the same time enables high and profitable investments to be made in the best possible medical technology – as nice knock-on effect. Given the higher medical quality, RHÖN-KLINIKUM AG would later also establish as many specialist clinics as possible in its general care hospitals.

The Company implements this concept in practice for the first time at the cardiovascular hospital Herz- und Gefäß-Klinik which opened its doors in 1984. To provide care to patients from remote regions, it has its own helicopter landing pad from the outset. Like the later facilities at the high-rise site in Bad Neustadt a. d. Saale, diagnosis units, operation theatres and intensive-care wards are housed in new buildings whereas the concrete towers serve as bed facilities. Over the years they will be refurbished. Here, Münch's idea of a patient-oriented hospital is already taking shape.

The individual apartments are converted into two-bed rooms each having their own bathroom units. Two of these double rooms, separated by a common living space with a television, form one patient unit each. This arrangement allows for remobilisation of patients and is consistent with the flow principle – as the last stage, so to speak, prior to the convalesced patient being discharged. This basic scheme is later repeated in numerous new buildings of RHÖN-KLINIKUM Group, then often in the form of single rooms connected in pairs by living areas.

Building on the experience gained with psychosomatics and the cardiovascular hospital, the neurology hospital is then established – as a completely separate and new building opened in 1991 – and the hand surgery hospital Klinik für Handchirurgie that opens its doors in 1992. This highly specialised hand surgery hospital – whose doctors are seasoned specialists in the fields of orthopaedics, plastic surgery and neurosurgery – is still relatively new in this form. The specialist medical discipline of hand surgeon does not yet exist.

Innovation also in neurology: the hospital focuses on treating craniocerebral trauma, stroke victims and Parkinson's patients based on a completely new concept. It is not to operate as a rehab hospital but instead admits patients to what is referred to as early rehabilitation just a few days after the occurrence of an acute disease event. It is equipped with a special intensive-care ward and escorts the patient in an ongoing process up to the rehabilitation phase depending the patient's stage of recovery. Here, too, the flow principle comes in.

EAST GERMANY'S PRIVATE RECONSTRUCTION PROGRAMME

The Company's management had already done its homework and gathered the required know-how when it embarks on the adventure of the "New Federal States" in 1989/90. The project of the heart centre in Leipzig quickly takes shape. In 1992 construction work on a 57 hectare property is begun. In 1994 the 150 million deutschmark building is opened – as Germany's first privately owned university hospital. To this day it is the pearl in the portfolio of RHÖN-KLINIKUM Group.

The private hospital company is also the first to operate an ordinary Bezirks-Krankenhaus (a general care facility that is the equivalent of a district hospital (Kreiskrankenhaus) in the old federal states). In Meiningen just 30 kilometres away the medical facilities are distributed i.a. in several wooden barracks. "Right after the opening of the Berlin Wall we contacted the hospital there. The hospital is in an extremely critical structural condition", reported the Board of Management in 1991.

THE MEININGEN SYSTEM – BLUEPRINT FOR ALL NEW BUILDINGS

"The overall concept is born of the idea of short paths within t he hospital. Six lifts connect the building sections of the 3-storey diagnostics and treatment wing with the functional building (technical facilities, administration, kitchen, supply and discharge units) and the 5-storey bed facility above it with its bedroom units oriented in all four directions.

Located on the ground floor in the diagnostics and treatment building are the emergency admissions area with its driveway access for bed-confined patients and the helicopter landing pad next to it. Directly connected to that are the X-ray department and the examination and treatment rooms for the disciplines of surgery, orthopaedics and neurosurgery.

Extremely short paths for patients and staff are also found on the first floor. This is where you have the maternity ward as well as the examination and treatment rooms for gynaecology, urology and paediatrics with their respective bed wards, all located in close proximity to one another on the same floor. On the second floor the same principle is applied: located directly next to the nine operating theatres are the recovery room, intensive-care unit and the ward for long-term immobility patients and intermediate care, which are available on an interdisciplinary basis for all patients requiring intensive nursing.

It is particularly here – in the exceptionally spacious intensive- and long-term-intensive-care as well as intermediate-care area with 88 of the 532 approved beds in total – that both medical and staffing aspects were planned with a view to performance and efficiency. That is because here, in what is frequently the bottleneck in German hospitals, everything that is done "well" serves the best interests of patients by having a decisive impact on the success of the recovery process after operations as well as shortening patients' treatment time and duration of stay. All in all, this planning has achieved enhanced efficiency, additional patient safety and – indiscernible to the patients – a reduction in construction and operating costs."

(Source: Annual Report 1995)

Priv.-Doz. Dr. Thomas Deneke
Head physician for cardiology, Bad Neustadt a. d. Saale
With Company since 2011
"At the cardiovascular hospital Herz- und Gefäß-Klinik patients undergo optimum treatment adapted to their individual needs thanks to co-operation of all disciplines on site. As head physician I have an influence over the hospital's development and orientation. Here, personal expectations can be realised within the hospital's overall concept."

Sabine Ratzke
Secretary, Meiningen
With Company since 2007
"I myself do my very best as the point of contact between head physician, senior physician, assistant physician, nurse and patients. Team work and honesty are very important for me. You should always work with and not against one another."

After a few emergency assistance measures, joint project groups develop the concept for the new construction of a 500-bed intermediate-care hospital, the first ever planned according to the requirements of the flow principle. From the outset it becomes a model project. At less than 400,000 deutschmarks per bed "the investment costs are at least a third below similar investments by the state. At the same time, the Company is setting a European standard", the Board of Management observes soberly.

And: "The already existing business management concept puts us into a situation in which the regular operating costs are so low that we can offer the Federal State of Thuringia a waiver of two thirds of the usual government grant." The fact that the facility's construction takes only a fraction of the usual time is a further bonus. In 1995 Klinikum Meiningen admits its first patients. It is nothing less than a "Mecca" for those having an interest in modern hospital organisation – to this day, visitors come from both Germany and abroad to see the flow principle in action.

Already in Meiningen, a procedure emerges that later on is to become almost standard restructuring strategy: instead of making costly patchwork repairs to old buildings with doubtful economic benefits, RHÖN-KLINIKUM AG prefers to replace them by new buildings on a green-field site. That way they "work" from the start. That is something that – as in Hildesheim, for example – cannot always be done at the first attempt. Nonetheless, it routinely brings about visible improvements in clinical processes and cost ratios (quite aside from the pleasant effect for patients of being cared for in modern, well-lighted and intimate rooms). The facilities in Nienburg, Cuxhaven, Pirna near Dresden or Leipzig-Südost are only a few notable examples of this.

MONUMENT FULL OF HIGH-TECH

In Bad Berka, though, the situation is somewhat different. This small location near Erfurt and Weimar is the site of "Zentralklinik Bad Berka". The building complex, part of which is listed under historical monument status, was erected as the GDR's first hospital building from 1952 to 1957. As a specialised intermediate-care hospital, Zentralklinik in 1989 was the only centre for heart surgery in Thuringia. Areas of focus also include treatment of lung diseases as well as orthopaedic and urological conditions.

Already early in 1990, RHÖN-KLINIKUM AG takes the first sanatorium for lung disease under its wing. It holds 75 per cent in the newly established GmbH, with 12.5 per cent being retained by the Town of Bad Berka and the Federal State of Thuringia, respectively. The Thuringian share is also acquired by the Town of Bad Neustadt a. d. Saale later on. To this day, the Bad Berka is pleased with its annual profit share.

In March 1992 the construction of a new operating centre with 14 OR theatres begins in Bad Berka. At the same time, Zentralklinik is provided with state-of-the-art diagnosis instruments such as a computer tomograph, a magnetic resonance imager and an additional left-heart catheterisation unit. At the end of 1993 the festive inauguration of the new OR centre is held, attended by Federal Health Minister Horst Seehofer and Thuringia's Prime Minister Dr. Bernhard Vogel. At that time such an investment carried huge significance, also symbolically. After this most important measure, the hospital is quickly renewed step by step.

A replacement bed facility with 488 beds opens its doors in August 1995. From 1995 to 1996 the hospital's monument-listed central structure is reconstructed and modernised. In 1998 a new west wing with interdisciplinary diagnostics and a PET centre is added. The PET (positron emission tomograph) is a high-tech device for a supersensitive imaging diagnosis procedure.

"The 14 wards of the bed facility are situated down slope and – together with an accessible rock garden – are covered by a glass roof. On top of the bed facility is a roof garden providing a broad view down into the Ilm Valley", is the description the hospital gives of its pleasant surroundings. And: "Each of the wards has two double rooms opening into a common living space with corner seating area, television and refrigerator. Each double room has its own bathroom with shower and toilette."

NEW SPECIALISED HOSPITALS IN THE WEST

In the meantime, things have also been moving ahead fast in the old federal states. After a construction period of only 15 months, the Neurology Clinic in Kipfenberg (Bavaria) is put into service in the autumn of 1993. The 35 million deutschmark project for a rehab hospital for craniocerebral trauma patients has three medical departments – early rehabilitation, further rehabilitation and nursing department – with a total of 124 beds.

New things are also happening in Karlsruhe. This region, like many others in Germany, has insufficient care capacities in the area of heart surgery. In 1991 the City of Karlsruhe and RHÖN-KLINIKUM AG enter into an agreement providing for a partnership with the City's healthcare facilities – a partnership that has continued to this day. After a construction period of 19 months and investments totalling 50 million deutschmarks, the first patients are welcomed into the new building in October. RHÖN-KLINIKUM AG now has three heart facilities: Bad Neustadt a. d. Saale, Leipzig and Karlsruhe. The number of operations in the Baden capital of Karlsruhe soon exceeds the capacity of 1,000 operations per year. A fourth, and later a fifth operating theatre are needed.

The opening of Klinikum Meiningen for all intents and purposes marks the end to the critical phase of the "East German reconstruction programme" for RHÖN-KLINIKUM Group. After that hospital acquisitions in the eastern federal states become more or less routine business. That does not mean their importance decreases. It is just that they are no longer are pursued with a view to meeting needs of a purely acute and urgent nature.

Thus, in 1999 the hospital Städtische Klinik Leipzig Süd-Ost, later called Park-Krankenhaus, with 526 beds at several sites, is added. In 2002 its facilities are amalgamated in two new buildings next to Herzzentrum Leipzig, the somatic and psychiatric clinics. "A total of 327 patients are moved from Chemnitzer Straße and Prager Straße into the new hospital buildings within the space of seven hours. In addition to the some 600 employees, 360 external helpers (fire department, army, police, rescue services, DLRG, THW) are also called in. Transport is organised in three buses, 80 ambulances and 40 additional vehicles", reports the hospital regarding its move on 23 February 2002.

SPECIAL PROVINCIAL CASE

In the same year Klinikum Frankfurt (Oder) with 910 beds is added to the RHÖN-KLINIKUM Group. It develops into one of the leading healthcare centres in the Federal State of Brandenburg. A special case within the RHÖN-KLINIKUM Group is the specialised hospital for psychiatry and neurology Fachkrankenhaus für Psychiatrie und Neurologie. When it is taken over in 2002 it has some 400 beds, which is considerable for a specialised facility of that kind.

In 2006 the specialised hospital opens a new, specially secured building for forensic psychiatry facility with 100 places. This facility treats addiction offenders – people who, for example, have committed criminal offences under the influence of alcohol or drugs and whose addiction makes

Priv.-Doz. Dr. Thomas C. Schmandra
Head physician vascular surgery, Bad Neustadt a. d. Saale
With Company since 2013
For 2020 I expect "RHÖN-KLINIKUM AG to present itself as an independent, proud innovative company that knows where it came from and is proud of its namesake headquarters in the Bavarian Rhön region"!

Helmut Bühner
Chairman of Works Council and member of Supervisory Board
With Company since 1985
I am able to share in and influence developments in different ways: "In the various bodies, both within the Works Council and the Supervisory Board, issues are discussed and treated with mutual seriousness and where applicable also implemented." Equally important are "personal discussions with decision-makers".

them likely to commit further criminal offences. The Free State of Thuringia is one of the first federal states to delegate to the private operator within such forensic hospital the sovereign mandate of conducting measures involving the deprivation of freedom ordered by the courts. It is only at the beginning of 2012 that the privatisation of the forensic hospital is approved by the German Federal Constitutional Court.

The hospital portfolio of RHÖN-KLINIKUM AG continues to grow steadily. Some years are marked by a certain consolidation in which, like in 2001, the Company's primary focus is on upgrading and modernising its existing facilities. And then there are years with major growth spurts, as in 2005 when the Group takes over eleven hospitals. These include large units such as Stadtkrankenhaus Hildesheim: over the next few years it becomes the centre of a hospital cluster in Lower Saxony that also comes to include the hospitals in Salzgitter also acquired in 2005 as well as the Nienburg and Stolzenau facilities taken over in 2002. Three Bavarian hospitals – two in Munich (Pasing and Perlach) and one in Dachau – also become members of the Group.

It is no wonder, then, that in 2005 the Group's revenues grow to 1.4 billion euros. The year before that it had already passed the one-billion-euro mark in revenues (1.04 billion euros). During the consolidation year of 2001, revenues had seen an increase of only 4 per cent. The Group's growth thus depends decisively on the scale and scope of acquisitions. Takeover targets are first and foremost public hospitals. In 2005 only municipal and district hospitals are taken into the RHÖN-KLINIKUM Group. It is during that year that the Company gathers momentum for its biggest growth leap ever.

AN ALMA MATER TURNS PRIVATE

The acquisition of a 95 per cent interest in Universitätsklinikum Gießen und Marburg GmbH (UKGM) in 2006 is an absolute high point in the history of company takeovers. On the one hand it was a typical candidate for restructuring: the investment backlog was everywhere. In Gießen: many isolated and outdated buildings, some of which were still at 19th century standards and could hardly lend themselves to any reasonable level of efficient operation. In Marburg: a new hospital building in Lahnbergen, inaugurated in 1984 and already no longer state-of-the-art. Both of them had serious efficiency concerns: federal state funding had long ceased to be sufficient for ensuring state-of-the-art standards of their technical facilities.

On the other hand it was a very delicate matter – in two respects. For centuries the two universities, only some 30 kilometres apart from each other and both with a Protestant background, had co-existed on what were not always the most amicable and friendly of terms. Today's Justus-Liebig University, founded in 1607 by Landgrave Ludwig V. of Hessen-Darmstadt, was largely Lutheran, whereas the Marburger Philipps University established in 1527 by Landgrave Philipp the Magnanimous of Hesse was Calvanistic.

Separated by religion but very close geographically, they developed a tradition of rivalry that persisted until very recently. That also went for the largest faculty at each of the two universities: that of medicine. The merging of these two faculties, as decided by the Federal State of Hesse in 2004 and realised in 2005, was never going to be easy. Added to this was the explosive effect of privatisation – an alma mater organised in the form of a limited liability company (GmbH), that is something that just did not want to agree with the self-evidence of independent scientists.

And that brings us back to our point of departure. The confrontation of the ivory towers of academia with entrepreneurial pragmatism and economic necessities – fuelled additionally by outside influences – turned into a smouldering conflict. When RHÖN-KLINIKUM AG latterly halted the 120 million euro particle therapy project – a particularly pin-pointed and non-destructive form of radiotherapy for certain types of cancer – economics put an end to the peace.

And not only in the twin hospitals: the Hesse State Government, which until then had exercised restraint, went on the offensive and threatened to impose on the Company a penalty payment of 107 million euros. It argued that the particle therapy centre was an integral component of the takeover agreement concluded in 2006, just like the 200 million euro investment in a new hospital building in Gießen (according to the concept of RHÖN-KLINIKUM Group) formed part of a programme for refurbishment and new construction in a total volume of 367 million euros.

The construction programmes have now been completed for the most part, and the particle therapy facility, according to the latest agreement, is to begin operation at the end of 2013. In return: to offset the extraordinary expenditure for the two separate sites, the Federal State of Hesse will permanently pay a structural compensation amount of three million euros per year to the university hospital. Moreover, UKGM will receive government grants for investments "in sufficient quantity". That could turn out to be 13 million euros in each of 2013 and 2014. This will probably restore the peace. The "university privatisation" project has good prospects of becoming a success after all.

This is not least because the ideas behind the strategic decisions at RHÖN-KLINIKUM Group continue to be as valid as ever. A company's spirit lives in the minds of its people. And you get a good sense of just how firmly embedded those original ideas and values at RHÖN-KLINIKUM AG are when you talk with the Group's staff throughout Germany and across all professional groups about what they expect from their hospital Group in the year 2020. Many of the statements are reminiscent of the early beginnings, going far back to the time before the IPO.

There you hear about "cutting-edge medical care for everyone" or "structures that will ensure a high quality of patient care also in future". Also in 2020, the RHÖN-KLINIKUM will "primarily stand for good and professional medical care provided by enthusiastic and creative staff for the benefit of people in the treatment of their illnesses". The expectation of "complex, dignified patient care" or "medical care to high technical standards and meeting the specific needs of patients" also says a lot about the actual make-up of the hospital Group. And what has made it strong is reflected by another wish: That RHÖN-KLINIKUM AG may continue to be a trendsetter for innovation within the German healthcare system up to 2020 and beyond.

Priv.-Doz. Dr. Michael Hocke
Head physician/medical director, Meiningen
With Company since 2008
"Klinikum Meiningen and in particular the hospital's management have ensured that medical care in Meiningen is offered in specialised fields at the university level."

PARALLEL DEVELOPMENT: INNOVATION

The history of RHÖN-KLINIKUM AG is not only the history of a model of successful economic and healthcare policy management but also one of hospital innovations in medical technology. The Group's doctors have developed countless special therapies and operation techniques. Paying tribute to all of them in the space of this Report would not be possible. But there are also overarching developments that the Group has and continues to contribute.

- DaVinci with the steady "hand"

  In the medical community, this premiere caused quite a stir: in February 1999, Universitäts-Herzzentrum Leipzig became the world's first heart clinic to put into service its own robotic operating theatre. With this machine known as daVinci that he operated from a control panel in room adjacent to the operating theatre, Professor Dr. Friedrich-Wilhelm Mohr performed beating-heart bypass operations – at the time a sensation.

  The robot in question was a three-armed telemanipulator that controlled the probes equipped with the instruments and a camera with millimetre precision. These probes were introduced into the thorax – through tiny incisions between the ribs, as with manual minimum-invasive procedures. The advantage is that daVincis' computer filters out every shaky, undesired movement.

  The disadvantage is that to this day the mechatronic system responds with slight delays and generally works more slowly than a surgeon who moves the instruments directly. For that reason the surgeons in Leipzig reverted to manual operations. DaVinci has since found a new field of action in urology, for instance for prostate operations.

- Radioactive drugs

  It is indeed somewhat unusual for a hospital to manufacture nuclear medical products itself. At Zentralklinik Bad Berka, Professor Richard P. Baum already in 1998 began to build a cyclotron (a type of particle accelerator) for manufacturing radioisotopes, which are what he needed to perform examinations with the PET (positron emission tomograph, a device used for a particularly sensitive imaging diagnosis procedure).

  Since the specialist in nuclear medicine did not wish to content himself with diagnostics, therapeutics were also included in the product line over the years – these are radioactive drugs that are placed within tumours and, as it were, radiate them from the inside so as to at least inhibit their growth. Baum developed some of the treatment methods himself. And that with tremendous success: patients come from all over the world to Bad Berka to undergo treatment for a special type of cancer.

The production of isotopes for self-use has meanwhile turned into a commercial segment. The small-scale production facility subject to a stringent international hygiene regime, the first private production facility of this kind in Germany, today supplies more than two dozen hospitals in Germany and neighbouring countries with fluordesoxyglucose (FDG), the standard substance used for PET diagnosis. This year, the nuclear medicine department will be given a new radiopharmaceutical centre – a cyclotron for 11 million euros as a production facility for radiopharmaceuticals.

- Teleportal to the expert

Small hospitals, usually those in smaller communities, often present a dilemma. Being too small to cover a minimum range of disciplines, they are usually doomed to closure. And yet with them people have the feeling of having points of contact close at hand. RHÖN-KLINIKUM AG has developed a model that does justice to this feeling. Teleportal hospitals link the expertise of distant specialist to the know-how of doctors with a broad-based medical background on site.

This is possible thanks to modern broadband technology and a high level of technology of the teleportal hospitals. Already the first teleportal hospitals in Stolzenau in Lower Saxony and the tiny community of Dippoldiswalde in the Erz Mountain area, both opened in 2005, were each equipped with cameras, a computer tomograph and a magnetic resonance imager. Stolzenau was affiliated to the facilities of Mittelweser-Kliniken in Nienburg, Dippoldiswalde to the University Hospital of Dresden.

For diagnosis, all that is needed locally are first of all specially trained medical-technical assistants. Based on the instructions of a radiologist in the respective central control unit, they place the patient under the computer tomograph and initiate the illumination procedure. The digital X-ray image is sent online to the expert's screen, who immediately notifies the medical colleague at the teleportal hospital of the finding. After that the treatment – or operation in serious cases – can be initiated.

There are meanwhile several teleportal networks within the RHÖN-KLINIKUM Group, most of which are organised regionally and do not merely consult specialist within the Group itself. The system not only ensures fast help in remote areas such as Dippoldiswalde (which in winter is sometimes almost completely cut off from the outside world). Thanks to the high level of expertise it also helps to avoid mis-diagnoses and thus also wrong therapies.

- Patient file on the web

Networking is also the aim of the "web-based electronic patient file" (WebEPA). This file can hold everything that you find in traditional paper patient records: findings, X-ray images, lab results, previous therapies, emergency information relating to allergies, blood type or chronic conditions. In practice, such vital information is often locked away in a GP's filing cabinet. Making tedious inquiries for such information or forwarding it in physical form is something that costs valuable time.

WebEPA fixes the problem, because unlike its paper predecessor it not only gathers information from one "service provider" – i.e. one GP or specialist, one hospital, a radiology practice – but also escorts patients through all stages of their treatment. This make it possible to avoid redundant examinations, for example X-ray images or lab tests, as well as redundant prescriptions or even conflicts of new drugs with those that have already been prescribed. This information can be retrieved by any participating doctor at any time of the day with just a few clicks of the mouse.

WebEPA is the result of many years of development work in which notably security against unauthorised access played an important role. Today it is ensured that the patient information can be accessed only by authorised doctors. And that only with patients' consent who at all times are the keepers of their own files. It is only he or she who decides which doctor is allowed to view what data. And they may withdraw their consent at any time.

- Particles against cancer

The particle therapy centre waiting to be put into service at the university hospital at the Marburg site in Lahnbergen is an exciting machine. Not just because the synchrotron, the ring-shaped heart of the facility that is such an impressive component having a diameter of 21 metres and the power consumption of a small city, but above all because of its therapeutic use.

Kristin Reum
Patient accounts employee, Meiningen
With Company since 2011
"All staff are very friendly and helpful. That makes it somewhat more pleasant to be at the hospital."

Dieter Biesgen
Caretaker, Meiningen
With Company since 1995, predecessor hospital from 1980
"I was fortunate to switch from the old hospital to RHÖN-KLINIKUM."

Dr. Martina Baumann
Head physician, paediatric clinic, Meiningen
With Company since 1995
"Here in Meiningen we operate an interdisciplinary paediatric ward: 'all children under one roof!' All children receive care from paediatric nurses and paediatricians: a big advantage for patients and their parents."

Sabine Göpfert
Head nurse, children's nurse, Meiningen
With Company since 1994, predecessor hospital from 1979
"RHÖN-KLINIKUM offered me attractive opportunities for professional development. I was able to make a contribution as well as develop and realise my own ideas."

The use of radiation therapy in treating cancer it not that new anymore. But until now the cancer foci were usually bombarded with photons which also more or less damage the surrounding tissue as well. That is different in the case of protons or carbon ions used in the particle centre. They unleash their full destructive energy only in the targeted region that can be confined to a very closely defined point. The tissue they make their way through to get there remains largely unharmed.

To produce such precision it is not only necessary to make extremely fine adjustments to the "particle canons". The treatment tables that the patients lie on can also be adjusted with fine precision. In fact these tables are actually special robots with six degrees of freedom. Special monitoring devices functioning on an X-ray basis control the patient's positioning and send correction commands to the robot as necessary. The host of innovative elements found in this facility was largely owing to the contribution of the Marburg doctors working with Professor Rita Engenhart Cabillic.

■ Heat and cooling from nature

Environmental technology is not among a hospital group's inherent tasks. However, for RHÖN-KLINIKUM AG environmental protection forms an integral part of its responsibility towards patients. Time and again, the Company's experts have come up with hospital-specific solutions to preserve the environment. Over the years the Company has established a rich store of innovative ideas that can be used in the hospitals depending on the specific local situation.

For example, we gladly use forms of energy that are freely available in nature. In Munich the ground water flowing there as a cooling medium. In other places, it is tunnels with cold air below or next to buildings that support our cooling systems. Near the coast, in the hospitals in Cuxhaven and in future also Nordenham, we are tapping the soft ground below as heat and cold accumulators. For this purpose the foundation piles, that are needed there anyway, are provided with lines through which a special fluid transports the energy to heat and cold pumps in the building's technical facilities.

Electricity, heating or cooling are preferable produced by the hospital itself. For example, the facilities of RHÖN-KLINIKUM Group were the first in Germany to install combined heat-and-power (or cogeneration) plants to supply electricity and heat (and thus also cooling) simultaneously. These miniature power plants are in principle – usually gas-fired – engines that drive generators, thus producing excess heat. Electricity surpluses can even be fed into the power grid. We unfortunately had to discontinue experiments with high-efficiency fuel cells that convert the special gases directly into electricity after the manufacturer withdrew from this business segment. In such cases, core innovations usually come from outside. But the experts of RHÖN-KLINIKUM AG optimise them for the purposes of its hospitals.

GROUP MANAGEMENT REPORT

- We succeeded in raising our patient numbers by +12.2% in total compared with the previous year. Consolidated revenues developed accordingly compared with 2011, rising by +9.0% to roughly € 2,865 million.
- 2012 was dominated by external effects and one-off burdens that had an impact on the operating result.
- With our revenue and earnings figures for financial year 2012, we clearly lagged behind our expectations and thus did not achieve the targets we had set at the beginning of the year. Our net consolidated profit declined by roughly –43% to € 92.0 million. Likewise, EBITDA generated for 2012 declined by roughly –18% to € 291.5 million.
- One particular area of focus in financial year 2012 was on our successful new acquisition, Dr. Horst Schmidt Kliniken (HSK), notably with a view to quickly and successfully integrating the entity into the RHÖN-KLINIKUM Group.

The entire Bad Neustadt site has a long tradition of interdisciplinary co-operation.

1 EARNINGS AND FORECAST

	2012 € m	2011 € m	Change %
Revenues	2,864.9	2,629.1	9.0
EBITDA	291.5	354.7	–17.8
EBIT	150.3	213.2	–29.5
EBT	113.7	186.5	–39.0
Operating cash flow	231.8	303.9	–23.7
Net consolidated profit	92.0	161.1	–42.9
Balance sheet total	3,184.4	3,175.3	0.3
Investments	326.4	317.4	2.8
Shareholders' equity	1,607.5	1,598.7	0.6
Net financial debt	801.6	551.9	45.2

In 2012, the patients of RHÖN-KLINIKUM Group did not appear to be taken aback by the at times turbulent events of the financial year: with 2,555,822 patients, more persons were treated by the Company's facilities than ever before. The top quality of nursing and medical services offered and delivered by us ensured that 12.2% more patients put their trust in us compared with the previous year.

Given the marked growth in patient numbers, we achieved record revenues of some € 2,865 million. The takeover attempts by Fresenius SE tied up our management resources and had a negative impact on our operating side. This, together with one-off expenditures such as substantial consultancy fees and personnel changes within the Board of Management, led to a decline of 42.9% in net consolidated profit to € 92.0 million. EBITDA stood at € 291.5 million in 2012 and thus declined by 17.8% compared with the figures of the previous year. As of 1 May 2012, the Wiesbaden-based Dr. Horst Schmidt Kliniken (HSK) was consolidated for the first time.

We treated our patients at our 54 hospitals in Germany with a total of 17,089 beds and 41 medical care centres (MVZs) with 199.5 specialist doctor's practices. Our staff of currently 43,059 persons ensured the well-being of our patients, with the share of women remaining at roughly 75%.

Also in financial year 2012, we used operating cash flow of € 231.8 million for expansion and modernisation of our sites and for path breaking medical technology and optimised clinical processes. Overall we made aggregate investments of € 326.4 million.

EBITDA generated over the past financial year stands at € 291.5 million. Consolidated EBITDA recorded a 17.8% decline (13.7% adjusted for the effects of the PTC, see chapter 6.2) compared with the previous year. The EBIT margin of the past financial year is 10.2%.

Our equity capital climbed to € 1,607.5 million (previous year: € 1,598.7 million), which reflects an equity ratio of over 50%. Net financial debt rose on the back of acquisitions and investments to roughly € 802 million.

Forecast for 2013

For financial year 2013 we expect to clear the € 3 billion mark in revenues for the first time (€ 3.03 billion, which may fluctuate within a range of plus or minus 2.5%). This target is accompanied by a forecast for EBITDA of € 325 million and for net consolidated profit of € 110 million, both of which may fluctuate within a range of plus or minus 5%.

2 ECONOMIC AND LEGAL ENVIRONMENT

2.1 MACROECONOMIC TREND

Growth in the German economy witnessed a positive trend in 2012, although it was less dynamic than in the previous year. In addition to the debt crisis in the euro zone, the slower growth was primarily attributable to the overall weaker economies of industrialised nations worldwide.

According to preliminary calculations of the German Federal Statistical Office, real gross national product (GDP) grew by 0.7% in 2012 compared with 3.0% in the previous year. In this picture, services witnessed particularly strong growth compared with the other economic sectors.

The good economic performance led to considerable tax revenues in 2012. According to preliminary figures of the Federal Statistical Office, this resulted in a surplus (with the social insurance agencies as well as local, state and federal levels of government) of € 2.2 billion.

In its Annual Economic Report submitted in the middle of January 2013, the German government expects average economic growth for the current year of 0.4%, which is somewhat weaker compared with last year. In 2013, the pressure on private household expenditures will be reduced as a result of various factors, including a reduction in pension insurance contributions and the abolishment of the "practice fee" payable for doctor's visits; this in turn is expected to result in a positive trend in private consumer spending and a corresponding impact on domestic demand.

2.2 DEVELOPMENTS WITHIN THE SECTOR

In 2012, the social insurance funds were again helped by the persistently good employment situation and a strong increase in wages. The statutory health insurance funds and the Central Health Fund once again recorded surpluses running into the billions, unleashing controversial distribution debates within the sector.

The general framework conditions for the hospital sector continued to be difficult in 2012. Mandatory cuts prescribed by law as well as high increases in the cost of personnel, energy and materials had a negative impact on the trend in earnings. The framework conditions defined by the SHI Financing Reform Act (GKV-Finanzierungsgesetz, GKV-FinG) for 2012 provided for cost cuts in the hospitals sector to the tune of a further € 600 million. In this context, legislation provided for a lowering of the rate of change by 0.5 percentage points. The rate of price increases was capped at 1.48%, compared with 1.98% previously. In addition to that, discounts on surplus service volumes had to be agreed by the hospitals with the statutory health insurance funds also in 2012. Unlike in previous years, the discount amount was not prescribed by statute but had to be agreed with hospitals on an individual basis.

The provisions adopted in the middle of the year for improving the economic situation of the hospitals do not bring any significant relief. The financing gap in the area of personnel expenditures was only partially closed by a proportionate financing of wage cost increases in 2012 in a volume of € 300 million. The agreed surplus translates into a rise of 0.51% in DRG remuneration for full year 2012.

With the Psychiatry Remuneration Act (Psychiatrie-Entgeltgesetz, PsychEntgG) introduced in the middle of 2012, the legal framework conditions were adopted for introducing the remuneration system for psychiatric and psychosomatic facilities. The corresponding clinics and departments have the option of adopting this system in 2013.

As of 2013, the rate of change in aggregate income according to the German Social Insurance Code V (Sozialgesetzbuch V, SGB V), which has hitherto been crucial for the trend in hospital budgets, will be supplemented by a pro rated orientation value. The orientation value as calculated by the Federal Statistical Office in the autumn of 2012 is 2.0% and is below the rate of change of 2.03% announced by the German Federal Health Ministry. According to the statutory requirements, the official orientation value applies as the cap on price increases. Consequently, the state base rates will again rise only moderately in 2013. That means that the discrepancy between the trend in revenues and costs will continue in 2013. Coming on top of this are discounts on surplus service volumes to the tune of 25% as well as financial burdens as a result of new statutory provisions.

Also at the end of the financial year, the problem relating to case number and case mix increases at the hospitals remained unresolved. A statutory research project to be submitted in 2013 on the trend in service volumes at hospitals is to shed light on the influencing factors and on possible solutions.

2.3 DEVELOPMENTS WITHIN THE GROUP

RHÖN-KLINIKUM Group, which is undergoing a process of transition to become an integrated healthcare provider, shows that we give priority to the core element of having sustainable and integrated care structures within a region. 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.

In financial year 2012, we continued our commitment to the quantitative and qualitative expansion of our acute inpatient structures. By overcoming sector boundaries we will succeed in improving the quality of medical care. For the expansion of our medical offering, the particular focus of interest is on hospital-affiliated medical care centres (MVZs) 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 2012, thanks to our successful acquisition of Dr. Horst Schmidt Kliniken HSK and our growth in patient numbers, we have also demonstrated that our path of achieving further consolidated growth can also be achieved successfully by organic and acquisition-driven growth. In 2012, the following major milestones of growth were achieved:

- In 2012, we were involved in all relevant hospital acquisition bidding procedures. That said, in reaching our decision for takeovers and equity investments 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.

- In financial year 2012, we succeeded in convincing 2,555,822 patients (12.2% more than in financial year 2011) of our high performance thanks to our expertise in providing generalised healthcare and the high quality of the medical offering.

- In 2012, RHÖN-KLINIKUM AG established and implemented a host of measures to secure and raise quality standards in the provision of medical services. Some examples of this are projects for medical innovation in the area of heart valves or micro-invasive procedures in heart surgery.

- We steadfastly continued the further expansion of our network of generalised healthcare delivery for all patients in 2012, adding three medical care centres (MVZs) and 33 specialist doctor's practices. We thus have over 41 medical care centres and some 200 doctor's practices within our outpatient structures.

- With an investment volume of some € 178 million, we were able to steadily expand our existing facilities and thus create the basis for further qualified and sustained growth.

Our stated objective is to create a broad basis of trust in medical care and treatment quality on the part of our patients. It is on this basis that we are driven by a desire to put all our expertise to work for patients, gearing all our efforts and employing all our investment and financial strength towards earning the trust patients place in us.

3 CORPORATE MODEL

Our objective is to offer generalised, high-quality and cutting-edge medical care that is accessible and affordable for everyone. For us, the basis for first-class 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 model of RHÖN-KLINIKUM AG and its Group is based on responsible and sustainable corporate governance. Our corporate model 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 an ethically sound corporate model (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 model 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

Long-term commitment and sustainable value enhancement 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 is very much 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 want to help to continue to assure the performance, efficiency and social responsibility of the German healthcare system in future.

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

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

Our responsibility to the environment

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

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

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

You can find more detailed information regarding our commitment to the environment and health in our Annual Report as well as in our 2012 Sustainability Report.

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 a 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 also attach great importance to supporting 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 and thus retaining them in the long term.

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 at congresses, trade fairs and student contact fairs with those taking a potential interest in our Company and seek a discussion with them.

Further details on our activities in the area of human resources development are provided in our Annual Report.

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. The work approach of the Board of Management and the Supervisory Board as well as the established committees are also described.

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

Declaration of Compliance with the German Corporate Governance Code

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 enhancing the 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. Detailed discussions were held on the corresponding revisions to the German Corporate Governance Code. 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 7 November 2012 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 15 May 2012. 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)
- Item 5.4.6 (Performance-linked remuneration of 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. The shareholders' representatives on the Supervisory Board are convinced that this practice has proven itself, and therefore see no need to depart from this practice.

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 13 June 2012 authorised the Company, during a period until 31 December 2013, 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 are held. 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 on our homepage, we inform our shareholders, shareholder associations, analysts and the media of all other recurring key dates.

Corporate bodies

The Supervisory Board and the Board of Management 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. Members of the Supervisory Board and the Board of Management are appointed and dismissed 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 (sections 179 et seq. AktG) and to dismiss 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 2012 (2011: four ordinary meetings) and three extraordinary 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.

During the financial year a Special Committee, limited in term to the period of the takeover offer by Fresenius, was formed by the Supervisory Board to prepare the statement of the Supervisory Board pursuant to section 27 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG).

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 2012, 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 pension retirement 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 provide remuneration for 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.

The members of the Board of Management are guaranteed a total annual remuneration (sum of base salary and bonus) of at least € 450,000.00. The cap for the total annual remuneration is set at € 900,000.00. The minimum remuneration and the cap can be fixed at up to 2.5 times these amounts for the chairman of the Board of Management and at up to 2 times these amounts for his permanent representative and the chief financial officer (CFO).

In financial year 2012, the remuneration of the members of the Board of Management holding office in financial year 2012 totalled € 10.9 million (€ 6.5 million in previous year). Of this total, € 1.2 million (previous year: € 1.4 million) was accounted for by components that are not performance-linked and € 6.4 million (previous year: € 5.1 million) was accounted for by variable remuneration components. The provision for claims to pension retirement benefits by the members of the Board of Management amount to € 0.2 million (previous year: € 3.5 million). In financial year 2012, members of the Board of Management (or their surviving dependants) received remuneration for pension retirement benefits amounting to € 4.6 million (previous year: € 5.4 million).

The remuneration of the Supervisory Board is governed by Section 14 of the Articles of Association. It is performance-linked and related to the amount of time worked, the duties and functional responsibilities assumed by the members of the Supervisory Board, as well as 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 € 2.0 million (previous year: € 2.7 million). Of this total, € 1.0 million was accounted for by fixed remuneration components (previous year: € 0.8 million). € 1.0 million was included as performance-linked remuneration (previous year: € 1.9 million).

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

Shareholdings of members of corporate bodies

As at 31 December 2012, the members of the Supervisory Board and the Board of Management together held 12.54% of the Company's registered share capital, of which the Supervisory Board accounts for 12.53% 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 hold 0.08% of the shares in issue. The members of the Board of Management together hold 0.01% 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 on our homepage and in the Notes to the consolidated financial statements were reported to us in financial year 2012.

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. in the case of a re-transfer of the company shares, 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 both with the statutory regulations and 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, measures have been taken to ensure that 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 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

Quality of services provided is given top priority at the facilities of RHÖN-KLINIKUM Group. When performing their work for patients, our employees follow a stringent set of standards and rules. In close collaboration of all those involved we succeeded yet again, based on a comprehensive understanding of quality, in achieving numerous improvements during the past financial year, and are determined to continue steadfastly on this path.

In 2012, 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 service performance process – from the patient's admission to hospital and subsequent clinical treatment right through to the patient's release. 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.

With the generalised use of the Critical Incident Reporting System (CIRS), i.e. reporting on "near incidents", we make an important contribution to ongoing improvement in 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.

A further milestone on the path to steadily increasing patient safety is the so-called "electronic drug therapy safety review (eAMTS)" system. Since 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), has developed the requirements to be met by such a system. In this regard the primary aim is to exclude overmedication and adverse drug-drug interactions. Giving due regard to prescription freedom, we want to assist our doctors in administering drugs by pooling medical and pharmaceutical expertise with the help of the system.

"We value your opinion!" It is under this motto that we conduct a regular and structured survey among patients and 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.

After the German legislator adopted an amendment to the German Infection Prevention Act (Infektionsschutzgesetz, IfSG) in July 2011, the state hygiene regulations drawn up by all German federal states were passed in 2012. Many hospitals are finding it difficult to comply with the new provisions. They are encountering considerable problems particularly when it comes to recruiting qualified hygiene personnel. However, the facilities of RHÖN-KLINIKUM AG were already prepared for these 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 of RHÖN-KLINIKUM Group in 2008, have proven indispensable as a key control instrument. They provide the basis for the ongoing improvement in the hygiene situation at the hospitals – also by a comparison of the hospitals amongst themselves. One example of this is the consumption of hand disinfectants that has been on the rise 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.

That we meet the standard of high quality and transparency is seen by the participation of our facilities in the Internet portal Qualitätskliniken.de. In this portal, facilities of various affiliations present to the public the high quality of their facilities compared with other hospitals. As one of the three founding partners of Qualitätskliniken.de, RHÖN-KLINIKUM AG has the stated objective of making its own quality development transparent for both patients and specialists. For this purpose, our hospitals since 2010 have been publishing an overview of nearly 400 quality indicators through this 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.

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

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 management system, with reference to accounting, is also concerned with the risk of misstatements in accounting as well as in external reporting.

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

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 annually – 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 a consolidation of expenses and earnings, receivables and liabilities as well as an elimination of any intercompany profits. IFRS-relevant revaluations and/or reclassifications are performed at the Group level according to uniform accounting and valuation methods.

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

4 MANAGEMENT OF RISKS AND OPPORTUNITIES

Our corporate activity is inseparably bound up with risks and opportunities, as 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, we see managing risks and opportunities and controlling the same on a sustainable basis as a core corporate task firmly enshrined in our management culture. In this regard, our value-oriented corporate strategy gives due 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 design to avoid such risks are given top priority. This involves continuously weighing up opportunities against the risks.

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. However, it still holds 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 2012

Innovation, reliability and sustainable management are the very basis on which RHÖN-KLINIKUM AG has built its success. We continue to be steadfast in our efforts at reviewing and optimising our processes and strategies. In 2012 we continued our activities to optimise our sites by conducting reviews of their service portfolios and identifying performance potential. From this starting point, these existing opportunities are implemented as potential sources of revenues and earnings by means of portfolio analyses. Stringent monthly variance analyses performed for service volumes, revenues and earnings decisively help us adhere to our forecasts. We will respond to the current challenges of healthcare policy with a Group-wide efficiency programme so as to ensure the future viability of good medical care.

At our hospital subsidiaries in financial year 2012 we primarily examined the areas of fire protection and patient safety. The risks identified from this were counteracted by sets of measures already in place throughout the Group and by individual prevention/minimisation strategies. At the Group level, we focused on the areas of establishing an external pool of qualified applicants as well as developing and implementing intrafacility qualification programmes for our four professional groups of nursing, doctors, healthcare professions and administration. Moreover, the recording and invoicing of highly complex nursing services

(PKMS = nursing complex procedure score) was implemented throughout the Group in 2012. At the medical level, we also further expanded telemedical networking within the hospital network.

The investigation proceeding against service companies was expanded in the course of 2012 against legal persons having a legal contractual relationship with service companies. We continue to be 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 regulatory and 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.

In the hospital sector, business prospects and existing risks are typically characterised by long-term cycles. As a result, short-term changes in the market environment are still usually the exception. The following risk fields have a decisive influence on general business performance as well as the development of our asset, financial and earnings position:

Macroeconomic and legal risks

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

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.

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

In 2012 the German legislator has taken various measures and provisions introducing a new financing basis for the hospital area. The additional financing due to the high collective wage deals will benefit hospitals in 2012. As it turns out, however, this financing will only have a partial effect and will not completely cover the additional costs. The introduction of a pro rated orientation value for rising prices from 2013 is moreover an important step towards greater transparency in the actual cost trend at the hospitals. However, the orientation value published in September 2012 for the first time, at 2%, does not offset the higher prices for our hospitals.

Market or revenue risks

In Germany, hospitals approved under state hospital planning enjoy de facto state regulated protection in their respective catchment area. Traditional market and revenue risks exist only where site closures are 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 new credit facility has secured the Group's future liquidity. The Group has financial liabilities including negative market values of financial derivatives of € 1,034.7 million and interest-bearing assets of € 237.0 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 purpose other than 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 has 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.

Hospitals normally have personnel cost ratios of between 50% and 70%. This not only 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.

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 2012 AND OVERALL ASSESSMENT

In our risk evaluation for financial year 2012, no risks jeopardising our corporate existence became known to us. 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 2012, 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

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. Our 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 university 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 over participation in long-term clinical studies and promising international research projects 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). In 2012, both centres have now been successfully launched. Here, the Universities of Gießen & Marburg Lung Center (UGMLC) is assuming responsibility for co-ordination within the entire German Centre for Lung Research.

At the heart and thoracic vascular surgery hospital Klinik der Herz- und thorakalen Gefäßchirurgie the LOEWE research focus (LOEWE = State Initiative for the Development of Scientific-Efficient Excellence) on "Preventive Biomechanics – PreBionics", also based at UKGM, is using computer simulations to mathematically determine the structure and function of the human body in individual areas. These are reproduced in the form of computer simulations. The objective is to achieve timely diagnosis of a disease and therapy initiation.

The contractual co-operation of the University Hospital of Gießen and Marburg, Gießen site, and Kerckhoff-Klinik Bad Nauheim last year led to the creation of a new competence centre with a heart research institute with the objective of further expanding excellence and the highest standards of quality in research and hospital treatment in Central Hesse.

These research projects are only some of innumerable other studies and research projects being carried out at the University Hospital Gießen and Marburg.

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

6 CONSOLIDATED TREND

6.1 OUR HOSPITALS AND THEIR PERFORMANCE

With its 54 hospitals and 41 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 96% of consolidated revenues and is rounded off at some sites by the offerings of our rehabilitation clinics.

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

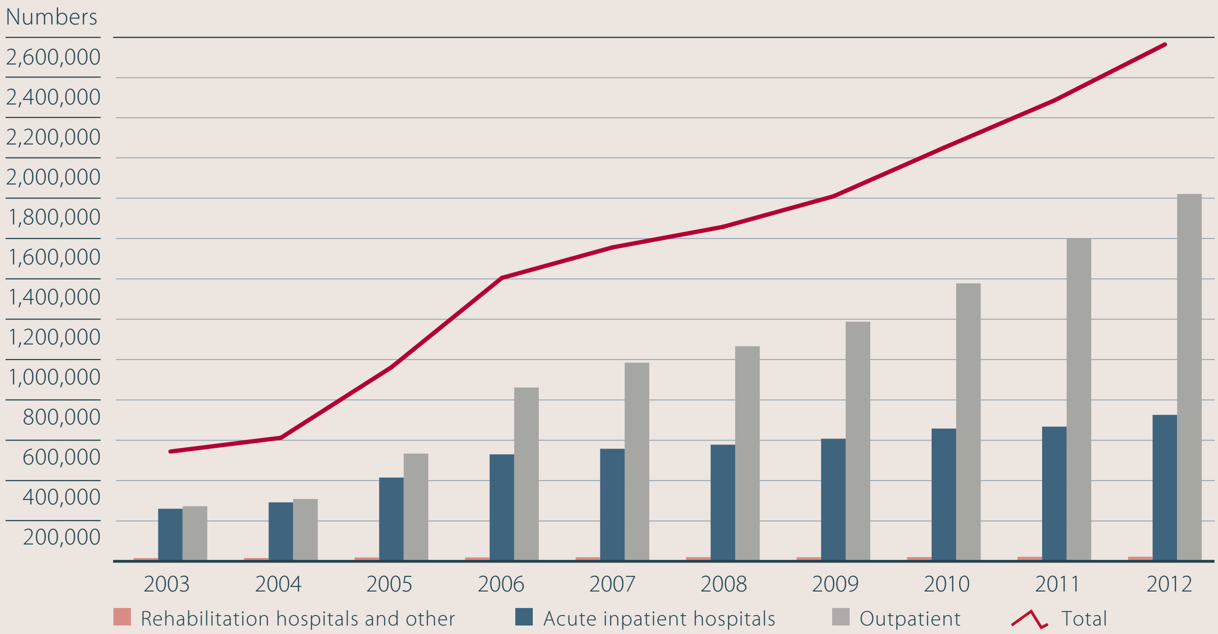
Major sites with an acute inpatient care offering include the hospitals at parent company headquarters in Bad Neustadt a. d. Saale, our medical science centres in Gießen, Marburg and Leipzig as well as the hospital sites having a supraregional catchment area in Bad Berka, Frankfurt (Oder), Hildesheim, Karlsruhe, Munich, Pforzheim and Wiesbaden.

The following changes in bed capacities have occurred compared with the previous year:

	Hospitals	Beds
As at 1 January 2012	**53**	**15,973**
HSK, Dr. Horst Schmidt Kliniken GmbH	1	1,027
Change in requirement budgets (net)	–	89
As at 31 December 2012	**54**	**17,089**

After the conditions for validity of the purchase agreement were met, we included HSK-Gruppe – consisting of a maximum-care hospital counting a total of 1,027 approved beds, one MVZ company, one service company as well as one real estate company – in the consolidated financial statements with effect from 1 May 2012.

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



As at 31 December 2012 our consolidated financial statements included 54 hospitals with 17,089 beds/places at a total of 43 sites in 10 federal states. Since 31 December 2011, we witnessed only a moderate net change in the number of approved beds/places (89) at our acute inpatient capacities in line with the requirement budgets in the individual federal states. For financial year 2013 – barring acquisitions – we do not expect any significant changes in our approved beds and places.

	Approved beds/places		Change	
	2012	2011	absolute	%
Inpatient capacities				
Acute hospitals	15,230	14,157	1,073	7.6
Rehabilitation hospitals and other inpatient facilities	1,356	1,380	–24	–1.7
	16,586	15,537	1,049	6.8
Day-case and day-clinical capacities	503	436	67	15.4
Total	**17,089**	**15,973**	**1,116**	**7.0**

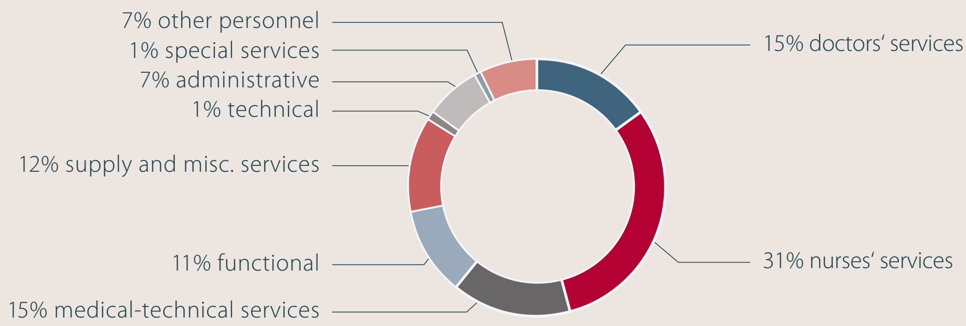
By 31 December 2012 we opened or acquired 41 MVZs Group-wide with a total of 199.5 specialist doctor's practices for the most part at or near our hospital sites. The disposals of specialist doctor's practices result in neither ordinary depreciation nor impairments.

	Date	MVZs	Specialist physician practices
As at 1 January 2012		38	166.5
Acquisitions			
HSK-Gruppe	01.05.2012	1	3.0
Opened			
MVZ Olpe	01.01.2012	1	5.0
MVZ Campus Gifhorn	01.07.2012	1	5.0
Extensions			
Various sites		–	23.5
Disposals			
Various sites		–	–3.5
As at 31 December 2012		41	199.5

In financial year 2012, we again further expanded our outpatient capacities and acquired 25.5 clinical and 7.0 ophthalmological specialist doctor's practices. Moreover, 3.0 doctor's practices were acquired which are attributable to the HSK-Gruppe consolidated for the first time with effect from 1 May 2012. In addition, an application was made for one clinical specialist doctor's practice.

Moreover, half a clinical and one ophthalmological specialist doctor's practices were acquired in 2012. Since the conditions of validity were met for these as contractually agreed as at 1 January 2013 and 1 February 2013, respec-

ANALYSIS OF PERSONNEL AT RHÖN-KLINIKUM GROUP



tively, the doctor's practices were transferred in the first quarter of 2013 and they were consolidated within the Group in the first quarter of 2013.

Patient numbers at our hospitals and MVZs developed as follows:

January to December	2012	2011	Change absolute	%
Inpatient and day-care treatments				
Acute hospitals	722,542	664,041	58,501	8.8
Rehabilitation hospitals and other facilities	11,350	11,195	155	1.4
	733,892	**675,236**	**58,656**	**8.7**
Outpatient attendances at our				
acute hospitals	1,112,109	1,037,580	74,529	7.2
MVZs	709,821	564,337	145,484	25.8
Total	**2,555,822**	**2,277,153**	**278,669**	**12.2**

A total of 2,555,822 patients were treated at our hospitals and medical care centres (MVZs) in financial year 2012. That translates into an increase of 278,669 patients or 12.2% compared with the year before. Of this increase, patients treated on an inpatient and day-care basis account for roughly 21.0% and outpatient treatments account for 79.0%. After deducting consolidation effects (HSK-Gruppe and first-time inclusions at the MVZs), this translates into organic growth in patient numbers of 96,293 patients or 4.2%. Of this growth, 17,272 patients or 2.6% are attributable to the inpatient area and 79,021 patients or 4.9% are attributable to the outpatient area. In the coming year we expect a moderate rise in patient numbers.

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

January to December	2012	2011
Case revenue		
Inpatient (€)	3,649	3,665
Outpatient (€)	103	97

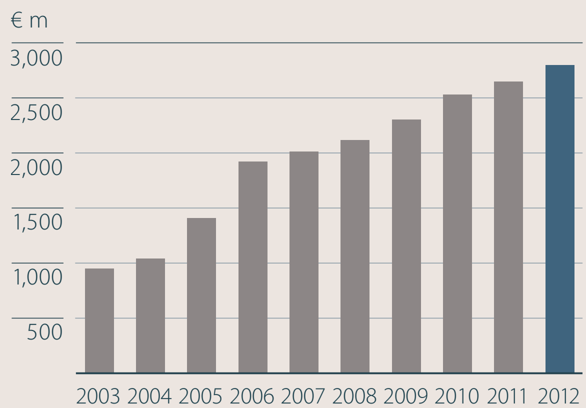
Compared with the same period of the previous year, average per-case revenue declined by € 16 or 0.4% in the inpatient area, attributable among other things to discounts on surplus revenue and service volumes. In the outpatient area, our expanded service portfolio translated into higher revenues thanks to the integration of acquired specialist doctor's practices with comparably higher per-case revenues, notably of the ophthalmological diagnosis and therapy centres, taken over in the course of financial year 2011.

On 31 December 2012, the Group employed 43,059 persons (31 December 2011: 39,325):

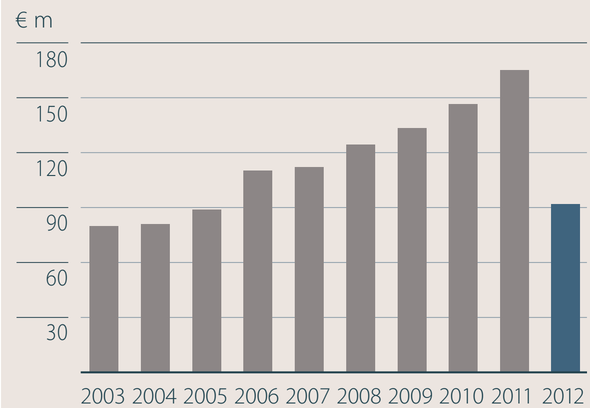
	Number
As at 31 December 2011	**39,325**
Change in employees at hospital companies	3,227
Change in employees at MVZ subsidiaries	193
Change in employees at service companies	314
As at 31 December 2012	**43,059**

This increase by 3,734 versus the reporting date of 31 December 2011 is attributable, among other things, to 3,272 persons added in connection with the acquisition of HSK-Gruppe.

REVENUE



NET CONSOLIDATED PROFIT ACCORDING TO IFRS



Doctors accounted for 14.6% (previous year: 14.1%) of the total headcount on the reporting date, while nursing and medical-technical staff accounted for 56.3% (previous year: 56.2%). On average over the year, we recorded a rise of 8.5% in full-time staff. The share of women remains at around 75%.

6.2 BUSINESS PERFORMANCE

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

In financial year 2012, the Group of RHÖN-KLINIKUM AG continued its development to becoming an integrated provider of healthcare services. In this regard we are committed to the quantitative and qualitative expansion of our acute inpatient structures and deliberately do away with the boundaries between hospitals and outpatient care in the interest of meeting the real needs of patients. We are also committed to creating patient-oriented, open medical care of tomorrow.

Thanks to the marked growth in patient numbers, we achieved record revenues of € 2,864.9 million. Net consolidated profit declined by roughly 43% to € 92.0 million, also as a result of the takeover attempts by Fresenius SE – which tied up our management resources and impacted our operative business – as well as one-off expenditures such as substantial consultancy fees and personnel changes within the Board of Management.

Revenues and earnings figures

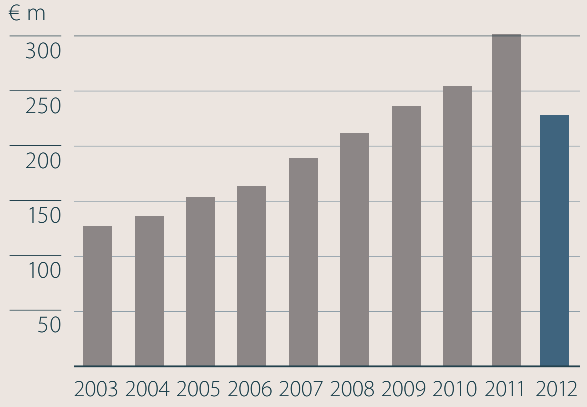
In the third quarter of 2011, RHÖN-KLINIKUM AG and Siemens AG reached an agreement whereby RHÖN-KLINIKUM AG will receive compensation for the financial disadvantages of the "Marburg Particle Therapy" development project being discontinued. The discontinuation of the project resulted in impairments of € 17.0 million in 2011, which were offset by compensation payments of Siemens AG. In financial year 2011 the measures resulted in an increase in EBITDA with correspondingly higher impairments. Overall, this did not have any impact on EBIT and the consolidated result in 2011. The effects in financial year 2011 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:

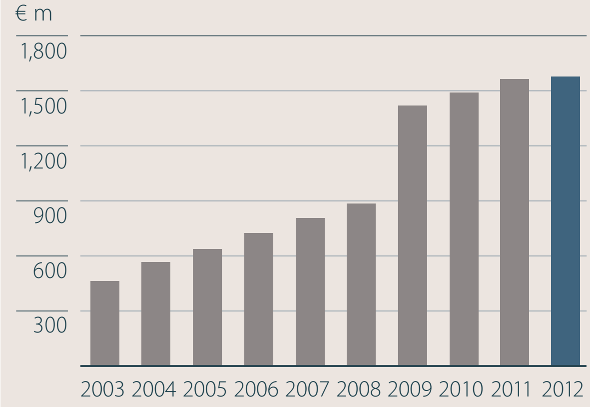
January to December	2012 € m	2011 € m	Change € m	Change %
Income				
Revenues	2,864.9	2,629.1	235.8	9.0
Other income	206.4	199.2	7.2	3.6
Total	**3,071.3**	**2,828.3**	**243.0**	**8.6**
Expenditure				
Materials and consumables used	753.3	678.6	74.7	11.0
Employee benefits expense	1,740.9	1,562.1	178.8	11.4
Other expenditure	285.6	249.9	35.7	14.3
Total	**2,779.8**	**2,490.6**	**289.2**	**11.6**
EBITDA	**291.5**	**337.7**	**–46.2**	**–13.7**
Depreciation	141.2	124.5	16.7	13.4
EBIT	**150.3**	**213.2**	**–62.9**	**–29.5**
Financial result	36.6	26.7	9.9	37.1
EBT	**113.7**	**186.5**	**–72.8**	**–39.0**
Income taxes	21.7	25.4	–3.7	–14.6
Net consolidated profit	**92.0**	**161.1**	**–69.1**	**–42.9**

In financial year 2012, revenues rose by € 235.8 million or 9.0% to reach € 2,864.9 million (previous year: € 2,629.1 mil-

CASH FLOW



EQUITY ACCORDING TO IFRS



lion); of this figure, our acute and rehabilitation hospitals accounted for € 2,807.5 million (previous year: € 2,588.9 million) and our medical care centres (MVZs) accounted for € 57.4 million (previous year: € 40.2 million). Organic growth accounts for € 75.3 million, or 2.9%, of this rise. In this regard it has to be noted that personnel and material expenditures in some cases are offset only partly by refinanced revenues due to statutory discounts on surplus service volumes of up to 65%.

Compared with financial year 2011, other income recorded a rise of € 7.2 million in financial year 2012 from € 199.2 million to reach € 206.4 million (3.6%). The rise is attributable in particular (at € 6.5 million) to the income increasing effects of "separate accounting" in Gießen and Marburg.

After a result of € 34.1 million (previous year: € 38.0 million) for the first quarter of 2012, of € 15.9 million (previous year: € 46.2 million) for the second quarter, and of € 20.1 (previous year: € 36.1 million) for the third quarter, we generated earnings of € 21.8 million (previous year: € 40.8 million) in the fourth quarter.

	2012 %	2011 %
EBITDA margin	10.2	12.8
EBIT margin	5.2	8.1
EBT margin	4.0	7.1
Return on sales	3.2	6.1
Return on equity (after taxes)	5.7	10.4

The German legislator has put hospital financing on a new footing with various measures and provisions. However, particularly the additional financing of high collective wage deals on the whole will not suffice to cover the higher personnel and material expenses.

Including HSK-Gruppe consolidated for the first time since 1 May 2012, the trend in the aforementioned key figures has been affected by the high wage deals reached of late at our subsidiaries. Likewise, the fact that our management resources were tied up and also the negative impact this had on our operating side as a result of the takeover attempts by Fresenius SE – with related one-off expenditures such as substantial consultancy fees and personnel changes within the Board of Management – were reflected in our margins and key ratios. Our margins were also affected by the still challenging situation at Gießen and Marburg University Hospital with the corresponding trend in costs as well as the decline in prices stemming from general discounts on increases in service volumes. As a result of these factors we fell short of the earnings forecast, made in the previous year for financial year 2012 for net consolidated profit of approximately € 145 million, by approximately € 53 million. We announced the adjustment of the earnings forecast during the year under way through publication of notices on our homepage pursuant to section 15 of the WpHG.

Our ratios, with reference to revenues, developed as follows:

	2012 %	2011 %
Cost of materials ratio	26.3	25.8
Personnel cost ratio	60.8	59.4
Other cost ratio	10.0	9.5
Depreciation and amortisation ratio	4.9	4.7
Financial result ratio	1.3	1.0
Tax expenditure ration	0.8	1.0

Compared with the previous year, the cost of materials increased disproportionately by € 74.7 million or 11.0% to reach € 753.3 million (previous year: € 678.6 million). The cost-of-materials ratio also increased from 25.8% to 26.3%.

Material expenditure includes services purchased from locum staff, which only in some cases compensate original personnel expenditures. Adjusted for the effect of locum doctors, the cost-of-materials ratio climbed compared with the previous year from 24.3% to 24.9%. Disregarding consolidation effects, the increase in material expenditure (€ 26.7 million or +3.9%) outstripped the increase in (likewise adjusted) revenues (€ 75.3 million or +2.9%).

Personnel expenses rose compared with financial year 2011 by € 178.8 million or 11.4% to reach € 1,740.9 million, and the personnel expense ratio increased from 59.4% to 60.8%. At the long-standing subsidiaries, the rise was € 71.2 million or 4.6%. This is particularly attributable to the relatively high wage deals concluded of late at facilities of RHÖN-KLINIKUM AG as well as delays at University Hospital Gießen and Marburg. Moreover, this additionally includes one-off expenditures resulting from changes in our Board of Management. The higher personnel expense ratio also reflects a trend in wages which have increased to a greater extent than that stipulated by legislation. Statutory social security contributions and pension retirement expenses as a percentage of the wage bill amounted to 20.5% (previous year: 20.5%).

Other expenditure increased compared with financial year 2012 by € 35.7 million or 14.3% to reach € 285.6 million (previous year: € 249.9 million). The corresponding expenditure ratio climbed from 9.5% to 10.0%. Of this rise, € 18.1 million or 7.2% is accounted for by our long-standing subsidiaries and € 17.6 million or 7.1% is attributable to consolidation effects. The higher expenditures at the long-standing subsidiaries are essentially accounted for by legal and consultancy fees in connection with the voluntary public takeover offer by Fresenius and additional consultancy expenses.

The increase of € 16.7 million (+13.4%) in depreciation compared with the previous year, to € 141.2 million (previous year: € 124.5 million) and thus also the rise in the depreciation/amortisation item from 4.7% to 4.9% is primarily attributable to the opening of our new and extension buildings during financial year 2011 (in particular Klinikum Hildesheim in October 2011, Universitätsklinikum Gießen und Marburg – Gießen site in May 2011, Marburg site in March 2011) as well as in financial year 2012 (Klinikum Gifhorn in February 2012). The higher depreciation/amortisation also stems to the tune of € 5.2 million from the first-time consolidation of HSK-Gruppe and to newly opened MVZs.

The net financial result declined by € 9.9 million or 37.1% compared with the same period last year. This is due to the decline in recognised interest on debt capital during the construction phase of hospitals on the one hand, and by the smart increase in net financial debt, particularly following the acquisition of HSK-Gruppe, on the other. Changes in the market values of financial instruments, which are recognised through profit or loss, brought about an increase of € 0.1 million in earnings in financial year 2012 (previous year: € 0.0 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 € 0.7 million (previous year: € 8.9 million).

At an unchanged rate of taxation, the income tax expense item declined by € 3.7 million to € 21.7 million (previous year: € 25.4 million) compared with same period of the previous year. Adjusted for the one-off earnings increasing tax effects in the amount of € 9.0 million resulting from the conclusion of profit-and-loss transfer agreements of RHÖN-KLINIKUM AG with the facilities in Leipzig, Meiningen, Karlsruhe and Kipfenberg, the income tax expense item declined by € 12.7 million as a result of the correspondingly lower tax assessment basis. The income tax burden stands at 19.1% (previous year: 13.6%).

Net consolidated profit declined by € 69.1 million or 42.9% to € 92.0 million (previous year: € 161.1 million). Adjusted for the one-off tax effect of the previous year from the conclusion of profit-and-loss transfer agreements of € 9.0 million, net consolidated profit declined by € 60.1 million (–39.5%) from € 152.1 million to € 92.0 million, essentially due to effects at Gießen and Marburg University Hospital as well as extraordinary effects affecting the result in connection with the voluntary public takeover offer by Fresenius and further consultancy fees.

The earnings share of non-controlling interests in equity capital declined by € 2.7 million to € 2.3 million.

The interest of RHÖN-KLINIKUM AG shareholders in profit for 2012 declined by € 66.4 million or 42.5% to € 89.7 million (previous year: € 156.1 million) compared with the previous year. This translates into earnings per share of € 0.65 (previous year: € 1.13) in accordance with IAS 33.

In financial year 2012, the sum of net consolidated profit and the net result recognised at equity amounted to

€ 91.3 million (previous year: € 152.2 million). Whereas in the previous year, negative changes in the market values of our financial instruments of € 8.9 million (after tax) were recognised directly at equity, corresponding negative changes in market values to the tune of € 0.7 million (after tax) also had to be recognised directly at equity in financial year 2012.

Asset, financial and capital structure

	31 Dec. 2012		31 Dec. 2011	
	€ m	%	€ m	%
ASSETS				
Non-current assets	2,381.5	74.8	2,246.1	70.7
Current assets	802.9	25.2	929.2	29.3
	3,184.4	**100.0**	**3,175.3**	**100.0**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	1,607.5	50.5	1,598.7	50.3
Long-term loan capital	841.1	26.4	1,044.4	32.9
Short-term loan capital	735.8	23.1	532.2	16.8
	3,184.4	**100.0**	**3,175.3**	**100.0**

The balance sheet total rose by 0.3% to € 3,184.4 million compared with the previous year's level of € 3,175.3 million. Particularly as a result of the scheduled realisation of our investment and acquisition programmes, our non-current assets have increased by € 135.4 million or 6.0% since the last reporting date. Current assets decreased by € 126.3 million or 13.6% as a result of debt refinancings as well as cash used in investments and acquisitions.

The equity capital ratio saw a slight rise compared with the last reporting date, from 50.3% to 50.5%. Equity now stands at € 1,607.5 million (previous year: € 1,598.7 million). The € 8.8 million increase stems from net consolidated profit of € 92.0 million less dividends paid to shareholders and non-controlling interests in the amount of € 65.3 million, less changes in the scope of consolidation in connection with the acquisition of HSK-Gruppe in the amount of € 16.9 million and less the € 0.7 million impairment requirement for the effective portion of the interest-rate hedging instruments recognised directly in equity (cash flow hedge). Moreover, net capital payments to non-controlling interests in equity were made in the amount of € 0.3 million in financial year 2012.

The negative market values of financial derivatives designated as interest hedging instruments are recognised at € 30.9 million in total (previous year: € 30.2 million) as a deduction item after taking into account deferred tax.

Overall, 102.8% (previous year: 117.7%) of non-current assets is covered by equity and non-current liabilities. Net financial debt to banks has risen by € 249.7 million since the last reporting date to € 801.6 million (from € 551.9 million). Net financial debt is calculated as follows:

	31 Dec. 2012	31 Dec. 2011
	€ m	€ m
Cash	237.0	477.5
Current financial liabilities	267.0	57.6
Non-current financial liabilities	767.7	1,007.5
Liabilities under finance leases	41.2	0.3
Financial liabilities	1,075.9	1,065.4
Subtotal	838.9	587.9
Negative market value of derivatives (current)	–3.0	0.0
Negative market value of derivatives (non-current)	–34.3	–36.0
Net financial debt	**801.6**	**551.9**

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

January to December	2012 € m	2011 € m
Cash generated (+)/utilised (–) by operating activities	139.1	236.2
Cash generated (+)/utilised (–) in investing activities	–180.3	–188.0
Cash generated (+)/utilised (–) by financing activities	–178.8	–1.5
Change in cash and cash equivalents	**–220.0**	**46.7**
Cash and cash equivalents as at 1 January	439.9	393.2
Cash and cash equivalents as at 31 December	**219.9**	**439.9**

In financial year 2012, cash generated from operations amounted to € 139.1 million (previous year: € 236.2 million). The decline was particularly attributable the € 69.1 million lower net consolidated profit.

The net decline of € 114.3 million 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 financial year 2011, compares with a € 44.1 million increase in funds used in investments as a result of the acquisition of HSK-Gruppe in financial year 2012. The discontinuation or winding-up of the "Marburg Particle Therapy" development project in financial year 2011 led to a disposal of plant under construction of € 62.8 million in 2011, in conjunction with a payment received in the same amount which reduced cash used in investment activities of the previous year. This led to a net decline of € 7.7 million in cash used in investment activities.

Debt refinancings resulted in a € 177.3 million increase in cash used in investment activities and a corresponding decline in cash and cash equivalents as at the balance sheet date.

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	2012	2011
Net debt to banks/EBITDA	≤ 3	2.75	1.56
EBITDA/net interest expenditure	≥ 6	7.94	13.28

Compared with the same period last year, operating cash flow, calculated from net consolidated profit plus depreciation/amortisation and other non-operating items (balance of profits and losses from disposals of assets, income from the market valuation of derivatives), declined by € 72.1 million or 23.7% to € 231.8 million (previous year: € 303.9 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 € 565 million. Our medium-to-long-term financing requirement is monitored on a continuous basis.

Investments

Aggregate investments of € 326.4 million (previous year: € 317.4 million) in financial year 2012 are shown in the following table:

	Use of grants	Use of own funds	Total
	€ m	€ m	€ m
Current capital expenditure	52.9	124.7	177.6
Takeovers	0.0	148.8	148.8
Total	**52.9**	**273.5**	**326.4**

In 2012, we invested a total of € 326.4 million (previous year: € 317.4 million) in intangible assets, in property, plant and equipment as well as in investment property. Of this total, € 52.9 million (previous year: € 46.5 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 € 273.5 million (previous year: € 270.9 million). Assets acquired on takeovers accounted for € 148.8 million (previous year: € 25.5 million) and current capital expenses accounted for € 124.7 million (previous year: € 245.4 million) of total net investments during the year under review.

Investment for takeovers was attributable to the acquisition of HSK-Gruppe (€ 139.2 million) and the acquisition of doctor's practices (€ 9.6 million). As at the balance sheet date there are still purchase price payments outstanding of € 3.8 million.

An analysis of investments in 2012 by region is given below:

	€ m
Bavaria	50.2
Baden-Wuerttemberg	16.5
Brandenburg	3.3
Hesse	167.8
Mecklenburg-Western Pomerania	1.2
Lower Saxony	37.1
North Rhine-Westphalia	10.6
Saxony	12.0
Saxony-Anhalt	11.1
Thuringia	16.6
Total investment	**326.4**
Deduct: grants under KHG	52.9
Net investment	**273.5**

Under company purchase agreements we still have outstanding investment obligations of € 155.2 million until 2022 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 2022.

6.3 OVERALL STATEMENT ON ECONOMIC POSITION

In the context of the more difficult general environment as a result of the takeover attempts, legislation and the continuing significant price pressures, we demonstrated in 2012 that high-quality medical care can be achieved for our patients. For financial year 2013, we again expect to see rising demand at our hospitals together with a corresponding profit contribution.

The result of RHÖN-KLINIKUM Group in financial year 2012 was dominated by one-off expenditures such as substantial consultancy fees and personnel changes within the Board of Management. This led to a decline of roughly 43% in net consolidated profit to € 92.0 million. EBITDA thus deteriorated by 13.7% (adjusted) compared with the figures of the previous year and stood at € 291.5 million in 2012. In financial year 2012, we consolidated the Wiesbaden-based Dr. Horst Schmidt Kliniken (HSK) for the first time as at 1 May 2012. Net consolidated profit was achieved on the basis of increases in patient numbers (12.2%) and in revenues (9.0%). With the help of our employees, we thus succeeded in further expanding our market position during the financial year.

RHÖN-KLINIKUM Group did not meet its target forecasts for financial year 2012. Thanks to our sound business model and the Group's strength, we will be able to fully exploit internal and external growth opportunities arising for us in the coming years.

Following a phase of consolidation, the Group's economic position makes it well poised for further growth with the measures launched at the end of 2012 and their consistent implementation in financial year 2013. The Board of Management remains committed to sound growth on the basis of a conservative and strong liquidity structure giving due regard to the interests of shareholders.

7 ADDENDUM 2012

Since 31 December 2012, there have been no particularly significant matters 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. We additionally wish to state that on 28 January 2013 we reached agreement with the Federal State of Hesse regarding a future concept for Gießen and Marburg University Hospital. The aim, essentially, is to further develop cutting-edge medicine in Central Hesse, to secure first-class research and teaching as well as to bring about more intensive cooperation between the Federal State, the universities, Gießen and Marburg University Hospital and its owner RHÖN-KLINIKUM AG.

8 OUTLOOK

8.1 STRATEGIC OBJECTIVES

Our high level of investments, which were financed 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 and extension buildings in Gifhorn, Köthen, Leipzig and Pforzheim. 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 focus on the real needs of patients and create the basis for the patient-oriented, open medical care of tomorrow.

In future also, sound organic and acquisition-driven growth will be the main factor behind the Group's development. Within the bounds set by healthcare legislation, organic growth is possible only with limits – generally between 3% to 5%.

We are steadily working towards further developing our business model from that of a traditional hospital operator to that of an integrated healthcare provider. This also means that we continue to focus on integrating the provision of healthcare services on an outpatient basis by overcoming sectoral boundaries.

We are chiefly focusing our efforts on expanding our capacities in the acute inpatient and outpatient areas through acquisitions in order to generate 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 want to establish in our regions 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 prospectively strive to achieve further growth through hospital takeovers. In the outpatient area we primarily focus on the integration of hospital-affiliated MVZs with our sites.

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

After the decline in economic output recorded in the last quarter of 2012, the outlook for the further trend in the German economy witnessed a positive turnaround early in 2013. The economic outlook for the euro zone continues to be on a downward trend given its risks. Leading economic institutes expect gross domestic product within the euro zone to see a further slight decline. The recession in six euro countries including Italy and Spain, as well as the tense situation in the remaining countries continued to present a big downside risk for the economic situation. The institutes state that the continuing debt and confidence crisis within the euro zone essentially remained unresolved. A sustained stabilisation would be possible only if the countries actually succeeded in implementing the planned reform.

The public sector continues to expect sharp rises in revenues that can be used either for reducing debt or for public investments. According to forecasts for 2012, the statutory health insurance funds and the Central Health Fund are once again witnessing record surpluses.

Given changes in demographics, we expect demand for hospital services to continue to rise in 2013 and in the coming years. However, this rising demand is not being fully reflected in terms of remuneration 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 that the year 2013 will also see significant rises in wages and the cost of materials of over 2% to 3% which will not be offset on the revenue side.

For 2013, the statutory provisions on remuneration on the revenue side will move away from the rate-of-change approach and will supplement the latter by what is referred to as an orientation value. This orientation rate defined for hospitals for 2013 is 2.0%. In addition, during financial year 2013 hospitals have to accept a discount of 25% on so-called surplus service volumes agreed with the health insurance funds. For surplus service volumes not agreed, the statutory provisions provide for discounts of 65.0%. Based on price increases at the upper end of the original assumptions of 2.0% to 3.0% for personnel expenses and a capped price increase rate included in the state base rates, earnings will have to cope with further charges that will have to be offset by restructuring successes and higher service volumes. The various measures introduced by the German legislator in 2012 to finance the higher collective wage deals offset this trend only partially, and on the whole, inadequately.

The state base rates for the facilities of the RHÖN-KLINIKUM Group effectively will probably see only a small rise, 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 began at the end of 2012 and will continue to pursue steadfastly in 2013.

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 and demographic trends. We are confronting not only this task, but also increasing calls by employees to be given the opportunity of achieving a better balance between 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 result, the selective trend on the service provider side will continue and intensify. In our view, only those hospitals that are able to continually expand their service portfolio while at the same time improving the quality of clinical processes for patients can look forward to a sustainable and independent existence on the market. This results in cost advantages and also improves the quality of work performed by employees, and also shows very clearly what advantages are offered within a hospital network like RHÖN-KLINIKUM Group.

We lay claim to our ability of operating hospitals very efficiently and successfully, and of being able to bring about the quick and appropriate integration of newly acquired facilities. We review and optimise our processes and strategies on a continuous basis. Building on that, we will respond to the challenges of healthcare policy with a Group-wide efficiency programme. We continue to pursue the long-term objective of a national care offering and see ourselves in very good shape – also for the coming year – in terms of our organic and acquisition-driven growth prospects.

8.3 FORECAST

Some of the challenges facing RHÖN-KLINIKUM Group in 2013 are typical for the sector, whilst others are home-made. It will be the joint task of the Board of Management to quickly position the Company accordingly. Since many measures needed for this were already consistently adopted in the last months of 2012 and the beginning of 2013, a more positive trend is expected to emerge within a reasonably short period, particularly where the earnings situation is concerned.

For financial year 2013 we expect to clear the € 3 billion mark in revenues for the first time (€ 3.03 billion, which may fluctuate within a range of plus or minus 2.5%). This revenue target is accompanied by a forecast for EBITDA of € 325 million and for net consolidated profit of € 110 million, both of which may fluctuate within a range of plus or minus 5%.

Bad Neustadt a. d. Saale, 6 March 2013

The Board of Management

Volker Feldkamp   Martin Menger   Jens-Peter Neumann   Dr. Dr. Martin Siebert

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2012

ASSETS	Notes	31 Dec. 2012 € '000	31 Dec. 2011 € '000
Non-current assets			
Goodwill and other intangible assets	7.1	431,041	365,436
Property, plant and equipment	7.2	1,919,694	1,859,052
Investment property	10.3.3	4,434	4,653
Income tax receivables	7.3	9,480	11,572
Deferred tax assets	7.4	3,161	3,278
Other financial assets	7.6	11,305	310
Other assets	7.7	2,363	1,754
		2,381,478	**2,246,055**
Current assets			
Inventories	7.8	56,907	50,292
Accounts receivable	7.9	439,408	351,973
Other financial assets	7.10	49,252	32,902
Other assets	7.11	13,504	11,510
Current income taxes receivable	7.12	6,815	4,997
Cash and cash equivalents	7.13	237,025	477,536
		802,911	**929,210**
		3,184,389	**3,175,265**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec. 2012 € '000	31 Dec. 2011 € '000
Shareholders' equity			
Subscribed capital	7.14	345,580	345,580
Capital reserve		395,994	395,994
Other reserves		840,398	813,483
Treasury shares		–76	–76
Equity attributable to shareholders of RHÖN-KLINIKUM AG		1,581,896	1,554,981
Non-controlling interests in equity		25,560	43,677
		1,607,456	**1,598,658**
Non-current liabilities			
Financial liabilities	7.15	767,697	1,007,506
Provisions for post-employment benefits	7.16	5,465	8,905
Other financial liabilities	7.19	65,870	23,669
Other liabilities	7.20	2,130	4,341
		841,162	**1,044,421**
Current liabilities			
Financial liabilities	7.15	266,976	57,624
Accounts payable	7.18	137,312	128,994
Current income tax liabilities	7.21	7,026	8,728
Other provisions	7.17	25,389	20,710
Other financial liabilities	7.19	113,101	144,844
Other liabilities	7.20	185,967	171,286
		735,771	**532,186**
		3,184,389	**3,175,265**

CONSOLIDATED INCOME STATEMENT

1 JANUARY – 31 DECEMBER 2012

	Notes	2012 € '000	2011 € '000
Revenues	6.1	2,864,909	2,629,148
Other income	6.2	206,424	216,222
		3,071,333	**2,845,370**
Materials and consumables used	6.3	753,354	678,622
Employee benefits expense	6.4	1,740,870	1,562,100
Depreciation/amortisation and impairment	6.5	141,161	141,535
Other expenditure	6.6	285,647	249,925
		2,921,032	**2,632,182**
Operating profit		**150,301**	**213,188**
Finance income	6.8	6,817	8,845
Finance expenses	6.8	43,464	35,569
Financial result (net)	**6.8**	**–36,647**	**–26,724**
Earnings before tax		**113,654**	**186,464**
Income taxes	6.9	21,684	25,391
Net consolidated profit		**91,970**	**161,073**
of which			
non-controlling interests	6.10	2,285	4,959
shareholders of RHÖN-KLINIKUM AG		89,685	156,114
Earnings per share in €			
undiluted	6.11	0.65	1.13
diluted	6.11	0.65	1.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER 2012

	2012 € '000	2011 € '000
Net consolidated profit	**91,970**	**161,073**
of which		
non-controlling interests	2,285	4,959
shareholders of RHÖN-KLINIKUM AG	89,685	156,114
change in fair value of derivatives used for hedging purposes	–780	–10,544
income taxes	123	1,669
Change in the amount recognised at equity (cash flow hedges)	**–657**	**–8,875**
Sum of net gains or losses directly recognised in equity	**–657**	**–8,875**
of which		
non-controlling interests	0	0
shareholders of RHÖN-KLINIKUM AG	–657	–8,875
Net consolidated profit and net gains or losses directly recognised in equity	**91,313**	**152,198**
of which		
non-controlling interests	2,285	4,959
shareholders of RHÖN-KLINIKUM AG	89,028	147,239

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Sub-scribed capital	Capital reserve	Other reserves[1]	Treasury shares	Equity attributable to shareholders of RHÖN-KLINIKUM AG	non-controlling interests in equity[1]	Equity
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance 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	–	–	–	–	0	5,479	5,479
Dividend payments	–	–	–51,137	–	–51,137	–3,077	–54,214
Net consolidated profit and net gains or losses directly recognised in equity	–	–	147,239	–	147,239	4,959	152,198
Balance at 31 Dec. 2011	**345,580**	**395,994**	**813,483**	**–76**	**1,554,981**	**43,677**	**1,598,658**
Balance at 31 Dec. 2011/ 1 Jan. 2012	**345,580**	**395,994**	**813,483**	**–76**	**1,554,981**	**43,677**	**1,598,658**
Equity capital transactions with owners							
Capital contributions	–	–	–	–	0	96	96
Capital payments	–	–	–	–	0	–400	–400
Purchase of interest after obtaining control	–	–	81	–	81	–81	0
Dividend payments	–	–	–62,194	–	–62,194	–3,121	–65,315
Net consolidated profit and net gains or losses directly recognised in equity	–	–	89,028	–	89,028	2,285	91,313
Other changes							
Changes in scope of consolidation	–	–	–	–	0	–16,896	–16,896
Balance at 31 Dec. 2012	**345,580**	**395,994**	**840,398**	**–76**	**1,581,896**	**25,560**	**1,607,456**

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

CASH FLOW STATEMENT

	Notes	2012 € million	2011 € million
Earnings before taxes		113.7	186.5
Financial result (net)	6.8	36.7	26.8
Depreciation/amortisation/impairment and gains/losses on disposal of assets	6.5	139.9	142.8
Non-cash valuations of financial derivatives	7.22	–0.1	0.0
		290.2	**356.1**
Change in net current assets			
Change in inventories	7.8	–3.0	–2.4
Change in accounts receivable	7.9	–54.7	–20.1
Change in other financial assets and other assets	7.10 seq.	10.5	–4.8
Change in accounts payable	7.18	3.4	–13.7
Change in other net liabilities/ Other non-cash transactions	7.19 seq.	–39.7	–35.9
Change in provisions	7.16 seq.	–0.8	–5.4
Income taxes paid	6.9	–23.2	–2.3
Interest paid		–43.6	–35.3
Cash generated from operating activities		**139.1**	**236.2**
Investments in property, plant and equipment and in intangible assets	7.2	–193.1	–300.7
Government grants received to finance investments in property, plant and equipment and in intangible assets		53.2	46.5
Acquisition of subsidiaries, net of cash acquired	4	–54.8	–20.6
Sale proceeds from disposal of assets		7.7	78.0
Interest received	6.8	6.7	8.8
Cash used in investing activities		**–180.3**	**–188.0**
Proceeds from issuing long-term debt	7.15	0.0	80.0
Repayment of financial liabilities	7.15	–113.2	–32.9
Dividend payments to shareholders of RHÖN-KLINIKUM AG	7.14	–62.2	–51.1
Contributions from non-controlling interests/payments to non-controlling interests	7.14	–3.4	2.5
Cash used in financing activities		**–178.8**	**–1.5**
Change in cash and cash equivalents	7.13	–220.0	46.7
Cash and cash equivalents as at 1 January		439.9	393.2
Cash and cash equivalents as at 31 December	7.13	**219.9**	**439.9**

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1 GENERAL INFORMATION

RHÖN-KLINIKUM AG continues to undergo 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. For computational reasons, rounding differences of ± one unit (€, %, etc.) may occur in the tables.

2.1 PRINCIPLES OF PREPARING FINANCIAL STATEMENTS

The consolidated financial statements of RHÖN-KLINIKUM AG for the year ended 31 December 2012 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 2012.

a) New accounting rules in financial year 2012

New Standards and interpretations of practical relevance in financial year 2012

As far as can be seen at present, the following revised Standards which have already been adopted by the European Union are of no practical relevance for financial year 2012 as well as subsequent years:

- Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”
- Amendments to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates”

b) New accounting rules from financial year 2013

New Standards and interpretations of practical relevance in financial year 2013

The following revised and/or newly published 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 2013 and will be observed and applied in subsequent years as well:

- Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

In June 2011 the IASB published an amendment to IAS 1 “Presentation of Financial Statements“ and adopted it on 5 June 2012. This concerns the presentation of items stated in other income under the statement of comprehensive income. Accordingly, the items of other comprehensive income (OCI) are to be grouped together 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'. 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. Adoption concerns all companies stating performance-linked components in their other result item.

- Amendments to IAS 19 "Employee Benefits"

In June 2011 the IASB published amendments to IAS 19 "Employee Benefits" and adopted the same on 5 June 2012. 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 benefits. IAS 19 requires more 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. The revised Standard is to be adopted retroactively in accordance with IAS 8. Exceptions to this are changes in the carrying amount of assets in which employee benefits expenditure has been recognised, and comparison disclosures on the sensitivity analysis of the defined benefit obligation. RHÖN-KLINIKUM AG currently assumes an increase in the DBO by actuarial losses not yet netted of € 0.9 million for 2013. Equity capital will diminish accordingly. No further material effects are expected at the present time.

- 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 and adopted the same on 13 December 2012. 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.

- IFRS 13 "Fair Value Measurement"

In May 2011, the IASB published the Standard IFRS 13 "Fair Value Measurement" and adopted the same on 11 December 2012. 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 three-tier fair value hierarchy still has to be applied. Moreover, IFRS requires comprehensive disclosures in the Notes 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.

The following revised Standards which have not yet been adopted by the European Union are of practical relevance from financial year 2013:

- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IAS 1 "Presentation of Financial Statements", IAS 16 "Property, Plant and Equipment", IAS 32 "Financial Instruments: Presentation" as well as IAS 34 "Interim Financial Reporting" – amending Standard (Annual Improvement to IFRSs 2009-2011 Cycle)

In May 2012, the International Accounting Standards Board (IASB) published amendments of Standards as well as amendment proposals as part of its annual improvement project (AIP). On 17 May 2012 an amending Standard was published as part of the Fourth AIP Cycle 2009-2011 with a total of six amendments concerning the five Standards IFRS 1 "First-time Adoption of International Financial Reporting Standards", IAS 1 "Presentation of Financial Statements", IAS 16 "Property, Plant and Equipment", IAS 32 "Financial Instruments: Presentation" as well as IAS 34 "Interim Financial Reporting". These amendments are subject to mandatory adoption for 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 2013

The following newly published interpretation which has already been adopted by the European Union is of no practical relevance for RHÖN-KLINIKUM AG for 2013 as well as subsequent financial years:

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

The following amended Standard which has not been adopted by the European Union is of no practical relevance for RHÖN-KLINIKUM AG for 2013 as well as subsequent financial years:

- Revision of IFRS 1 "First-time Adoption of International Financial Reporting Standards – Government Loans"

c) New accounting rules from financial year 2014

New Standards and interpretations of practical relevance from financial year 2014

The following revised Standard which has already been adopted by the European Union is of practical relevance from financial year 2014:

- IFRS 10 "Consolidated Financial Statements"

In May 2011 the IASB, as part of a package of five new Standards, published IFRS 10 "Consolidated Financial Statements" and adopted the same on 11 December 2012. 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 statements 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 2014. Early adoption is possible only in conjunction with early adoption of the Standards IFRS 11 and IFRS 12 and of the new provisions regarding IAS 27 and IAS 28 as well as by disclosure in the Notes. 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 and adopted the same on 11 December 2012. IFRS 11 defines a joint arrangement as an arrangement in 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 2014. Early adoption here is possible only in conjunction with early adoption of the Standards IFRS 10 and IFRS 12 and of the new provisions regarding IAS 27 and IAS 28 as well as by disclosure in the Notes. Since RHÖN-KLINIKUM AG already accounts for its joint ventures using the equity method, it is not affected by the amendment.

- IFRS 12 "Disclosures of Interests in Other Entities"

In May 2011, the IASB published IFRS 12 "Disclosures of Interests in Other Entities" and adopted the same on 11 December 2012. 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 2014. Earlier adoption is permitted with disclosure in the Notes regardless of the application of IFRS 10 and IFRS 11 and the new provisions regarding 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.

- 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" and adopted the same on 11 December 2012. 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 2014. Early adoption is possible only in conjunction with early adoption of the Standards IFRS 10, IFRS 11, IFRS 12 and IAS 28 as well as with disclosure in the Notes. 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"

In May 2011, the IASB published the revised version of IAS 28 "Investments in Associates" and adopted the same on 11 December 2012. 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 IAS 28 is to be applied for the first time to financial years commencing on or after 1 January 2014. Early adoption is possible only in conjunction with early adoption of the Standards IFRS 10, IFRS 11, IFRS 12 and IAS 27 as well as with disclosure 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 and adopted the same on 13 December 2012. 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 of business 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.

d) New accounting rules from financial year 2015

New Standards and interpretations of practical relevance from financial year 2015

As far as can be seen at present, the following newly published and amended Standards which have not yet been adopted by the European Union are of practical relevance from financial year 2015:

- IFRS 9 "Financial Instruments"

In November 2009, the IASB published the Standard IFRS 9 on the classification and measurement of financial assets which was slightly amended by the IASB in the autumn of 2012. 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 financial 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 for financial liabilities is permitted, but requires early adoption of the provisions for financial assets. Early adoption for financial assets may also take place without earlier adoption of the new provisions regarding financial liabilities. 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 pre-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.

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 24 April 2013.

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 in relation 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. The Group reviews whether control is exercised also when the parent company holds less than 50.0% of the voting rights but has the possibility of controlling the business and finance policy based on de facto control. De facto control exists for example in the case of voting right agreements or high minority rights.

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 rendered, 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 non-controlling interests

Transactions with non-controlling 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 in 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 a company accounted for using the equity method is compared with its recoverable amount. If the carrying amount exceeds the recoverable amount, an impairment equal to the difference must be recognised. If the reasons for a previously recognised impairment have ceased to exist, the impairment is reversed through the income statement.

The financial statements of investments accounted for using the equity method are 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 recognised 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 management. External reporting is based on internally applied control and reporting variables as well as reporting structures that are available to and used by the decision-makers.

A company component is regarded as an operating segment when it engages in business activities from which revenue is earned and for which expenses may be incurred whose operating results are regularly reviewed by the company's chief decision maker to make decisions about resources to be allocated to this segment and assess its importance, and for which discrete financial information is available.

The operating segments determined are reduced to reportable segments. This is essentially done by grouping uniformly operating segments if these exhibit similar economic characteristics. The reporting obligation usually arises when segment-specific material thresholds are exceeded. IFRS 8 specifies the following three segment-specific material thresholds:

- the segment's revenue is 10% or more of the combined (internal and external) revenues of all segments,
- the segment profit or loss is 10% or more of the greater of the combined reported profit or loss of all segments, or
- the segment's assets are 10% or more of the combined assets of all segments.

Pursuant to the required segmentation of revenues, reportable segments have to be formed until the revenues of the identified reportable segments constitute 75% of total external revenues. The other non-reportable segments are to be shown as "All other segments" and the source of these revenues is to be described.

For the purpose of explaining the segmentation, basic information must be disclosed in the Notes on the calculation and identification of reportable segments. This includes specifying the factors used to define segment reporting and the disclosure of the products and services with which the individual segments generate their revenues.

In addition, detailed disclosures must be made on segment profit or loss as well as assets and liabilities. Moreover, information must be provided on products and services, territorial activities and the company's key customers. IFRS 8 also requires additional disclosures on the methods applied internally for the treatment of transactions between reportable segments as well as on differences between internally applied accounting methods and the methods applied in the financial statements. In addition to the verbal disclosures, a reconciliation of the following segment data to the corresponding line items in the financial statements must be prepared: total revenues of all reportable segments, total segment profit or loss before tax and the discontinuation of operations, total segment assets, total segment liabilities as well as total segment amounts of any other material item reported separately.

Segment information from past years used for comparison purposes must be adjusted on first-time adoption.

2.4 GOODWILL AND OTHER INTANGIBLE ASSETS

2.4.1 Goodwill

Goodwill is the excess of the cost of the company acquisition over the Group's interest in the fair value of the net assets of the acquired company at the acquisition date. Goodwill arising on acquisitions is allocated to intangible assets. Goodwill is subjected 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. 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 so as to write down the value of the assets to their net book value as follows:

Buildings	33 ⅓ 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 proceeds 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
- Available-for-sale financial assets

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

All purchases and sales of financial assets are recognised at the settlement date, i.e. the date when the purchase or the sale is transacted.

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

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

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

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

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

2.7.1 Assets at fair value through profit or loss

This category is divided into two sub-categories: financial assets which either have been classified as "held-for-trading" (including derivatives) from the outset, and financial assets which have been classified as "at fair value through profit or loss" as a result of using the fair-value option if the appropriate criteria are satisfied. A financial asset is assigned to this category if it was acquired principally for the purpose of selling it in the near term, or has been designated as such by management. Derivatives are also included in this category provided they are not classified as hedges.

The category "held-for-trading" financial instruments under IAS 39 is also applicable for certain hedging instruments which are used for interest hedging in the RHÖN-KLINIKUM Group in accordance with management criteria, but for which IAS 39 has not been applied for hedge accounting. These are derivative financial instruments such as interest rate swaps and options. Assets in this category are shown as current assets if they mature within the next 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 12 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 management does not have the intention of selling them within twelve months from the balance sheet date. If the market value cannot be reliably measured, available-for-sale financial assets are measured at cost.

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 3 months. Utilised bank overdrafts are shown on the balance sheet as liabilities to banks under the item "Current financial liabilities".

2.12 SHAREHOLDERS' EQUITY

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

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

The Group uses financial derivatives to hedge interest rate risks arising from financial transactions and applies the rules on hedging in accordance with IAS 39 (Hedge Accounting). This reduces the volatility of the income statement.

In a cash flow hedge, the liabilities recognised on the balance sheet are hedged against future cash flow fluctuations. If a cash flow hedge exists, the effective part of the change in the value of the hedging instrument is recognised as a hedge reserve directly in equity until recognition of the result from the hedged item; the ineffective portion or change in value of the hedging instrument is recognised through profit or loss in the income statement.

Financial derivatives are initially recognised at fair value. They are subsequently also measured at their fair value applicable on the respective balance sheet date. The fair value of traded financial derivatives is equal to the market value, which may be positive or negative. If no stock market prices exist, the fair values are calculated using recognised financial calculation models. For financial derivatives, the fair value is equal to the amount which the Group of RHÖN-KLINIKUM AG either would receive or would have to pay in the event of termination of the financial instrument at the reporting date.

When the transaction is entered into, the Group documents the hedging relationship between the hedging instrument and hedged item, the objective of its risk management as well as the underlying strategy in entering into hedge transactions. Moreover, at the inception of the hedging relationship and thereafter, the assessment of whether the derivatives used in the hedging relationship effectively offset the changes in cash flows of the hedged items is documented.

The full fair value of the financial derivatives designated as hedging instruments is shown as a non-current asset or non-current liability if the remaining life of the hedged item is longer than 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 – the crucial consideration is whether or not the financial derivative is included in an effective hedging relationship in accordance with IAS 39. If there is no hedge accounting or if portions of the hedging relationship are ineffective, the changes in fair values relating to such portions are immediately recognised through profit or loss in the income statement. 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 0.6% (previous year: 2.6%) 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.

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 2012, 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. A minimum strategic liquidity of cash and free, immediately available credit lines is held in order to ensure the Group's ability to act at all times. 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, 55.0% (previous year: 50.9%) were subject to a fixed interest rate and 45.0% (previous year: 49.1%) 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. 19.0% of cash at banks (previous year: 60.0%) 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 +/- 100 basis points in the market interest level as at the balance sheet date is considered.

If the interest rate level had been 100 basis points higher, the financial result would have been € 0.8 million higher. If the market interest rate level had been 100 basis points lower, the financial result would have been € 0.1 million lower.

The theoretical impact of rising interest rates on the financial result is attributable to the potential effects of the floating-interest liabilities (€ -0.7 million) as well as the effects attributable to the floating-interest cash at banks (€ 1.4 million). If the level of the market interest rates had been 100 basis points higher as at 31 December 2012, the valuation of the derivatives would have increased by € 9.8 million. The change in value of the derivatives would have had an increasing effect on equity capital by € 9.8 million.

The theoretical impacts of ad hoc declining interest rates on the financial result arise from the effects of the floating-interest liabilities (€ 0.6 million) as well as the effects attributable to the floating-interest cash at banks (€ -0.5 million). If the level of the market interest rates had been 100 basis points lower as at 31 December 2012, the valuation of the derivatives would have decreased by € 6.8 million. The change in value of the derivatives would have had the effect of reducing equity capital by € 6.8 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 102.8% in the year under review (previous year: 117.7%). 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 2012, this ratio at the Group level was 50.5% (previous year: 50.3%).

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%.

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 € 291.5 million (previous year: € 354.7 million). The maximum limit in financial year 2012 would be € 874.5 million (previous year: € 1,064.1 million). This ratio was met in the year under review, with a ratio of 2.75 (previous year: 1.56).

The financial result (excluding mark-up/discount of financial instruments) 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 2012, EBITDA was € 291.5 million and the financial result (excluding mark-up/discount of financial instruments) was € 36.5 million. This key ratio of 7.99 derived therefrom (previous year: 13.28) was likewise met in the year under review.

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 (WACC) after tax of 5.88% (previous year: 5.94%). 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 5.9% (previous year: 6.0%).

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 2012, we adhered strictly to the legal framework in our accounting. We assume that the agreements for 2012 will not have any negative impact on the result in 2013.

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 105 subsidiaries in Germany of which 98 are fully consolidated, as well as 2 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.

In the bidding procedure for HSK, Dr. Horst Schmidt Kliniken GmbH Klinikum der Landeshauptstadt Wiesbaden, (hereinafter referred to as HSK Kliniken GmbH) and its subsidiaries, RHÖN-KLINIKUM AG submitted a notarised bid on 29/30 December 2011. This bid for a strategic partnership was accepted by HSK Rhein-Main GmbH and the City of Wiesbaden on 28 March 2012. RHÖN-KLINIKUM AG thus acquired 49% of the shares in HSK Kliniken GmbH. The business combination was effected as a share deal. Costs relating to the acquisition in the amount of € 1.1 million were recognised in the income statement for 2012 under other operating expenses.

HSK-Gruppe, consisting of a maximum-care hospital counting a total of 1,027 approved beds, one MVZ company with three clinical specialist doctor's practices, as well as one service and one real estate company, is included in the consolidated financial statements as of 1 May 2012.

The first-time consolidation of the acquired companies took place when control was obtained. At this time, all prerequisites for implementation of the conditions agreed in the purchase agreement had been satisfied. The purchase price allocation is provisional because the final purchase price has not yet been determined.

Based on the provisional purchase price allocation, the inclusion of HSK-Gruppe impacted the Group's net assets as follows:

HSK-Gruppe	€ million
Acquired assets and liabilities	
Intangible assets	1.0
Property, plant and equipment	77.7
Accounts receivable	34.6
Cash and cash equivalents	0.5
Other assets	42.2
Financial liabilities	–102.2
Accounts payable	–19.8
Provisions	–2.0
Other liabilities	–64.3
Net assets acquired	**–32.3**
Non-controlling interests acquired on first-time consolidation	16.5
prorated net assets of the Group	**–15.8**
Cost as defined by IFRS 3	44.6
Goodwill	**60.4**
Cost as defined by IFRS 3	44.6
– Acquired cash and cash equivalents	–0.5
Cash outflow on transaction at date of first-time consolidation	**44.1**
Changes in non-controlling interests in connection with transaction	
Non-controlling interests acquired on first-time consolidation	–16.5
Payment obligation towards non-controlling interests	–4.2
Capital increase of non-controlling interests	3.8
Total changes in non-controlling interests in connection with transaction	**–16.9**

If the acquisition of the HSK-Gruppe had already taken place with effect from 1 January 2012, consolidated revenues of financial year 2012 would have amounted to € 2,935.2 million and net consolidated profit would have been € 77.3 million. Since it was consolidated in the Group, HSK-Gruppe has generated revenues of € 152.1 million. Loss as of first-time consolidation amounts to € 7.6 million. We promptly raised the standards of HSK-Gruppe to our level and in this connection are also planning to construct a new hospital building within the next three to five years. The disclosures are made in accordance with IFRS 3.59 et seq. The goodwill arising by reason of the first-time acquisition reflects the expectations that the Group, with the acquisition of HSK-Gruppe, will acquire a stronger presence on the market and will be able to cut costs by reaping synergies. The fair value of accounts receivable is made up of an amount of € 36.9 million less specific valuation allowances of € 2.3 million.

The goodwill resulting from the first-time consolidation is not tax-deductible. The shares of non-controlling shareholders are measured at their proportionate fair value of net assets.

In financial year 2012 a total of 25.5 doctor's practices close to hospitals and 7 ophthalmological doctor's practices were acquired whose conditions of validity as per agreement were satisfied during the reporting period of 2012. Moreover, three doctor's practices were acquired which are attributable to the HSK-Gruppe consolidated for the first time with effect from 1 May 2012. Consolidation in the Group also took place in financial year 2012. No costs were incurred from the acquisition of the doctor's practices. The revenues and annual results generated since their inclusion in the consolidated statements are of minor importance for the Group of RHÖN-KLINIKUM AG. The final purchase price allocation has the following impact on the Group's net assets in 2012:

Purchase of practices, Jan.–Dec. 2012	Carrying amount before acquisition € million	Adjustment amount € million	Carrying amount after acquisition € million
Acquired assets and liabilities			
Property, plant and equipment	1.1		1.1
Net assets acquired			**1.1**
+ goodwill			8.6
Cost			**9.7**
– purchase price payments outstanding			–1.2
– acquired cash and cash equivalents			0.0
Cash outflow on transaction			**8.5**

Moreover, half a clinical and 1 ophthalmological doctor's practices were acquired in 2012. Since the conditions of validity were met in accordance with agreement as at 1 January 2013 and 1 February 2013, respectively, the doctor's practices will be transferred in the first quarter of 2013. Consolidation in the Group will also take place in the first quarter of 2013. 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 2013:

Purchase of practices valid as of 1 January 2013	Carrying amount before acquisition € million	Adjustment amount € million	Carrying amount after acquisition € million
Acquired assets and liabilities			
Property, plant and equipment	0.0		0.0
Net assets acquired			**0.0**
+ goodwill			0.1
Cost			**0.1**
– purchase price payments outstanding			0.0
– acquired cash and cash equivalents			0.0
Cash outflow on transaction			**0.1**

Goodwill amounting to € 8.6 million and € 0.1 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:

	2012 € million	2011 € million
Business areas		
Acute hospitals	2,758.5	2,541.8
Medical care centres	57.4	40.2
Rehabilitation hospitals	49.0	47.1
	2,864.9	**2,629.1**
Regions		
Bavaria	540.5	516.1
Saxony	392.8	372.1
Thuringia	309.6	306.7
Brandenburg	120.9	117.6
Baden-Wuerttemberg	128.0	126.7
Hesse	739.3	583.6
Lower Saxony	421.4	413.0
North Rhine-Westphalia	79.5	64.9
Mecklenburg-West Pomerania	6.4	6.3
Saxony-Anhalt	126.5	122.1
	2,864.9	**2,629.1**

According to IAS 18, revenues constitute revenues generated from the provision of services and in financial year 2012 rose by € 235.8 million or 9.0% to reach € 2,864.9 million, of which our acute and rehabilitation hospitals accounted for € 2,807.5 million (previous year: € 2,588.9 million) and revenues generated by our medical care centres (MVZs) accounted for € 57.4 million (previous year: € 40.2 million). Adjusting for changes in the scope of consolidation (first-time consolidation of HSK-Gruppe as of 1 May 2012, MVZ Campus Gifhorn GmbH as of 1 July 2012, MVZ Augenärztliches Diagnostik- und Therapiecentrum Mönchengladbach/Erkelenz GmbH as of 1 October 2011, and MVZ Augenärztliches Diagnostik- und Therapiecentrum Siegburg GmbH as of 1 July 2011) to the tune of € 160.5 million, this translates into organic growth of € 75.3 million or 2.9%.

6.2 OTHER INCOME

Other operating income comprises:

	2012 € million	2011 € million
Income from services rendered	152.9	149.8
Income from grants and other allowances	20.1	16.8
Income from adjustment of receivables	2.3	3.1
Income from indemnification payments/other reimbursements	8.9	19.3
Other	22.2	27.2
	206.4	**216.2**

Income from services rendered includes income from ancillary and incidental activities amounting to € 139.4 million (previous year: € 136.7 million) as well as income from rental and lease agreements amounting to € 13.5 million (previous year: € 13.1 million). The rise in income from ancillary and incidental activities results from further increases in sales of drugs particularly in the area of cytostatics.

The Group received grants and other allowances as compensation for certain expenditure 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).

Income from indemnities received/other income include the amount of € 6.5 million from accounting income effects resulting from the "separate accounting" in Gießen and Marburg. Also to be noted is that the previous year figure of € 17.0 million included reimbursement claims for compensation payments by Siemens AG for financial disadvantages incurred to RHÖN-KLINIKUM AG in connection with the discontinuation of the "Marburg particle therapy" development project. During the previous year period the compensation payments resulted in an increase in income from indemnities received/other reimbursements as well as in impairments in the same amount recognised under depreciation and impairments.

The remaining other income amounts are attributable to various factors, including an amount of € 7.9 million (previous year: € 6.6 million) for reimbursements by the payers for reviews of cases by the Medical Review Board (MDK) of the health insurance funds concluded without objections, an amount of € 0.2 million (previous year: € 1.1 million) for own work capitalised, and an amount of € 7.1 million (previous year: € 6.9 million) for funds to compensate for expenses in connection with the performance of studies.

Consolidation effects account for € 10.1 million of the increase in other income.

6.3 MATERIALS AND CONSUMABLES USED

	2012 € million	2011 € million
Cost of raw materials, consumables and supplies	617.9	554.6
Cost of purchased services	135.5	124.0
	753.4	**678.6**

Compared with the previous year, materials and consumables used rose by € 74.8 million (or 11.0%) to reach € 753.4 million. The cost-of-materials ratio increased from 25.8% to 26.3%. Consolidation effects account for € 48.1 million, or 7.1%, of the increase in materials and consumables used.

6.4 EMPLOYEE BENEFITS EXPENSE

	2012 € million	2011 € million
Wages and salaries	1,445.1	1,296.1
Social insurance contributions	121.4	108.8
Expenditure for post-employment benefits		
Defined contribution plans	173.7	155.1
Defined benefit plans	0.7	2.1
	1,740.9	**1,562.1**

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 € 4.8 million (previous year: € 0.7 million) for severance payments. Of that, members of the Board of Management having left the Company in financial year 2012 account for € 4.2 million.

€ 107.6 million of the rise in employee benefits expenses is attributable to the first-time consolidation of HSK-Gruppe and newly commissioned MVZ companies. Adjusted for the above consolidation effects, employee benefits expenses rose by € 71.2 million or 4.6%.

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. In this context it has to be noted that the previous year includes impairments arising from the discontinuation of the "Marburg Particle Therapy" development project in the amount of € 17.0 million; these compare with compensation payments in the same amount recognised under other income. Adjusted for the above effect, depreciation and impairment rose from € 124.5 million by € 16.7 million or 13.4% to € 141.2 million. This disproportionate rise compared with the previous year is attributable to various factors, including commissionings of our new buildings and extensions completed during financial year 2011 (in particular Klinikum Hildesheim in October 2011, Universitätsklinikum Gießen und Marburg – Gießen site in May 2011, Marburg site in March 2011) as well as in financial year 2012 (Klinikum Gifhorn in February 2012). The higher depreciation/amortisation also stems to the tune of € 5.2 million from the first-time consolidation of HSK-Gruppe and to newly opened MVZs.

6.6 OTHER EXPENDITURE

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

	2012 € million	2011 € million
Maintenance	93.6	91.8
Charges, subscriptions and consulting fees	67.5	58.8
Administrative and IT costs	23.5	22.3
Impairment on receivables	12.8	2.6
Insurance	15.2	8.9
Rents and leaseholds	20.3	15.5
Travelling, entertaining and representation expenses	7.8	8.1
Other personnel and continuing training costs	14.6	14.0
Losses on disposal of non-current assets	0.9	1.9
Other taxes	1.2	1.2
Other	28.2	24.8
	285.6	**249.9**

In financial year 2012, other expenses rose disproportionately by € 35.7 million or 14.3% to reach € 285.6 million. Of this rise, € 18.1 million or 7.2% is accounted for by our long-standing subsidiaries and € 17.6 million or 7.1% is accounted for by subsidiaries consolidated for the first time.

The increase in expenditures for fees, subscriptions and consultancy fees in the amount of € 8.7 million or 14.8% to € 67.5 million is essentially attributable to legal and consultancy fees in connection with the voluntary public takeover offer submitted by Fresenius in the first half of 2012 and to additional consultancy fees. Moreover, expenditures for companies consolidated for the first time amounting to € 1.5 million were recognised under this item for the first time.

The rise in depreciation on receivables from € 2.6 million to € 12.8 million is essentially attributable to impairments and is explained in particular by the higher receivables compared with the previous year. It also includes subsidiaries consolidated for the first time in the amount of € 1.4 million.

Expenditures for insurance and related deductibles increased compared with the previous year by € 6.3 million to € 15.2 million and essentially concern electronics, fire, liability and other insurance coverage. Of this rise, subsidiaries consolidated for the first time account for € 1.0 million.

Rental expenditures rose by € 4.8 million particularly as a result of the consolidation of HSK-Gruppe as of 1 May 2012. The rise of € 3.4 million in other expenditures is attributable entirely to subsidiaries consolidated for the first time.

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 2.0% 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:

	2012 € million	2011 € million
Finance income		
Cash at banks	5.3	7.6
Other interest income	1.5	1.3
	6.8	**8.9**
Finance expenses		
Bond	16.1	16.1
Liabilities to banks	25.2	17.5
Other interest expenses	2.2	2.0
	43.5	**35.6**
	–36.7	**–26.7**

Other interest income, which essentially concerns interest income from tax assets, also includes profit shares at companies accounted for at equity in the amount of € 121,000 (previous year: € 45,000).

In accordance with IAS 17 (Leases), finance leases are reported under property, plant and equipment, and the interest component of € 13,000 (previous year: € 21,000) 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 € 38.8 million in financial year 2012 (previous year: € 31.3 million), and comprises income of € 6.1 million (previous year: € 8.2 million) and expenses of € 44.9 million (previous year: € 39.5 million).

6.9 INCOME TAXES

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

	2012 € million	2011 € million
Current income tax	21.9	26.2
Deferred taxes	–0.2	–0.8
	21.7	**25.4**

At an unchanged rate of taxation, the income tax expense item declined by € 3.7 million to € 21.7 million (previous year: € 25.4 million) compared with same period of the previous year. Adjusted for the one-off earnings increasing tax effects in the amount of € 9.0 million resulting from the conclusion of profit-and-loss transfer agreements of RHÖN-KLINIKUM AG with the facilities in Leipzig, Meiningen, Karlsruhe and Kipfenberg, the income tax expense item declined by € 12.7 million as a result of the correspondingly lower tax assessment basis. The income tax burden stands at 19.1% (previous year: 13.6%).

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

	2012		2011	
	€ million	%	€ million	%
Earnings before taxes	**113.7**	**100.0**	**186.5**	**100.0**
Nominal tax expense (tax rate 15.0%, previous year 15.0%)	17.1	15.0	28.0	15.0
Solidarity surcharge (tax rate 5.5%)	0.9	0.8	1.5	0.8
Additional expense from dividend payment	0.9	0.8	2.2	1.2
Increase in tax liability due to non-deductible charges	0.2	0.2	0.3	0.2
Taxes, previous years	–0.2	–0.2	0.3	0.2
Trade tax	0.5	0.4	0.6	0.3
Recognition of loss carry-forwards	0.0	0.0	–9.0	–4.8
Derecognition of previous loss carry-forwards/ Loss carry-forwards not applied	2.2	1.9	1.8	1.0
Other	0.1	0.1	–0.3	–0.2
Effective income tax expense	**21.7**	**19.1**	**25.4**	**13.6**

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 NON-CONTROLLING INTERESTS IN EQUITY

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. 2012	No. of shares on 31 Dec. 2012
No-par value 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)	89,685
(previous year)	(156,114)
Weighted average number of shares outstanding, in thousands	138,208
(previous year)	(138,208)
Earnings per share in €	0.65
(previous year)	(1.13)

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 2012	**345.0**	**58.1**	**403.1**
Additions due to changes in scope of consolidation	69.0	1.0	70.0
Additions	0.0	2.9	2.9
Disposals	0.0	1.9	1.9
Transfers	0.0	0.8	0.8
31 December 2012	**414.0**	**60.9**	**474.9**
Cumulative depreciation and impairment			
1 January 2012	**0.0**	**37.7**	**37.7**
Depreciation	0.0	7.9	7.9
Disposals	0.0	1.7	1.7
31 December 2012	**0.0**	**43.9**	**43.9**
Balance sheet value as at 31 December 2012	**414.0**	**17.0**	**431.0**

	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 as at 31 December 2011	**345.0**	**20.4**	**365.4**

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 accordingly 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 establish whether the economic situation continues to support the results of the impairment test in the same way as before. This was the case on 31 December 2012.

We tested goodwill of the acquired companies for impairment as at 31 December 2012 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 2012, we have defined this discount rate at 5.88% (previous year: 5.94%). Significant goodwill relates to the following cash generating units:

Company	31 Dec. 2012 € million	31 Dec. 2011 € million
Universitätsklinikum Gießen und Marburg GmbH	137.5	137.5
MEDIGREIF Group	93.9	93.9
HSK-Gruppe	60.4	0.0
Zentralklinik Bad Berka GmbH	13.8	13.8
MVZ ADTC Düsseldorf GmbH	11.8	11.7
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
MVZ ADTC Mönchengladbach/Erkelenz GmbH	6.1	4.5
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	39.1	32.2
	414.0	**345.0**

For the planning period 2013-2023 (previous year: 2012-2022), revenue growth of companies accounting for the main portion of goodwill is in the average range of 2.0% to 6.1% (previous year: 1.3% to 3.9%).

The EBIT margins of the companies range from 4.7% to 11.3% (previous year: 6.7% to 17.3%) during the planning period.

In connection with the impairment test, a sensitivity analysis was also performed. Within the test the following assumptions were used:

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

As a result of the sensitivity analysis we were able to determine that a decline of 10% in EBIT results in an impairment requirement equal to € 2.5 million (previous year: € 0.9 million). An increase of 0.5% in WACC gives rise to an impairment requirement of € 2.5 million (previous year: € 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 AND EQUIPMENT

	Land and buildings € million	Technical plant and equipment € million	Operational and office equipment € million	Plant under construction € million	Total € million
Cost					
1 January 2012	**1,881.5**	**83.6**	**570.3**	**157.1**	**2,692.5**
Additions due to changes in scope of consolidation	67.1	2.6	8.7	0.4	78.8
Additions	29.7	4.0	40.8	47.3	121.8
Disposals	10.0	2.3	18.3	0.2	30.8
Transfers	115.9	4.6	14.7	–136.0	–0.8
31 December 2012	**2,084.2**	**92.5**	**616.2**	**68.6**	**2,861.5**
Cumulative depreciation and impairment					
1 January 2012	**456.7**	**46.0**	**330.7**	**0.0**	**833.4**
Depreciation	57.7	6.6	68.7	0.0	133.0
Disposals	5.3	2.2	17.1	0.0	24.6
31 December 2012	**509.1**	**50.4**	**382.3**	**0.0**	**941.8**
Balance sheet value as at 31 December 2012	**1,575.1**	**42.1**	**233.9**	**68.6**	**1,919.7**

	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 as at 31 December 2011	**1,424.8**	**37.6**	**239.6**	**157.1**	**1,859.1**

During the financial year, borrowing costs of € 2.1 million (previous year: € 5.6 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 4.4% (previous year: 4.0%) 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 € 45.4 million (€ 15.6 million). Of that, HSK-Gruppe consolidated for the first time in financial year 2012 accounts for € 29.8 million. The financial liabilities secured by registered charges on real property as at the balance sheet date were € 37.6 million (previous year: € 5.9 million). Of that, HSK-Gruppe consolidated for the first time in financial year 2012 accounts for € 32.9 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 € 742.2 million (previous year: € 735.1 million). To secure conditionally repayable single grants under the KHG (e.g. for the construction of new hospitals or major extensions) totalling € 230.5 million (previous year: 246.1 million), the Group holds registered charges on real property in the amount of € 461.2 million (previous year: € 460.0 million). There are no reasons to assume that these grants will have to be repaid.

Buildings, technical equipment and machinery include the following amounts for which the Group is the lessee under a finance lease.

	31 Dec. 2012 € million	31 Dec. 2011 € million
Cost of assets capitalised under finance leases	9.3	9.3
Changes in scope of consolidation	42.1	0.0
Accumulated amortisation and impairment	10.2	9.0
Net carrying amount	41.2	0.3

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 2014 and 2017. They are shown at their present value of € 9.5 million (previous year: € 11.6 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. 2012		31 Dec. 2011	
	Assets € million	Liabilities € million	Assets € million	Liabilities € million
Tax-loss carry forwards	16.3	0.0	13.8	0.0
Property, plant and equipment/intangible assets	0.0	22.9	0.0	19.8
Interest bearing liabilities	5.6	0.0	5.6	0.0
Valuation differences at subsidiaries	0.0	0.8	0.0	0.9
Other assets and liabilities	8.9	3.9	8.0	3.4
Total	**30.8**	**27.6**	**27.4**	**24.1**
Balance	**3.2**		**3.3**	

Deferred tax assets for tax loss carry-forwards are recognised in the amount of the associated tax benefits that can probably be realised as a result of future taxable profits. Tax loss carry-forwards in connection with previous hospital acquisitions are included in the tax base for recognising deferred tax assets if they are sufficiently determinable for tax purposes. Deferred tax assets from tax loss carry-forwards are recognised on the basis of tax planning calculations for a period of five years. The tax base used for deferred taxes is € 101.4 million (previous year: € 87.2 million). On the balance sheet date, tax losses carried forward which have so far not been utilised amounted to € 168.0 million (previous year: € 136.7 million); no deferred tax assets were recognised in relation to € 66.6 million (previous year: € 49.5 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 in the different tax treatment of costs in connection with borrowing.

Deferred tax liabilities for non-distributed profits of subsidiaries totalling € 103.0 million (previous year: € 115.0 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. 2012 € million	31 Dec. 2011 € million
Deferred tax assets (previous year: tax assets) at beginning of year	**3.3**	**0.8**
Recognition directly in equity in connection with financial derivatives recognised in equity	0.1	1.7
Gain/loss from current netting in the income statement	–0.2	0.8
Deferred tax assets at end of year	**3.2**	**3.3**

7.5 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The investments accounted for using the equity method 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 applicable for using the equity method for recognising both interests have been satisfied. The Group holds the following proportionate interests in assets, liabilities, income and expenditures:

Balance sheet data for investments accounted for using the equity data	31 Dec. 2012 € million	31 Dec. 2011 € million
Non-current assets	0.9	1.2
Current assets	0.3	1.4
Non-current liabilities to shareholders	0.9	2.3
Current liabilities	0.1	0.2
Shareholders' equity	0.2	0.1
Carrying amount of equity-accounted interests	**0.2**	**0.1**

Income statement data for investments accounted for using the equity data	2012 € million	2011 € million
Revenues	0.7	0.7
Result for the year	**0.1**	**0.0**

Interests in companies accounted for using the equity method (€ 228,000; previous year: € 107,000) are reported under the other assets (non-current) on the grounds of materiality.

7.6 OTHER FINANCIAL ASSETS (NON-CURRENT)

€ 10.9 million (previous year: € 0.0 million) of other financial assets (non-current) are attributable to claims against former shareholders in connection with the acquisition of HSK-Gruppe, € 0.2 million (previous year: € 0.2 million) are attributable to investments and € 0.2 million (previous year: € 0.1 million) are attributable to market values of derivative financial instruments.

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)

Other assets (non-current) amounting to € 2.4 million (previous year: € 1.8 million) include a figure of € 2.2 million (previous year: € 1.7 million) consisting essentially of reimbursement rights not covered against insolvency for pension commitments as well as an amount of € 0.2 million (previous year: € 0.1 million) of interests in companies accounted using the equity method are reported.

7.8 INVENTORIES

Raw materials, consumables and supplies of € 56.9 million (previous year: € 50.3 million) mainly consist of medical supplies. Impairment losses of € 6.0 million (previous year: € 5.5 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. 2012 < 1 year € million	31 Dec. 2011 < 1 year € million
Accounts receivable (gross)	461.9	366.0
Impairments on accounts receivable	–22.5	–14.0
Accounts receivable (net)	**439.4**	**352.0**

Allowances recognised on accounts receivable (net) totalling € 439.4 million (previous year: € 352.0 million) duly reflect identifiable risks; the allowances are determined based on the probability of a default. Additions to allowances are shown under other operating expenses in the income statement, and reversals of impairments are shown under other operating income. There are no concentrations of credit risks in relation to accounts receivable because virtually all amounts are receivables from public payers. In principle, it is possible for an individual public payer to become insolvent, but given the joint and several liability of the payers we regard the risk of default as low.

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

The maturity structure of the accounts receivable is shown in the following.

	Carrying amount	of which neither impaired nor 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 2012						
Accounts receivable	461.9	341.4	56.5	17.6	14.3	32.1
31 December 2011						
Accounts receivable	366.0	279.9	41.1	11.4	9.1	24.5

With regard to the accounts receivable in the amount of € 341.4 million (previous year: € 279.9 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 € 22.5 million in the financial year (previous year: € 14.0 million).

Accounts receivable were derecognised in the income statement in the amount of € 3.2 million in financial year 2012 (previous year: € 3.7 million). Settlement mechanisms in accordance with the Hospital Remuneration Act (KHEntgG) partially compensated for these defaults. Inflows of € 0.6 million (previous year: € 0.5 million) were recognised in the income statement in relation to previously derecognised accounts receivable.

7.10 OTHER FINANCIAL ASSETS (CURRENT)

	31 Dec. 2012 < 1 year € million	31 Dec. 2011 < 1 year € million
Receivables under hospital financing law	10.2	7.0
Remaining other financial assets	39.1	25.9
	49.3	32.9

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 mainly concern € 11.3 million (previous year: € 0.0 million) in claims against former shareholders in connection with the acquisition of HSK-Gruppe, € 6.4 million (previous year: € 8.5 million) in receivables from services rendered which are not primarily related to treatments at hospitals as well as € 1.5 million (previous year € 1.5 million) in receivables due from employees in particular from invoices as part of the right of head physicians to issue invoices. Also included are accounts receivable in the amount of € 1.4 million (previous year: € 1.7 million).

Other financial assets include impairments amounting to € 1.4 million (previous year: € 0.0 million). No reversals of impairment losses were made.

7.11 OTHER ASSETS

Of other assets in the amount of € 13.5 million (previous year: € 11.5 million), essentially € 5.6 million (previous year: € 6.5 million) is attributable to prepaid expenses, mainly insurance expenses, and € 6.5 million (previous year: € 5.0 million) is attributable 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. 2012 € million	31 Dec. 2011 € million
Cash with banks and cash on hand	147.1	142.0
Short-term bank deposits	89.9	335.5
	237.0	**477.5**

As at the balance sheet date, the effective interest rate for bank balances was 0.33% (previous year: 1.8%). The average remaining term of these deposits was one day (previous year: 15 days).

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

	31 Dec. 2012 € million	31 Dec. 2011 € million
Cash and cash equivalents	237.0	477.5
Bank overdrafts	–17.1	–37.6
Cash position	**219.9**	**439.9**

7.14 SHAREHOLDERS' EQUITY

The registered share capital of RHÖN-KLINIKUM AG was € 345,580,000. It is divided into 138,232,000 non-par value bearer shares each with a notional value in the registered share capital of € 2.50 per share.

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

	Number	Arithmetic share in registered share capital €
Ordinary shares as at 1 January 2012	**138,232,000**	**345,580,000**
Changes in 2012	0	0
Ordinary shares as at 31 December 2012	**138,232,000**	**345,580,000**

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 € 840.4 million (previous year: € 813.5 million) comprise earnings generated in prior years by companies included in the consolidated financial statements (to the extent not paid out to shareholders) in the amount of € 871.3 million (previous year: € 843.8 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 into account deferred tax. As at 31 December 2012 a total of € 30.9 million (previous year: € 30.3 million) was allocated from hedging relationships to "Other reserves" which resulted 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 € 92.0 million (previous year: € 161.1 million), the change in the fair value of derivatives used for hedging purposes in the amount of € 0.8 million (previous year: € 10.5 million) less deferred income tax in the amount of € 0.1 million (previous year: € 1.7 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 2012	**24,000**
Changes in 2012	0
Treasury shares as at 31 December 2012	**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). During the last Annual General Meeting, the shareholders approved the proposal of the Board of Management so that an actual dividend payment of 45 cents (previous year: 37 cents) was made in financial year 2012.

Non-controlling interests in equity of € 25.6 million (previous year: € 43.7 million) relate to interests held by non-Group third parties in the following consolidated subsidiaries:

	External shareholders' interests	
	31 Dec. 2012	31 Dec. 2011
	%	%
Hospital companies		
Amper Kliniken AG, Dachau	5.1	5.1
Frankenwaldklinik Kronach GmbH, Kronach	5.1	5.1
HSK, Dr. Horst Schmidt Kliniken GmbH Klinikum der Landeshauptstadt Wiesbaden, Wiesbaden	51.0	–
Kliniken München Pasing und Perlach GmbH, Munich	0.3	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	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		
HSK – Ambulante Therapie und Management GmbH, Wiesbaden	51.0	–
MVZ Augenärztliches Diagnostik- und Therapiecentrum Mönchengladbach/Erkelenz GmbH, Erkelenz	49.0	10.0
MVZ Augenärztliches Diagnostik- und Therapiecentrum Siegburg GmbH, Siegburg	30.0	30.0
MVZ Augenärztliches Diagnostik- und Therapiezentrum Düsseldorf GmbH, Düsseldorf	40.4	40.0
MVZ Augenärztliches Diagnostik- und Therapiezentrum Wuppertal GmbH, Wuppertal (amalgamated with MVZ Augenärztliches Diagnostik- und Therapiezentrum Düsseldorf GmbH, Düsseldorf)	–	45.0
MVZ Campus Gifhorn GmbH, Gifhorn	4.0	–
MVZ Universitätsklinikum Marburg GmbH, Marburg	5.0	5.0
Q.sana Gesellschaft bürgerlichen Rechts, Weimar	20.0	20.0

	External shareholders' interests	
	31 Dec. 2012	31 Dec. 2011
	%	%
Service companies		
HSK ServiceGesellschaft mbH, Wiesbaden	51.0	–
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 Nordost mbH, Bad Neustadt a. d. Saale	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 Mitte GmbH, Bad Neustadt a. d. Saale (formely: RK Klinik Betriebs GmbH Nr. 37, Bad Neustadt a. d. Saale)	49.0	–
RK-Wäschereinigung Süd GmbH, Bad Neustadt a. d. Saale	49.0	49.0
Other companies		
Adangela HSK-WFK Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Wiesbaden	53.9	–
Altmühltalklinik-Leasing-GmbH, Kipfenberg	49.0	49.0
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	5.1	5.1

With effect from 21 December 2012, the interest held by Amper Kliniken AG in Kliniken München Pasing und Perlach GmbH was reduced by 20 percentage points to 5.1% by sale to RHÖN-KLINIKUM AG. Accordingly, the non-controlling interest in equity diminished by € 0.1 million. Additional equity capital transactions with owners relate to non-controlling interests of two MVZ companies and two service companies.

7.15 FINANCIAL LIABILITIES

	31 Dec. 2012		31 Dec. 2011	
	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	397.9	12.6	397.2	12.6
Liabilities to banks	335.5	234.3	574.3	7.4
Negative fair values of derivative financial instruments	34.3	3.0	36.0	0.0
Total non-current financial liabilities	**767.7**	**249.9**	**1,007.5**	**20.0**
Current financial liabilities				
Liabilities to banks	0.0	17.1	0.0	37.6
Total current financial liabilities	**0.0**	**17.1**	**0.0**	**37.6**
Total financial liabilities	**767.7**	**267.0**	**1,007.5**	**57.6**

RHÖN-KLINIKUM AG issued a revolving syndicated line of credit in the amount of € 400.0 million in financial year 2006 to finance investments. This contract has a term running until 2013, with a partial amount of € 200.0 million having been redeemed ahead of schedule in 2012. As at the reporting date of 31 December 2012, the available volume of € 200.0 million was drawn. The term-linked interest rate was between 0.69% p.a. and 1.825% p.a. in the year under review. On the credit volume not drawn down, interest is charged at a rate of 0.28% p.a.

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. The line was refinanced ahead of schedule during the reporting year given the attractive terms on the capital market.

In financial year 2012, RHÖN-KLINIKUM AG concluded a revolving syndicated line of credit in the amount of € 350 million with a term running until 2017 to refinance the redeemed line of credit from 2006 and 2010. As at the reporting date of 31 December 2012, € 50.0 million of this line of credit had been drawn down. The term-linked interest rate was at 1.36% p.a. for the amount drawn down during the reporting year. Interest is charged on the credit volume which has not been drawn down at a rate of 0.4375% p.a. Moreover, for investment in an energy-efficient new building at the Nordenham site, a development loan in a volume of € 23.7 million with a term running until 2020 was agreed with KFW IPEX-Bank. The loan amount was disbursed in January 2013.

Of the non-current financial liabilities, variable interest is charged on € 431.8 million (previous year: € 468.0 million). To limit interest rate risk, 83.2% of the volume bearing a variable 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. 2012			31 Dec. 2011		
	Interest rate[1]	Original value	Carrying amount of loans	Interest rate[1]	Original value	Carrying amount of loans
Fixed interest period ends	%	€ million	€ million	%	€ million	€ million
Bond	4.06	400.0	397.8	4.06	400.0	397.2
Interest on bond			12.6			12.6
		400.0	**410.4**		**400.0**	**409.8**
Liabilities to banks						
2012				2.05	480.2	461.0
2013	1.12	449.7	421.9	4.45	2.0	0.8
2014	4.88	11.4	5.5	5.60	1.5	0.6
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	101.2	5.17	102.5	101.3
2018	0.00	0.0	0.0	5.34	19.6	18.0
> 2019	4.42	47.0	41.3			
		610.6	**569.9**		**605.8**	**581.7**
		1,010.6	**980.3**		**1,005.8**	**991.5**

[1] *Weighted interest rate*

The effective interest rates at balance sheet date are:

	31 Dec. 2012	31 Dec. 2011
	%	%
Bond	4.06	4.06
Liabilities to banks	2.11	2.71
Overdrafts with banks	0.90	1.75

The remaining terms of the financial liabilities are:

	31 Dec. 2012 € million	31 Dec. 2011 € million
Up to 1 year	267.0	57.6
Between 1 and 5 years	685.8	854.3
More than 5 years	81.9	153.2
Total	**1,034.7**	**1,065.1**

Of the reported financial liabilities, € 37.6 million (previous year: € 5.9 million) is secured by registered charges on real property.

The profits and losses from hedging transactions recognised at equity as at 31 December 2012 are continually recognised in the income statement until repayment of the liabilities to banks.

7.16 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

The Group provides pension retirement benefits for eligible employees under its company pension scheme, which comprises both defined benefit and defined contribution pension plans. Obligations under this scheme include current pension payments and future entitlements.

Defined benefit obligations are financed by recognising provisions. Amounts relating to defined contribution plans are recognised immediately in profit or loss.

Obligations under defined benefit plans relate to pension commitments of four (previous year: four) 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 pension 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 pension 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:

	2012 € million	2011 € million
Current service cost	0.1	0.8
Interest cost (unwinding of the discount related to projected benefits)	0.2	0.3
Netted actuarial gains or losses	0.4	1.0
	0.7	**2.1**

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. 2012 € million	31 Dec. 2011 € million
Defined benefit obligation	6.4	9.8
Actuarial gains and losses not yet netted	–0.9	–0.9
Provision for pensions (defined benefit liability)	**5.5**	**8.9**

The amounts recognised on the balance sheet under the provision item developed as follows:

	2012 € million	2011 € million
As at 1 January	**8.9**	**12.6**
Current service cost	0.1	0.8
Interest cost (unwinding of the discount related to projected benefits)	0.2	0.3
Netted actuarial gains or losses	0.4	1.0
Plan change	1.1	0.0
Payments rendered	–5.2	–5.8
As at 31 December	**5.5**	**8.9**

The calculation is based on the following assumptions:

	31 Dec. 2012 %	31 Dec. 2011 %
Rate of interest	3.60	4.90
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:

	2012 € million	2011 € million	2010 € million	2009 € million	2008 € million
Defined benefit obligation, 31 December	6.4	9.8	14.4	12.3	11.0
Fair value of plan assets	0.0	0.0	0.0	0.0	0.0
Shortfall, 31 December	6.4	9.8	14.4	12.3	11.0
Experience-based adjustment to plan liabilities	–0.3	0.5	0.7	–0.1	0.7

The development of the defined benefit obligation in financial year 2012 compared with the previous year is shown in the following:

	2012 € million	2011 € million
As at 1 January	**9.8**	**14.4**
Service time cost	0.1	0.8
Interest expense	0.2	0.3
Pension payments	–5.2	–5.8
Actuarial gains/losses	0.4	0.1
Plan change	1.1	0.0
As at 31 December	**6.4**	**9.8**

Pension payments include € 3.3 million in early post-employment settlement payments for two former members of the Board of Management.

In 2012 pension payments of € 0.5 million (previous year: € 1.8 million) were expected to be made in 2013.

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. 2012	Change in scope of consoli-dation	Con-sumption	Writeback	Allocation	31 Dec. 2012	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	20.1	0.0	3.9	0.0	7.6	23.8	23.8	0.0
Other provisions	0.5	1.2	0.3	0.0	0.1	1.5	1.5	0.0
	20.7	**1.2**	**4.2**	**0.0**	**7.7**	**25.4**	**25.4**	**0.0**

Provisions for demolition obligations are attributable to contractually agreed services for clearing developed land. The provisions are expected to be used in financial year 2013.

The provisions for liability risks relate to claims for damages by third parties. These compare with repayment claims of € 6.5 million (previous year: € 5.0 million) against insurers; these are shown under other 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, which generally may occur in the short term, 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. 2012	of which < 1 year	of which > 1 year	31 Dec. 2011	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	23.8	23.8	0.0	20.1	20.1	0.0
Other provisions	1.5	1.5	0.0	0.5	0.5	0.0
	25.4	**25.4**	**0.0**	**20.7**	**20.7**	**0.0**

The Group of RHÖN-KLINIKUM AG has contingent liabilities of up to € 1.5 million (previous year: € 1.5 million). These constitute liabilities as part of the performance process. At the present time RHÖN-KLINIKUM AG does not expect any significant usage in future.

7.18 ACCOUNTS PAYABLE

	31 Dec. 2012		31 Dec. 2011	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Accounts payable	137.3	0.0	129.0	0.0

Accounts payable exist with regard to third parties. The total amount of € 137.3 million (previous year: € 129.0 million) is due within one year.

7.19 OTHER FINANCIAL LIABILITIES

	31 Dec. 2012		31 Dec. 2011	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Liabilities under Hospital Financing Act	78.4	0.0	98.3	0.0
Purchase prices	3.8	0.0	4.8	0.0
Leasing	1.6	39.6	0.2	0.1
Other financial liabilities	29.3	26.3	41.5	23.6
Other financial liabilities (financial instruments)	**113.1**	**65.9**	**144.8**	**23.7**

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 contractually stipulated obligations.

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 € 15.4 million (previous year: € 12.4 million), € 11.1 million (previous year: € 12.2 million) is attributable to obligations arising from research grants owed to the University of Gießen and Marburg and € 4.2 million is attributable to obligations in connection with the acquisition of HSK-Gruppe.

7.20 OTHER LIABILITIES

	31 Dec. 2012		31 Dec. 2011	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Personnel liabilities	131.7	2.1	133.0	4.3
Deferred income	9.4	0.0	11.3	0.0
Operating taxes and social security contributions	30.0	0.0	21.4	0.0
Pre-payments	1.3	0.0	2.2	0.0
Other liabilities	13.6	0.0	3.4	0.0
Other liabilities (non-financial instruments)	**186.0**	**2.1**	**171.3**	**4.3**

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 third-party funds from ongoing studies not yet appropriated as well as the use and supply agreement (Nutzungs- und Überlassungsvertrag) of Universitätsklinikum Gießen und Marburg GmbH with the Carreras Leukemia Center. For use of the premises for research and teaching purposes, the university paid fixed advance user fees totalling € 1.6 million.

7.21 CURRENT INCOME TAX LIABILITIES

Current income tax liabilities in the amount of € 7.0 million (previous year: € 8.7 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 € 980.3 million (previous year: € 991.5 million); of this figure, € 548.5 million (previous year: € 523.5 million) was subject to fixed interest rates and terms running until 2027. Interest hedges in a volume of € 373.1 million (previous year: € 473.0 million) exist in relation to other non-current liabilities which are financed at a variable rate.

Financial derivatives measured at fair value through profit or loss resulted in income of € 0.1 million (previous year: € 0.0 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). A large portion of the hedging instruments are recognised as being 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 € 30.9 million (previous year: € 30.3 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.

2012	Fair value	Term from	Term to	Reference interest rate 31 Dec. 2012	Interest rate cap or fixed rate	Reference amount 31 Dec. 2012
	€ million			%	%	€ million
Interest rate swaps, liabilities	–32.4	11 June 2008	11 June 2018	0.19	4.65	150.0
	–0.4	2 Jan. 2007	30 Sept. 2018	0.19	3.94	3.3
	0.0	16 Jan. 2008	6 Mar. 2013	0.19	4.25	2.0
	0.0	30 Sept. 2009	30 Dec. 2013	0.19	2.31	0.3
	0.0	30 Sept. 2009	30 June 2014	0.19	2.42	1.0
	0.0	30 Nov. 2009	28 Mar. 2013	0.19	1.83	0.1
	–0.2	30 Nov. 2009	30 June 2016	0.19	2.57	4.2
	–0.8	31 Mar. 2010	30 Dec. 2022	0.19	2.79	7.9
	–3.0	2 Jan. 2012	7 June 2013	0.11	3.49	200.0
	–0.5	11 Nov. 2008	30 June 2018	0.19	4.48	4.3

2011	Fair value	Term from	Term to	Reference interest rate 31 Dec. 2011	Interest rate cap or fixed rate	Reference amount 31 Dec. 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 Sept. 2018	1.39	3.94	3.8
	–0.1	16 Jan. 2008	6 Mar. 2013	1.47	4.25	2.0
	0.0	30 Sept. 2009	30 Dec. 2013	1.39	2.31	0.7
	0.0	30 Sept. 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

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	2012	of which financial instruments		2011	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)		11.3	11.3	11.3	0.3	0.3	0.3
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	0.2	0.2	0.2	0.1	0.1	0.1
of which other	Loans + receivables	10.9	10.9	10.9	0.0	0.0	0.0
Current assets							
Accounts receivable and other financial assets		488.7	488.7	488.7	384.9	384.9	384.9
of which accounts receivable and other financial assets	Loans + receivables	488.7	488.7	488.7	384.9	384.9	384.9
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	0.0	0.0	0.0
Cash and cash equivalents	Loans + receivables	237.0	237.0	237.0	477.5	477.5	477.5
SHAREHOLDERS' EQUITY AND LIABILITIES							
Non-current liabilities							
Financial liabilities		767.7	767.7	707.4	1,007.5	1,007.5	888.7
of which financial liabilities	Financial liabilities measured at amortised cost	733.4	733.4	673.1	971.5	971.5	852.7
of which derivative financial instruments (hedge accounting)	n.a.	34.3	34.3	34.3	36.0	36.0	36.0
Other financial liabilities		65.9	65.9	67.9	23.7	23.7	24.1
of which other financial liabilities	Financial liabilities measured at amortised cost	26.3	26.3	28.3	23.6	23.6	24.0
of which under finance leases	n.a.	39.6	39.6	39.6	0.1	0.1	0.1
Current liabilities							
Accounts payable	Financial liabilities measured at amortised cost	137.3	137.3	137.3	129.0	129.0	129.0
Financial liabilities		267.0	267.0	267.0	57.6	57.6	57.6
of which financial liabilities	Financial liabilities measured at amortised cost	264.0	264.0	264.0	57.6	57.6	57.6
of which derivative financial instruments (hedge accounting)	n.a.	3.0	3.0	3.0	0.0	0.0	0.0
Other financial liabilities		113.1	113.1	113.1	144.8	144.8	144.8
of which other financial liabilities	Financial liabilities measured at amortised cost	111.5	111.5	111.5	144.6	144.6	144.6
of which under finance leases	n.a.	1.6	1.6	1.6	0.2	0.2	0.2

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

	Loans + receivables		725.7	725.7		862.4	862.4
	Available-for-sale financial assets		0.2	0.2		0.2	0.2
	Financial assets measured at fair value through profit or loss		0.2	0.2		0.1	0.1
	Financial liabilities measured at amortised cost		1,272.5	1,214.2		1,326.3	1,207.9
	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	0.2	0.0	0.2
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	34.3	0.0	34.3
Current derivative liabilities	0.0	3.0	0.0	3.0

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		2012	2011
	€ million	€ million	€ million	€ million	€ million	€ million
Loans and receivables	0.0	0.0	6.2	4.3	10.5	–0.6
Financial assets and liabilities measured at fair value through profit or loss	0.0	–0.1	0.0	0.0	–0.1	0.0
Total	**0.0**	**–0.1**	**6.2**	**4.3**	**10.4**	**–0.6**

+ = 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		
	2013	2014–2019	> 2019
	€ million	€ million	€ million
Financial liabilities	–286.2	–802.1	–16.3
Accounts payable	–137.3	0.0	0.0
Derivatives	–3.0	–33.4	–0.8
Other financial liabilities	–111.5	–11.6	–20.3
Liabilities under finance leases	–1.6	–6.2	–33.4
	–539.6	**–853.3**	**–70.8**

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

	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	–144.6	–11.8	–18.2
Liabilities under finance leases	–0.3	–0.1	0.0
	–357.9	**–1,106.6**	**–27.5**

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 € 12.3 million (previous year: € 27.2 million) for outstanding construction invoices and a figure of € 0.1 million (previous year: € 0.0 million) for non-cash gains from financial derivatives. Furthermore, purchase price payments under purchases of doctor's practices concluded in 2011 were made in the amount of € 2.2 million.

The sale of a former hospital building resulted in a payment received in the amount of € 2.9 million. During the previous year, 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 non-controlling interests amounted to € 3.1 million (previous year: € 3.1 million). Additional equity capital transactions amounting to € 0.3 million with non-controlling interests relate to two MVZ companies and two service companies. In the previous year 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	93,863	17,731
Aukamm-Klinik für operative Rheumatologie und Orthopädie GmbH, Wiesbaden	100.0	1,830	987
Bördekrankenhaus GmbH, Neindorf	100.0	1,258	–15
Fachkrankenhaus für Psychiatrie und Neurologie Hildburghausen GmbH, Hildburghausen	100.0	20,716	6,441
Fachkrankenhaus Vogelsang-Gommern GmbH, Gommern	100.0	4,346	2,052
Frankenwaldklinik Kronach GmbH, Kronach	94.9	29,291	1,430
Gesundheitsmanagement Elbe-Fläming GmbH, Burg (formerly: Gesundheitsmanagement GmbH, Greifswald)	100.0	8,141	7,782
Haus Saaletal GmbH, Bad Neustadt a. d. Saale	100.0	312	58
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	14,580	0
HSK, Dr. Horst Schmidt Kliniken GmbH Klinikum der Landeshauptstadt Wiesbaden, Wiesbaden[2]	49.0	10,776	–22,205
KLINIK "HAUS FRANKEN" GMBH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	29,278	237
Klinik für Herzchirurgie Karlsruhe GmbH, Karlsruhe[1]	100.0	5,668	0
Klinik Hildesheimer Land GmbH, Bad Salzdetfurth	100.0	2,085	300
Klinik Kipfenberg GmbH Neurochirurgische und Neurologische Fachklinik, Kipfenberg[1]	100.0	3,070	0
Kliniken Herzberg und Osterode GmbH, Herzberg am Harz	100.0	15,306	472
Kliniken Miltenberg-Erlenbach GmbH, Erlenbach	100.0	11,209	257
Kliniken München Pasing und Perlach GmbH, Munich	99.7	40,092	4,072
Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder)	100.0	72,306	6,306
Klinikum Gifhorn GmbH, Gifhorn	96.0	20,134	1,562
Klinikum Hildesheim GmbH, Hildesheim	100.0	56,551	254
Klinikum Meiningen GmbH, Meiningen[1]	100.0	15,332	0
Klinikum Pforzheim GmbH, Pforzheim	94.9	63,210	988
Klinikum Pirna GmbH, Pirna	100.0	19,676	4,146
Klinikum Salzgitter GmbH, Salzgitter	94.9	28,643	1,234
Klinikum Uelzen GmbH, Uelzen	100.0	21,903	1,903
Krankenhaus Boizenburg GmbH, Boizenburg	92.0	1,055	455
Krankenhaus Cuxhaven GmbH, Cuxhaven	100.0	16,417	–583
Krankenhaus Jerichower Land GmbH, Burg	100.0	15,473	4,029
Krankenhaus Köthen GmbH, Köthen	100.0	11,489	1,179
Krankenhaus St. Barbara Attendorn GmbH, Attendorn	100.0	7,866	–468
Krankenhaus Waltershausen-Friedrichroda GmbH, Friedrichroda	100.0	11,856	356
Krankenhaus Zerbst GmbH, Zerbst	100.0	5,754	2,174

Hospital companies	Interest held %	Equity € '000	Result for the year € '000
Mittelweser Kliniken GmbH Nienburg Hoya Stolzenau, Nienburg	100.0	26,503	1,503
Neurologische Klinik GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	5,033	2,283
Park-Krankenhaus Leipzig GmbH, Leipzig (amalgamated with Soteria Klinik Leipzig GmbH, Leipzig)	100.0	14,901	4,980
St. Elisabeth-Krankenhaus GmbH Bad Kissingen, Bad Kissingen	98.5	9,067	388
St. Petri-Hospital Warburg GmbH, Warburg	100.0	3,978	–452
Städtisches Krankenhaus Wittingen GmbH, Wittingen	96.0	2,086	–957
Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden	100.0	13,124	2,079
Universitätsklinikum Gießen und Marburg GmbH, Gießen	95.0	72,630	–8,690
Weißeritztal-Kliniken GmbH, Freital	100.0	28,582	3,382
Wesermarsch-Klinik Nordenham GmbH, Nordenham	100.0	2,938	–3,943
Zentralklinik Bad Berka GmbH, Bad Berka	87.5	112,814	14,989

[1] *The company claims the exemption from the disclosure obligation pursuant to section 264 (3) HGB.*
[2] *Full consolidation by reason of contractual provisions.*

MVZ companies	Interest held %	Equity € '000	Result for the year € '000
HSK – Ambulante Therapie und Management GmbH, Wiesbaden[1]	49.0	56	51
Medizinisches Versorgungszentrum Anhalt GmbH, Zerbst	100.0	261	6
Medizinisches Versorgungszentrum Nikomedicum Bad Sachsa GmbH, Bad Sachsa	45.0	120	46
Medizinisches Versorgungszentrum Sachsen-Anhalt GmbH, Burg	100.0	451	–395
MVZ Augenärztliches Diagnostik- und Therapiecentrum Mönchengladbach/Erkelenz GmbH, Erkelenz	51.0	–30	–209
MVZ Augenärztliches Diagnostik- und Therapiecentrum Siegburg GmbH, Siegburg	70.0	–382	–686
MVZ Augenärztliches Diagnostik- und Therapiezentrum Düsseldorf GmbH, Düsseldorf (amalgamated with MVZ Augenärztliches Diagnostik- und Therapiezentrum Wuppertal GmbH, Wuppertal)	59.6	11,302	–666
MVZ Campus Gifhorn GmbH, Gifhorn	96.0	944	–102
MVZ Management GmbH Attendorn, Attendorn	100.0	125	–702
MVZ Management GmbH Baden-Württemberg, Pforzheim	100.0	165	–5
MVZ Management GmbH Brandenburg, Frankfurt (Oder)	100.0	73	–244
MVZ Management GmbH Nord, Nienburg	100.0	288	–1,823
MVZ Management GmbH Ost, Pirna	100.0	133	–450
MVZ Management GmbH Sachsen-Anhalt, Köthen	100.0	16	–565
MVZ Management GmbH Süd, Bad Neustadt a. d. Saale	100.0	765	–2,027
MVZ Management GmbH Thüringen, Bad Berka	100.0	4,288	–564
MVZ Management GmbH West, Wiesbaden	100.0	287	–1,461
MVZ Service Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	1,492	2
MVZ Universitätsklinikum Marburg GmbH, Marburg	95.0	145	18
Q.sana Gesellschaft bürgerlichen Rechts, Weimar	80.0	–146	–71

[1] *Full consolidation by reason of contractual provisions.*

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	1,672	4
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	34	2

Property companies	Interest held %	Equity € '000	Result for the year € '000
Adangela HSK-WFK Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Wiesbaden	46.1	–94	7
Altmühltalklinik-Leasing-GmbH, Kipfenberg	51.0	8,112	693
BGL Grundbesitzverwaltungs-GmbH, Bad Neustadt a. d. Saale	100.0	26,377	466
GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH Leipzig, Leipzig	100.0	328	68
Grundstücksgesellschaft Park Dösen GmbH, Bad Neustadt a. d. Saale	100.0	5,798	–123
GTB Grundstücksgesellschaft mbH, Leipzig	100.0	49,702	3,154

Service companies	Interest held %	Equity € '000	Result for the year € '000
HSK ServiceGesellschaft mbH, Wiesbaden[1]	49.0	111	–89
KDI Klinikservice GmbH, Dachau	94.9	126	3
RK Reinigungsgesellschaft Nordost mbH, Bad Neustadt a. d. Saale	51.0	375	0
RK-Cateringgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	51.0	–48	–125
RK-Cateringgesellschaft Süd mbH, Bad Neustadt a. d. Saale	51.0	51	0
RK-Cateringgesellschaft West mbH, Bad Neustadt a. d. Saale	51.0	68	–33
RK-Reinigungsgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	51.0	51	18
RK-Reinigungsgesellschaft Nord mbH, Bad Neustadt a. d. Saale	51.0	808	0
RK-Reinigungsgesellschaft Ost mbH, Bad Neustadt a. d. Saale	51.0	1,160	404
RK-Reinigungsgesellschaft Süd mbH, Bad Neustadt a. d. Saale	51.0	101	0
RK-Reinigungsgesellschaft West mbH, Bad Neustadt a. d. Saale	51.0	96	1
RK-Reinigungsgesellschaft Zentral mbH, Bad Neustadt a. d. Saale	51.0	217	30
RK-Wäschereinigung Mitte GmbH, Bad Neustadt a. d. Saale (formerly: RK Klinik Betriebs GmbH Nr. 37, Bad Neustadt a. d. Saale)	51.0	27	0
RK-Wäschereinigung Süd GmbH, Bad Neustadt a. d. Saale	51.0	42	13
UKGM Service GmbH, Bad Neustadt a. d. Saale	100.0	93	–10

[1] *Full consolidation by reason of contractual provisions.*

Shelf companies/other companies	Interest held %	Equity € '000	Result for the year € '000
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	94.9	146	9
Energiezentrale Universitätsklinikum Gießen GmbH, Gießen	50.0	349	206
HEILBAD BAD NEUSTADT GMBH, Bad Neustadt a. d. Saale	100.0	1,608	108
Kinderhort Salzburger Leite gemeinnützige Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	156	–76
Klinik Feuerberg GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	41	–3
Leben am Rosenberg GmbH, Kronach	100.0	201	36
Psychosomatische Klinik GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	25	–3
PTZ GmbH, Marburg	100.0	19,087	–112
RK Bauträger GmbH, Bad Neustadt a. d. Saale	100.0	262	–1
RK Klinik Betriebs GmbH Nr. 32, Bad Neustadt a. d. Saale	100.0	32	–4
RK Klinik Betriebs GmbH Nr. 34, Bad Neustadt a. d. Saale	100.0	30	–4
RK Klinik Betriebs GmbH Nr. 35, Bad Neustadt a. d. Saale	100.0	187	–3
Wolfgang Schaffer GmbH, Bad Neustadt a. d. Saale	100.0	597	4

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

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
4QD – Qualitätskliniken.de GmbH, Berlin[1]	25.0	419	–412
Christliches Hospiz Pforzheim GmbH, Pforzheim[1]	13.6	1,645	5
Hospiz Mittelhessen gGmbH, Wetzlar[1]	15.9	277	–19
Imaging Service AG, Niederpöcking[1]	23.8	493	20
miCura Pflegedienste Dachau GmbH, Dachau[1]	46.5	45	–17
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale[1]	25.0	1,309	219
Soemmerring GmbH privates Institut für Bewegungsstörungen und Verhaltensneurologie, Bad Nauheim[2]	31.7	6	5

[1] *Figures acc. to annual financial statements of 31 December 2011.*
[2] *Figures acc. to annual financial statements of 31 December 2010.*

10 OTHER DISCLOSURES

10.1 ANNUAL AVERAGE NUMBER OF EMPLOYEES

	2012	2011	Change	
	Number[1]	Number[1]	Number[1]	%
Medical doctors	4,455	3,905	550	14.1
Nursing services	12,544	11,621	923	7.9
Medical-technical services	5,714	5,100	614	12.0
Functional	4,351	3,978	373	9.4
Supply and misc. services	5,183	4,766	417	8.7
Technical	590	572	18	3.1
Administrative	2,747	2,642	105	4.0
Other personnel	554	494	60	12.1
	36,138	**33,078**	**3,060**	**9.3**

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

10.2 OTHER FINANCIAL OBLIGATIONS

	31 Dec. 2012	31 Dec. 2011
	€ million	€ million
Order commitments	**30.9**	**35.8**
Operating leases		
Due in subsequent year	6.8	4.8
Due in 2 to 5 years	10.1	5.2
Due in 5 years	1.5	0.9
Total operating leases	**18.4**	**10.9**
Other		
Due in subsequent year	66.6	70.1
Due in 2 to 5 years	32.9	31.1
Due in 5 years	6.2	5.2
Total other	**105.7**	**106.4**

Of the figure for order commitments, € 0.1 million (previous year: € 0.2 million) is attributable to intangible assets, and € 28.2 million (previous year: € 32.6 million) is attributable 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 € 155.2 million (previous year: € 42.0 million); most of these obligations have to be settled within a period of up to 72 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 and HSK-Gruppe. 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 agreements at the end of their term.

10.3.2 Obligations as lessee of finance leases

The Group mainly rents hospital buildings and 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 € 41.2 million (previous year: € 0.3 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. Finance leasing mainly relates to hospital buildings.

€ 41.1 million of the obligations under finance leases amounting to € 41.2 million are attributable to HSK-Gruppe consolidated for the first time as of 1 May 2012 and relate to the hospital building Wilhelm-Fresenius-Klinik, Wiesbaden. The lease agreement has a residual term running until 30 June 2036.

Liabilities from finance leases – minimum payments:	2012 € million	2011 € million
Due in subsequent year	1.6	0.2
Due in 2 to 5 years	6.1	0.1
Due in 5 years	33.5	0.0
	41.2	**0.3**
Future financing costs under finance leases	**0.0**	**0.0**
Present value of liabilities under finance leases	**41.2**	**0.3**

Present value of liabilities under finance leases:	2012 € million	2011 € million
Due in subsequent year	1.6	0.2
Due in 2 to 5 years	6.1	0.1
Due in 5 years	33.5	0.0
	41.2	**0.3**

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 2012	**6.3**
Additions	0.0
Disposals	0.1
31 December 2012	**6.2**
Cumulative depreciation	
1 January 2012	**1.6**
Depreciation	0.2
31 December 2012	**1.8**
Balance sheet value as at 31 December 2012	**4.4**

	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 as at 31 Dec. 2011	**4.7**

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 2012. 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 € 3.1 million. The minimum lease payments for the period of up to 5 years are € 7.2 million. The corresponding figure for the period in excess of five years is € 5.2 million.

10.4 RELATED PARTIES

Related parties are deemed to be natural as well as legal persons and companies who are able to control the reporting company or one of the subsidiaries of the reporting company or who are able to directly or indirectly exert a major influence on the reporting company or on the subsidiaries of the reporting company as well as those natural and legal persons and companies which the reporting company is able to control or over which it can exert a major influence.

Companies in the RHÖN-KLINIKUM Group enter into transactions with related parties in certain cases. These in particular include lettings of buildings as well as services related to telemedicine, teleradiology, nursing as well as supply of staff. Such service or lease relations are arranged at arm's length terms.

Related companies are accordingly defined as all companies in which we own an interest of between 20.0% and 50.0% and which we have not included in the consolidated financial statements on the grounds of materiality (for the companies of the Group, please refer to the list of shareholdings in these Notes). From the point of view of the Group, the volume of transactions with related companies in financial year 2012 was as follows:

	Expenses 2012 € '000	Income 2012 € '000	Receivables 31 Dec. 2012 € '000	Liabilities 31 Dec. 2012 € '000
Imaging Service AG, Niederpöcking	278.5	250.5	23.0	28.0
miCura Pflegedienste Dachau GmbH, Dachau	142.8	0.0	0.0	0.0
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale	0.0	457.6	14.8	0.0
4QD – Qualitätskliniken.de GmbH, Berlin	241.8	0.0	0.0	0.0
Hospiz Mittelhessen gGmbH, Wetzlar	7.8	0.0	0.0	0.0
	670.9	**708.1**	**37.8**	**28.0**

From the point of view of the Group, the volume of transactions with companies accounted for using the equity method in financial year 2012 was as follows:

	Expenses 2012 € '000	Income 2012 € '000	Receivables 31 Dec. 2012 € '000	Liabilities 31 Dec. 2012 € '000
Energiezentrale Universitätsklinikum Gießen GmbH, Gießen	1,071.0	568.4	821.6	89.3
Medizinisches Versorgungszentrum Nikomedicum Bad Sachsa GmbH, Bad Sachsa	0.0	0.0	67.4	0.0
	1,071.0	**568.4**	**889.0**	**89.3**

The receivables are essentially unsecured loans on arm's length terms. The liabilities result from supply and service relationships.

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	2012 € '000	2011 € '000
Prof. Dr. Gerhard Ehninger	AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	55.0	76.8
	DKMS – Deutsche Knochenmarkspenderdatei gemeinnützige Ges. mbH, Tübingen	Transplants/removals	511.3	641.4

As at the balance sheet date of 31 December 2012, there were net accounts payable totalling € 21,000 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 expenses. No impairments were to be recognised in financial year 2012.

The employee representatives on the Supervisory Board employed at RHÖN-KLINIKUM AG or its subsidiaries received the following remuneration within the scope of their employment contracts in the past financial year:

	Fixed € '000	Profit-linked € '000	Total 2012 € '000	Total 2011 € '000
Peter Berghöfer	112	45	157	144
Bettina Böttcher	28	1	29	31
Helmut Bühner	44	4	48	48
Stefan Härtel	40	1	41	40
Annett Müller	32	1	33	28
Werner Prange	44	1	45	47
Prof. Dr. Jan Schmitt	127	0	127	124
Dr. Rudolf Schwab (until 30. April 2011)	0	0	0	32
	427	**53**	**480**	**494**

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

	2012 € '000	2011 € '000
Remuneration of the Supervisory Board	2,029	2,675
Remuneration of the current Board of Management	1,276	1,203
Remuneration of former members of the Board of Management	9,647	5,258
Remuneration of the Advisory Board	26	24

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 2012 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 three transactions pursuant to section 15a of the WpHG of members of the Board of Management or of the Supervisory Board (directors' dealings). These concerned the sale by the member of the Supervisory Board, Dr. Brigitte Mohn, of 10,000 ordinary shares via XETRA on 2 May 2012 at a price of € 21.21 for a total volume of € 212,134.00; the sale by the member of the Supervisory Board, Dr. Rüdiger Merz, of 16,820 ordinary shares via stock exchange on 9 May 2012 at a price of € 21.16 for a total volume of € 355,911.00; and the purchase by the member of the Supervisory Board, Mr. Detlef Klimpe, of 1,065 ordinary shares via XETRA on 5 October 2012 at a price of € 15.35 for a total volume of € 16,347.75.

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 2012 € '000	Total 2011 € '000
Eugen Münch	20	72	95	121	308	514
Joachim Lüddecke	20	76	52	0	148	139
Wolfgang Mündel	20	64	85	77	246	409
Peter Berghöfer	20	28	43	0	91	105
Bettina Böttcher	20	18	20	0	58	56
Sylvia Bühler	20	24	40	0	84	115
Helmut Bühner	20	18	20	0	58	33
Prof. Dr. Gerhard Ehninger	20	14	16	0	50	62
Stefan Härtel	20	34	49	0	103	105
Caspar von Hauenschild	20	26	43	0	89	131
Detlef Klimpe	20	32	64	0	116	158
Dr. Heinz Korte (since 1 November 2012)	3	4	6	0	13	–
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach	20	22	22	0	64	62
Michael Mendel	20	30	58	0	108	127
Dr. Rüdiger Merz	20	16	19	0	55	103
Dr. Brigitte Mohn	20	14	15	0	49	73
Annett Müller	20	22	24	0	66	73
Jens-Peter Neumann (until 31 October 2012)	17	32	60	0	109	158
Werner Prange	20	32	46	0	98	105
Prof. Dr. Jan Schmitt	20	18	20	0	58	62
Georg Schulze-Ziehaus	20	18	20	0	58	62
Former members of the Supervisory Board	0	0	0	0	0	23
	400	**614**	**817**	**198**	**2,029**	**2,675**

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

	Fixed						
Total remuneration	Basic salary € '000	Fringe benefits € '000	Profit-linked € '000	Severance compen-sation € '000	Early settlement of pension retirement benefits € '000	Total 2012 € '000	Total 2011 € '000
Current members of the Board of Management							
Volker Feldkamp	184	12	266	0	0	462	667
Martin Menger	192	8	258	0	0	458	536
Jens-Peter Neumann[1]	32	61	85	0	0	178	0
Dr. Dr. Martin Siebert[2]	48	3	127	0	0	178	0
	456	**84**	**736**	**0**	**0**	**1,276**	**1,203**
Former members of the Board of Management							
Dr. Erik Hamann[3]	158	6	168	728	413	1,473	686
Wolfgang Pföhler[4]	382	13	1,165	3,450	2,870	7,880	2,739
Dr. Irmgard Stippler[5]	144	6	144	0	0	294	654
Wolfgang Kunz[6]	0	0	0	0	0	0	785
Dr. Christoph Straub[7]	0	0	0	0	0	0	394
	684	**25**	**1,477**	**4,178**	**3,283**	**9,647**	**5,258**
Total	**1,140**	**109**	**2,213**	**4,178**	**3,283**	**10,923**	**6,461**

[1] Since 1 November 2012. *[2] Since 1 October 2012.* *[3] Until 30 September 2012.* *[4] Until 30 December 2012.* *[5] Until 23 May 2012.* *[6] Until 30 September 2011.* *[7] Until 30 June 2011.*

The Company changed the presentation of remuneration for members of the Board of Management having left the Company in 2012 in that the amounts stated in the table under severance and early post-employment settlement payments were paid out in the reporting year fully in a one-off amount.

On termination of their service contracts, the board members receive a pension retirement benefit when certain conditions are met. This 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 (in the case of Jens-Peter Neumann, 12.5% of the remuneration of 2013). 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. 2011 € '000	Change in pension retirement benefits € '000	Provision as at 31 Dec. 2012 € '000	Nominal amount on contract expiry[7] € '000
Current members of the Board of Management				
Volker Feldkamp	26	72	98	292
Martin Menger	55	55	110	147
Jens-Peter Neumann[1]	0	4	4	27
Dr. Dr. Martin Siebert[2]	0	6	6	97
	81	**137**	**218**	**563**
Former members of the Board of Management				
Dr. Erik Hamann[3]	172	–172	0	0
Wolfgang Pföhler[4]	1,838	–1,838	0	0
Dr. Irmgard Stippler[5]	169	–169	0	0
Wolfgang Kunz[6]	1,287	–1,287	0	0
	3,466	**–3,466**	**0**	**0**
Total	**3,547**	**–3,329**	**218**	**563**

[1] Since 1 November 2012.
[2] Since 1 October 2012.
[3] Until 30 September 2012.
[4] Until 30 December 2012.
[5] Until 23 May 2012.
[6] Until 30 September 2011, paid in June 2012 as per contract.
[7] Claim according to ordinary expiry of service contract based on remuneration.

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 7 November 2012, 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 2012. 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 2012, expenses resulting from fees for statutory auditors amounting to € 3.8 million (previous year: € 3.9 million) were incurred throughout the Group. A breakdown of these fees (including outlays and excluding VAT) by service rendered is provided below:

	2012 € '000	2011 € '000
Fees for auditing financial statements	2,672	2,686
Fees for other auditing services	263	345
Fees for tax advice	412	455
Fees for other services	460	388
	3,807	3,874

Of the total fee (excluding VAT), € 1.1 million (previous year: € 1.2 million) is attributable to other statutory auditors who are not auditors of the consolidated financial statements. The fees comprise the following:

	2012 € '000	2011 € '000
Fees for auditing financial statements	899	981
Fees for other auditing services	36	44
Fees for tax advice	127	129
Fees for other services	3	57
	1,065	1,211

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)
– HCM SE, Munich (shelf company) (chairman of the Board of Directors and managing director) (since 26 June 2012)

JOACHIM LÜDDECKE
Hanover, 1st Deputy Chairman, Regional Director of ver.di, Union Secretary

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)
– HCM SE, Munich (shelf company) (deputy chairman of the Board of Directors and managing director) (since 26 June 2012)

PETER BERGHÖFER
Münchhausen, Head of Finance of Universitätsklinikum Gießen und Marburg GmbH, Gießen

BETTINA BÖTTCHER
Marburg, employee at Universitätsklinikum Gießen und Marburg GmbH, Gießen

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
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)
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

DR. HEINZ KORTE
Münsing, former notary, lawyer (since 1 November 2012)
Also a member of the supervisory board of:
– Universitätsklinikum Gießen und Marburg GmbH, Gießen
– Amper Kliniken AG, Dachau
Other mandates:
– HCM SE, Munich (shelf company) (Board of Directors) (since 26 June 2012)

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

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 SE & Co. KGaA
– Bertelsmann Management SE
– 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)
– European Foundation Center, Brussels (member of the Governing Council)
– Agentur Nordpol, Hamburg (member of the Advisory Board)
– Dachstiftung Diakonie, Kästorf (member of the Board of Trustees)
– Robert-Koch-Stiftung e. V., Berlin (member of the Board of Trustees)

ANNETT MÜLLER
Dippoldiswalde, physiotherapist at Weißeritztal-Kliniken GmbH, Freital

JENS-PETER NEUMANN
Paphos, management consultant (until 31 October 2012)
Other mandates:
– HCM SE, Munich (shelf company) (Board of Directors) (from 26 June 2012 until 17 October 2012)

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

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

DR. MED. DR. JUR. MARTIN SIEBERT

(since 1 October 2012), business address Bad Neustadt a. d. Saale, chairman of the Board of Management (since 1 January 2013)
Member of the supervisory board of:
– Universitätsklinikum Gießen und Marburg GmbH, Gießen
Other mandates:
– Bundesverband Deutscher Privatkliniken e.V., Berlin (Board of Management)
– Willy Robert Pitzer Stiftung, Bad Nauheim (member of the Advisory Board)

WOLFGANG PFÖHLER

business address at Bad Neustadt a. d. Saale,
Chairman of the Board of Management (until 30 December 2012)
Also a member of the supervisory board of:
– Universitätsklinikum Gießen und Marburg GmbH, Gießen (until 22 November 2012)
– Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden
– gemeinnützige Diakoniekrankenhaus Mannheim GmbH, Mannheim (deputy chairman of the Supervisory Board)
Other mandates:
– Deutsche Krankenhausgesellschaft e.V., 1st Vice-President
– gemeinnützige Heinrich-Lanz-Stiftung, Mannheim (chairman of the Board of Directors)

VOLKER FELDKAMP

business address at Bad Neustadt a. d. Saale, responsible for South/West, Major Investments and Process Management
Also a member of the supervisory board of:
– Universitätsklinikum Gießen und Marburg GmbH, Gießen
Other mandates:
– Verband der Privatkliniken in Thüringen e.V. (3rd chairman)
– Landeskrankenhausgesellschaft Thüringen e. V., Erfurt (member of the Board of Management)
– Deutsches Rotes Kreuz Mülheim e. V., Mühlheim (1st chairman)

DR. ERIK HAMANN

business address Bad Neustadt a. d. Saale, Finance,
Investor Relations and Controlling (until 30 September 2012)
Also a member of the supervisory board of:
– Klinikum Pforzheim GmbH, Pforzheim (until 30 September 2012)
– Amper Kliniken AG, Dachau (until 30 September 2012)
– HSK, Dr. Horst Schmidt Kliniken GmbH Klinikum der Landeshauptstadt Wiesbaden, Wiesbaden (until 30 September 2012)
Other mandates:
– gemeinnützige Heinrich-Lanz-Stiftung, Mannheim (member of the Board of Directors)

MARTIN MENGER

business address in Hildesheim, responsible for North/East
Also a member of the supervisory board of:
– Klinikum Salzgitter GmbH, Salzgitter (chairman of the Supervisory Board)
– Klinikum Hildesheim GmbH, Hildesheim (chairman of the Supervisory Board)
Other mandates:
– Verband der Privatkliniken Niedersachsen und Bremen e. V. (managing director)
– Krankenhaus Cuxhaven GmbH; Cuxhaven (chairman of the Advisory Board)
– Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder) (chairman of the Advisory Board)
– Mittelweser Kliniken GmbH Nienburg Hoya Stolzenau, Nienburg (member of the Advisory Board)
– Klinikum Gifhorn GmbH, Gifhorn (member of the Advisory Board)
– Niedersächsische Krankenhausgesellschaft e. V., Hanover (member of the Advisory Board)
– Niedersächsische Krankenhausgesellschaft e. V., Hanover (member of the Board of Management)
– Niedersächsische Krankenhausgesellschaft e. V., Hanover (member of the Arbitration Body)
– Wesermarsch-Klinik Nordenham GmbH, Nordenham (deputy chairman of the Advisory Board)

JENS-PETER NEUMANN

business address at Bad Neustadt a. d. Saale, Finance, Accounting, Investor Relations and Controlling (since 1 November 2012)

DR. IRMGARD STIPPLER

business address at Bad Neustadt a. d. Saale, responsible for Universitätsklinikum Gießen und Marburg GmbH, Materials Management and IT (until 23 May 2012)

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

PROFESSOR DR. MED. FREDERIK WENZ

Heidelberg (Chairman)

DIPL.-POLITOLOGIN DOROTHEE BÄR

Berlin

HEINZ DOLLINGER

Dittelbrunn (until 30 September 2012)

DR. HEINZ KORTE

Munich (until 31 October 2012)

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

MICHAEL WENDL

Munich

Bad Neustadt a. d. Saale, 6 March 2013

The Board of Management

Volker Feldkamp   Martin Menger   Jens-Peter Neumann   Dr. Dr. Martin Siebert

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, 6 March 2013

The Board of Management

Volker Feldkamp Martin Menger Jens-Peter Neumann Dr. Dr. Martin Siebert

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 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 financial year from 1 January to 31 December 2012.

Board of Managing Directors' Responsibility for the Consolidated Financial Statements

The Board of Management of RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale, is responsible for the preparation of these consolidated financial statements. This responsibility includes ensuring 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 section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB) 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 Management is also responsible for the internal controls as the Board of Management 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 section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, 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 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 Management, 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 section 322 (3) sentence 1 of the 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 section 315a (1) of the HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2012, as well as the results of operations for the financial 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 for the financial year from 1 January to 31 December 2012. The Board of Management of RHÖN-KLINIKUM Aktiengesellschaft is responsible for the preparation of the group management report in accordance with the requirements of German commercial law applicable pursuant to section 315a (1) of the HGB. We conducted our audit in accordance with section 317 (2) of the HGB and German generally accepted standards for the audit of the group management report promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, 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 section 322 (3) sentence 1 of the 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, 6 March 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Ernst-Wilhelm Frings)	(ppa. Andreas Heinrich)
Wirtschaftsprüfer	*Wirtschaftsprüfer*
German Public Auditor	*German Public Auditor*

SUMMARY REPORT OF RHÖN-KLINIKUM AG

BALANCE SHEET

ASSETS	31 Dec. 2012 € million	31 Dec. 2011 € million
Intangible assets	3.8	5.0
Property, plant and equipment	33.3	31.5
Financial assets	1,765.5	1,527.5
Fixed assets	**1,802.6**	**1,564.0**
Inventories	4.2	4.0
Receivables and other assets	474.8	513.0
Securities, cash, and cash equivalents	111.2	296.6
Current assets	**590.2**	**813.6**
Prepaid expenses	**2.2**	**2.5**
Deferred tax assets	**6.0**	**7.1**
	2,401.0	**2,387.2**

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec. 2012 € million	31 Dec. 2011 € million
Subscribed capital/issued capital	345.5	345.5
Capital reserve	410.9	410.9
Retained earnings	482.7	172.9
Net distributable profit	67.0	305.0
Shareholders' equity	**1,306.1**	**1,234.3**
Contributions to finance fixed assets	**0.8**	**0.7**
Tax provisions	0.1	0.0
Other provisions	17.6	28.1
Provisions	**17.7**	**28.1**
Liabilities	**1,076.4**	**1,124.1**
	2,401.0	**2,387.2**

INCOME STATEMENT

	2012 € million	2011 € million
Revenues	150.6	147.6
Changes in services in progress	0.3	–0.7
Other operating income	23.0	32.6
Materials and consumables used	41.3	40.9
Employee benefits expense	86.3	84.3
Depreciation	5.7	6.4
Other operating expenses	46.9	39.5
Operating result	**–6.3**	**8.4**
Investment result	162.4	337.4
Financial result	–15.3	–14.0
Earnings from ordinary operations	**140.8**	**331.8**
Taxes	**6.9**	**0.9**
Net profit for the year	**133.9**	**330.9**
Allocation to retained earnings	66.9	25.9
Net distributable profit	**67.0**	**305.0**

The annual financial statements of RHÖN-KLINIKUM AG, which have been audited and certified by Pricewaterhouse-Coopers Aktiengesellschaft Wirtschaftsprüfungsgesell-schaft, will be published in the Federal Gazette (Bundesan-zeiger) 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 2012, 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 € 66,979,250.13. From this net distributable profit, the Board of Management and the Supervisory Board propose

appropriating an amount of € 34,552,000.00 for distribution of a dividend of € 0.25 per no-par value share with dividend entitlement (DE0007042301),

allocating an amount of € 32,421,250.13 to other retained earnings, and

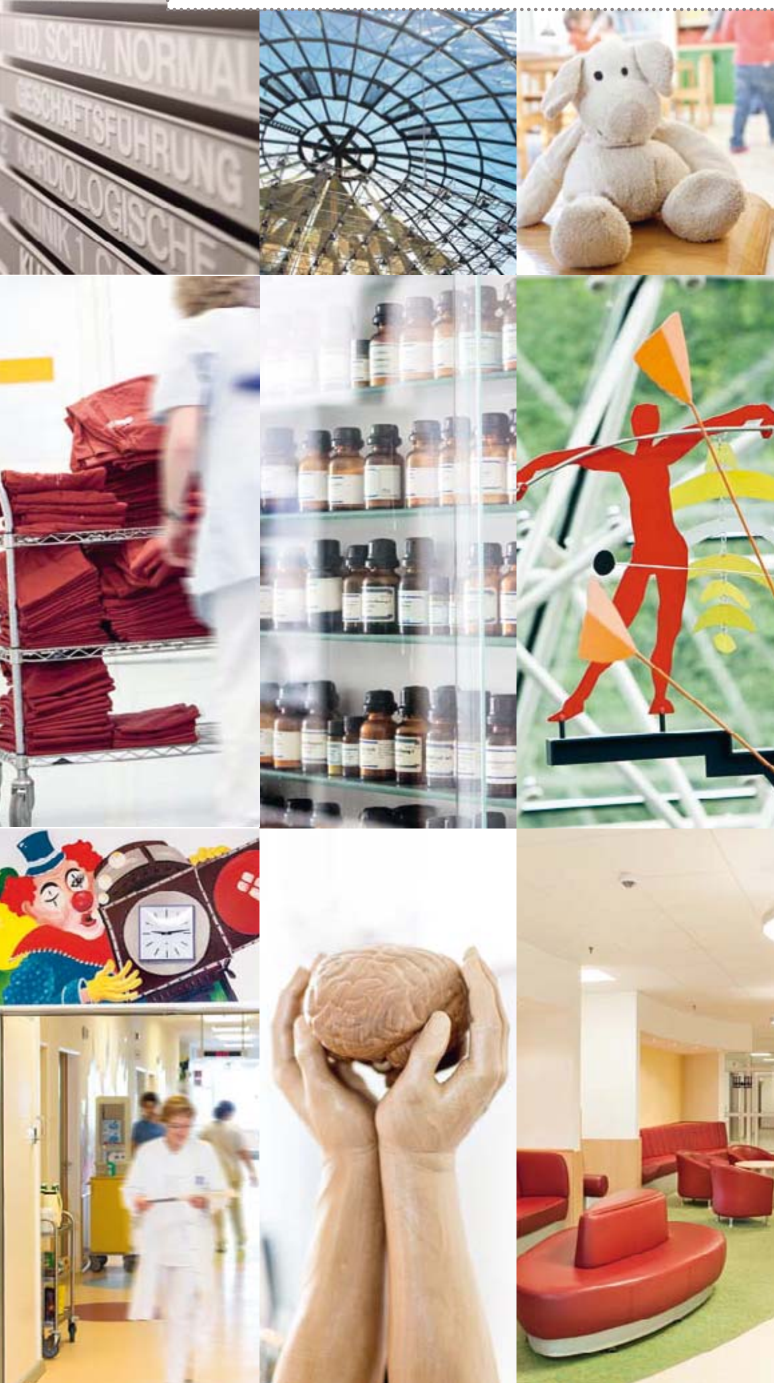
carrying forward the remaining amount of € 6,000.00 to new account.

Bad Neustadt a. d. Saale, 24 April 2013

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 the extension of the cardiovascular hospital Herz- und Gefäß-Klinik Bad Neustadt a.d. Saale

1992

Opening of hand surgery hospital 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 GmbH, making us sole shareholder

Commissioning of reconstructed central facility of Zentralklinik Bad Berka

1997

Opening of Soteria Klinik Leipzig-Probstheida

Takeover of Krankenhaus Waltershausen-Friedrichroda with 248 beds

The central patient admissions desk in Klinikum Meiningen is the first point of contact for patients.

"Quality – every day, around the clock" is the standard constantly pursued at Saaletalklinik Bad Neustadt.

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 cardiovascular hospital 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 sites

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 Bad 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 95%)

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 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, 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, Gießen site

Topping-out ceremony for particle therapy facility at Universitätsklinikum Gießen und Marburg, Marburg site

Inauguration of new functional building at Frankenwaldklinik Kronach

Takeover of Wesermarsch-Klinik Nordenham with 137 beds

2009

Takeover of 94% of MEDIGREIF Betriebsgesellschaft für Krankenhäuser und integrative Gesundheitszentren mbH with 842 beds

Increase in the registered share capital of RHÖN-KLINIKUM AG from Company funds to € 345,580,000.00. The number of newly issued shares was 34,552,000

Inauguration of José Carreras Leukemia Center (CLC) in Marburg

Part-new construction of Klinikum Cuxhaven

The diagnostic resources of the radiology department at the Bad Neustadt site covers the modern methods of digital imaging and minimal-invasive therapy.

The central pharmacy at Klinikum Meiningen supplies 14 facilities at 9 different sites. Here the staff are responsible for both acute and specialised hospitals in over 20 medical fields.

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

Commissioning of rebuild of Klinikum 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

2012

Takeover of 49% of Dr. Horst Schmidt Kliniken, Wiesbaden with 1,027 beds

Opening of new building at Klinikum Gifhorn

Topping-out ceremony of the new building at St. Petri-Hospital Warburg

Commissioning of replacement and extension building at Klinik Kipfenberg

Commissioning of second construction phase of Krankenhaus Köthen

THE SITES OF RHÖN-KLINIKUM GROUP

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 54 hospitals from basic to maximum care as well as 41 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 2012)

Hospital	Capacities					Care levels				Status			
	Acute inpatient[1]	Day-care clinic/ day-case treatment[1]	Rehab/other[2]	Total 2012	Total 2011	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	65	x							
St. Elisabeth-Krankenhaus, Bad Kissingen	185			185	185	x				x			
St. Elisabeth-Krankenhaus, Hammelburg	60			60	60	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	x			
Klinik "Haus Franken", Bad Neustadt a. d. Saale	0		140	140	140								
Haus Saaletal, Bad Neustadt a. d. Saale	0		232	232	232								
Neurologische Klinik, Bad Neustadt a. d. Saale	163		121	284	284				x				
Psychosomatische Klinik, Bad Neustadt a. d. Saale	218		122	340	340				x				
Amper Kliniken, Dachau	435	6		441	441		x						x
Amper Kliniken, Indersdorf	25		60	85	95				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	172				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	1,196			x		x		x	
Aukamm-Klinik, Wiesbaden	57			57	57				x				
Stiftung Deutsche Klinik für Diagnostik, Wiesbaden	92	60		152	152		x			x			x
Dr. Horst Schmidt Kliniken, Wiesbaden	990	37		1,027				x		x			x
MECKLENBURG-WEST POMERANIA													
Krankenhaus Boizenburg	48			48	48	x							
LOWER SAXONY													
Krankenhaus Cuxhaven	265			265	250	x				x			x
Klinikum Gifhorn	344			344	344		x			x			
Klinik Herzberg	244			244	244	x				x			x
Klinikum Hildesheim	498			498	535		x						x
Klinik Hildesheimer Land	28		137	165	168				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	365	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	420	10		430	390				x			x	x
Park-Krankenhaus Leipzig	570	98		668	615	x				x			x
Soteria Klinik Leipzig	56		177	233	233				x				x
Klinikum Pirna	390	20		410	400	x				x			x
SAXONY-ANHALT													
Krankenhaus Zerbst	202			202	202	x				x			
Kreiskrankenhaus Jerichower Land, Burg	241			241	241	x				x			x
Bördekrankenhaus, Neindorf	205			205	205	x							
Fachkrankenhaus Vogelsang-Gommern	151			151	151				x				
Krankenhaus Köthen	264			264	264	x				x			x
THURINGIA													
Zentralklinik Bad Berka	669			669	669		x			x			x
Krankenhaus Waltershausen-Friedrichroda	212			212	212	x				x			
Fachkrankenhaus Hildburghausen	316	107	186	609	588				x				x
Klinikum Meiningen	558			558	558		x			x			x
Total	**15,230**	**503**	**1,356**	**17,089**	**15,973**								

[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, Klinik Indersdorf: 10 day-care geriatric places, 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.*

Note: Terminology for care levels may vary between federal states (e.g. instead of "basic and standard care" "base care").

THE ADDRESSES OF RHÖN-KLINIKUM AG

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