RHÖN-KLINIKUM AG

ANNUAL REPORT

2009

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 53 hospitals from basic to maximum care as well as 29 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.

CONTENTS

FINANCIAL CALENDAR 2010

Dates for RHÖN-KLINIKUM shareholders and financial analysts

11 February 2010	Preliminary results for financial year 2009
28 April 2010	Results press conference: publication of 2009 annual financial report
28 April 2010	Publication of interim report for the quarter ending 31 March 2010
9 June 2010	Annual General Meeting
5 August 2010	Publication of half-year financial report as at 30 June 2010
4 November 2010	Publication of interim report for the quarter ending 30 September 2010
4 November 2010	Analyst conference

THE PICTURES OF THIS ANNUAL REPORT

Integrating new hospitals into our healthcare network is a challenge we have been meeting for over 20 years and at the same time one of our core competences. We invite you to hear various local people as they give their views on the privatisation of our hospitals in Pirna and Herzberg. In this year's pictures we randomly questioned people from both locations on the privatisation and integration of the hospitals into the Group.

Together with photographer Sylvia Willax from Munich, we embarked on a journey to Herzberg and Pirna. We took pictures of residents there who had the choice of answering the five following questions:

- How important is it for you to have local medical care and why?
- How do you find the healthcare offering in your region? Which hospital would you turn to in serious cases, and does that also apply for your relatives?
- In your area you have a privately run hospital. What was your attitude towards the privatisation at that time and why?
- Has your opinion changed since the privatisation of the local hospital and why?
- Have you or one of your relatives already stayed at the local hospital and, if so, did you feel well there and how did you find the medical care received?

In this Annual Report we present a selection of the answers given by local residents from Herzberg and Pirna. We would like to thank all of them for their kind assistance.

KEY RATIOS 2005–2009

	2005 € '000	2006 € '000	2007 € '000	2008 € '000	2009 € '000
Revenues	1,415,788	1,933,043	2,024,754	2,130,277	2,320,089
Material and consumables used	343,611	491,890	496,517	539,863	595,203
Employee benefits expense	793,593	1,127,840	1,203,979	1,270,593	1,379,245
Depreciation/amortisation and impairment	66,825	75,033	91,772	90,680	101,996
Net consolidated profit according to IFRS	88,300	109,059	111,194	122,644	131,652
– Earnings share of RHÖN-KLINIKUM AG shareholders	83,680	105,200	106,292	117,299	125,721
– Earnings share of minority owners	4,620	3,859	4,902	5,345	5,931
EBT	123,532	125,706	137,085	142,912	158,709
EBIT	140,071	146,143	157,490	172,077	181,998
EBITDA	206,896	221,176	249,262	262,757	283,994
Operating cash flow	155,559	165,020	190,975	213,745	238,286
Property, plant and equipment as well as investment property	978,019	1,140,290	1,209,442	1,391,019	1,604,930
Income tax claims	0	19,055	20,577	18,776	17,149
Other financial assets	2,660	1,436	1,556	2,308	1,788
Equity capital according to IFRS	641,532	728,741	810,831	889,263	1,422,939
Return on equity (in %)	14.6	15.9	14.4	14.4	11.4
Balance sheet total according to IFRS	1,622,218	1,979,625	2,073,099	2,140,894	2,858,548
Investments					
– in property, plant and equipment as well as in investment property	290,557	393,517	180,677	278,784	414,413
– in other assets	202	610	257	103	199
Earnings per ordinary share (in €)	0.81	1.01	1.03	1.13	1.07
Total dividend amount	23,328	25,920	29,030	36,288	41,462
Number of employees (by headcount)	21,226	30,409	32,222	33,679	36,882
Case numbers (patients treated)	949,376	1,394,035	1,544,451	1,647,972	1,799,939
Beds and places	12,217	14,703	14,647	14,828	15,729

Wolfgang Pföhler
Chairman of the Board of Management

KEEPING THE FUTURE FIRMLY IN VIEW:

WITH QUALITY MEDICAL CARE AND ENTREPRENEURIAL FORESIGHT FOR THE WELL-BEING OF PATIENTS

“The unfailing trust our shareholders put in us and the high commitment shown by our employees as we enter our third decade as a reliable listed healthcare provider make us confident of being able to convince even more people of our healthcare offering and thus continuing our successful growth. With our capital increase we have created the basis for expanding our medical service network. That will allow us to broaden our healthcare offering in future, taking full advantage of our medical and entrepreneurial expertise. It is in this way that we are determined to realise our vision of high-quality, independent medical care that everyone can afford.”

Dear shareholders,

As an engine of innovation and reliable employer for some 37,000 employees, we daily make our contribution to securing healthcare provision in Germany, all the while harmonising quality medical care with a sound business model and good business judgment – and that for well over 30 years. Our proven trademarks in this are quality and reliability. In future, too, we will remain steadfastly committed to the combination of dedicated staff, independent cutting-edge medicine and state-of-the-art buildings.

The entrepreneurial success we achieve with this attractive healthcare services offering is evidenced by the good trend in our performance ratios: we have managed to more than offset the underfunding of disproportionately rising costs in staff and materials thanks to our proven restructuring expertise and targeted surpluses in service volumes at our Group facilities.

Against this background, we comfortably met our forecasts in financial year 2009, achieving record results yet again. Our staff took care of 1.8 million patients. This growth of 9.2 per cent led to significantly higher revenues and earnings compared with the previous year. Revenues grew by 8.9 per cent to reach 2.3 billion euros. Our net consolidated profit was up by more than 9 million euros, thus rising disproportionately. It stood at 131.7 million euros for 2009. Most of our Group facilities contributed to these gains. As expected, this positive trend continued into the first months of 2010, confirming that more and more people are putting their trust in our cross-sector care concepts. Our growth is thus sustained and clearly mapped out.

In the summer we launched a further phase of high growth, successfully completing our capital increase right at the beginning of our third decade as a listed healthcare provider. All our staff joined efforts to implement this ambitious project in record time. We are proud that you – dear shareholders – have remained loyal to us by investing in the core of our business model some 20 years after the IPO of RHÖN-KLINIKUM AG. As a result, a full issuance volume of roughly 460 million euros is available.

We look at this downpayment of trust as a mandate to achieve quality growth through acquisitions and organic growth in service volumes in future as well. We have already reached the first milestones for this: in addition to increasing our stake in Amper Kliniken AG, we acquired a majority interest in MEDIGREIF Betriebsgesellschaft für Krankenhäuser und Integrative Gesundheitszentren. With this strategic partnership we have broadened our healthcare network by five acute-care inpatient and two outpatient facilities. As a result, we now offer our high-quality services in ten federal states.

This is a further signal to the healthcare market that as an experienced service provider we would like to assume even greater responsibility for medical care in our country – also over all care levels.

We make targeted investments in modern approaches to healthcare delivery. We thus harmonise experience and proven traditions with promising innovations. In this connection our university hospital sites in particular play a special role, since that is where we produce scientific findings and translate these directly into diagnosis and treatment procedures for the well-being of our patients. One example of this is particle therapy that we will promote further in 2010. In this area we once again demonstrate that good medical care thrives on targeted investment in innovation. Thanks to our effective and reliable network, these medical innovations benefit patients at all our facilities.

Particularly given the challenges in healthcare policy lying ahead, there is no real alternative to interfacility medical networks. That is why we will strengthen the telemedical links of our Group facilities in financial year 2010. In this connection we also lay great store by our web-based electronic patient file, since it is only within medical performance networks like these that the facilities involved can draw mutual benefits in an ongoing discourse. At the same time this raises the quality and efficiency of the services provided. And it is this that makes rationalisation in favour of patients (instead of rationing to the detriment of patients) possible in the first place. The German legislator supports efficient solutions that help secure sustained care delivery, and continues to be committed to greater variety and competition in the German healthcare industry.

2010 will be an important year for the healthcare industry. At the beginning of 2010 a government panel was appointed to develop solutions for a sustained and socially balanced financing of the healthcare system. So viable, future-oriented care concepts are becoming increasingly significant. As a leading driver of innovation and ideas for the healthcare sector, we are therefore optimistic that we will continue our growth course. We thus raise the value of the Company on a sustained basis and generate better results for our shareholders once again in 2010.

Given this outlook and in the context of the currently foreseeable framework conditions, we have made a conservative but at the same time ambitious forecast. Without taking account of further acquisitions, this forecast is for significantly higher service volumes and rising consolidated profit for 2010. We are targeting revenues of roughly 2.6 billion euros, and put our net consolidated profit at 145 million euros. As in the previous year, we see the possibility of our net consolidated profit fluctuating within a range of plus or minus five per cent with reference to the initial figure given the potential risks and rewards.

As the basis for this joint success we rely on our qualified and motivated staff. They are the ones who daily put life into our mutual vision with their hard work and human dedication. And it is owing to them that we were once again able to set new records in patient treatments in 2009. On behalf of the entire Board of Management I would like to extend my sincere thanks to them in this regard.

We also thank the members of the Supervisory Board, the Advisory Board and the employee representatives for their constructive collaboration always characterised by a spirit of mutual trust.

Our very sincere thanks goes especially to you, our shareholders, particularly also as demonstrated in our capital increase, for the unfailing trust you have put in the future prospects and continuation of our growth and thus in the long-term value of our share.

Yours sincerely,

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

Bad Neustadt a. d. Saale, April 2010

THE RHÖN-KLINIKUM SHARE

Low volatility despite difficult times

Board of Management and Supervisory Board propose dividend of 0.30 per share

THE STOCK MARKETS IN 2009

The aftermath of the global financial and economic crisis continued to weigh heavily on the capital markets in 2009. The most important stock markets sustained high losses starting from January and bottoming out at the beginning of March 2009, after which a powerful market recovery on the back of state intervention measures was witnessed. These took the form of economic stimulus packages and policies of low interest rates. The German leading index DAX®, for example, rose over the year by 23.8 per cent to 5,957.43 points, with the second-tier-stock index MDAX® climbing by 34.0 per cent to reach 7,507.04 points.

PERFORMANCE OF RHÖN-KLINIKUM SHARE WAS STABLE, BUT LAGGED BEHIND RECOVERY OF THE MDAX®

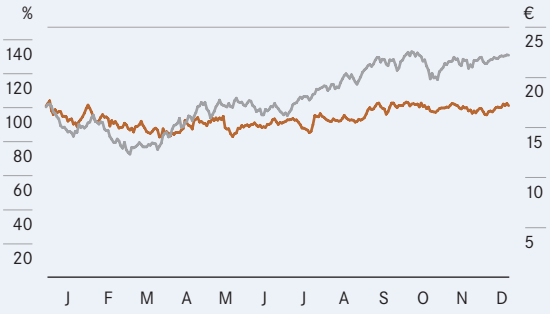
In the spring of 2009, the share of RHÖN-KLINIKUM AG largely escaped the massive slide in share prices on the stock markets. At year-end the share price was quoted at 17.12 euros, which translates into a moderate price gain of 0.3 per cent over the year. With a volatility of 27.7 per cent, the share was relatively stable compared with the other MDAX® stocks (31.4 per cent). However, the RHÖN-KLINIKUM share lagged behind the positive trend of the MDAX®. As at 31 December 2009, the RHÖN-KLINIKUM share ranked 7th (previous year: 6th) by capitalisation in the MDAX® in which it has a weighting of 3.5 per cent. At year-end, the 138.23 million non-par shares in issue had a market capitalisation of 2.37 billion euros (previous year: 1.77 billion euros). This rise is also attributable to the capital increase performed on 6 August 2009.

A total of 104.9 million RHÖN-KLINIKUM shares (+2.0 per cent), or nearly 1.7 billion euros, were traded on the German stock exchanges (including the Xetra®) during reporting year 2009. Intraday trading volume averaged roughly 415,537 non-par shares or 6.5 million euros, with Xetra® trading accounting for 97.5 per cent.

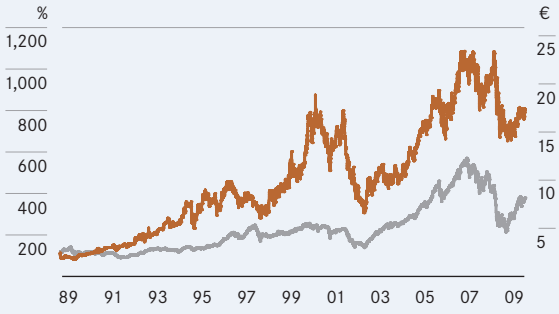
The operative business of RHÖN-KLINIKUM AG is not affected by the financial markets crisis. Our financial structures have been considerably strengthened by the capital increase in a total gross volume of 460 million euros. We are not affected by the credit crunch being experienced by small and medium-sized enterprises (SMEs) and do not have any borrowing difficulties. RHÖN-KLINIKUM AG, particularly in times of crisis, is seen by lenders as a safe investment opportunity.

From a strategic perspective we see tremendous opportunities in the current economic situation because the financial manoeuvring room of municipal hospital operators is narrowing as tax revenues

RHÖN-KLINIKUM share on a short-term comparison ...



... and a long-term comparison with the MDAX®



RHÖN-KLINIKUM share MDAX®

shrink. Faced with looming financing gaps, most public owners are being forced to scale back their loss financing. For us this is an environment offering opportunities for further hospital takeovers.

RHÖN-KLINIKUM share		
ISIN		DE0007042301
Ticker symbol		RHK
Share capital		€ 345,580,000
Number of shares		138,232,000
	31 Dec. 2009	31 Dec. 2008
Share capital (€ m)*	345.58	259.20
Number of shares (m)*	138.23	103.68
Market capitalisation (€ m)	2,366.53	1,769.82
Share prices, in €		
Year-end closing price	17.12	17.07
High	17.62	23.32
Low	14.00	14.36
Key ratios per share (€)**		
Earnings	1.07	1.13
Cash flow	2.03	2.06
Shareholders' equity	12.10	8.58
Dividend		
138.23 million non-par shares	0.30	(0.26)
103.68 million non-par shares	(0.40)	0.35

* *6 August 2009 (recorded in commercial register): Capital increase by 86.38 million euros to 345.58 million euros, issuance of 34,552,000 non-par shares (according to resolution of the Annual General Meeting on 31 May 2007)*

** *Key ratios for 2009 calculated according to IAS 33 on the basis of weighted shares (117,571,405)*

DIVIDEND

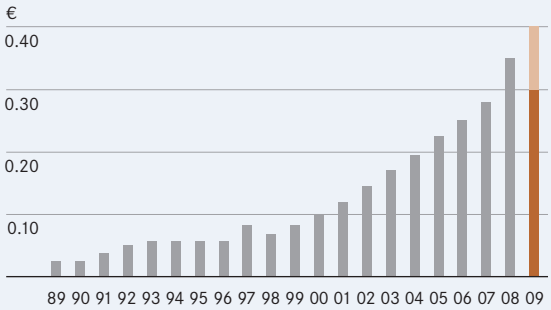
Our dividend policy is geared towards both long-term value enhancement and sustained earnings strength of the Company. For reporting year 2009 as well, our dividend policy allows us to once again propose a higher dividend to be distributed to our shareholders. In this context, the Board of Management and the Supervisory Board will therefore propose to the Annual General Meeting to distribute out of the shareholder profit of 125,711,461.78 euros a dividend of 0.30 euros per non-par share. Without the capital increase – based on the previous volume of shares in circulation – an amount of 0.40 euros per share would thus have been distributed (previous year: 0.35 euros).

INVESTOR RELATIONS ACTIVITIES

RHÖN-KLINIKUM AG gives high priority to professional investor relations. This area reports directly to the chief financial officer (CFO). One of our key concerns is meeting the higher demand of the capital market for information by maintaining an ongoing and open dialogue with all market participants. To ensure comprehensive and consistent reporting as well as the best possible transparency for the capital market, we further expanded our IR activities during the reporting year.

As an integral part of our communication strategy we stay in direct contact with shareholders, analysts as well as potential investors. In numerous personal one-on-one discussions during international roadshows, conferences, and company presentations – in some cases also at our hospital sites – the Board of Management informed on the corporate trend and growth strategy of RHÖN-KLINIKUM AG.

Dividend trend



2009: dividend will be proposed to the shareholders at the AGM on 9 June 2010 (excluding capital increase of 6 August 2009, € 0.40 per share would have been distributed.)
1997: including one-off bonus of € 0.02

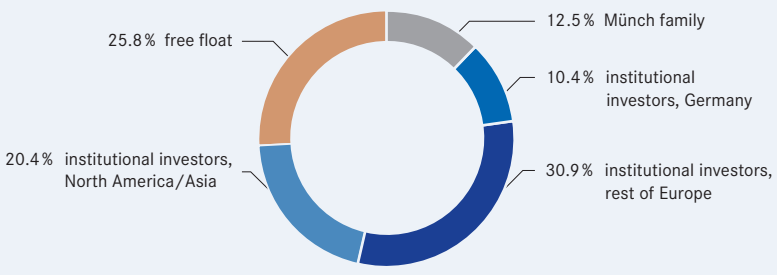
All data adjusted (in €, ordinary shares)

As part of our financial reporting, we report on our operating business performance each quarter. We promptly publish current information about the Company as investor news items released to the capital market and on our website. Further sources of information we provide our shareholders with are the regular events in our financial calendar, such as our spring press conference and our Annual General Meeting in the middle of the year. In September 2009 our fourth Capital Markets Day for institutional investors and analysts was held in Bad Neustadt a. d. Saale. Given the strong turnout and positive feedback, we are planning to hold the event this year as well.

The next Annual General Meeting will take place on Wednesday, 9 June 2010, at 10.00 a.m. (admission from 9.00 a.m.) at the Jahrhunderthalle Frankfurt.

A financial calendar containing all important financial dates in 2010 is provided on the front cover page A as well as on our website at www.rhoen-klinikum-ag.com under the section “Investors”.

Shareholder structure of RHÖN-KLINIKUM AG




STATION 61
STATION 62
Zi. 6.0
Zi. 6.2
INTENSIVSTATION
IMC-STATION
LOW CARE

OF OPPORTUNITIES, FEARS, AND SUCCESS STORIES

TALES FROM THE LIFE OF A PRIVATE HOSPITAL GROUP

The issue of hospital privatisations has come to be widely debated. The arguments have swayed to and fro between the State’s responsibility for basic services which people consider to include healthcare provision, and the badly needed professionalisation of the healthcare system to ensure its quality and future viability. The accompanying music for this is supplied by emotions on the one hand and financial pressures on the other. We compare and contrast these rather theoretical contentions with some real examples from the practical experience of our company.

*By Joachim Weber**

The overall state of the economy is gloomy. Municipalities, districts and federal states have all been drawn into the vortex of the financial crisis. Costs have to be cut. But because the steadily mounting social transfer payments cannot be reduced, the belt-tightening has to take place in other areas: schools, kindergartens, hospitals, social agencies, projects for funding distressed city districts, consumer consulting centres. There jobs are being cut, budgets slashed, investments postponed. In many places the consequences of this are run-down buildings, outdated equipment and the closure of entire facilities.

The question which many districts and municipalities in Germany have to ask themselves is an existential one: How will they be able to maintain at least minimum standards in education, healthcare and childcare? The only option left open to them is to rid their budgets of the biggest cost items and thus restore financial leeway for the provision of basic services – by privatising the biggest possible expense items in the budget and selling them to private companies.

But this solution is only viable when there are external payers to cover the costs: health insurance funds, nursing insurance or citizens themselves who can be made to pay for certain public services directly (such as waste disposal). State universities, schools and kindergartens for the most part do not fall under this category. Senior citizens’ homes have already been privatised in large numbers – their revenues are generated from their own occupants and from nursing insurance. But when it comes to hospitals, most municipalities and districts are far more hesitant, even though the burden these place on their finances is becoming increasingly onerous as the German legislator introduces more stringent

* *Freelance journalist in Frankfurt am Main*

rules for remuneration. And the process is in full swing.

All the same, mayors and district councils well know that their hospitals are a highly sensitive issue – something which, after all, is understandable given what is at stake: the health of their citizens. Anyone who touches them runs the risk of clashing with political rivals, with trade unions and hospital employees, with special interest groups and even with representatives of churches. A not always objectively inspired mix of idealism and party tactics, fears of the future, worries of employees about their jobs and income, political opportunism and empathy among community-based practitioners encompasses many public hospitals like an invisible shield.

This shield often prevents an objective view of the actual situation. What is there to protect? Good medical care, yes! But also rooms with six beds, the unnecessarily long distances to be covered by staff, the outdated X-ray ward that has been waiting for new equipment for years? Of course, there are also municipal hospitals that are well equipped and efficiently organised. But the less funding is available, the more hospitals are left to the mercy of a what in the best-case scenario will be a slow decline. Many have slid into loss. At all too many locations, there is just no more money for investing in modern, state-of-the-art technology and thus better medical services for patients.

On closer inspection such fears should be put to rest. The reason being that there are many good arguments in favour of hospital privatisation. After all, there are many competent as well as solvent operators that have been putting their many years' of expertise to work for the well-being of patients. But in Germany people still voice moral reservations whenever a private hospital operator makes money from its work, completely overlooking the fact that most of these funds are reallocated directly for the benefit of medical care and hospital equipment. And besides that, every community-based doctor is also an entrepreneur who makes profits – just as privately operated hospitals do. This is something completely normal.

Already today the employees of public hospitals know what is going wrong in their facilities. If such knowledge were easy to implement, the owners and managers of hospitals would have done it long ago. The German state, however, has defined a framework making the path to efficiency a long and hard one.

By contrast, private hospital operators can move much more flexibly in rationalising clinical processes, without which it appears impossible to restore a facility's efficiency. Such rationalisation is eminently social in its aims: ensuring that high medical quality continues to be affordable for everyone. In most cases this cannot be achieved by organisational measures alone. There is often a need to make adjustments to building and technical structures as well. Without investment there is the risk of compromises being made which at least put constraints on the success of a facility's restructuring. And it is here where public operators often cannot get any further, because lack of funding or other obstacles stand in their way.

But even where restructuring succeeds, many facilities still have to deal with the question of investments: restructuring usually aims only at coming to grips with shortcomings in the facility's daily operations. Covering operating costs alone still means a standstill in a hospital's development. If a hospital is to remain attractive, i. e. fully operative, for its patients, it has to keep pace with advances in technology – in diagnosis, treatment and nursing. And that is something that simply costs money.

KLINIKUM HERZBERG

254 beds
Staff of 516
31,957 patients treated in 2009
School for nurses
Academic Teaching Hospital of Georg-August-Universität Göttingen
Surgery, internal, oncological outpatients department,
gynaecology and obstetrics, anaesthesia and intensive care

In other words: public hospitals would also have to generate surpluses to become independent from their owners' investment capacity. In the vast majority of cases that will be very difficult. However, more and more forward-looking local politicians are deciding in favour of privatisation to secure medical care for the population. Occasionally even regional politicians and managers of public hospitals choose the path of privatisation even though their facilities are in positive territory. They have decided to act now, having realised the dead-end prospects for investment. But they are the exception.

The reason is that all the hard facts and rational arguments avail little when it comes down to the real situation. Whenever hospitals are to be merged, closed or – heaven forbid – brought under private ownership, there is always fierce resistance. The discontentment that always arises in the course of the privatisation process is initially aimed not so much at individual new hospital operators specifically but first and foremost against those local and regional politicians who, on sober reflection, endeavour to sell the hospitals and usually find this move difficult themselves – that is phase one of the privatisation process.

If – generally in a bidding procedure – a few interested parties are short-listed for a facility, the rumour mill then quickly starts doing overtime. Lines like "The first thing they're going to do is cut half the jobs" – "They'll first fire everyone and then hire back some of them on much less favourable terms" – "The only reason they are taking over our hospital is to shut it down", spread like wildfire – first through the facilities, and soon after that through the whole region. Resistance starts forming against the private hospital groups. Protests and demonstrations find a new target: the "evil buyer" – phase two of the privatisation project.

It is at this stage at the latest that the hospitals' employee representation bodies step in, contact the prospective buyers and clearly state their positions. Their feedback to colleagues replaces the rumours by information – in phase three the facts gain the upper hand again. Obviously it is better for such representatives to get involved already during the initiation phases, for example by informing themselves of the situation at already privatised facilities. This is something that is borne out by several examples from the history of RHÖN-KLINIKUM Group. The sooner the staff councils are involved, the faster the whole process can be dealt with at the objective level.

The situation then calms right down once patients and employees have had their first experiences with "their" hospital and the new owner. For years they had waited in vain for badly needed new medical equipment – now that comes just as quickly as the new private operator addresses other postponed investments, provides for new medical offerings and acquires new patient groups for the hospital.

Although simultaneously introducing the organisation of leaner clinical and commercial processes is unusual and often burdensome, it had long been realised that things could not go on like they were. "The specialisation of labour that we have now achieved is something that public hospitals still have to get right if they want to survive", is how the employee of a RHÖN-KLINIKUM subsidiary describes a widespread realisation. That is the fourth phase of privatisation: the hospitals, day-to-day business finds a new normalcy.

Of course things are different every time a private operator takes over a public one. No two facilities are alike. For that, the starting positions, local circumstances, regional mentalities, corporate cultures, approaches and the knowledge of the parties

Sebastian Harenberg, Herzberg

"As far as the privatisation of the hospital in Herzberg was concerned, my attitude was neutral because as an outside observer I could not tell any difference, except for the hospital's external appearance. At Klinikum Herzberg I felt very good – apart from my broken foot – and very well cared for."

involved are too diverse. The situation ranges from acute financial distress to the more fortunate case in which a prosperous facility wants to join a hospital group to become even better.

Equally broad is the gulf between the far-reaching consensus amongst local politicians and the unfortunate situation in which specific parties or persons want to use local tensions – which hospital privatisations almost always stir up – for their own political gain. And not least, it is of great significance whether staff are informed before they get involved in the privatisation process or are exposed to all fears and uncertainties that are brought to bear on them from the outside – not infrequently by players pursuing their own agenda.

To help make the privatisation debate more objective and put it on the most realistic footing possible, we would like at this point to describe in somewhat more detail a few examples from the history of RHÖN-KLINIKUM of how state-owned hospitals went into private ownership, providing before-after comparisons and allowing some of the persons directly involved to say what their experience was and how they see things.

THE BEGINNING IN THE WEST: HERZBERG-OSTERODE

At Klinikum Herzberg, people to this day are still fond of thinking back to how it all began: barely four weeks after RHÖN-KLINIKUM AG had taken over the two district hospitals of the Osterode District with sites in Osterode and Herzberg, a computer tomograph was installed in Herzberg. They had been waiting for this equipment for a long time. But such an investment was not possible with the financial means available to the district at the southern edge of the Harz region. At the first project group meeting after the takeover – as is customary for the management executives from Bad Neustadt a. d. Saale, in this case together with Eugen Münch, the bedrock of the Group and then chairman of its Board of Management – the approval process took just minutes.

Likewise, no time was wasted refurbishing the hospital’s entrance area. “When I came to Herzberg for the first time, I looked in vain for the main entrance. There were countless entrances and they all looked the same”, said Wolfgang Zeise, from the Group’s materials management department, describing his first impression of Herzberg Klinikum. “That kind of put you off and was confusing.” It is not without reason that RHÖN-KLINIKUM Group attaches great importance to how it designs the entrance. A predominant main entrance provides clear orientation and invites patients and visitors to come in. The facility in Herzberg soon also had a distinctive main entrance and behind it a foyer for registration instead of a porter’s lodge.

“The fact that RHÖN-KLINIKUM AG began investing straightaway was an important signal to people within and without the hospital”, says the former senior district director Friedrich-Karl Böttcher in retrospect. In a district where the SPD (Social Democratic Party of Germany) held the absolute majority, the lawyer had fought hard for the privatisation and ultimately succeeded in getting majority backing. The arguments were plain and obvious: on the one hand the district’s finances that did not allow for any major increases in investment, and on the other the obsolete structures that originally even included three municipal hospitals which were taken under the wing of the district in 1973.

Sabrina Lindner, Herzberg
“Having local medical care is very important to me because I do not always have time for long journeys to get it.”

Still, the District of Osterode, in one feat of strength, built a new hospital in Herzberg from 1985 to 1990. The city is situated approximately in the middle of the district and for this reason had long been planned as a central and single location. The small, outdated facility in Bad Lauterberg had already been closed in 1984. But the closure of the hospital in Osterode time and again failed because of resistance from local political forces.

But one thing was clear: “For a district with roughly 90,000 inhabitants, even two hospitals were too much, especially since they were only eleven kilometres apart and had a nearly identical medical offering”, says Helmut Schmidt, then district councillor responsible for hospitals and the administrative director of the hospitals, describing the situation of the first half of the nineties. “The health insurance funds were no longer prepared to co-finance these structures and were threatening to make cuts.” Faced with mounting pressures, more and more members of the district’s council came to realise that only privatisation together with an experienced hospital operator would offer them the prospect of securing generalised healthcare provision.

In the end, Friedrich-Karl Böttcher got on the phone: “I gave Mr. Münch a call, and after two hours I was clear on the options.” The naturally sceptical staff council led by its chairman Werner Prange – today chairman of the Group’s works council and a member on the Supervisory Board – also quickly got in touch with prospective buyers as well as other hospitals of the Group to exchange experiences. Here, too, the RHÖN-KLINIKUM network made a convincing case, among other things with the contractually agreed continuation of redundancy protection provisions from the public sector.

When the plans were made public, there were protests: letters to the editor of the regional newspaper, a small citizens’ initiative. The trade union for Public Services, Transport and Traffic (Gewerkschaft öffentliche Dienste, Transport und Verkehr, ÖTV) organised a demonstration in front of the hospital, and staff joined the trade union in droves. Among them was Sonja Heise, then a clerical employee, today a management-level secretary at the hospital. “In such uncertain times, we of course were fearful for our jobs, our livelihoods. Everyone in the hospital was scared”, she remembers.

But even a bomb threat at the decisive council meeting in Zorge at which the end of the Osterode facility was to be decided could not change anything in the course taken. On the contrary: “When the meeting continued at the alternative premises in nearby Walkenried, everyone drew closer together, even the employees that had come out with their whistles”, reports Schmidt, who managed the hospital’s business from 2000 to the middle of 2007. In November 1998, the hospitals in Herzberg and Osterode became the first public hospitals of Germany’s Western federal states to come under private ownership.

When after the changeover everything continued smoothly, things quickly calmed down again. And that even though there were a lot of changes: after only a few months, a temporary intermediate care ward was set up so that RHÖN-KLINIKUM’s typical flow organisation could be implemented; the refurbishment and extension of the hospital was planned, and the year-end bonus was changed into a stake in the hospital’s profit. That during the first years many of the older doctors took their well-deserved retirement and were replaced by new ones who were open to the Group’s corporate culture is something that Sonja Heise even found quite pleasant: “Back then we had many a white-robed dignitary, today we have colleagues.”

Jochen Gerber, Herzberg

“Almost all my family used the hospital in Herzberg. When treatment procedures are critical enough, patients are transferred sufficiently in advance to specialised hospitals.”

As is customary within the Group, both doctors and nursing staff were involved in the construction planning. “That was quite different compared with the new hospital construction in 1985. If back then we had had a little more say, it would have avoided many an annoying planning error”, remarks Dr. Joachim Passian, anaesthetist and until the end of March 2010 still Medical Director in Herzberg. “But it’s a smart move to get people involved: afterwards nobody can complain, since they also have been part of the process right from the start.”

Construction work got under way early in 2000. By the middle of 2002 the hospital had a new large operating ward, bigger intensive and intermediate care wards and enough room to accommodate services from the hospital in Osterode that latterly had operated an internal medicine department with 70 beds. Integrating employees from Osterode did pose certain problems, particularly in nursing. “At that time we had completely taken over the wards from Osterode and allowed them to continue working as separate units. Osterode thus remained Osterode, and at first there was little in the way of real co-operation between the two staff groups – that came about only very slowly. Today, of course, that has long been forgotten”, says Sonja Heise.

The refurbishment was seen by all employees as a big step forward. One example of the way things were simplified to ensure shorter distances: the new delivery room, the maternity ward and the children’s ward are located close together on the same level. Before that they were spread over two floors.

Doctors in particular see the integration within the hospital network as an advantage. Integration and interaction with their colleagues within the Group is very important to them. Dr. Passian: “A valuable exchange takes place within the institutionalised quality circles and project groups. Almost more important than that, though, are the telephone calls you have with certain colleagues after such meetings.”

His colleague Dr. Marie-Luise Ladiges, whose focus is on gynaecological oncology, also finds the direct collaboration very profitable. She can present her patients at the tumour conferences. She also stays in contact with the university hospital in Marburg.

Meanwhile, the Herzberg hospital requires a further extension. A broader medical offering which is now being expanded again, coupled with the growing number of referrals is resulting in higher demand. Added to that is the fact that more and more community-based practitioners want to establish themselves within the direct vicinity of or at the hospital – the mutual benefits to be gained are dispelling any remaining misgivings.

The conclusion drawn by the former senior district director Böttcher is: “The district would not have been able to finance all these investments. Our facility would have simply been choked by the competing facilities in Northeim, Goslar, Nordhausen and the university hospital of Göttingen as well as by payers. It would have long ceased to exist.”

FRANKFURT (ODER): SUCCESS STORY AT THE PERIPHERY

Stefan Härtel, chairman of the works council of Klinikum Frankfurt (Oder), regrets that RHÖN-KLINIKUM Group so far has not been able to take over any further hospitals within the region of Brandenburg: “We are all alone here in this large area. But it would be so nice if we could achieve further synergies in collaboration with neighbouring hospitals.” Klinikum Frankfurt (Oder) is a leading intermediate-care hospital in the Federal State of Brandenburg with a broad medical offering. The only thing it does not include is

Bianca Peter, Herzberg
“I would always first drive to the hospital in Herzberg – my relatives too.”

heart surgery. The Group’s nearest large facilities are located in Leipzig 180 kilometres away, but the big competitors are only 100 kilometres away in Berlin.

Before being sold to RHÖN-KLINIKUM AG in 2002, the former GDR district hospital was run by the City of Frankfurt (Oder). Härtel is proud to point out: “Already at that time we also operated efficiently.” The reason why the city on the Polish border nevertheless sold its hospital is explained by the then councillor for social affairs and present mayor (from 2002 up to the new elections in March 2010), Martin Patzelt: “At that time it was already clear to us that, with the trend in costs coupled with reduced revenues after the introduction of DRGs and the permanent requirement for investment in modern medical technology, the facility would sooner or later slide into loss.”

The Medical Director Dr. Thomas Funk cites further reasons for the transfer to private ownership: “At that time, lethargy was widespread in the facility. Our decision-making paths were long, and the decisions taken were often hard to understand and very personal. Back then I was very glad that we were going to be privatised.” Funk backed RHÖN-KLINIKUM AG’s bid especially because he did not see medical autonomy as being secured “within any other group: at RHÖN-KLINIKUM Group there are no restrictions on the freedom of choice in diagnosis and treatment.”

The sale of course also met with resistance. “For example, it was prophesised that there would soon be only ‘medicine for the rich’ in Frankfurt”, Patzelt recalls. “An absurd assumption – we were above all concerned with getting ready for a greying population.” There were also howls of protest from staff. They feared for their jobs and the quality of healthcare: “People were heard doubting, for example, that in future only unqualified workers would be hired for nursing”, Härtel remembers. Demonstrations were held in front of the hospital and the town hall. But: “All that was being directed against privatisation in general, not specifically against RHÖN-KLINIKUM Group”, explains the works council chairman.

With the doctors also, there was an almost united front against the privatisation. “You have to understand”, says Dr. Funk, who had arrived in Frankfurt from West Berlin after German reunification. “At that time we had a lot of older colleagues among our head physicians who still had a GDR way of thinking. They were simply scared of the ‘evil capitalists’.” At the same time people entertained ridiculous ideas about millionaire salaries and “really cheap preference shares”.

The majority in the City council at that time did not let itself be deterred by all that, and saw the sale through. The fact that Frankfurt (Oder) decided in favour of RHÖN-KLINIKUM AG among several bidders is something that Patzelt has never regretted. As the mayor is glad to report to this day: “This sale is an absolute success story. Medical performance has not declined, on the contrary. And investments were made possible that the City would never have been able to afford.”

It started with modern medical equipment, and was quickly followed by changes in the building structure. The hospital was given a newly designed entrance area, one bed facility was completely modernised and a new functional facility was built. The good equipment, which now even includes a linear accelerator for tumour treatment, also attracted new doctors to the border-town hospital.

One pleasant side effect was the proceeds totalling roughly 100 million German marks that the City’s coffers received from the sale. Admittedly: “The money is quickly used up in a municipality like

Annett Pahl, Herzberg

“Since the privatisation of the hospital in Herzberg the equipment in my opinion became a lot more modern, and the establishment of the individual practices nearby is certainly an advantage for patients.”

ours", Patzelt notes soberly. For him it was particularly important for the staff "not to fall by the wayside" – after all, it was his sister who fought for their interests as chairman of the hospital's staff council.

And that with success: a five-year period of redundancy protection was agreed, as is customary with RHÖN-KLINIKUM AG. And today's works council chairman is pleased to note that after the end of the five-year period there have been only five redundancies, because a human-genetics lab was closed. Further evidence of the high level of industrial harmony is that after the takeover there were only two labour court actions between the company and employees and only two cases were brought before the works-level conciliation board. That is not much for a hospital that is the City's biggest employer with over 1,400 employees. The good co-operation has also seen off crises such as the legionella incident in 2003.

That does not mean there have never been divergent views. The early switch from the federal wage scale for public sector employees in East Germany (BAT Ost) to the Group's in-house wage agreement in March 2003 was not exactly easy, like the adoption of profit participation instead of the fixed year-end bonus. On the other hand, these measures secure the hospital's jobs in the long term. The hospital is not as strongly affected by outsourcing as other Group facilities. It continues to run its own kitchen, which however had to measure its performance against the prices of external providers.

Employer and employee expectations still differ in some points. Which is understandable: "The age structure of the City is also reflected in our staff. We have a higher percentage of older employees compared with other Group facilities. In some cases these colleagues cannot cope as easily with organisational changes and increasing work specialisation. Wage provisions based on semi-retirement schemes no longer exist", explains Härtel. The consequences of the changes were not always easy for staff, especially for single-earning women who were not uncommon in this region.

One of them is Elke Patzke, head nurse of the outpatient centre and with the hospital since 2000. She confirms: "The number of work duties and burdens is increasing. Here, there is an increasing need for flexibility." For example during construction and refurbishment measures which disrupted many clinical processes and caused a lot of noise and dirt. However, what Elke the nurse found very good was that the management had involved her closely in efforts to cope with the problems.

That said, the hospital is meeting the challenges of the future and wants to achieve further successful growth. It sees one part of its future development in the East. Three bridges link the City with Polish Słubice on the other side of the river, and good use is being made of these in both directions. "Our hospital needs the second semi-circle on the other side of the Oder", says mayor Patzelt. "That could enable us to achieve a very reasonable division of labour. We would be a provider of intermediate care also for Słubice, and the hospital there in turn could assume provision of basic care for Frankfurt (Oder)." Initial talks on this are under way.

The managing director Mirko Papenfuß extols the "great" co-operation between the company and employees: "We communicate here eye-to-eye – the Group shows us the way." He sees one indication of the strong identification with the hospital and the Group in the fact that 800 out of the 1,400 employees attend the annual Christmas party ("the rest are on duty") and that there is no problem finding volunteers for the open house that also takes place an-

Berthold Behnke, Herzberg

"My attitude towards the privatisation of the hospital in Herzberg was positive, because the hospital ran out of money."

nually. Works council chairman Härtel confirms the good relationship: "The involvement of the employee representatives in the decision making processes is taken more seriously than it was in past times."

NIENBURG AND STOLZENAU: FROM "BOLLMANN'S TINKER SHOP" TO HIGH-TECH HOSPITAL

It was a somewhat uncanny sight that awaited delegates of the Nienburg/Weser district in March 2001 just before a non-public meeting at Nienburg district hall. A coffin had been set in front of the entrance door, employee representatives were distributing black carnations to district council members and were holding up banners bearing slogans "As a final farewell. Interest groups representing the hospitals and the central staff council" or "With your decision today, you are carrying public healthcare to its grave".

"It sure is a strange feeling to be insulted and decried as the gravediggers of the municipal hospitals", is how Dr. Wilfried Wiesbrock, then senior director of the district, still feels today. The delegates had gathered together to decide on the sale of the three district hospitals in Nienburg, Stolzenau and Hoya. With this move they wanted to finally put an end to years of hard and long debate. After several years of persevering arguments, Wiesbrock and the then CDU party chairman and current district administrator, Heinrich Eggers, succeeded in getting a majority for the privatisation of the three hospitals.

Nobody could ignore the hard facts any longer. Krankenhaus Nienburg was founded in 1854 by the merchant Georg Friedrich Bollmann and had been continued as a trust with its own statutes until being sold. In the course of its history the facility was extended several times. But: "With each new extension the structures – by today's standards – only got worse. The various wards were on different floors. For surgery the beds had to be transported over a ramp", recalls Beate Jörißen, who escorted the restructuring at the Nienburg and Stolzenau facilities as well as the planning and execution of today's new buildings as managing director in Nienburg together with Mirko Papenfuß. "The three sections of the building were not all connected. In some places, you could only go through the basement", explains Jörg Demmler, today still Head of Group Technical Controlling/Environment. Parking spaces were inconceivable given the facility's city-centre location.

Dr. Wiesbrock, the joint personnel "boss" of the two municipal hospitals in Stolzenau and Hoya, as well as chairman of the Nienburg hospital trust, had to cope with the consequences of all that: "Bollmann's hospital had 15 nurses more than comparable facilities because of the extremely awkward way it was built." It was only by rebuilding the facility that the situation could be remedied, that was something clear to everyone. But who was to finance that? The district couldn't. And: "At that time we were 43rd on the hospital investment plan of the Federal State of Lower Saxony", remembers works council chairman Werner Behrens. Together with the trade union ÖTV, the works council at that time had still tried to form a hospital network for Northern Germany. But the project foundered on the divergent interests of the districts, Behrens explained.

Things in Hoya looked especially bad. It also had major investment backlogs: "It was not really possible any longer to maintain healthcare provision in Hoya", says Mirko Papenfuß, then managing director, to describe the situation. "The hospital could hardly find any more doctors. Patients voted with their feet and went to other hospitals, but not to Nienburg." The information service of the trade union ver.di ("Infodienst Krankenhäuser") reported that at certain

Waltraud Plümer, Herzberg

"Before the privatisation I did not have any opinion on the hospital; I am very satisfied with the hospital today. The care is very good."

times the hospital only had six patients to treat. And yet citizens were unrelenting in fighting for "their" hospital.

The pressure to modernise had grown inexorably. Already back in the eighties and nineties, Dr. Wiesbrock had observed the structural transformation in medical care: "Patients were increasingly willing to travel great distances to hospitals with specialised departments, for example to an orthopaedics department following an accident on the soccer field." Moreover, new, specialised competitors had emerged – in Hoya, for example, a doctors' centre – and these were successful.

Lastly, under the pressure of the health insurance funds the durations of stay – on which in the past many a hospital could rely to save the bottom line – were also shortened, and flat remuneration rates for cases (DRGs) were looming on the horizon. Added to this was a huge investment backlog and outdated rules: "At that time a basic-care hospital didn't have a chance of getting a left catheterisation lab", said Dr. Wiesbrock.

The state also denied a stroke unit to people in Nienburg – stroke cases had to be driven to Bremen, Hanover and Minden, despite the dangerous time loss. "There was a huge backlog for technical equipment and buildings, and above all for the organisation of the specialised medical fields. Something drastic had to happen to raise the level of care again", was the observation of Dr. Ludger Schoeps, today Medical Director and head physician of the anaesthesia department.

"The hospitals in the District of Nienburg were so desolate in their physical structure that the quality of medical care also suffered as a result", summarises Martin Menger, divisional head of RHÖN-KLINIKUM AG for Northern Germany. Patient numbers had declined from one quarter to the next. And: "The coverage of cases within the District of Nienburg at that time had fallen to below 50 per cent. In other words: More than half of all cases were being treated in hospitals outside the district", reports district administrator Eggers.

More and more district delegates realised that the district no longer had the funds to cope with this development on its own. In March 2001, the district council made its decision: the hospitals were to be privatised. From about a half dozen interested investors in the bidding procedure, two suitable candidates remained: RHÖN-KLINIKUM AG and a church group.

The final decision went in favour of the group from the Rhön, and even had the backing of the employee representatives. "We had drawn up a list of criteria and RHÖN-KLINIKUM AG was the one that met our demands best", was the reason given by works council chairman Behrens for the vote. The Group convinced the district by swiftly purchasing a piece of land and by its equally swift and firm commitment to build a new state-of-the-art hospital within five years, even if the State of Lower Saxony did not approve any grant for it.

The company kept its promise. From the takeover in 2002 until 2006, the hospital in Nienburg remained in "Bollmann's tinker shop", as it was already jokingly referred to. Because of the outdated structures it was not even possible to set up an intermediate care ward there, which is key to RHÖN-KLINIKUM's typical clinical organisation. After the new building on a former British barracks site had been finished, things improved very quickly. The new hospital was given state-of-the-art technical equipment, a stroke unit, a large intensive and intermediate care ward.

New medical disciplines were added, including a neurology department as well as a cardiology depart-

Gerd Dierks, Herzberg

"At the time my attitude towards the privatisation was positive because in my opinion private management works more efficiently."

ment with a left catheterisation lab. The facility has its own radiology department, and is also teleradiologically linked to the Medical College of Hanover which assists the doctors in Nienburg in the diagnosis of particularly difficult cases. Meanwhile, the 243 beds of the – still – basic- and standard-care facility are fully occupied and the hospital's management is thinking about expanding.

In the hospital's neighbourhood the second doctors' centre was just opened early in 2010. "There's enough to do for everyone", observes a pleased medical director Schoeps as he looks over to the medical care centre (MVZ) in front of the hospital's gate. The MVZ is continually expanding its range, but always in consultation with the local community-based doctors. Schoeps is fully committed to co-operation with community-based doctors. Together with some of them he just established a palliative centre that secures the outpatient care of palliative patients within the district. The necessary office space was made available by the hospital.

In Stolzenau, too, there have been a lot of changes. The old buildings are no longer used, and next to them a modern, two-storey hospital was built. It was put into service as a portal clinic in December 2005. Its highly modern diagnosis capacities using a computer and nuclear magnetic resonance tomograph were at first linked teleradiologically to the radiology department in Bad Neustadt a. d. Saale, but are now supervised by the Nienburg hospital. "That is almost as if the radiologist were sitting in the room next to you", says Dr. Ekkehard Leopold enthusiastically, who from 1976 to 2006 was head physician for internal medicine and from 1982 onwards also medical director in Stolzenau. He is certain: "Without a private investor, not only Hoya but also Stolzenau would have been closed."

Telemedicine in Stolzenau goes even further than that: "From my computer screen in Nienburg I can log onto all intermediate care stations in Stolzenau, take a look at the readings and progress of each and every patient and advise the doctors accordingly", explains head anaesthetist Schoeps. Generally speaking, telemedicine makes it possible to offer fully equivalent care in the dependant facility and a 24-hour outpatient service without having to keep specialists on hand for each discipline.

"The doctors there are expected to be not so much vertically as horizontally oriented", says Schoeps. But there is still room for individual specialisation: the surgeons in Stolzenau equally perform hand surgery and trauma operations. "For such a small hospital it is a remarkable achievement that 80 per cent of all cases from the surrounding areas can be treated locally", praises Schoeps. After a quick diagnosis, stroke and heart attack cases are referred by it directly to the Nienburg hospital.

The facility in Hoya was closed at the end of 2004. Its staff, most of whom of long standing, came to Nienburg. "That meant that we had to let some of the younger employees go in favour of the older ones" regrets works council chairman Behrens. But a clear line had been defined from the outset. Even before winning their bid, the representatives of RHÖN-KLINIKUM AG had said that the Hoya site could not be preserved. In the meantime the stir that this caused back then has settled down. Today more patients come to Nienburg from the area around Hoya than the old hospital at that site ever treated. And in the company name "Mittelweser Kliniken GmbH Nienburg Hoya Stolzenau" it still lives on.

There were once three hospitals with some 450 beds. These were replaced by two state-of-the-art hospitals with 306 beds. Since both hospitals were able to significantly strengthen their medical offering, patient numbers have been steadily rising over the past years. There are many winners: the politi-

Rosemarie Tannert, Herzberg

"Back then my attitude towards the privatisation was actually very positive, because everything is under a single management."

cians who at the time took a path-breaking decision, patients who benefit from state-of-the-art medical care in comfortable patient rooms, the 600 employees who no longer have to be worried about their jobs, and also RHÖN KLINIKUM AG that can rightly refer to its successful restructuring of what were once moribund hospitals.

PIRNA: INTEGRATIVE NEW BUILDING

The old hospital has a long tradition: opened in 1859 as Pirna's first modern citizens' hospital, it was located on a park-like estate right in the middle of the city on the banks of the Elbe. The oldest still existing building dates back to 1918 and today is listed as a historical monument. Over the years, it was extended by several additional hospital structures reflecting the architecture of each successive epoch. The flipside of this truly historical case: in some cases long, awkward distances counteract a modern clinical organisation, and the availability of nearby parking spaces – something that nobody had thought about in the middle of the 19th century – was very limited.

This was the condition that Kreiskrankenhaus Pirna found itself in before its change in ownership at the beginning of 2003. Things by no means looked any better with the hospital Johanniter-Krankenhaus in nearby Dohna-Heidenau, which was added to RHÖN-KLINIKUM Group in November 2003. Here there was the further problem that the hospital was loss-making.

Nevertheless, as part of the privatisation the Johanniter facility had tried to take over the Pirna hospital, but it failed to meet the requirements of the district council. "I was not afraid of RHÖN-KLINIKUM AG", says the long-standing deputy nursing service manager Karl Krellner, looking back at the time before the purchase decision. "It was actually clear to everyone that the privatisation was inevitable. We needed a new building, and for that the state had no money."

Before getting this new building there were still a few little hurdles to overcome. The site first contemplated was located in a residential area in the city district of Sonnenstein, and the residents protested against the construction – the only public protest during the entire privatisation – because of concerns about noise from the helicopter. Happily, a new construction site was quickly found at a former industrial location specifically regenerated for this purpose. The reason: "We needed to get the excavator there quickly so that people would really believe we would invest in Pirna", realised Andrea Aulkemeyer, member of the Board of Management of RHÖN-KLINIKUM AG and initially interim managing director of the Pirna facility. Also, it was important to leave the old hospital complex as quickly as possible in order to achieve reasonable organisational forms. And not least was the fact that the new construction site provided enough room for parking spaces and attractive external grounds.

The new building was all the more urgent since RHÖN-KLINIKUM AG in November 2003 had also added the hospital Johanniter-Krankenhaus, situated not even ten kilometres away in Heidenau, to the Group's hospital network. Its surgery department was immediately integrated, as early as November 2003, into the old hospital in Pirna. After refurbishments in Pirna, the internal medicine and urology departments followed in March 2004. The urology department, which Pirna did not have before, moved into a modern ward container in the operation wing. In Pirna a mobile nuclear magnetic resonance tomograph was installed as a temporary solution. The Heidenau hospital was then closed.

Integrating staff from these two different facilities was a challenge. "The not-for-profit church hospital

Guido Matschke, Herzberg

"The offering is very diversified and good at the hospital in Herzberg. For serious cases the hospital in Göttingen is to be recommended. That's how I would decide for my family."

and the public hospital did not always compete on the friendliest of terms", states the urologist and head physician Dr. Volker Janitzky with regard to the historical causes. "There were animosities." There were also the little differences in day-to-day hospital work. Works council chairman Gisbert Denkert remembers well: "At both facilities there were simply different procedures and practices. For example, in Pirna the anaesthesia trolley was loaded differently than in Heidenau." At times even the different remuneration schemes brought in by the two staff groups – civil service and Diakonie – had given rise to certain tensions. But these were resolved with the swift transition to the in-house collective wage scheme of RHÖN-KLINIKUM AG.

In view of the – by modern standards – overstaffing of both facilities, staff adjustments were unavoidable. Of initially 611 employees – with reference to full-time staff – there were 518 left over in 2004 after the amalgamation and the first outsourcing measures. Further optimisation of the site brought down the number of employees to 490 in the years thereafter. "However, we were able to avoid dismissals in patient-related services through discussions and negotiations", Karl Krellner is pleased to say. "Some colleagues left as part of voluntary agreements. And almost everyone reduced their working hours by ten per cent."

In this context there is one thing that both Krellner and Denkert found particularly important: "We could always talk with the management and set out our proposals. That was also the case in planning the new building." The managing directors, for their part, were always at pains to treat the staff correctly. "From the outset, we completely blended together the staff from both hospitals in the teams. The aim was to create a common social structure", says Aulkemeyer, describing her integration strategy. "That also applied to the second-level management positions."

The integrative theme of the new building was also helpful. "If Pirna had already had the new hospital when the colleagues from Heidenau came along, everything would have been much more difficult. But that way all the staff were involved in the preparations for construction of the new hospital", says Dr. Katrin Möller, since August 2003 manager and from 2006 with the hospital's management board, in summarising the transformation. The two teams then formed a complete unit after moving into the new facility in March 2007. "Then everyone enjoyed the same improvements, were able to explore the possibilities of the new hospital and shape its procedures. That finally put paid to everyone's favourite line: 'But we always did that differently'."

As a result of the integration of Heidenau and Pirna, Klinikum Pirna at first lost some patients. Especially residents from Heidenau at the beginning were more likely to turn to nearby Dresden. The figures say it all: in 2003 both facilities together still counted 14,390 patients, in 2004 there were only 12,880. But since working in the modern new building with 277 parking spaces, 19,000 square metres of lawn and the inviting ambient, the hospital's staff have won back many patients – and even attracted some from Saxon Switzerland. In 2009 they already treated 16,540 people who entrusted themselves to the hospital, far more than in the "old days".

Thanks to this pleasing development the number of staff, including the psychiatric clinic located at a second site in Pirna, has since risen again to 550. Gradually, things are getting crowded at the hospital. A new 38-bed ward put into service at the middle of 2009 is to be followed by further extensions. For Krellner this success is also the result of joint efforts: "All of us are striving for high patient satisfaction and a good reputation."

Birgit Schulze, Herzberg

"I saw the privatisation as very positive. It changed a great deal at the hospital – for the better. It underwent a lot of modernisation."

Head midwife Renate Grahl, who together with her colleagues on several occasions had to fear for their livelihoods, even goes a step further: "All of those working on our ward are wholly committed to their profession." The task is made all the easier when patients are looked after in a newly organised obstetrics department with a "great atmosphere" and the colleagues enjoying excellent working conditions. The only concern: "The paediatric department still might end up being closed."

That is something people see as a high credit to RHÖN-KLINIKUM Group's integrity: when the District of Saxon Switzerland wanted to close the paediatric department despite all the protests from the population, the hospital, together with a citizens' initiative and regional officials, wholly committed themselves to having it preserved. And to do that they came up with an idea. At first they ran the department as a dependence of the Dresden University Paediatric Hospital, and since then as a dependence of the neighbouring Weißeritztal-Kliniken facilities in Freital, which are also part of the Group. "Both facilities meanwhile are increasingly working together closely also in other areas such as materials management, and we exchange specialist doctors so as to ensure comprehensive care of patients at both hospital sites", says Dr. Möller, describing the progress being made in cooperation between the associated hospitals.

The doctors are also happy with the working conditions after the privatisation. "The level of medical technology that we have today is something we never would have had before", says head physician and oto-rhino-laryngology specialist Dr. Alexander Fabian. For his urology colleague Dr. Volker Janitzky, who previously worked at the University of Jena and then in Heidenau, the reliability of the investment decisions is also important: "In Jena you knew that with the investment budget it was all fairytales from item 3 onwards. In Heidenau they promised the world, but nothing came of it. But if you submit a request with RHÖN-KLINIKUM and make a reasonable case, then you get the equipment – even on time."

That "you can't do as you please within the Group" is something that he does not find that bad. "What is important is that you know where you stand." RHÖN-KLINIKUM AG did not always enjoy so much sympathy in Pirna. When Andrea Aulkemeyer met with the head physicians in a conference room for the first time, she encountered "an atmosphere that couldn't possibly have been more frigid. The doctors were sitting there in their white-coats, their arms crossed and all clammed up, just to let you know they weren't one bit keen about the idea of being sold." But that has long been forgotten.

AMPER KLINIKEN: A STRONG FACILITY – AND EVEN STRONGER WITHIN THE GROUP

District administrator Hansjörg Christmann is certain: "I would take exactly the same decision again. The only question is whether I would be able to push it through in exactly the same way. Today the emotional resistance to hospital privatisations is considerable." Christmann and the district council of Dachau in 2004 had decided to sell 74.9 per cent of district-owned Amper Kliniken AG together with its two facilities in Dachau and Indersdorf to RHÖN-KLINIKUM AG.

And that without even being under pressure to act: "The Amper Kliniken facilities were in excellent shape by both economic and medical standards", emphasises the district administrator. They turned a profit and were able to finance a fair amount of their investments from their own strength." Among other things, the facilities already had an outpatient operating centre, a spine and therapy centre, a comfort

Bastien Mrutschock, Herzberg
"In serious cases I would go to the hospital in Herzberg."

wing with 70 beds and even a multi-storey car park, reports the head physician and spokesperson of the medical management board, Dr. Michael Weber, not without some pride. "Even back then, we were under expansion. Thanks to our investment in the quality of medical care, we also saw our case numbers rise."

Moreover, the hospital was converted into a stock corporation in 2001, thus becoming the first municipally operated hospital "AG" in Germany; it thus achieved a fair amount of independence from its public owners. Already in 2002 it was upgraded to an intermediate-care hospital. As a result, its prospects were already brighter than those of most other public hospitals. But: "We were looking further ahead than that", Christmann says.

In view of the technical, medical and economic-regulatory development in the hospitals area, it was clear to the district's politicians: "The future of our hospitals could only be promoted and shaped within a strong network. The challenges we were facing could not be met at the municipal level." Moreover, Christmann had come to realise that the district was having to cope with increasingly formidable tasks in the areas of education, youth and family affairs. "That is what we wanted to focus on, so whenever possible we sought to relieve the burdens through strong partnerships in other areas."

At the beginning of 2005, the majority interest in Amper Kliniken AG went to RHÖN-KLINIKUM AG. In December 2009, the Group acquired a further 20 per cent. Also with the remaining interest of 5.1 per cent, the district administrator remained deputy chairman of Amper Kliniken's supervisory board. The sale was good for his district. "A fair amount of the proceeds was invested in our schools, including the construction of a new school", Christmann reports. "And thanks to investments from the RHÖN-KLINIKUM Group, healthcare provision within the district improved even further." The privatisation did not in any way spoil the hospitals' good reputation: "What matters most is having able doctors and nurses. And we do."

Head physician Dr. Weber knows why: "Here everything is state-of-the-art, the nuclear magnetic resonance tomograph and all the rest of the medical equipment. In October 2009 we also opened a new intensive-care centre with 16 intensive-care and 30 intermediate-care beds. With this equipment standard we are able to retain seasoned colleagues and recruit new ones who are willing to change but want to stay within the greater area of Munich." He was especially impressed by how quickly things moved – from the time the investment decision was made to the opening of the intensive-care centre, barely 15 months elapsed. "Such timelines, even when we were under public management, were unthinkable", Dr. Weber believes.

But as the head physician of cardiology department knows from his own field of work: the hospital "had to be good. The cardiac facility Herzzentrum München is only twelve kilometres away – so patients don't just come to us automatically." And to critics he retorts: "Even if the community-based practitioners now and then say that patient care was made worse by the privatisation: that is just not possible!" The entire hospital has to compete on a daily basis with the concentration of medical competence in the nearby metropolis.

It is already a testimony to considerable self-confidence that the trend is still growth-oriented: in 2005, the year of the takeover, the Dachau facility with its catchment area of over 200,000 people had treated 17,590 patients on an outpatient basis, and this year that figure is set to rise to 21,700. This target has a sound footing, explains Dr. Weber: "We have continuously promoted the further development of

Tanja Holze with Emma, Herzberg
"For me it is very important to have medical care close at hand because I have a young child at home and little accidents can happen very quickly."

our medical offering." In the outpatients department, growth was not as strong because the greater area of Munich, like all metropolitan regions in Germany, had specialist physicians in oversupply.

Already as a stock corporation under public management, Amper Kliniken at the Indersdorf site established a geriatric-neurological rehabilitation centre, and in Dachau a new main neurology department with a stroke unit and a medical sleep centre was created. Under the management of RHÖN-KLINIKUM Group, this was then followed by a main department for otorhinolaryngology (ENT) and a vascular surgery department and intensive-care centre. In the radiology department, an "MRgFUS centre" is currently being set up which – as a leading facility in Europe – uses focused ultrasound to treat myomas.

"We doctors had hoped and expected that the privatisation would allow us to stay innovative – this hope has been more than fulfilled", remarks Dr. Weber. For the doctors, there was little that changed anyway: "We are practising the same high-end medicine as before, and our freedom as physicians has been wholly preserved."

CONCLUSION

As our little case studies show, almost every hospital privatisation is accompanied by fears at the beginning. Employees' fears for their professional futures, their livelihood and jobs, fears of local residents about losing a nearby medical facility, fears of community-based doctors about new competition, fears of local politicians about losing control over an institution perceived by voters as a key element of basic services. Some fears are clearly defined, others are rather vague. Usually they all have one thing in common: they are born from uncertainty, from a lack of information.

But this small, rather random selection of very different stories from the hospital network of RHÖN-KLINIKUM also shows that most of these fears are unjustified. Jobs as a rule are secured for five years, a period of time that has been chosen wisely: it normally takes that long for necessary investments to be made, sensible processes and procedures to be put in place and new buildings to be constructed – all prerequisites for achieving a hospital's "turnaround" for higher medical performance and efficiency.

Hardly less time is needed to secure acceptance of the hospital's new profile among the general public. But its reputation is key to success. Only when word has got around to patients, doctors and emergency services that the "new" privatised facility offers really good medical care can patient numbers start going up again. It is also essential to gain the trust of the community-based doctors in the surrounding areas and to convince them of the mutual benefits of close co-operation.

After all the hard groundwork has been done both internally and externally, there is usually one observation: Things are looking up again! The work environment is right, the image is good, patient numbers are rising, and in some cases new jobs are being created. Now at the latest, if not already during the investment phase, staff have the sense that their jobs are secure. More and more community-based doctors realise that they benefit greatly from working together with the hospital.

The prospects of co-using the hospital's state-of-the-art diagnosis technology and other equipment, of exchanging their experiences with their professional colleagues from the hospital and giving their own patients a broader offering are, on closer inspection, obviously very alluring. It is not without reason that many of the doctors' centres that RHÖN-KLINIKUM

Trude Völtz, Herzberg

"So far we have had only the best of experiences with the hospital in Herzberg!"

Group established close to its hospitals are already bursting at their seams. At some sites extensions have already been built or further doctors' centres established.

After five years, then, everything proceeds as usual. Citizens are happy with the good medical care provided. Politicians have long forgotten the privatisation and have gone back to business as usual. Doctors from the surrounding areas benefit from new neighbours. Staff are sometimes more, sometimes less happy, since the conflicts between employers and employees are part of a company's everyday business, as elsewhere also. If only everyone had known this, and other things, beforehand – it sure would have saved a lot fuss.

Sigrid Lachnit, Herzberg

"I was positive about the privatisation – the Herzberg site was preserved and was not closed!"

MEDICAL FIELDS WITHIN RHÖN-KLINIKUM GROUP AS AT 31 DECEMBER 2009

	Capacities					Care levels						Status	
Hospital	Acute inpatient[1]	Day-care clinical/ day-case treatment[1]	Rehab/other[2]	Total 2009	Total 2008	Basic and standard care	Intermediate care	Maximum care	Specialist care	MVZ at the hospital	Portal clinic	University hospital	Academic teaching hospital
Baden-Wuerttemberg													
Klinik für Herzchirurgie Karlsruhe	89			89	89			x					
Klinikum Pforzheim	500			500	500		x		x			x	
Bavaria													
St. Elisabeth-Krankenhaus Bad Kissingen (Heinz Kalk-Krankenhaus)	60			60	60	x							
St. Elisabeth-Krankenhaus Bad Kissingen	222			222	222	x			x				
St. Elisabeth-Krankenhaus Bad Kissingen (Hammelburg)	60			60	60	x			x	x			
Herz- und Gefäß-Klinik, Bad Neustadt a. d. Saale	339			339	339			x	x				
Klinik für Handchirurgie, Bad Neustadt a. d. Saale	70		44	114	125			x					
Klinik "Haus Franken", Bad Neustadt a. d. Saale			140	140	140								
Haus Saaletal, Bad Neustadt a. d. Saale			232	232	232								
Neurologische Klinik, Bad Neustadt a. d. Saale	150		121	271	260			x					
Psychosomatische Klinik, Bad Neustadt a. d. Saale	200		140	340	340			x					
Amper Kliniken (Dachau)	410	6		416	416		x					x	
Amper Kliniken (Indersdorf)	50		70	120	120	x							
Kliniken Miltenberg-Erlenbach (Miltenberg)	80			80	86	x				x			
Kliniken Miltenberg-Erlenbach (Erlenbach)	220		32	252	252	x			x				
Klinik Kipfenberg	100		60	160	150			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)	1,087	35		1,122	1,122			x	x		x		
Universitätsklinikum Gießen und Marburg (Marburg)	1,103	37		1,140	1,140			x	x		x		
Aukamm-Klinik, Wiesbaden	57			57	57			x					
Stiftung Deutsche Klinik für Diagnostik, Wiesbaden	92	60		152	152		x		x				
Mecklenburg-West Pomerania													
IGB Integratives Gesundheitszentrum Boizenburg	46			46		x							
Lower Saxony													
Krankenhaus Cuxhaven	250			250	250	x						x	
Krankenhaus Gifhorn	344		6	350	350		x						
Klinik Herzberg	254			254	260	x						x	
Klinikum Hildesheim	535			535	535		x					x	
Mittelweser Kliniken (Nienburg)	243			243	243	x							
Mittelweser Kliniken (Stolzenau)	63			63	70	x				x			
Wesermarsch-Klinik Nordenham	137			137		x							
Klinikum Salzgitter (Lebenstedt, Salzgitter-Bad)	385			385	400	x						x	
Klinikum Uelzen	346			346	359		x					x	
Städtisches Krankenhaus Wittingen	56			56	56	x				x			
North Rhine-Westphalia													
Krankenhaus St. Barbara Attendorn	286	12		298	298	x			x	x		x	
St. Petri-Hospital Warburg	153			153	153	x							
Saxony													
Weißeritztal-Kliniken (Freital und Dippoldiswalde)	350			350	370	x			x	x		x	
Herzzentrum Leipzig	380	10		390	340			x			x		
Park-Krankenhaus Leipzig	530	70		600	565	x			x			x	
Soteria Klinik Leipzig	56		174	230	230			x				x	
Klinikum Pirna	380	20		400	400	x			x			x	
Saxony-Anhalt													
Krankenhaus Anhalt-Zerbst	202			202		x			x				
MEDIGREIF Kreiskrankenhaus Burg	241			241		x			x			x	
MEDIGREIF Bördekrankenhaus Neindorf	205			205		x			x				
MEDIGREIF Fachkrankenhaus Vogelsang-Gommern	148			148				x					
Krankenhaus Köthen	264			264	264	x			x				
Thuringia													
Zentralklinik Bad Berka	669			669	669		x		x				
Krankenhaus Waltershausen-Friedrichroda	212			212	212	x			x				
Fachkrankenhaus Hildburghausen	288	74	186	548	517			x					
Klinikum Meiningen	568			568	568		x		x			x	
Total	**14,131**	**360**	**1,238**	**15,729**	**14,691**								

1 *Acute inpatient approved beds and day-clinic/day-case places according to requirement plan and section 108, 109 SGB V.*

2 *Beds in rehabilitation and in other areas as per contractual agreement. Other areas include Haus Saaletal, Bad Neustadt a. d. Saale.: 18 beds for adaptation, Klinik Indersdorf: 10 day-clinical geriatric places, Pflegeheim Kronach: 32 beds for short-term and long-term care (old-age home), Krankenhaus Gifhorn: 6 beds for short-term care, Soteria Klinik Leipzig: 20 beds, adaptation, Fachkrankenhaus Hildburghausen: 58 beds in nursing home section and 128 beds for forensic hospital.*

Eugen Münch,
Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

For the financial year of RHÖN-KLINIKUM AG
From 1 January 2009 to 31 December 2009

ONGOING DIALOGUE BETWEEN THE SUPERVISORY BOARD AND THE BOARD OF MANAGEMENT

During financial year 2009 the Supervisory Board performed the duties incumbent on it by law and the Articles of Association, regularly advising the Board of Management on the direction of the Company as well as carefully and regularly supervising the Board of Management regarding the management of the Company. The Supervisory Board was involved in all decisions of significance for the Company directly and in good time.

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

Moreover the chairman of the Supervisory Board, at individual meetings held at least once a week, was in regular contact with the chairman of the Board of Management, in some cases also consulting further members of the Board of Management or specialised employees, and conferred on the strategy, business performance and risk management of the Company. The two-hour personal meetings, which as a rule take place on a weekly basis and if required may be extended and also supplemented by telephone calls, are used for an exchange of mutual impressions and assessments. This is of particular importance for a Company which, like almost no other, finds itself right in the hotspot of a current transformation in society – the transition from a state healthcare system to a healthcare industry. The healthcare standards from the past century – provision of all services to everyone, without any extra financial burdens – are being confronted with an ever rising demand for healthcare services from a greying population with an increasing share of the population suffering from a health condition. With new and modern methods that are not comparable to those used in the past, the Group is striving to satisfy this demand and to provide affordable services without excluding individuals. And that means change. This change will be resisted at times by political means, the media, and often inevitably. The Board of Management is often faced with the decision of achieving an objective more slowly, quietly, not at all or only by consensus with compromises. Assessing and gauging such developments and their consequences are then the subjects of concrete discussions, also with a view to clarifying whether by reason of the scope of their significance they have to be dealt with in the committees or in the plenary meeting of the Supervisory Board. Other important routine issues relate to the internal workings of the Board of Management as well as personnel prospects and the appraisal of the performance of the individual members of the Board of Management and of the Board of Management as a whole.

In the regular meetings with the chairman of the Board of Management, a great deal of attention was devoted in the year under review to the trend in the global economy and its direct and indirect consequences for the Company. It was as a result of one of these strategy meetings that the capital increase was performed.

Meetings with other members of the Board of Management as a rule take place together with the chairman of the Board of Management unless they are discussions held as part of the Personnel Affairs Committee for the express purpose of appraising the person and performance of such executives. This ensures that the relationship between the chairman of the Board of Management, his deputy and the chairman of the Supervisory Board is critical but also built on mutual trust, and that a clear distance is kept from the operative business.

The co-operation within the Supervisory Board is marked by regular and close working contact between the chairman of the Supervisory Board and his deputies. Exchanging information on a regular basis, dealing with specialist issues, analysing and solving problems, preparing the content and procedure of plenary meetings and meetings of the committees are also part of this co-operation in which further expert Supervisory Board members are involved on a case-by-case basis. Amongst the other members of the Board of Management, too, a lively exchange of views takes place because all members have access to all information, including information from the committees on which they do not serve, in the form of reports and minutes of meetings.

INTENSIVE AND EFFICIENT WORK IN THE COMMITTEES OF THE SUPERVISORY BOARD

With a view to efficiently performing its tasks, the Supervisory Board has set up a total of seven standing committees to which members are appointed not according to proportionality but based on the specific expertise they possess for the special issues dealt with in the committees. The

committees act as bodies with power to pass resolutions within the scope prescribed by law, the Articles of Association and also in lieu of the Supervisory Board based on the Terms of Reference of the latter adapted to the respective committee mandates to the extent permitted by law and defined by the Supervisory Board.

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

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

In addition to the routine meetings of the individual committees, three extraordinary meetings of the Investment, Strategy and Finance Committee and one extraordinary meeting of the Audit Committee – in some cases attended by further Supervisory Board members possessing the requisite expertise on the subjects discussed – were held in financial year 2009 in connection with the preparation and execution of the capital increase.

The **Investment, Strategy and Finance Committee** held five ordinary and three extraordinary meetings during the year under review (attendance rate: 93 per cent). The Committee consults on the development and implementation of corporate strategy together with the Board of Management and passes resolutions in lieu of the Supervisory Board on the acquisition of hospitals, investments subject to approval as well as the financing of such measures. It moreover reviews the reports to be remitted by the Board of Management on the investment and financial development which the latter submits to the plenary meeting of the Supervisory Board. An important duty of the Investment, Strategy and Finance Committee is to discuss the overall and partial strategy of the Board of Management on the development of the Company into which the specific investment projects and financing measures have to fit, which also includes a discussion of technological and social issues as well as developments in medicine.

During the year under review, a great deal of attention was devoted in the work of this Committee to preparing and executing the capital increase. As a consequence of the deterioration in public finances in the wake of the economic and financial crisis and the resulting loss of tax revenues, public hospital owners will no longer be able to provide their facilities with the requisite funding. It will no longer be possible to finance investments, modernisation measures and the settlement of annual operating losses, and these will be the drivers of an expected privatisation wave. In view of the growth opportunities this situation presents for our Group, the Supervisory Board and the Board of Management decided to restructure the Group's financing and to strengthen its equity basis with a capital increase, and thus also to achieve a corresponding independence from the banks. This puts our Company in a position to act quickly in the case of acquisition proposals meeting our qualitative requirements. The consultations on the capital increase and the resolutions of the Supervisory Board required for this were taken

by the Investment, Strategy and Finance Committee as a matter falling within its area of responsibility and required the holding of three extraordinary Committee meetings.

A further focus of the strategy discussion at several meetings of this Committee was the structuring and implementation of the two divisions Outpatient and Inpatient Basic and Standard Care, Medical Development and Quality Management (Division 1) and Specialised, Intermediate and Maximum Care (Division 2). The Group's development from a classic hospital operator to an integrated healthcare provider with the goal of achieving system leadership as an end-to-end care provider was taken by the Committee as an opportunity to engage in a discussion, as part of a strategy debate, on new ways of financing healthcare services resulting in a fairer distribution of the burden between those using and financing the services.

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 of planned and ongoing acquisition projects with the Board of Management. On the medium- and long-term development of individual hospital sites the Board of Management submitted development concepts that were the subject of strategic discussions within the Committee.

At each meeting the Board of Management reported on the development of investments and financing in a continuously updated investment and finance plan discussed as part of a critical dialogue. Specific motions for approval of investment projects were subsequently discussed based on detailed written resolution proposals of the Board of Management, including market studies and investment calculations, which were then approved after thoroughgoing review. By critical inquiry and questioning, the Committee reviewed all investment projects for compatibility with the newly structured divisions. The development of large-scale investments at the Gießen and Marburg sites was thoroughly discussed giving due regard to the investment obligations assumed on acquisition, and required investment motions were approved by the Committee.

The **Personnel Affairs Committee** having responsibility for the personnel matters of the Board of Management has lost some of its responsibilities as a result of the new statutory regulations and provisions of the German Corporate Governance Code. These duties have been shifted to within the scope of responsibilities of the plenary meeting of the Supervisory Board with the result that no meetings of this body were required during the year under review. Outside meetings, the Committee dealt with matters relating to the contracts of former members of the Board of Management, the review of the remuneration structure, the revision of remuneration guidelines for members of the Board of Management to adjust these to new statutory regulations and amended provisions of the German Corporate Governance Code, as well as the appraisal of the performance and development of the individual members of the Board of Management. The work results of the members were submitted to the plenary meeting for discussion and, to the extent required, for adoption by resolution.

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

The **Audit Committee** met six times in the year under review (attendance rate: 97 per cent). The auditor attended two meetings. This Committee notably was responsible for reviewing and preparing the RHÖN-KLINIKUM AG consolidated annual financial statements for financial year 2008. Also reviewed and discussed at the meetings were the stand-alone financial statements, the management reports and the respective audit reports of the Group subsidiaries which were subjected to critical review by the members of the Committee, as well as the proposal on the

appropriation of the net distributable profit. The Audit Committee examined the independence of the auditor designated for the auditing of the annual financial statements for financial year 2009 and for the review of the Half-Year Financial Report, obtained the statement regarding the auditor's independence pursuant to Item 7.2.1 of the German Corporate Governance Code, recommended to the plenary meeting of the Supervisory Board a proposal for the election of the auditor to be submitted to the Annual General Meeting, and after the election issued the auditor with the audit mandate and concluded the remuneration agreement for the same. For the audit in 2009 a list of audit items was defined. Also examined was the award of consulting contracts for non-auditing services to the statutory auditors within the Group. The qualification of the statutory auditor was monitored.

Material issues of accounting, corporate planning, the effectiveness of the internal controlling system and of risk management, including specific business risks, were discussed with the Board of Management and the auditor. The interim reports to be published were discussed regularly with the Board of Management, and the half-year financial report was thoroughly discussed with the Board of Management and the auditor. The members of the Committee also continue to critically monitor, based on the figures submitted by the Board of Management, the financial integration of Universitätsklinikum Gießen und Marburg GmbH into the Group and the related changes made in this enterprise to bring about the requisite increases in the quality of patient care, efficiency and scientific performance.

We were kept informed by the Board of Management on the course and content of the routine audit begun in the year under review by the German Financial Reporting Enforcement Panel (FREP).

The Group controlling report on performance and finance controlling submitted quarterly, which forms part of our risk management system, was discussed with the Board of Management in depth and critically at the Committee's meetings. Here the performance trend of the Group's individual hospitals is presented and critically examined 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 from reports submitted by the head of Internal Auditing who attended three meetings. The Committee approved the auditing plan of the Internal Auditing department for 2009 as well as its update. The audit reports of the Internal Auditing department were then submitted and discussed with the Board of Management. We kept ourselves informed by the Board of Management on the implementation of the recommendations by the Internal Auditing department through information on the results of follow-up reporting and inspection.

Also covered by the consultations and the reporting by the Board of Management in four meetings were the establishment, organisation and ongoing development of the compliance management system. The Audit Committee approved the conclusion of the Group works council agreements submitted by the Board of Management for the application of several compliance guidelines. Regular reporting of the Board of Management also includes the quarterly report on notified violations, doubtful cases and problems from the area of compliance.

The Committee also examined the monitoring of internal corporate management tools. For example, the specialist areas of construction project management and construction cost controlling were introduced in the Committee by the responsible division heads as part of the reorganisation of the execution of large-scale investments. The responsible member of the Board of Management informed on the Group's IT, IT infrastructure and communications technology adjusted to the Group's growth by way of reorganisation.

In preparing the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the recommendations of the German Corporate Governance Code, the amendments by the Government Commission of 18 June 2009 were reviewed as to their application and duly reflected, with a corresponding resolution proposal being submitted to the Supervisory Board as a whole.

The **Anti-Corruption Committee** is the point of contact for employees, suppliers and patients in suspected cases of corruption. In response to information provided by an employee, the Committee examined one incident in the area of materials management at one Group company which, after a review by the Internal Auditing department and the Management, resulted in termination of the relationship with one supplier. Moreover, the members of the Committee acted in an advisory capacity during the year under review in preparing and drawing up new compliance guidelines in co-operation with the Board of Management. No meetings of the Committee were required. The chairman of this Committee is at the same time a member of the Audit Committee, providing him with immediate access to the controlling possibilities of the latter Committee. No motions to the Audit Committee for initiating special audits were required.

In accordance with the Terms of Reference of the Supervisory Board, the Chairman of the Anti-Corruption Committee submitted an internal report on its work to the Supervisory Board which did not give rise to any measures by the Supervisory Board.

The **Medical Innovation and Quality Committee** advises the Board of Management and the Supervisory Board on developments and trends in medicine and monitors the development of medical quality. The Committee held one meeting (attendance rate: 100 per cent). At the meeting the consultations focused on an analysis of the Group's quality management activities and further-development measures to achieve an optimum level of quality care for patients with a view to attaining quality leadership at all care levels. As a further area of focus, the meeting conducted a strategy discussion on the goals to be pursued in using the particle therapy facility in Marburg and its integration into the care concept of the university hospital, of research conducted by the faculty of medicine and of the Group.

By resolution of the Supervisory Board dated 28 October 2009, three members were appointed to the **Nomination Committee** which commenced its work on discussing nominations of candidates for the new election of Supervisory Board members representing the shareholders due to take place at the Annual General Meeting on 9 June 2010 and proposing these to the plenary meeting for nomination. At the meeting on 9 December 2009 (attendance rate: 100 per cent), to which all other Supervisory Board members representing the shareholders were invited as guests and the majority of whom also attended, a list of specialist competency criteria for candidates was drawn up based on a profile of qualifications which is intended to facilitate re-appointment and reveal losses of competences as a result of outgoing members. On the basis of this very detailed and comprehensive list of competencies a profile of the Supervisory Board will be prepared which, when compared against with the list of candidates, will allow for the proposals to be optimised and weighted in order to obtain concrete nominations.

THE WORK OF THE SUPERVISORY BOARD'S PLENARY MEETING

The Supervisory Board held a total of four ordinary meetings and one extraordinary meeting during financial year 2009 (attendance rate: 98 per cent). No member attended fewer than half the meetings.

Ordinary meetings of the Supervisory Board are divided into two blocks, with the first block dealing with internal Supervisory Board issues and the second one with special issues of supervision. In this regard considerable attention is devoted to the reports of the committee chairmen on the work of the committees. These reports as well as the questions and the discussions of the same go beyond the content of the minutes of meetings of the committees available in advance to all members of the Supervisory Board and give the members not represented on the committees the opportunity to obtain comprehensive information on the items dealt with and the resolutions adopted. As a rule, this first part is attended only by the chairman of the Board of Management and his deputy. In the usually more extensive and longer reporting and proposal part of the meetings, the chairman of the Board of Management – and to the extent required the chairman of the Supervisory Board from his viewpoint – normally first reports on current developments in the healthcare system and on the current status of the Group's development. The ensuing analytical discussions also routinely promote the further development of insight and knowledge regarding the matters at hand on the part of the Board of Management and Supervisory Board members.

At all four ordinary meetings of the Supervisory Board the plenary meeting, based on extensive but concise and systematised written reports and presentations by the Board of Management, regularly consulted on and discussed with the Board of Management the trend in the revenues and earnings, the performance data, the key ratios and the personnel of the Company and Group as well as the individual Group subsidiaries. In addition to routine subjects, previously defined areas of focus as well as trends and events impacting the Group's future development were discussed. To prepare individual agenda items, the Supervisory Board availed itself of external expert legal advice and on several occasions requested and received separate reports by the Board of Management.

At the meeting on 11 February 2009, the Supervisory Board discussed at length with the Board of Management the framework concept on the establishment of Division 1, Outpatient-Inpatient Basic and Standard Care, as well as measures to expand Division 2, Specialised, Intermediate and Maximum Care. The impact of the financial and economic crisis and new statutory regulations introduced for the German healthcare system were discussed in conjunction with their effects on the Group's development. The Group's planning for 2009 was thoroughly dealt with giving due regard to the impact of the Hospital Finance Reform Act (KHRG), wage increases and emerging rises in the prices of materials. The 2009 investment plan was approved after being discussed critically and in terms of its content.

At the balance sheet meeting on 22 April 2009 and with the attendance of the auditors, the annual financial statements and management report of RHÖN-KLINIKUM AG as well as the consolidated financial statements and the Group management report for financial year 2008 were discussed with the Board of Management and the auditor. The auditors reported on the essential findings and results of the audits and were available to the Supervisory Board for questions and additional information. The plenary meeting also thoroughly looked at the banks' restrictive corporate lending stance in reaction to the economic and financial crisis and had a discussion on timely adjustment measures to secure the Group's financing. Also discussed at this meeting were the preparations for the 2009 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.

At the extraordinary meeting of the Supervisory Board on 24 May 2009, the Board of Management's proposal to carry out, in the second half of the year, a capital increase exhausting the au-

thorised capital was deliberated on. Against the background of the privatisation wave of public hospitals emerging for 2010, this capital increase is designed to lay the foundation for the Group's further growth. The Supervisory Board approved the resolution proposal and delegated further decision-making power for the capital increase to the Investment, Strategy and Finance Committee.

At the meeting on 2 July 2009, a discussion was held as part of a policy debate on potential financing forms for healthcare services through the creation of new solidarity groups. The implementation of the package of measures developed by the Board of Management by which it is escorting the Group's development from hospital operator to integrated healthcare provider was discussed. The updated General Terms of References of the Board of Management were discussed and approved by the Supervisory Board.

At the meeting of the Supervisory Board on 28 October 2009, we adjusted the Terms of Reference of the Supervisory Board to reflect new statutory regulations and the amendments to the provisions of the German Corporate Governance Code. The appointments to the Nomination Committee were decided. As part of an internal self-assessment, we examined possibilities of improving the efficiency of our Supervisory Board work. The development of portal clinics and improvements in care for patient management was a further focus of the consultations. The earnings and investment targets submitted by the Board of Management for financial year 2010 were discussed thoroughly and critically by the plenary meeting in terms of their premises and the targets specified for the Group companies.

The Board of Management informed us fully and in continuously updated reports for the Company and the Group on investment, revenue and liquidity planning and earnings projections for financial year 2009. At all Supervisory Board meetings the Supervisory Board examined all these reports, deliberated with the Board of Management on deviations, with the grounds for these being stated, and adopted the requisite resolutions. Risks were reported on regularly at every meeting with the written reports of the Board of Management which were carefully scrutinised by the Supervisory Board.

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

Separate meetings with the Board of Management on a proportionality basis do not take place. Only for preparing the balance sheet meeting does a meeting of the employee representatives on the Supervisory Board take place without the participation of the Board of Management at which the employee representatives represented on the Audit Committee for the most part assist in an explanatory capacity. The expenditures arising from this are borne by the Company in accordance with the Articles of Association.

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

The Supervisory Board examined the issues of the German Corporate Governance Code on an ongoing basis. Derogations from the Code's recommendations were kept to a minimum. Giving due regard to the revision of the Code on 18 June 2009, the Declaration of Compliance issued on 30 October 2008 pursuant to section 161 of the Stock Corporation Act (AktG) was replaced by an updated Declaration of Compliance issued on 28 October 2009 by the Board of Management and the Supervisory Board. This updated Declaration of Compliance was then permanently made available to shareholders on the Company's homepage.

In accordance with Item 3.10 of the German Corporate Governance Code, the Board of Management reports, at the same time also on behalf of the Supervisory Board, on corporate governance from page 40 of this Annual Report.

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

CHANGES AND COMPOSITION OF THE BOARD OF MANAGEMENT

This Annual Report shows the composition of the Board of Management and the personal data, functions and duties of the individual members of the Board of Management under the heading “Corporate bodies of the Company”. There have been no changes in the composition of the Board of Management.

At its meeting on 24 May 2009, the Supervisory Board resolved on the re-appointment of Mr. Gerald Meder for the period from 1 October 2009 to 31 December 2010 and appointed him as deputy chairman of the Board of Management.

CHANGES AND COMPOSITION OF THE SUPERVISORY BOARD

In accordance with the requirements of the Co-Determination Act (MitBestG), the Supervisory Board of RHÖN-KLINIKUM AG has been comprised of 20 members from 31 December 2005. Ten Supervisory Board members were elected by the shareholders and ten Supervisory Board members by the employees. No personnel changes occurred.

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

Mr. Bernd Becker left the Supervisory Board at the end of the year by termination of his employment relationship with effect from 2 December 2009. Ms. Annett Müller was appointed as substitute member for the remaining period of office of this member of the Supervisory Board. The substitution election of the chairman of the Supervisory Board of the employees and the election for appointments to fill positions on the committees was scheduled by mutual consent for the first regular meeting of the Supervisory Board in 2010. The candidates proposed by the employees to succeed outgoing members of the committees were invited as guests to the meetings of the committees to avoid the costs of an early election meeting. At the Supervisory Board meeting on 10 February 2010, Mr. Joachim Lüddecke was elected as deputy chairman of the Supervisory Board. Mr. Helmut Bühner was appointed to succeed office on the Investment, Strategy and Finance Committee, Mr. Joachim Lüddecke to succeed office on the Personnel Affairs Committee and Ms. Ursula Harres to succeed office on the Medical Innovation and Quality Committee.

Mr. Michael Mendel resigned as member of the Audit Committee with effect on 28 October 2009 at his own request due to very demanding professional responsibilities. At its meeting on 28 October 2009, the Supervisory Board elected Mr. Jens-Peter Neumann as his successor.

EXAMINATION AND APPROVAL OF THE 2009 FINANCIAL STATEMENTS

The Board of Management has prepared the financial statements of the Company and the management report for the year ended 31 December 2009 in accordance with the provisions of the German Commercial Code (HGB), whilst the consolidated financial statements and Group management report for the year ended 31 December 2009 have been prepared pursuant to section 315a of the German Commercial Code (HGB) in accordance with the principles set out in the International Financial Reporting Standards (IFRS) as applicable within the European Union. The auditors, PricewaterhouseCoopers Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, have examined the financial statements of the Company and management report as well as the consolidated financial statements and Group management report for the year ended 31 December 2009. Their audit gave no cause for objections; the auditors have issued an unqualified auditor's report.

The financial statements of the Company and management report, the consolidated financial statements and Group management report as well as the reports of the auditors on the result of their audit were submitted to all members of the Supervisory Board together with Management's proposal for the appropriation of the net distributable profit for the year. These documents were examined by the Supervisory Board and thoroughly discussed by the Audit Committee and by the Supervisory Board with representatives of the auditors at the respective balance sheet meetings. Based on the findings of the preliminary review by the Audit Committee, the Supervisory Board concurs with the finding of the auditors and, having conducted its own review, has determined that it sees no grounds for objections.

The Supervisory Board approved the financial statements of the Company and the consolidated financial statements prepared by the Board of Management at the meeting on 27 April 2010 on recommendation of the Audit Committee; the financial statements of the Company are thus adopted as final.

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

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

Bad Neustadt a. d. Saale, 27 April 2010

The Supervisory Board

Eugen Münch
Chairman

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

CHAIR OF THE SUPERVISORY BOARD

Chairman
Eugen Münch

1st Deputy Chairman
Bernd Becker
(until 2 December 2009)
Joachim Lüddecke
(from 10 February 2010)

2nd Deputy Chairman
Wolfgang Mündel

COMPOSITION OF THE COMMITEES

Invesment, Strategy- and Finance Committee

Eugen Münch
Chairman
Bernd Becker
(until 2 December 2009)
Helmut Bühner
(from 10 February 2010)
Detlef Klimpe
Dr. Heinz Korte
Joachim Lüddecke
Michael Mendel
Wolfgang Mündel
Werner Prange
Michael Wendl

Personal Affairs Committee

Eugen Münch
Chairman
Bernd Becker
(until 2 December 2009)
Joachim Lüddecke
(from 10 February 2010)
Dr. Brigitte Mohn
Joachim Schaar

Mediation Committee

Eugen Münch
Chairman
Bernd Becker
(until 2 December 2009)
Joachim Lüddecke
(from 10 February 2010)
Sylvia Bühler
Dr. Heinz Korte

Audit Committee

Wolfgang Mündel
Chairman
Caspar von Hauenschild
Detlef Klimpe
Dr. Heinz Korte
Michael Mendel
(until 28 October 2009)
Jens-Peter Neumann
(from 29 October 2009)
Michael Wendl

Anti-Corruption Committee

Caspar von Hauenschild
Chairman
Ursula Harres
Werner Prange

Medical Innovation and Quality Committee

Eugen Münch
Chairman
Gisela Ballauf
Bernd Becker
(until 2 December 2009)
Professor Dr. Gerhard Ehninger
Ursula Harres
(from 10 February 2010)
Professor Dr. Dr. Karl Lauterbach

Nomination Committee

Eugen Münch
Chairman
Dr. Heinz Korte
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

CORPORATE GOVERNANCE CODE

RHÖN-KLINIKUM AG accords high priority to good corporate governance, and as part of a transparent and ethically sound corporate culture sees it as an important prerequisite for strengthening the trust that shareholders, business partners, patients and employees place in us and for securing and enhancing the value of our Company on a sustained basis.

For this reason an efficient and responsible corporate governance oriented on the long term is of central importance for our activities. Apart from one disclosed exception, we satisfy the recommendations of the German Corporate Governance Code and voluntarily observe most of its suggestions.

In financial year 2009, the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG thoroughly examined the German Corporate Governance Code, its development and amendments as well as compliance with the Code at RHÖN-KLINIKUM AG and its subsidiaries. As a result of these deliberations, a jointly issued and updated Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (AktG) was submitted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG on 28 October 2009 in accordance with Item 3.10 of the German Corporate Governance Code in its version of 18 June 2009 and the following Report prepared for financial year 2009:

The corporate code of RHÖN-KLINIKUM AG summed up in our leading principle “Don’t do to others what you would not like done to yourself, and don’t leave off doing anything that you would like done to yourself” serves as the guideline of the Board of Management and all employees in their dealings with patients and shareholders and makes a decisive contribution towards supporting corporate governance in our field of business as a publicly listed hospital operator.

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

(as issued on 28 October 2009)

“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 6 June 2008 and published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (eBundesanzeiger) have been implemented since issuance of the last Declaration of Compliance – as declared on 30 October 2008 – with the following exception:

Dirk Wasmund, Herzberg

“After the privatisation it was to be expected that the hospital in Herzberg would be expanded and modernised.”

Item 7.1.2 sentence 4
The Company's and the Group's financial year is the calendar year. The annual financial statements of the Company and the Group are published in the month of April following the end of the financial year.

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

The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG further declare that the recommendations issued by the 'Government Commission of the German Corporate Governance Code' as amended on 18 June 2009 and published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (eBundesanzeiger) will be implemented with the following exception:

Item 7.1.2 sentence 4
The Company's and the Group's financial year is the calendar year. The annual financial statements of the Company and the Group are published in the month of April following the end of the financial year.

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

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

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. The Board of Management and the Supervisory Board have an obligation 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) whose insured sum was adjusted in financial year 2009 to the Group's higher growth. In this connection, reasonable deductibles were also agreed for members of the Board of Management based on the new statutory requirements. For the members of the Supervisory Board, the D&O insurance is adjusted to the provisions of Item 3.8 of the German Corporate Governance Code. The insurance premium paid by the Company in financial year 2009 was € 94,000.

Erwin Kaltenhäuser, Herzberg
"Having local medical care is important so that treatment can be provided quickly and because that way relatives are close-by also."

ANNUAL GENERAL MEETING AND SHAREHOLDERS

The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG report to their shareholders annually on business performance as well as the financial and earnings position at the Company's Annual General Meeting. The Annual General Meeting normally takes place within the first six months of the financial year. In this context we have set ourselves the goal of providing all our shareholders with the information required for decision-making early and completely.

The shareholders of RHÖN-KLINIKUM AG avail themselves of their rights 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.

We are continually watching technical developments in the use of electronic communication means, in particular the Internet, to facilitate participation in annual general meetings, but at the present time 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. If the implementation of European legal norms gives rise to the necessity of amendments to the Articles of Association, we shall submit the required resolutions without delay to the Annual General Meeting for approval by it.

Pursuant to the provisions of law, the Annual General Meeting is responsible for electing the auditor for the annual and half-year financial statements of our Group as well as for the annual financial statements of RHÖN-KLINIKUM AG. The chairman of the Auditing Committee appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the audit of the half-year financial statement for 2009 as well as the annual financial statement as at 31 December 2009 after the Audit Committee was thoroughly convinced of its independence, i.e. the absence of any grounds for disqualification and/or bias.

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

BOARD OF MANAGEMENT

In financial year 2009 the Board of Management of RHÖN-KLINIKUM AG was comprised of eight members and is headed by one chairman and in his absence by the deputy chairman of the Board of Management. The Board of Management directs the Company and manages its business under joint responsibility subject to 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 Manage-

Jochen Wachenhausen, Herzberg
“Local medical care is very important to me because in an emergency every second counts.”

ment is responsible for corporate policy and the Group's fundamental strategic orientation.

New Terms of Reference were adopted for the Board of Management with effect from 1 January 2009. In the operative area the Board of Management was re-oriented with a view to exploiting the opportunities arising from the increasing integration of outpatient and inpatient structures to develop a new market for RHÖN-KLINIKUM AG. In the administrative area, the Internal Auditing and Communication divisions were reorganised to further strengthen the good corporate constitution of RHÖN-KLINIKUM AG both internally and externally. In this connection the service contract with the deputy chairman of the Board of Management that was due to expire on 30 September 2009 was extended until 31 December 2010 in order to escort the re-organisation of the Board of Management until its completion. This was also the objective pursued last year with the early extension of the service contract of the chairman of the Board of Management whose term of office runs until 30 April 2014.

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

The members of the Board of Management are obliged to disclose any arising conflicts of interests without delay. Moreover, they require approval of the Supervisory Board for secondary activities of any kind. Transactions between the members of the Board of Management or parties related to them on the one hand and RHÖN-KLINIKUM AG on the other also require the consent of the Supervisory Board. In financial year 2009, no conflicts of interests of members of the Board of Management of RHÖN-KLINIKUM AG arose.

SUPERVISORY BOARD

The Supervisory Board advises the Board of Management and supervises its management activity. The close and efficient co-operation between the Board of Management and the Supervisory Board is the basis for good corporate management and governance in the best interests of the Company.

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 a total of 20 employees' and shareholders' representatives and held four ordinary meetings and one extraordinary meeting in 2009 in a personnel composition that was unchanged compared with the previous year.

Mr. Bernd Becker, the deputy chairman of the Supervisory Board elected by the employees, left the Supervisory Board at the end of the year by termination of his employment relationship with effect from 2 December 2009. Ms. Annett Müller joined the Supervisory Board as substitute member with effect from 10 December 2009. The substitution election of the chairman of the Supervisory Board by the employees took place at the Supervisory Board meeting on 10 February 2010; Mr. Joachim Lüddecke was elected.

The chairman of the Supervisory Board is Mr. Eugen Münch, who performs his function in a full-time capacity. Pursuant to Section 14.1 of the Articles of

Dirk Müller, Herzberg
"I think that the prejudice towards the privatisation was somewhat overly negative."

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 2005. When proposing persons for election as members of the Supervisory Board, due regard was given to their qualification requirements and their independence from RHÖN-KLINIKUM AG to avoid 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 2009. Age restrictions are provided for in the Articles of Association.

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2009 there were seven standing committees: the Mediation, Personnel Affairs, Audit as well as Investment, Strategy and Financial Committees as committees with power to adopt resolutions within the meaning of section 107 (3) AktG, the Anti-Corruption and Nomination Committees, as well as the Medical Innovation and Quality Committee. The respective committee chairmen report regularly to the Supervisory Board on the work of the committees.

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

The **Personnel Affairs Committee** is responsible for the personnel-related matters of the Board of Management. In particular, it reviews candidates for service as members on the Board of Management and makes proposals to the Supervisory Board regarding appointments. This Committee's tasks include the negotiations on, the preparatory work for the conclusion of, as well as the amendment and the termination of service contracts of members of the Board of Management and other contracts 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 monitoring its independence and quality. The Audit Committee supervises financial reporting including the interim reports, the effectiveness of the internal controlling system and risk management system, and deals with 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 re-

Roswitha Schwalbach, Herzberg

"Privatisation was definitely the right thing because after that the hospital benefited from more investment and was enlarged. The offering of specialists is being constantly expanded."

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

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

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

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

The Supervisory Board internally reviews the efficiency of its activity on an ongoing basis and is regularly subjected to an efficiency audit by an external consultant. The results of the external audit based on questionnaires and meetings have satisfied the expectations of the Supervisory Board in terms of the efficient performance of duties.

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

OTHER BODIES

A further body set up at RHÖN-KLINIKUM AG is the Advisory Board. Together with the individual members of the Supervisory Board and the Board of Management, it confers on future trends in the hospital and healthcare sector as well as on medical development issues.

The composition of the Advisory Board is shown on page 57.

TRANSPARENCY

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

With our financial calendar published in our Annual Report and on the Internet, we inform our shareholders

Sonja Heise, Herzberg
"Before the privatisation my opinion was: You can't judge something you don't know. Now I have a positive opinion. They have good doctors and good medical equipment."

ers, shareholder associations, analysts and media of the recurring key dates. Thanks to our active investment relations work with the participation in capital markets conferences, road shows, organisation of a capital markets day and invitations to our hospitals, we stay in close contact with our shareholders, the capital markets and the general public.

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

We routinely make known preliminary business figures (service volumes, revenue, earnings and key ratios) for the past financial year at the beginning of February. We carefully explain our annual financial statement in our Annual Report and at a results press conference in April. We make known our medium-term forecasts as well as the forecast for revenues and earnings for the following financial year at the annual analyst event in November. For each quarter we communicate the results in a separate report and organise conference calls. Important company notices are published immediately. All reports and notices can be found on our Company's homepage.

We disclose the shareholding interests of the Board of Management and the Supervisory Board in the Notes to the annual financial statement.

As at 31 December 2009, the members of the Supervisory Board and the Board of Management together held 12.62 per cent of the Company's registered share capital, of which the Supervisory Board accounts for12.54 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 0.09 per cent of the shares in issue. The members of the Board of Management together hold 0.08 per cent 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 German Securities Trading Act (WpHG). The transactions listed in the table at the end of this report were reported to us in financial year 2009.

In the Notes to the consolidated financial statements we also disclose dealings with related parties as well as companies related to such parties. Professor Dr. Gerhard Ehninger, member of the Supervisory Board of RHÖN-KLINIKUM AG, as well as enterprises and establishments related to him, have rendered services based on contractual agreements with RHÖN-KLINIKUM AG or its subsidiaries in a volume of € 0.5 million. The contracts and the services rendered were reviewed and approved by the Supervisory Board. In the view of the Board of Management and the Supervisory Board, the contracts have no impact on the independence of the aforementioned member of the Supervisory Board.

The contracts and the business volume are set out in the Notes to the consolidated financial statements on page 172.

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

REMUNERATION REPORT

The remuneration of the members of the Supervisory Board and the Board of Management comprises fixed and variable components. The Group does not provide stock option programmes or similar forms of compensation. Details on the remuneration received by each member of the Supervisory Board and the Board of Management, broken down by fixed and variable components, are set out at the end of this Report from page 51.

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 a number of remuneration components. Specifically, these are the base salary, the bonus, additional benefits (non-cash benefits) and a contingent old-age pension benefit.

Pursuant to the Act on the Appropriateness of Executive Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG) which took effect on 5 August 2009, and the Terms of Reference of the Supervisory Board adjusted thereafter, the plenary meeting is responsible for defining the individual remuneration of the Board of Management after preparation by the Personnel Affairs Committee. The German Corporate Governance Code, following its amendment in June 2008, already provides that the plenary meeting of the Supervisory Board not only deliberates on and reviews the structure of the remuneration scheme, but also adopts the remuneration system for the Board of Management including the essential contractual elements. For this reason the Supervisory Board, at its meeting on 10 February 2010 after preparation by the Personnel Affairs Committee, adopted the remuneration scheme and the

KLINIKUM PIRNA

400 beds/places
Staff of 650
50,801 patients treated in 2009
Academic teaching hospital of the Technical University of Dresden
Internal, surgery, plastic surgery, gynaecology and obstetrics, paediatrics, oto-rhino-laryngology, urology, anaesthesia and intensive care, psychiatry and psychotherapy

essential contractual elements after review and adjustment to the new statutory regulations by way of revision of the remuneration guidelines. These guidelines apply to all service contracts of members of the Board of Management that are concluded or amended after such date.

At its meeting on 10 February 2010, the Supervisory Board resolved that the remuneration scheme for the Board of Management will be submitted for approval to the Annual General Meeting on 9 June 2010.

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) German Stock Corporation Act (AktG) where continued payment of the overall remuneration would be unreasonable.

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

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

The performance-linked component of the remuneration is the bonus whose amount is oriented on the development of consolidated earnings over the last three financial years as a multi-year assessment basis. The reference value is the consolidated result after minority interests in accordance with the currently applicable IFRS. One-off impacts as a result of extraordinary developments affecting the consolidated result are not included. The bonus consists of a basic component and a performance-linked component. The basic component is defined by the Supervisory Board as an absolute amount (basic amount) when calculated from the assessment basis for the duration of the service contract and is paid out in advance in twelve equal monthly instalments. At the beginning or upon an amendment of the service contract, the basic amount is approximately two thirds of the assessment basis. The bonus rate for the basic amount is the same for all members of the Board

Ulf Weise, Pirna

“Having medical care available locally is important to me so that in an emergency – and not only then – you get the medical care you need quickly and efficiently. I also find the integrated paediatric clinic important, and the availability of a comprehensive healthcare offering for the population. In serious cases I would go to the local Rhön-Klinikum hospital in Pirna.”

of Management and is defined by the Supervisory Board on the recommendation of 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 the recommendation of 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.

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

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

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

In financial year 2009 the remuneration of the active members of the Board of Management totalled € 8.4 million (€ 7.1 million in previous year). Of this total, € 2.0 million (previous year: € 1.5 million) was accounted for by components that are not performance-linked and € 6.4 million (previous year: € 5.6 million) by variable remuneration components. Claims to old-age pension benefits of the members of the Board of Management amounted to € 5.2 million (previous year: € 4.5 million). The members of the Board of Management that left the Board of Management with effect on 31 December 2008 received remuneration totalling € 1.1 million for their work as members of the Board of Management during financial year 2009. Moreover, their old-age provision benefits were increased by € 0.1 million to € 0.5 million. No remuneration was paid to other former members of the Board of Management or their surviving dependants.

REMUNERATION OF THE SUPERVISORY BOARD

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

In addition to being reimbursed their expenses, the members of the Supervisory Board receive a remuneration made up of the following elements: a fixed basic amount of € 20,000 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 4.0 per cent of the contributions paid on the registered share capital of RHÖN-KLINIKUM AG. The aggregate amount is distributed amongst the individual members of the Supervisory Board in accordance with the terms of remuneration issued by the Supervisory Board. These duly reflect, in addition to the responsibility assumed, in particular also the time devoted by the individual member as well as the fluctuating workload of the members of the Supervisory Board during the course of the year.

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

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

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

The remuneration of the active members of the Supervisory Board amounted to € 2.4 million (previous year: € 2.2 million). Of this total, € 0.9 million was accounted for by fixed remuneration components (previous year: € 0.8 million). € 1.5 million was paid as performance-linked remuneration (previous year: € 1.4 million).

REMUNERATION OF THE ADVISORY BOARD

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

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

The total remuneration of the Advisory Board during the past financial year amounted to € 22,000 (previous year: € 17,000).

Grit Burkhardt, Pirna

“Getting help quickly is very important because there are a lot of old people here who need to be provided with quick and good medical care.”

REMUNERATION TABLES, 2009

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

Total Remuneration	2009 € '000	2008 € '000
Total Remuneration of the Supervisory Board	2,352	2,226
Total Remuneration of the current Board of Management	8,435	5,945
Total Remuneration of former members of the Board of Management	1,135	1,141
Total Remuneration of the Advisory Board	22	17

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

Total Remuneration	Basic amount € '000	Attendance fee, fixed € '000	Attendance fee, variable € '000	Functional days, variable € '000	Total 2009 € '000	Total 2008 € '000
Eugen Münch	20	56	138	195	409	402
Wolfgang Mündel	20	56	149	124	349	341
Bernd Becker (until 2. Dezember 2009)	18	48	58	0	124	118
Dr. Bernhard Aisch	20	12	22	0	54	50
Gisela Ballauf	20	14	25	0	59	60
Sylvia Bühler	20	12	22	0	54	50
Helmut Bühner	20	12	22	0	54	50
Prof. Dr. Gerhard Ehninger	20	14	25	0	59	48
Ursula Harres	20	12	22	0	54	43
Caspar von Hauenschild	20	24	63	11	118	111
Detlef Klimpe	20	28	107	0	155	141
Dr. Heinz Korte	20	28	107	0	155	141
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach	20	14	25	0	59	55
Joachim Lüddecke	20	26	66	0	112	99
Michael Mendel	20	20	80	0	120	111
Dr. Brigitte Mohn	20	10	18	0	48	58
Annett Müller (from 10. Dezember 2009)	1	0	0	0	1	0
Jens-Peter Neumann	20	12	22	0	54	50
Werner Prange	20	24	61	0	105	99
Joachim Schaar	20	12	22	0	54	58
Michael Wendl	20	28	107	0	155	141
	399	**462**	**1,161**	**330**	**2,352**	**2,226**

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

	Fixed			Profit-linked	Total 2009	Total 2008
Total remuneration	Basic salary € '000	Fringe benefits € '000	Post-employment benefits € '000	€ '000	€ '000	€ '000
Current members of the Board of Management as at 31 December 2009						
Andrea Aulkemeyer	192	9	0	673	874	858
Dr. Erik Hamann[1]	174	7	0	337	518	0
Wolfgang Kunz	192	14	0	673	879	861
Gerald Meder	288	8	0	1,770	2,066	2,024
Wolfgang Pföhler	384	12	0	1,851	2,247	2,202
Ralf Stähler[1]	174	8	0	337	519	0
Dr. Irmgard Stippler[1]	174	8	0	337	519	0
Dr. Christoph Straub[1]	192	0	150	471	813	0
	1,770	**66**	**150**	**6,449**	**8,435**	**5,945**
Former members of the Board of Management						
Dietmar Pawlik[2]	155	9	0	391	555	571
Dr. Brunhilde Seidel-Kwem[2]	168	8	0	404	580	570
	323	**17**	**0**	**795**	**1,135**	**1,141**

[1] *From 1 January 2009.*
[2] *Until 31 December 2008.*

The old-age pension benefit of the Board of Management breaks down as follows:

Old-age pension benefit	Provisions as at 31 Dec. 2008 € '000	Increase in claims for pension benefits € '000	Provisions as at 31 Dec. 2009 € '000	Nominal amount for contract expiry[3] € '000
Current members of the Board of Management as at 31 December 2009				
Andrea Aulkemeyer	593	161	754	1,063
Dr. Erik Hamann[1]	0	43	43	314
Wolfgang Kunz	517	141	658	1,063
Gerald Meder	2,307	270	2,577	3,029
Wolfgang Pföhler	774	275	1,049	2,468
Ralf Stähler[1]	0	43	43	314
Dr. Irmgard Stippler[1]	0	43	43	314
Dr. Christoph Straub[1]	0	58	58	421
	4,191	**1,034**	**5,225**	**8,986**
Former members of the Board of Management				
Dietmar Pawlik[2]	164	64	228	352
Dr. Brunhilde Seidel-Kwem[2]	164	63	227	352
	328	**127**	**455**	**704**

[1] *From 1 January 2009.*
[2] *Until 31 December 2008.*
[3] *Claim after ordinary expiry of contract based on remuneration of the past financial year.*

Notification on transactions by executives pursuant to section 15a WpHG in financial year 2009

Date of transaction	First and last name	Function/status	Financial instrument and ISIN	Form and place of transaction	Volume	Share price	Total amount
						€	€
25 May 2009	Dr. Brigitte Mohn	Member of Supervisory Board	RHÖN-KLINIKUM share ISIN DE0007042301	Purchase amount Xetra®	2,000	14.95862	29,917.24
21 July 2009	Eugen Münch	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Sell OTC	9,500,000	not quantifiable[1]	not quantifiable[1]
21 July 2009	Ingeborg Münch	Spouse of Supervisory Board member	Subscription rights ISIN DE000A0Z1MH3	Sell OTC	5,500,000	not quantifiable[1]	not quantifiable[1]
24 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	24,000	0.52375	12,570.00
22 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.50	1,250.00
23 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.51	1,275.00
24 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.51	1,275.00
27 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.471	1,177.50
28 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.10	250.00
28 July 2009	Wolfgang Kunz	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Stuttgart Stock Exchange	2,700	0.20	540.00
28 July 2009	Wolfgang Kunz	Member of Board of Management	RHÖN-KLINIKUM share ISIN DE0007042301	Purchase amount Xetra®	2,700	14.00	37,800.00
28 July 2009	Detlef Klimpe	Member of Supervisory Board	RHÖN-KLINIKUM share ISIN DE0007042301	Purchase amount Frankfurt Stock Exchange	1,339	13.30	17,808.70
30 July 2009	Dr. Brigitte Mohn	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Sale amount Frankfurt Stock Exchange	1	0.41	0.41
31 July 2009	Dr. Brigitte Mohn	Member of Supervisory Board	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	1,333	13.30	17,728.90
29 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.283	707.50
30 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.65	1,625.00
31 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,498	0.889	2,220.72
4 Aug 2009	Jens-Peter Neumann	Member of Supervisory Board	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	6,666	13.30	88,657.80
29 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	3,000	0.351	1,053.00
29 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	3,000	0.39	1,170.00

* *Acquisition of shares by way of exercise of subscription rights.*

[1] *The final purchase price has not been determined yet. The minimum purchase price will be equal to one third of the subscription right value and may increase if the subscription rights are sold at a higher price.*

Date of transaction	First and last name	Function/status	Financial instrument and ISIN	Form and place of transaction	Volume	Share price	Total amount
						€	€
30 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	3,000	0.44	1,320.00
30 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	3,000	0.45	1,350.00
30 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	6,000	0.625	3,750.00
30 July 2009	Professor Dr. med. Gerhard Ehninger	Member of Supervisory Board	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	2,643	13.30	35,151.90
21 July 2009	Eugen Münch	Member of Supervisory Board	Subscription rights[2] ISIN DE000A0Z1MH3	Sell OTC	9,500,000	0.22	2.033 million
21 July 2009	Ingeborg Münch	Spouse of Supervisory Board member	Subscription rights[2] ISIN DE000A0Z1MH3	Sell OTC	5,500,000	0.22	1.177 million
30 July 2009	Helmut Bühner	Member of Supervisory Board	RHÖN-KLINIKUM share ISIN DE0007042301	Purchase amount Xetra®	150	14.90	2,235.50
30 July 2009	Wolfgang Pföhler	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	100	0.331	33.10
31 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Frankfurt Stock Exchange	1	0.889	0.89
6 Aug 2009	Eugen Münch	Member of Supervisory Board	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	189,349	13.30	2,518,341.70
6 Aug 2009	Ingeborg Münch	Spouse of Supervisory Board member	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	364,334	13.30	4,845,642.20
24 July 2009	Wolfgang Mündel	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	4,000	0.51	2,040.00
6 Aug 2009	Wolfgang Mündel	Member of Supervisory Board	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	24,000	13.30	319,200.00
6 Aug 2009	Wolfgang Pföhler	Member of Board of Management	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	1,800	13.30	23,940.00
6 Aug 2009	Gerald Meder	Member of Board of Management	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	8,587	13.30	114,207.10
6 Aug 2009	Andrea Aulkemeyer	Member of Board of Management	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	3,296	13.30	43,836.80
28 July 2009	Dr. Irmgard Stippler	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	12,000	0.156	1,872.00
6 Aug 2009	Dr. Irmgard Stippler	Member of Board of Management	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	4,000	13.30	53,200.00
6 Aug 2009	Wolfgang Kunz	Member of Board of Management	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	2,500	13.30	33,250.00
6 Aug 2009	Helmut Bühner	Member of Supervisory Board	RHÖNKLINIKUM share* ISIN DE0007042301	Buy OTC	23	13.30	305.90

* *Acquisition of shares by way of exercise of subscription rights.*

[2] *This notification of 30 July 2009 is a supplement to the notification dated 21 July 2009. No further transaction has occured. The details regarding price and volume, which were not known at the time of the notification of 21 July 2009, have now been specified and represent the total and final consideration paid to the Münch family. The subscription rights have been sold to third parties for a price of € 0.42 per subscription right.*

Bad Neustadt a. d. Saale, 27 April 2010

The Supervisory Board

The Board of Management

CORPORATE BODIES AND ADVISORY BOARD OF RHÖN-KLINIKUM AG

SUPERVISORY BOARD

EUGEN MÜNCH
Bad Neustadt a. d. Saale
Chairman of the Supervisory Board

BERND BECKER
Leipzig
1st Deputy Chairman (until 2 December 2009)
Nurse at Herzzentrum Leipzig GmbH, Leipzig, BA (VWA)

JOACHIM LÜDDECKE
Hanover
1st Deputy Chairman (since 10 February 2010)
Regional Director and Secretary of ver.di

WOLFGANG MÜNDEL
Kehl
2nd Deputy Chairman
Wirtschaftsprüfer (German public auditor) and tax consultant in own practice

DR. BERNHARD AISCH
Hildesheim
Medical Controller at Klinikum Hildesheim GmbH, Hildesheim

GISELA BALLAUF
Harsum
Children's nurse at Klinikum Hildesheim GmbH, Hildesheim

SYLVIA BÜHLER
Düsseldorf
Regional Director and Secretary of ver.di

HELMUT BÜHNER
Bad Bocklet
Nurse at Herz- und Gefäß-Klinik GmbH, Bad Neustadt a. d. Saale

PROFESSOR DR. GERHARD EHNINGER
Dresden
MD

URSULA HARRES
Wiesbaden
Medical-technical assistant at Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden

CASPAR VON HAUENSCHILD
Munich
Corporate consultant in own practice

DETLEF KLIMPE
Aachen
Commercial Director of Universitätsklinikum Aachen, Aachen (deputy chairman of the Board of Management) (until 30 September 2009), German lawyer (since 17 November 2009)

DR. HEINZ KORTE
Munich
Notary in own practice

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

DR. BRIGITTE MOHN
Gütersloh
Member of the Board of Trustees of Bertelsmann Stiftung

ANNETT MÜLLER
Dippoldiswalde
Physiotherapist at Weißeritztal-Kliniken GmbH, Freital (from 10 December 2009)

JENS-PETER NEUMANN
Paphos
Corporate consultant

WERNER PRANGE
Osterode
Nurse at Kliniken Herzberg und Osterode GmbH, Herzberg

JOACHIM SCHAAR
Wasungen
Administrative Director of Klinikum Meiningen GmbH, Meiningen

MICHAEL WENDL
Munich
Secretary of ver.di, Regional Directorate of Bavaria

BOARD OF MANAGEMENT

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

GERALD MEDER
business address at Bad Neustadt a. d. Saale, Deputy Chairman of the Board of Management, responsible for Specialised, Intermediate and Maximum Care division, Group Labour Relations

ANDREA AULKEMEYER
business address at Bad Neustadt a. d. Saale, Internal Advisory, Internal Accounting, Compliance

DR. ERIK HAMANN
business address Bad Neustadt a. d. Saale, Finance, Investor Relations and Controlling

WOLFGANG KUNZ
business address at Bad Neustadt a. d. Saale, Company and Group Accounting

RALF STÄHLER
business address at Bad Neustadt a. d. Saale, Outpatient-Inpatient Basic and Standard Care division

DR. IRMGARD STIPPLER
business address Bad Neustadt a. d. Saale, Communication and IT

DR. CHRISTOPH STRAUB
business address at Bad Neustadt a. d. Saale, Outpatient-Inpatient Basic and Standard Care division

ADVISORY BOARD

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QUALITY REPORT FOR 2009

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

Orienting all activities on the well-being of patients is at the very heart of RHÖN-KLINIKUM AG's corporate philosophy. The primacy of patient orientation is the main reason why our quality management significantly exceeds the scope prescribed by law. For example, Rhön-Klinikum Group is not content to merely meet the publication requirements of the German Social Insurance Code (SGB) in force since 2004. External reporting is an important matter of concern for us – if presented in comprehensible form it can provide patients with valuable information – but the Group's hospitals and medical care centres (MVZs) first and foremost strive to gain knowledge and insights that help optimise the processes of diagnosing and treating patients.

That is why quality management at RHÖN-KLINIKUM AG sets the bar higher. For example, our results-based measurements already cover all clinical disciplines, and they also provide for a greater depth of information compared with the statutory requirements. In our quality circles, specialist doctors from all disciplines further develop the indicator system and refine our system of measuring the quality of the services we provide to patients.

In the quality circles the head physicians of the specialist disciplines within our network of hospitals meet once to twice a year, among other things to discuss the results of quality measurement. In this connection they discuss differences in quality between hospitals and their manifold possible causes. The objective is not only to show the individual facility how it can make improvements but also to dialogue with the facility in finding new methods and possibilities of treatment. Thanks to this lively exchange, the quality circles also serve as a central platform of internal knowledge transfer.

The entire quality strategy is defined comprehensively and is based on three core elements: quality management, medical controlling and hygiene management. Quality management essentially has the task of measuring the results of medical services and determining the satisfaction of patients in order to draw certain conclusions for developing and improving clinical processes.

Medical controlling, which to a certain extent draws on the same information base, is the economic counterpart of quality management. It measures and documents the services provided for each and every patient. Documentation thus serves as an

Steffi Zifert, Pirna

“Having (local) medical care is very important to me because it is very important to receive quick medical care in an emergency.”

internal record of work performed for patients. On the other hand we thus pursue the goal of securing adequate remuneration and a sound information basis for budget negotiations with payers. All treatment steps are recorded, thus making it possible to develop clinical treatment paths, monitor their compliance in practice and improve them as required. The documentation of the individual steps, for example of patient information by the doctor, makes it possible to trace back the treatment history in detail if required. This is helpful when the patient has queries later on and also secures the respective hospital and its staff.

The third mainstay in the quality management system of RHÖN-KLINIKUM AG is hygiene management. It has the task of minimising risks for patients and staff that may arise from infection sources.

The focus of hygiene activities in 2009 was on the influenza epidemic. As part of our comprehensive risk management, we increased our stock of antiviral drugs already in April 2009 and reviewed inventories of personal protection equipment – in particular respiratory protection masks –, adjusting these to expected requirements.

At all hospitals the contingency plans were updated and precautions taken for the possibility of mass infections with influenza. A vaccination campaign was prepared and launched immediately after the flue vaccine became available Group-wide. An above-average level of participation in this vaccination was recorded, with a participation rate of 25 per cent being reached and even over 50 per cent at some of the Group's hospitals. In the summer and especially late autumn, nearly all Group hospitals were more or less busy taking care of influenza patients. Thanks to their good organisational preparations, no hospital experienced staff restrictions or medical care shortages.

In addition to these very time-consuming tasks, the focus was also on further developing infection-epidemiological monitoring and the resulting preventive interventions. For example, more hospitals implemented systematic admission screening for MRSA for patients with defined risk factors, thereby further reducing the risk of this dreaded pathogen being transmitted through hospital infections.

In this context, the continuation of the activities that had been introduced in the previous year by the "Clean Hands Initiative" had a positive effect. The use of hand sanitizers increased steadily and exceeded average use at hospitals nationally.

Systematic exchange of experience in the field of hospital hygiene took place in four working meetings of the "Hygiene Project Group". There the persons responsible for hygiene from all Group hospitals discussed the issues at hand and developed common guidelines and procedures, for example on outbreak management, personal protection measures with patients having highly contagious pathogens, and procedures for patients with Clostridium difficile associated diarrhoea.

As part of a regional network we initiated early in 2009 a programme, unique in Germany, on the rational use of antibiotics ("Antibiotic Stewardship"). Under this programme, a microbiologist/infectiologist oversees eight hospitals in total. In infection visits he discusses the indication and type of antibiotics treatment with the objective of optimising infection diagnostics. He is also available around the clock to advise on complex infectiological cases by phone. Within only a short time, these measures have enabled us to achieve a significant reduction in the consumption of antibiotics at the hospitals. That in turn means that – besides the considerable cost savings – we are bringing about a long-term improvement in the situation of antibiotics resistance in hospitals.

Heidi Ryssel, Pirna

"At first I had a negative attitude towards the privatisation. Since my accident, my opinion has changed positively. After my accident I was operated after four hours. And I am satisfied. The stitches have been taken out, everything is healing up well."

All three areas – quality management, medical controlling and hygiene management – in some cases use common data and common information networks. And they draw on a common knowledge base outside databases and computer memories: the minds of thousands of people within the Group. Since essentially medical issues are concerned, the specialist physicians play an important role, contributing their know-how and experience in various forums. The following are just a few examples of the numerous projects launched in the area of quality management.

To improve the presentation of the quality indicators and bring about greater transparency, we have developed a hospital-specific half-year report. In this report, approximately 1,100 medical indicators are gathered. These are made up of indicators of the Federal Agency of Quality Assurance (BQS), the Association of German University Hospitals (VUD), the German Stroke Registries Study Group (ADSR), RHÖN-KLINIKUM Group, and the university hospitals, among others.

Until now, these indicators have been used for internal quality assurance and process optimisation within the Group as they provide a detailed representation of process and results quality.

Some of these indicators were developed in the quality circles, whilst others were taken from Group-internal controlling procedures. The aim is to use these indicators to maintain a top position in quality management and quality documentation and to be well prepared for further developments in the healthcare system.

To optimise treatment procedures, file reviews are conducted at the hospitals on a regular basis. This makes it possible early on to identify optimisation possibilities, notably safety-relevant ones, as well as any required actions. In 2009 we prepared three such reports with specific instructions being issued. Coding reviews are also performed to prevent any coding errors. The development of an “MDK Tool” revealing ways of optimising the invoicing and review process and determining the financial effects of MDK inspections (MDK: Medical Review Board of the Statutory Health Insurance Funds) is to be regarded as an extension of code reviews.

Following a proposal by the quality circles Anaesthetics and Surgery we have developed – in co-operation with representatives from these bodies, the nursing services and the quality management officers of the hospitals – a checklist according to the standard of the World Health Organisation (WHO) for increasing patient and staff safety in the operating room and have already introduced it at our Group hospitals.

To prevent complaints and “near-miss incidents”, implementation of a Critical Incident Reporting System (CIRS) was begun in the area of clinical risk management. Some hospitals have already been able to implement this system. For 2010 the introduction of CIRS Group-wide is planned.

At the initiative of the quality circle Paediatric and Juvenile Medicine, a survey on the patient information sheets for general diagnostic measures was carried out. After completion of this survey, use of patient information sheets already being used uniformly at some hospitals was recommended. This enables cost savings while increasing patient satisfaction: all departments that patients visit during their hospital stay have a uniform approach and procedures, thus avoiding duplication.

The Group has 121 certifications from different organisations for individual departments and hospitals. These certifications have been issued to the respec-

Jeannette Wendt, Pirna

“I had a positive attitude regarding the privatisation. A friend of mine has a lot of good things to say.”

tive hospitals and centres under DIN EN ISO 9001, the German Cancer Association (DKG), the German Stroke Society (DSG), the German Sleep Society (DGSM), the German Association of Trauma Surgery (DGU), the guidelines on good manufacturing practices (GMPs), the German Incontinence Society and the German Diabetes Society (DDG).

In 2009 RHÖN-KLINIKUM AG, together with Asklepios Kliniken GmbH and Sana Kliniken AG, started work on developing the Internet portal Qualitätskliniken.de, a national quality initiative. Users of this portal in future will be able to compare participating hospitals based on medical indicators, indicators on patient safety as well as data on patient and referrer satisfaction.

RHÖN-KLINIKUM AG and its partners are thus providing a hospital portal whose users do not need to have any medical expertise to compare the quality of hospitals according to objective criteria and individual needs. The hospital portal will be open to all hospitals in Germany. It will show the quality of the participating hospitals in a fair and transparent competitive environment.

RHÖN-KLINIKUM AG also makes its quality expertise available outside the Group. For example, staff from the central Quality Management department, as participants of the Quality Commission of the Association of University Hospitals in Germany (VUD) and in the specialised working group “Quality Management” of the Federal Association of Private Hospitals in Germany (BDPK), have contributed their knowledge and experience towards the development of new common quality indicators.

Quality management at RHÖN-KLINIKUM AG is active in many fields: it deals with tasks such as the formatting and automated gathering of data. It monitors the quality of water and food as well as the trend curves of clinical impairment factors. It helps turn medical individualists into interdisciplinary team workers. It makes efforts towards refining and individualisation on the one hand and standardised processes on the other. It helps to increase knowledge within the healthcare Group and to make such knowledge useful in all places. For all its manifold activities, though, it always ultimately has its focus on patients, their health and safety. Good medical care must not be left to chance.

Ines Wagner, Pirna

“With regard to the privatisation my attitude was neutral because I wanted to see how things would develop. I have never been treated at the hospital in Pirna myself, but I found the open house very nice.”

HUMAN RESOURCES DEVELOPMENT IN 2009

Having highly qualified and motivated staff is key to the success of our Company and each of our hospitals. For us it is absolutely essential to make investments in continuous training, higher-qualification and further training as well as the individual advancement of our employees. We achieve this using a combination of both proven and innovative approaches. The focus of our human resources work is on comprehensive skills management extending from training to development of executive employees. The Board of Management has underscored the high priority given to this area by adopting, at the end of 2009, further extensive measures for various staff groups from 2010 onwards.

GOOD PROSPECTS: PROFESSIONAL ADVANCEMENT OF OUR STAFF

Human resources development is gaining increasing importance in the hospital sector. Qualified specialists and executive staff make a decisive contribution towards giving our patients access to the best-possible medical care. Offering state-of-the-art diagnostics and treatment also means continuously furthering the specialist knowledge and management expertise of our medical professionals.

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

TEACHING AND EDUCATION

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

In 2009 the number of apprentices stood at 2,563, exceeding the previous year's level. At our facilities, staff were qualified in 17 different training fields. The

Peggy Leuschke, Pirna

"I myself gave birth to my son (today two years old) at the hospital in Pirna and only have positive things to say. Very good care and they also answered the many questions I had. The doctors are extremely kind and were always ready to listen."

OVERVIEW OF TRAINING GROUP-WIDE

Apprentices/students / Teaching and education	Number		
	Year 2008	Year 2009	Difference
Health and nursing care[1]	1,509	1,557	48
Paediatric nurse	190	180	–10
Students in practical year (PY)	276	291	15
Midwives	103	103	0
Technical operating assistants	32	62	30
Specialist medical staff	25	31	6
Medical-technical assistants	11	11	0
Commercial training courses	41	47	6
Apprentices in dental medicine	27	27	0
Apprentices in psychology	0	24	24
Physiotherapy[2]	88	87	–1
Ergotherapy	44	44	0
Logopaedics	40	40	0
Other	39	59	20
Total	**2,425**	**2,563**	**138**

1 *Amper Kliniken AG: Bachelor programme in co-operation with Katholische Stiftungsfachhochschule München.*
2 *Bachelor programme in co-operation with Thim van der Laan Hoogeschol, Utrecht/NL.*

professional group recording the largest number of apprentices was nursing.

HIGHER-QUALIFICATION AND FURTHER TRAINING

In times of mounting economic pressure on companies from the healthcare sector, it is becoming increasingly important to have qualified and motivated staff. In a competitive environment it is only through continuous higher-qualification and further training that personal and entrepreneurial success can be ensured on a daily basis. In 2009 we spent € 6 million on this, over € 0.9 million more than the year before. The wide range of our higher-qualification and further training measures is oriented on the current specific needs of professional groups and for interdisciplinary training. Many employees from all professional groups completed further training or acquired additional qualifications in 2009.

FURTHER TRAINING OF DOCTORS

At our Group hospitals, having qualified and motivated doctors is vital when it comes to working successfully for our patients. That is why the Board of Management of RHÖN-KLINIKUM AG has defined further training of our doctors as an essential factor of success and adopted a package of measures that will offer young doctors better development prospects. The main focus of these measures is aimed at optimising further training of doctors within the Group.

Since December 2008, responsibility for this area has been assigned to our Co-ordinator for Further Training of Doctors who works closely together with Group headquarters. Her primary objective is to expand

further training options especially at our smaller facilities, which are to be grouped into a further training networks for this purpose.

The co-ordinator's duties also include assisting the head physicians in updating their further training authorisations. She will also create consulting possibilities for assistant doctors to ensure they have optimum guidance and instruction during the further training programme. Looking longer term, we want to establish a career planning programme to impart management know-how and leadership skills to doctors with a view to preparing them for management duties in addition to their medical qualifications.

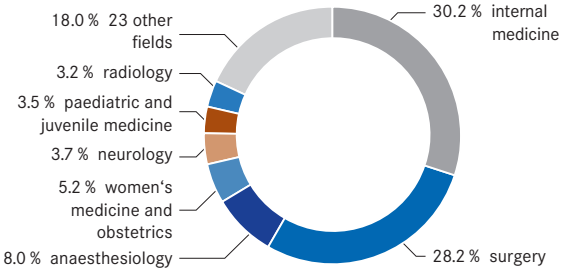
At all sites of RHÖN-KLINIKUM Group, doctors currently have the possibility of further qualifying as specialists in a specific field or in supplementary qualifications. The most extensive further training is provided by our university hospitals in Gießen and Marburg as well as our maximum-care hospitals. As physicians' activities increasingly shift to the outpatient area, it will be necessary in future to also involve our medical care centres (MVZs) in the further training of doctors.

On 31 December 2009 doctors at 53 facilities of RHÖN-KLINIKUM Group had a total of 844 further training authorisations, translating into a rise in the number of authorisations by almost 15 per cent compared with the previous year. The further training authorisations at all sites were brought up to date. Whereas in the previous year roughly one third of these were still based on the old further training ordinances, this percentage is now only 26 per cent. The further training opportunities for young doctors at our hospitals have thus seen a significant improvement.

Also the range of qualifications to be acquired expanded compared with 2008 – currently our doctors can acquire 89 out of the total of 107 different possible medical qualifications.

The specific analysis of the further training authorisations shows that the most extensive opportunities are found in the field of internal medicine – they account for 30 per cent of all authorisations and relate to all sub-areas of this discipline. It is followed by the field of surgery accounting for 28 per cent – here all specialist physician qualifications can likewise be acquired. The specialist field of anaesthesiology also accounts for a very significant share (8 per cent).

Higher-qualification training as specialists at the Group's hospitals



FURTHER TRAINING IN NETWORKS

The focus of our work in 2009 was to establish networks for the further training of specialists in general medicine (general practitioners, GPs) at our basic- and standard-care hospitals. The further training of GPs is particularly challenging because the further training ordinances require a change in specialisation during the period spent in training at hospital as well as mandatory periods spent at a GP practice. Although doctors trained as GPs generally work only three years at our hospitals, we are nevertheless committed to their qualification since ensuring a sufficient number of young GPs is very important, particularly in rural regions, for the continued existence of our basic- and standard-care hospitals.

Tino Wunderlich, Pirna

"Privatisation does not automatically lead to better quality. But in the case of the Pirna hospital there has been a noticeable improvement in its service character."

In Lower Saxony we have succeeded, together with the Association of Accredited Physicians, in getting the leading figures of all hospitals and the community-based physicians to work together as a team. At each of our sites we have a comprehensive offering for further training of GPs which on the one hand meets the requirements of the further training ordinances and on the other gives young physicians the opportunity to acquire a secure, individualised and flexible qualification. The attractiveness of our offering is to be further enhanced by additional benefits, such as paid leave, payment of costs for mandatory courses and supervision by mentors.

Our three Thuringia hospitals are also well on their way to providing further training of GPs. There the Association of Accredited Physicians, the Chamber of Physicians as well as hospitals have concluded tripartite agreements for "block further training in general medicine". Together we also offer young doctors full further training with the objective of motivating them to set up a GP practice close to our hospitals, if possible. All measures serve the purpose of securing general healthcare provision by GPs on a sustained basis. In 2010 we also intend to establish such network-based further training programmes at other sites of our Group hospitals. For Saxony, preliminary agreements have already been drawn up along these lines.

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

HIGHER-QUALIFICATION AND FURTHER TRAINING FOR NURSES AND OTHER STAFF

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

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

PROGRAMMES FOR YOUNG EXECUTIVES IN THE COMMERCIAL AREA

In RHÖN-KLINIKUM AG's personnel policy, executive staff development plays a vital role because the Group, as a result of its continuous expansion over the past years, has a considerable need for executive talent. With its young executives programme it has set special standards – also compared with competitors.

Ines Hähling, Pirna

"Local medical care is important because there are many conditions that require very quick medical attention. Moreover, the link between the patient (e.g. child) and the environment (e.g. parents) is important."

Some 120 employees have successfully completed this programme since September 1998. Today the graduates hold positions in the middle and top management of the Group's facilities and also in centralised departments at RHÖN-KLINIKUM AG, serving as important forces of human resources development.

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

- Training for young executives within the Group
- Training as specialists for certain areas such as finance and accounting as well as medical technology/medical data processing

Apart from these, we implemented the specialist programme "Human Resources Management" in 2009.

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

MASTERS PROGRAMME "PROCESS MANAGEMENT IN THE HOSPITAL"

To maintain and strengthen the qualification of its young as well as established executives at a high level, RHÖN-KLINIKUM AG offers the accredited masters programme "Process Management in the Hospital". This was developed in collaboration with StudiumPlus, a provider of education and training at Fachhochschule Gießen-Friedberg. The study programme, which has been offered since September 2007, is currently being completed by 28 students in two different years of the programme. After completing four semesters, the 15 first-year participants successfully completed their studies in the summer of 2009 with the degree "Master of Arts".

RECRUITING

To recruit staff externally, RHÖN-KLINIKUM AG places targeted ads in trade magazines and daily newspapers in addition to its online recruiting presence on its homepage. Other major "marketplaces" for personnel recruitment include congresses, trade fairs and university contact fairs. RHÖN-KLINIKUM AG attaches considerable importance to presenting the Company to potential recruits as early as possible. To reach as many potential applicants as possible, we use cross-media channels.

OUTLOOK

At the end of 2009, the Board of Management introduced extensive personnel and executive development measures. As a major healthcare employer, RHÖN-KLINIKUM AG thus provided the basis for future growth. These measures include a programme that provides doctors with valuable knowledge in the area of process management as well as organisational and management skills. In addition, it agreed to introduce an executive programme for the top management level of the hospitals with a view to strengthening both management and interpersonal skills. Further important projects are aimed at harmonising career and family life and establishing a project management standard.

Ilona Markert, Pirna

"I took a wait-and-see attitude towards the privatisation, I wanted to see how it would turn out. When it opened I took a look at it and was very pleased."

SCIENTIFIC DIALOGUE AS THE ENGINE OF SUSTAINED CORPORATE DEVELOPMENT

Modern medicine is driven by innovation in diagnostics and treatment. If we want to make new procedures available to our patients as quickly as possible, we have to ensure close interaction between research and teaching on the one hand and patient care on the other. Under RHÖN-KLINIKUM AG, we build the bridge between these two key elements that are so important for the quality and sustainability of medical care.

Within its large medical network the Group is the only healthcare provider in Germany offering its patients a scope of care spanning all care levels. Within the Group, doctors from the intermediate- and specialised-care facilities as well as basic- and standard-care hospitals have direct access to university medical research and teaching, i.e. to medical innovation. This enables us to significantly shorten the time and path from the scientific invention to its deployment in day-to-day clinical practice.

We have long taken advantage of this promising innovation and performance chain. For more than 15 years, the cardiac hospital (Herzzentrum) of the University of Leipzig has been part of our healthcare network. For four years this network has also included the university hospitals Gießen and Marburg. The permanent dialogue of our specialists at the universities and in our hospitals enables us to put the latest medical knowledge to work at the hospital within a short time. In this way the high innovation potential of the research activities at our university hospitals directly benefits patients within the entire care network.

For all our keenness in quickly putting scientific findings into practice, one principle always has to be borne in mind: for us, the freedom that cutting-edge scientific work needs is inviolable. The independence of research and teaching must be preserved. It is only by ensuring medical independence and freedom of choice in therapy as well as the constitutionally guaranteed freedom of medical research and teaching that the ground can be prepared for sustained cutting-edge scientific achievements and sustained high-quality medical care. It is exactly this medical quality that has been vital to our tremendous success as an innovative healthcare service provider for many decades.

CUTTING-EDGE RESEARCH AT UNIVERSITY

Our approach was and continues to consist in strengthening strategic partnerships between excellent science and modern, private hospital management. In this way we create the best-possible basis for cutting-edge research on the one hand and good patient care on the other. The example of Herzzentrum shows what positive effects result from the interaction between excellent research and patient-oriented healthcare provision based on optimised clinical processes.

Jeannette Hohlfeld, Pirna

“Medical care is very important for my four children and the rest of the family. The hospital in Pirna is really ideal for children.”

The research of Herzzentrum Leipzig, which has the status of a university hospital under private ownership, has enjoyed a high standing both nationally and internationally. Numerous scientific awards bear testimony to its high acclaim. For example, a team of physicians from the internal medicine clinic (cardiology) was awarded the Hufeland prize in 2009 for a path-breaking prevention project for improving the physical capacity of school children. Similarly, for their highly commended research work researchers of the cardiology clinic received the Karl-Ludwig-Neuhaus Research Prize and at the beginning of 2010 the renowned Sven-Effert Prize.

Beyond that, the physicians in Leipzig participated in numerous international co-operation schemes. This, too, shows that they enjoy a top position in medical innovation in the area of cardiology and heart surgery. The results of their research are promptly channelled into patient care. And that with success: more and more patients are putting their trust in the cutting-edge expertise of Herzzentrum. Patient numbers have been rising steadily for years.

One milestone in the scientific work of the past years is the international, multi-centre SYNTAX study. Led by physicians from Leipzig, the first globally acclaimed insights into the treatment of patients with coronary heart disease have been gained from the comprehensive data. As a result it is now perfectly possible to consider implanting stents (filigree metal grid structures) into the coronary arteries of patients with less complex vascular variations as an alternative to traditional bypass operations.

The excellent treatment findings that the physicians are achieving with innovative minimal-invasive techniques has significantly helped the further development of the technical operating environment. For instance, the physicians in Leipzig, in co-operation with an external partner company, have developed a cardial imaging procedure combining the advantages of three-dimensional computer tomography with live beating-heart X-ray images – in one and the same examination with one in the same device. The 3D image is available virtually in real time and combined with the live X-ray images of the beating heart. Doctors and patients alike benefit from this direct application of research results to patient care: the doctor is able to navigate within the operating area better than before, and for patients the procedure keeps the distressing use of contrast agents to a minimum.

In September 2009, Herzzentrum Leipzig put its new hybrid operating theatre into service – whose wide-ranging advantages were already presented in last year's Annual Report. This example also makes clear how we combine good ideas, innovative medicine and modern technology as part of comprehensive technology transfer to expand our therapeutic options.

Our university medical sites in Gießen and Marburg also show how science and patient care can benefit from each other. Here, too, the measure of the reputation and quality of the research work are awards, the publication of scientific findings and funding from external sources. Thus, a research team of the Centre for Internal Medicine at the university hospital in Gießen was distinguished with the renowned Rudi Busse Young Investigator Award for its work on decoding a key protein and its pioneering work in the field of atherosclerosis.

Moreover, the Gießen and Marburg sites, in co-operation with reputed external partners received the coveted award of the Hesse State Initiative for the Development of Scientific-Efficient Excellence (LOEWE). This interfacility co-operation scheme is being funded by the Hesse State Government in a total amount of over € 15 million until 2012. In other words: from 1 January 2010 the "Universities of Gießen & Marburg

Christine Köpp, Pirna

"When the hospital was privatised I wanted to wait and see because you never know how things are going to go with something new. But: Local medical care is very important to me because of long trips and expensive tickets."

Lung Center" (UGMLC) can be funded from external sources in the long term. Among other things, that creates three additional research professorships at the University of Gießen and the University of Marburg. These are likely to have a decisive impact on advances in research into pulmonary and airway diseases.

COMPREHENSIVE CANCER CENTER – BRINGING CUTTING-EDGE MEDICINE TO THE REGIONS

Further proof of the fruitful co-operation of research and care is the Comprehensive Cancer Center (CCC) at the University Hospital of Marburg. Thanks to comprehensive investments, we succeeded in expanding it in 2009 to RHÖN-KLINIKUM AG's national care network for cancer diseases. In the meantime over 400 selected cases of gynaecological tumours have been discussed at the interdisciplinary tumour conferences together with colleagues from the involved Group hospitals. This enables a significant improvement in the treatment standards at the Group's hospitals.

With this "on-site expertise" we are generating a considerable competitive advantage over other hospitals. At the same time, both the assistance of the doctors on site with cutting-edge know-how and the use of high-end medicine at the Marburg CCC also ensure a tremendous local advantage of each individual hospital. After being certified as a prostate as well as oto-rhino-laryngology center in 2009, the CCC has one of the first head-and-neck tumour centres in Germany. In total more than 10,000 patients are treated there on an outpatient basis. Moreover, the opening of the interdisciplinary outpatient chemotherapy unit at the CCC is the first time that all disciplines involved in the outpatient care of cancer patients have been combined.

CARRERAS LEUKEMIA CENTER – NEW CENTER FOR LEUKEMIA AND CANCER TREATMENT

The Carreras Leukemia Center Marburg (CLC) inaugurated in September 2009 rounds off our oncological offering. It shows that an in-depth dialogue between research, teaching and hospital care is a model for the future. The aim of this research center is to provide thousands of people with a new perspective on life: each year in Germany, more than 9,000 people are affected by the various forms of leukemia. The CLC's innovative structure lies in the fact that research and patient care take place in a single department. In this way the specialists, aided by modern building structures, can do research while at the same time treating leukemia, lymphoma and tumour patients to the highest standards. The leukemia center offers patients the latest therapy concepts as part of study therapies. The center thus acts as a catalyst for basic research which is so important, because it enables elementary and "translational" (application-oriented) research to be channelled even more directly into patient care. This attractive model could serve as the basis for co-operation in other medical disciplines.

In 2009 also, promising new approaches for treating leukemia and germ cell tumours were researched, developed and promoted in Marburg. Particularly noteworthy in this regard is the clinical research Group 210 initiated by the German Research Foundation (DFG) in 2008. It specifically dealt with the subject "Resistance in the treatment of tumours". This is a risk factor for nearly every cancer treatment. The research results of the Group 210 have also attracted considerable interest internationally. The Marburg oncologists were able to show that high-risk germ cell tumour patients benefit from repeated high-dosage chemotherapies followed by stem cell transplantation. This therapy is already

Martina Lommatzsch, Pirna

"Regarding the privatisation my attitude was neutral because I had not yet found out anything about the private owners.
After the privatisation my opinion changed because the hospital has become larger, more modern and centrally located."

being used successfully in the CLC for many patients.

As a further achievement, the researchers developed a cancer drug that has proven successful with relapses of acute leukemias. The results were so promising that the treatment will be tested this year as part of a prospective study on selected patients. The Marburg CLC will be the lead centre of this study. These are only some of the many examples that prompt more and more patients to decide for the CLC in Marburg. In 2009 alone, the number of allogenic stem cell transplantations rose by 20 per cent.

SCIENTIFIC CO-OPERATION AT ALL CARE LEVELS

Apart from the Group's university hospitals, our network of specialised-, intermediate- as well as basic- and standard-care hospitals is also involved in medical research. The range of activities in this field is broad, from scientific publications over participation in long-term clinical studies and international research projects to performance of university teaching mandates.

As an academic teaching hospital of the Medical College of Hanover (MHH), Klinikum Hildesheim is an example of the wide-ranging research activities of our Group hospitals. All head physicians are involved in teaching as university professors. As a nice side effect, this gives rise early on to lively contact with aspiring physicians, many of whom are completing their practical year at Klinikum Hildesheim. A close collaboration with the MHH is also maintained by the gastroenterologists and hepatologists so that therapy results from Hildesheim – if the patients give their consent – can be integrated into research projects on hepatitis therapy.

In oncology, the women's clinic of Klinikum Hildesheim – in addition to its participation in the Group's oncological network – collaborates on a European research project. The aim of this cross-border project funded by the European Union is to develop an effective diagnosis tool for testing female sphincter function during pregnancy and after spontaneous deliveries. Apart from the Gynaecological Hospital of the Berlin Charité, the only other organisation in Germany taking part in the project is the obstetrics department of Klinikum Hildesheim. In addition, the Hildesheim Paediatric Center is organising a national prospective post-examination of premature and newborn infants. The first promising results for three age groups have been obtained. The aim of the study is to bring about a sustained improvement in the quality of care provided to very premature infants.

Zentralklinik Bad Berka is also continuing the intensive exchange between science and practice. With its doctors from the cardiology and cardio-surgery clinics in Bad Berka, it was the first hospital in the Federal State of Thuringia to insert an aortic valve replacement through the skin, thus pioneering a new operating procedure. Since then the doctors there have performed a large number of such procedures through the groin as well as ten minimal-invasive aortic valve replacements transapially (through the heart's apex). The medium- and long-term results for these patients treated at Zentralklinik are impressive given the often numerous prior diseases and considerable age of these patients.

The main advantage of this method developed at Herzzentrum Leipzig is the gentleness of the procedure. It is carried out without general anesthesia and normally takes one to one and a half hours. After that the patient has only a tiny wound, and only a week later is on his feet again. With this procedure, which so far has been performed only 1,000

times throughout the world, the physicians in Bad Berka have attracted considerable attention from the medical community: only recently a symposium on this subject drew some 400 doctors from throughout Germany to Bad Berka.

The work of researching doctors from Zentralklinik has already been distinguished by numerous awards. At the European Congress for the Diagnosis and Treatment of Neuroendocrine Tumour Diseases they received a renowned poster award for their studies in the PET/CT diagnosis of neuroendocrine tumours. Our Neurology Clinic in Bad Neustadt a. d. Saale is also engaged in field of neurology research. With its areas of clinical focus in the treatment of patients with stroke, multiple sclerosis, Parkinson's or epilepsy, it takes part in various national and international multicenter and long-term studies.

The Neurology Clinic also launched the award-winning Stroke Angel Initiative. Stroke Angel is a special concept for first-aid treatment of stroke patients characterised by a rational structuring of medical processes and the use of advanced communications technology. The specialists at the hospital receive decisive information on the patient's symptoms directly from the ambulance and in this way are enabled to make all preparations before the patient arrives. This is resulting in increasingly more emergency services taking their patients to Bad Neustadt because there they receive fast and good medical attention. Our specialists now treat well over 1,000 patients with stroke symptoms each year, 50 per cent more than five years ago.

Given its tremendous success, we are now planning to expand the structure and working principle of the Stroke Angel system step by step to the surrounding regions and to other disciplines. This is now being implemented at our hospitals in Dachau and Uelzen, and other sites are in the planning phase. Moreover, with the Cardio Angel project of Herz- und Gefäß-Klinik in Bad Neustadt we have already extended the concept of the regional medical network to the field of cardiology and the treatment of heart attacks.

Beyond that, Herz- und Gefäß-Klinik is involved in numerous national and international studies on the improvement of clinical treatment. One notable project in this area is the German multi-center study GOPCABE. In this study Herz- und Gefäß-Klinik acts as the steering committee for the German Society for Thoracic and Cardiovascular Surgery (DGTHG). The focus of the work is on coronary bypass operations on elderly patients with an elevated risk profile. Currently, already 1,200 of the planned number of 2,500 patients are included in the study. The first results of the study are expected in 2011. With the aid of successive progress monitoring of patients with aorta valve reconstruction, minimal-invasive mitral valve surgery and atrial fibrillation in the various studies, the doctors are often able to gain reliable findings already prior to final evaluation of the data, thus allowing for further improvements in medical care.

As an academic teaching hospital of Charité – Universitätsmedizin Berlin, Klinikum Frankfurt (Oder) attaches high importance to research and teaching in its day-to-day clinical work. Among the research projects in which the hospital participates, tumour therapy is particularly important. It is concerned, among other things, with quickly applying dermatological and gynaecological treatment options to patient treatment.

This aim is also being steadfastly pursued by Klinikum Dachau, a supraregional intermediate care facility and academic teaching hospital of Ludwig Maximilians Universität in Munich. In December 2009 the Group hospital certified as a "Regional Trauma Center" by the German Association of Trauma Surgery (DGU). By being integrated into a comprehensive

Wolfgang Bieberstein, Pirna

"When the hospital was taken over by the private owners, I wanted to wait and see how things would develop first. My opinion after the privatisation changed in that today I only have good things to say now that my wife herself has already undergone a successful operation."

network, patients with serious injuries can receive the best possible treatment based on their condition. The team of trauma physicians played a decisive part in this. For a study on tibial plateau fractures in 2009, it received the poster award of the Annual Conference of the Association of Bavarian Surgeons.

OUTLOOK

The aforementioned studies, projects and awards illustrate the broad spectrum of our research activities in all care fields – from our Group facilities providing university care over intermediate-care and specialised hospitals to our basic- and standard-care facilities. Tomorrow's medicine will emerge from an in-depth and trusted partnership between independent science and patient care. The transfer of scientific findings and innovations to high-quality patient care and the feedback from hospitals to medical science give patients quick and safe access to high-end medical care.

As a responsible healthcare provider, RHÖN-KLINIKUM AG can draw on many years of extensive experience. We will also use this in future to further promote an exchange between theory and practice. We will therefore further encourage and promote the dialogue between independent science and patient care. Steadily rising patient flows show us that we have taken the right direction: every day, we succeed in winning over more and more people with the good medical care provided by our facilities.

Kati Kunz, Pirna

“Having a local hospital is very important to me because I don’t feel like dying in the ambulance.”

HEALTH AND ENVIRONMENT

As a modern healthcare service provider, we settle for nothing less than the highest standards in the quality of our medical care. In exactly the same way, we would like to be measured by the sustainability of our activities – both economically and ethically. For us, conserving the environment is an important starting point for healthcare provision, and therefore is a self-evident part of our business activity.

TRADITION AND TRANSPARENCY

Effective environmental management is a tradition at RHÖN-KLINIKUM Group – we have viewed it as forming an integral part of our core business for many years. We are convinced that only a comprehensive approach makes sense in this area, which is why our commitment is not limited to specific measures in areas like energy and emissions but also encompasses responsibility for water, materials and safety for the environment and our employees. For this purpose we have presented a Group-wide environmental report each year since 1996.

Once again, we additionally include in the Annual Report a more detailed overview of our environmental management to illustrate the high significance attached to the subject of the environment and energy as part of our corporate responsibility. At the same time we thereby emphasise just how closely related ecology and economy are. Efficient energy supply not only makes ecological sense – it also pays off in economic terms.

For more detailed information on environmental management at our individual Group hospitals, visit our website at www.rhoen-klinikum-ag.com.

OUR ENVIRONMENTAL MANAGEMENT

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

The hospitals are assisted and co-ordinated at the Group level by the department Technical Controlling/Environment which reports directly to the chairman of the Board of Management. Its main tasks include Group-wide energy and emissions controlling, regular training of the responsible staff on site, and organising a quick and effective exchange of knowledge and experience in this field between the hospitals. Another important duty is integrating recent Group subsidiaries in order for environmental and energy standards to be introduced swiftly at the new hospitals, or also for long-standing hospitals to benefit from local innovations and good ideas.

Michael Böckmann, Pirna
“I would prefer the hospital in Pirna because of the modern new building.”

No less importantly, the Technical Controlling department also provides the impetus for things like promoting the Group-wide development of new standards in energy supply in healthcare with innovative projects, such as the world's first hybrid cogeneration unit which will be put into service in 2010 at Universitätsklinikum Gießen.

INTEGRATION MANAGEMENT OF NEW HOSPITALS: FOCUS ON ENERGY AND EMISSIONS

After a hospital has been taken over, introducing controlling in the area of environment with a focus on energy and emissions forms an important part of our integration management. The starting point is a thoroughgoing review in the areas of electricity, heat, water and waste with reference to the hospital's trend in case numbers. In addition, staff from the Technical Controlling department perform an on-site inspection in which the hospital's technical facilities are review critically. On this basis, a list of measures is drawn up together with those responsible locally which, during the entire integration, serves as the key guideline for optimising the hospital's technical operations as quickly as possible. Immediate measures in existing technical facilities frequently involve the following:

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

If possible, refurbishing and modernisation investments are additionally made; these help cut energy consumption and emissions significantly.

These include:

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

To ensure the sustainability of our controlling, we introduce a reporting duty in the area of energy whenever we take over a hospital. As a rule, benchmarking is possible only to a limited extent given the very different care profiles and building structures of our hospitals, but we can quickly detect changes in consumption and analyse their causes.

As a rule, we succeed in cutting the energy consumption of a newly acquired hospital by more than 10 per cent within two years with the measures described. When we construct new buildings, we can generally achieve even greater savings in heat consumption compared with the old hospital structures previously operated. For example, after commissioning a new building in Uelzen we lowered heat consumption by 74 per cent versus previous operations in the old buildings in Uelzen and Bad Bevensen, whereas the electricity consumption, however, increased by 14 per cent (comparison of 1999 with 2007). We record similar results at the Mittelweser hospitals where heat consumption fell by 64 per cent and electricity consumption again went up by 14 per cent (comparison of 2002 with 2007).

Kevin Thieme, Pirna

“ Getting help fast is very important because you never know what can happen, especially in my line of work. ”

KEY FIGURES

		2009	2008	2007	2006
Company					
Hospitals		48	47	46	45
Beds and places		14,887	14,691	14,647	14,690
Employees (by headcount)		35,461	33,679	32,222	30,409
Patients treated		1,799,939	1,647,972	1,544,451	1,394,035
Energy					
Primary energy consumption	MWh	865,103	865,775	831,582	876,605
Consumption per patient	MWh/pat.	0.48	0.53	0.54	0.63
Emissions					
Emissions of greenhouse gases	t	190,128	190,200	182,687	193,858
Emissions of pollutants	t	243	244	235	255
Water					
Water consumption	m^3	1,716,646	1,710,111	1,672,021	1,727,091
Consumption per patient	m^3/pat.	0.95	1.04	1.08	1.26
Waste					
Waste quantity (residuals)	t	10,084	9,799	9,447	9,007
Waste quantity per patient	kg/pat.	5.6	5.9	6.1	6.5

All data as at 31 December 2009 excluding MEDIGREIF group, all data as at 31 December 2008 excluding Wesermarsch-Klinik Nordenham.

The higher electricity requirement is explained by hygienic and structural parameters (for example, more costly air exchange and ventilation technology as a result of modern hygienic air conditioning for the operating areas as well as building's compact structure), but especially by advances in medical technology and information technology (IT). To counteract this development, manufacturers of IT equipment in particular are called upon to rethink the existing development concepts (witness "green IT"). Saving resources by using innovative cooling concepts such as "natural cooling" help check the rise in electricity consumption.

OTHER AREAS OF FOCUS OF OUR ENVIRONMENTAL MANAGEMENT

Our extensive commitment provides for measures also in the areas of water consumption, materials and safety:

Making sparing use of water by
- use of grey water
- use of water-conserving technologies.

Reducing waste by
- waste avoidance and recycling
- specific training of staff
- introduction of digital imaging methods in radiology (producing less clinical waste such as fixing and developing solutions, X-ray films).

Ensuring greater safety for the environment and staff by
- use of registers for hazardous materials
- systematic evaluation of risks posed by hazardous materials and contamination prior to acquisition
- proper disposal of any existing hazardous materials
- specific fire safety measures
- regular training of staff in fire safety and hazardous materials.

Manuela Hamann, Pirna

"Local medical care is very important to me because I have two children and they often need this care."

SUCCESS OF OUR ENVIRONMENTAL MANAGEMENT IN THE REPORTING YEAR AT A GLANCE

In the reporting year RHÖN-KLINIKUM Group once again treated more patients than the year before. We are proud to have once again succeeded in lowering all environmental values on a per-patient basis.

Despite the rise in patient numbers, numerous construction projects and greater heating energy due to weather conditions, absolute consumption levels for water and energy were kept nearly constant. We expect to see major changes in energy consumption values only after the completion our construction projects currently under way at the sites in Marburg, Gießen, Hildesheim, Munich, Köthen, Pforzheim, Gifhorn and Salzgitter. For the year 2012 and thereafter, we therefore expect substantially lower energy consumptions.

Since emission values developed in line with energy values in 2009, these values – with reference to the number of patients – saw a decrease.

REQUIREMENTS OF MODERN ENERGY SUPPLY

In the past 20 years, the situation of energy consumption in large newly constructed buildings for commercial use has changed noticeably. Significant investments in insulating and sealing the building shell have sharply reduced heating requirements. For hospital buildings, it is now usually around 60 to 70 per cent lower.

The opposite trend is observed in electricity consumption: with the increasing number of devices and units from medical technology and information technology (IT) being used in hospitals, power requirements for these are steadily rising. This is being accompanied by a significantly higher requirement of cooling for air conditioning and direct cooling of rooms and equipment. Obviously, energy supply in hospitals must be adjusted to the new requirements by means other than conventional energy supply, such as cogeneration plants.

WORLD'S ONLY HYBRID ENERGY FACILITY AT GIESSEN SITE

With the aim of achieving efficient power and cooling supply and given the absolute necessity of having a 100 per cent reliability and availability of supply for the hospital, we launched an outstanding project of modern energy supply at the Gießen site in October 2008: Universitätsklinikum Gießen und Marburg GmbH and Stadtwerke Gießen signed a contract for the construction of the world's first hybrid energy plant at a hospital that will generate electricity, heat and cooling.

From the end of 2010 onwards, the cogeneration plant comprised of a high-temperature fuel cell, conventional motor combined-heat-and-power unit (CHP) and highly efficient absorption cooling generation will supply the university hospital with energy. The individual components are exactly adapted to the hospital's requirements. To ensure perfect interaction of these components, the power facility will be provided with an intelligent hybrid control unit. This will enable maximum efficiency of the natural gas used – a convincing solution in both economical and ecological terms.

RHÖN-KLINIKUM has already had very good experience with fuel cell technology in two other projects. Fuel cells have the big advantage of achieving high efficiency rates not possible with other technologies

Jutta Rehn, Pirna

“ A modern hospital is something that ought to be standard. My relatives found the comprehensive care provided at the hospital in Pirna great. ”

– and that with zero emissions. The innovative plant achieves its high efficiency by utilising the exhaust air of the fuel cells and the waste gases of the co-generation plant to generate cooling in a multi-stage absorption process. Moreover, the virtually silent operation of fuel cells makes them particularly suitable for use in hospitals.

Availability of supply is ensured by the energy facility's connection to the district heating and district cooling network of Stadtwerke Gießen. A further advantage of this connection is that it enables maximum energy generating capacity throughout the year – any power volumes not needed can be fed back to the Stadtwerke network.

The modular plant configuration is also setting the stage for future projects. Depending on the requirements, the main components can be variably combined by means of a common plant control system. This ensures that the concept can also be used in projects with other energy requirements – also outside the hospital area. We assume that large buildings of other service sectors have similar energy requirement profiles. That is why our project could become a milestone for the future commercial use of stationary fuel cell plants.

The project is being backed by funding under the "National Innovation Programme for Hydrogen and Fuel Cell Technology (NIP)" of the Federal Ministry of Transport, Building and Urban Affairs.

WATER

Extensive construction activities in the reporting year at some sites led to higher water consumption, which however could be compensated by savings achieved at other sites.

Although in principle we provide each patient room in new buildings with its own shower, we are generally able to lower water consumption significantly: in 2009 we reduced water consumption at the Mittelweser Kliniken facilities compared with the first year after the takeover (2002) by 56 per cent. Designing the two new buildings in Nienburg and Stolzenau in line with requirements and the sparing use of water pay off: at those sites we save an impressive amount, roughly € 80,000, on water and waste water charges.

At some sites we use well water and so-called grey water to conserve valuable water resources. In 2009 this accounted for 131,000 m^3. In principle, it is no easy task to save on water consumption given the requirements of hospital hygiene. Particularly in old buildings we frequently encounter overdimensioned pipework. In such cases, saving on water would result in a undesirably longer residence time of the water in the pipes. That would increase hygienic risks which we prevent to protect our patients and employees: over the past years, we have established in our hospitals a water-safety plan, unique in Germany, in which we implement an extensive set of measures to ensure the hygienic quality of drinking water. Also for wet cooling towers needed in cooling units to re-cool water, we have already applied strict microbiological monitoring for many years.

Uta Thorandt, Pirna

"I would definitively go to the hospital in Pirna. I was there for the birth of my daughter and only have words of praise for the doctors, midwives and nurses."

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

Clinical waste		2009	2008	2007	2006
Infectious waste	t	75	69	88	93
Cytostatic waste	t	10	9	10	13
Fixing solution	m³	19	43	61	90
Developing solution	m³	17	35	52	78

WASTE

At the same time as the absolute volume of household rubbish-related waste materials increased during the reporting year, the specific waste volume with reference to patients treated declined slightly. We continue to focus our efforts on waste avoidance, or better still on the sparing use of materials, because materials not used do not have to be disposed of either. This also cuts material costs. We assume that by optimising our material cost benchmarks we will be able to gain important indications about where we can find further scope for improvement in materials use.

The increase in infectious waste in 2009 is attributable to the greater work associated with the high incidence of norovirus and swine flu infections. The ongoing trend towards the use of digital, non-film solutions instead of conventional X-ray technology is significantly reducing disposal volumes of developing and fixing solutions.

OUTLOOK FOR 2010

In 2010, major construction measures will be launched at numerous sites. These will be completed at the beginning of 2011. We therefore only expect to see a significant impact on the consumption data of our hospitals from 2012 onwards. We see environmental management as an ongoing process that we will further pursue in the coming years also.

Michael Simon, Pirna

“ In retrospect I find the privatisation was a good thing. On visiting the hospital in Pirna I was very pleased with its resources and equipment. ”

MANAGEMENT REPORT FOR THE YEAR 2009

- The many years of uninterrupted growth in patient treatments is proof of the trust in our medical services.
- With growth in revenues of 8.9% and in earnings of 7.4% in 2009, we demonstrate the sustainability of our growth course also in time of crisis.
- With the capital increase of roughly € 460 million, we have laid the foundation for a further expansion in our healthcare offering based on integration between medical disciplines, facilities and healthcare sectors.
- In 2009 we invested roughly € 414 million of company funds in the expansion of our care network, demonstrating our investment capacity and innovative strength.

SUMMARY

In financial year 2009, the year that witnessed the most serious economic recession in the period following World War II, RHÖN-KLINIKUM AG forged ahead with the further expansion of its medical offering within the hospital network. Service volumes, revenues and earnings once again reached record levels. Our business model has again proven itself crisis-proof and stable. Revenues of € 2.32 billion and a net consolidated profit of € 131.7 million fully met our expectations.

With the capital increase bringing in proceeds of roughly € 460 million, we have taken a major step towards realising our goal of offering generalised, high-quality and affordable healthcare for everyone. We are financially and organisationally poised for a new growth phase, and will invest in both inpatient and outpatient structures.

In 2009 we invested € 414.4 million from company funds in expanding our hospitals and in new medical equipment, as well as in acquiring further hospital sites. Our hospitals are equipped to take on the challenges of the future arising from the expected demographically induced rise in patient numbers at both a quantitatively as well as a qualitatively high level.

On 31 December 2009, we acquired the MEDIGREIF group consisting of five basic- and specialist-care hospitals with a total of 842 approved beds and two medical care centre (MVZ) companies with six specialist physician practices as well as a service company. We also forged ahead with the expansion of our outpatient structures. In financial year 2009, we opened medical care centres (MVZs) with nine specialist physician practices at four hospital sites. We expanded already existing MVZs by a total of 13 specialist physician practices.

Our 53 (previous year: 48) Group hospitals with a total of 15,729 beds (previous year: 14,828) as well as our 26 MVZs (previous year: 20) with a total of 98 (previous year: 70) specialist physician practices treated a total of 1,799,939 patients (+9.2%) in financial year 2009; of these, 603,987 (+5.2%) were treated on an acute inpatient basis, 974,312 (+5.0%) as outpatients and 9,713 (–1.5%) in the rehab and other areas. In our MVZs we treated 211,927 (+55.6%) patients. Excluding the hospitals consolidated in 2009 for the first time (Nordenham) and for the first time on a full-year basis (Warburg), we recorded an in-

crease in patient numbers of 19,082 (+3.3%) to 603,102 in the inpatient area and of 35,150 (+3.3%) to 1,099,102 in the outpatient area. This translates into overall organic growth of 3.3%, with the hospitals in Warburg und Nordenham newly acquired last year accounting for 22,039 patients or 14.5% of this rise in service volumes.

In financial year 2009 we raised revenues by € 189.8 million or 8.9% to € 2,320.1 million (previous year: € 2,130.3 million), of which € 2,306.8 million (previous year: € 2,121.5 million) is attributed to revenues from our hospitals and € 13.3 million (previous year: € 8.8 million) to revenues from our MVZs. Of the increase in revenues in the inpatient area, the first-time consolidation of St. Petri-Hospital Warburg GmbH on 1 September 2008, of Wesermarsch-Klinik Nordenham GmbH on 31 December 2008, as well as the commissioning of the MVZ companies accounted for € 29.1 million. The Group's long-standing hospitals increased their revenues by € 160.7 million (+7.6%) and the MVZs succeeded in expanding their revenues by € 4.5 million (+51.1%).

Net consolidated profit rose by € 9.1 million (+7.4%) from € 122.6 million to reach € 131.7 million. Excluding one-off and other valuation change effects from taxes and financial derivatives, we report a consolidated operating profit of € 128.9 million (previous year: € 122.6 million) which already includes operating losses from the hospitals in Nordenham and Warburg, which were consolidated for the first time, of € 4.0 million.

We achieved the increase in net consolidated profit by consistently striving for and realising higher service volumes at all sites. Although in 2009 non-approved surplus service volumes were remunerated only proportionately, the profit contributions generated from these were enough to compensate for disproportionate cost increases for materials and also to raise net consolidated profit.

The operating cash flow as the result of net consolidated profit and depreciation/amortisation/impairments – excluding one-off non-cash effects – rose compared with the previous year by € 24.5 million or 11.5% to reach € 238.3 million (previous year: € 213.8 million), since essentially depreciation/amortisation/impairments increased by € 11.3 million and net consolidated profit by € 9.1 million.

The EBIT margin of the operating units (hospital, MVZ and service companies) saw a slight decline from 9.0% to 8.9% due to the EBIT trends in Nordenham, Warburg and Bad Kissingen. Excluding these, we are exactly at the previous year's level. At the Group level, the EBIT margin declined from 8.1% to 7.8%.

Helped by an improved financial result, the EBT margin rose from 6.7% to 6.8% as net interest expense was lowered by interest income realised from the investment of the proceeds from the capital increase from the middle of August. EBT grew 11.1% to reach € 158.7 million (previous year: € 142.9 million).

Due to disproportionate rises in service volumes in operating areas characterised by a high material cost intensity and to the expansion of drug supplies to facilities outside the Group the materials expense ratio rose slightly from 25.3% to 25.7%.

The decline in the personnel expense ratio from 59.6% to 59.4% reflects Group-wide restructuring successes and a disproportionately moderate increase in personnel at sites reporting an expansion in service volumes. Both effects were able to offset the wage developments in personnel costs which increased in disproportionate measure to the rate of change in the aggregate income of all health insurance fund members.

The Group's EBITDA rose 8.1% to reach € 284.0 million (previous year: € 262.8 million). The operating result (EBIT) rose by € 9.9 million or 5.8% to reach € 182.0 million. This figure includes the net losses for the year of our hospitals in Nordenham, Warburg and Bad Kissingen totalling € 7.4 million (previous year: € 4.9 million).

Weighted earnings-per-share pursuant to IAS 33 is € 1.07 (previous year: € 1.13). The nominally unweighted earnings result – in each case based on the number of ordinary shares after the capital increase – totals € 0.91 for financial year 2009 (previous year: € 0.85).

Our MVZ companies generated a positive EBIT of € 0.2 million (previous year: negative EBIT of € 0.2 million). As in the previous year, we generated

a slightly positive EBIT of € 0.5 million with our service companies (previous year: € 0.3 million).

In financial year 2009, cash generated from operations amounted to € 212.5 million (previous year: € 187.0 million). The change primarily resulted from the € 11.3 million increase in depreciation/amortisation/impairments and the € 9.1 million increase in net consolidated profit. Cash used in investing activities amounting to € 406.7 million (previous year: € 254.8 million) was well above the previous year's level since during the reporting year a number of major investment projects were pursued and the MEDIGREIF group acquired as of 31 December 2009. Cash generated from financing activities amounting to € 537.9 million (previous year: cash used in the amount of € 20.0 million) was in particular attributable (in the amount of € 444.8 million) to the capital increase. As at the balance sheet date, our net financing debt (excluding negative market values of financial derivatives) of € 400.4 million (previous year: € 605.8 million) roughly corresponds to 1.4 times (previous year: 2.3 times) our EBITDA.

Our equity grew by € 533.6 million (+60.0%) to reach € 1,422.9 million. The increase of € 533.6 million stems from the net consolidated profit of € 131.7 million less dividends paid to shareholders and minority interests in the amount of € 38.7 million and less the € 4.2 million impairment requirement for the effective portion of the interest-rate hedging instruments recognised directly in equity (cash flow hedge). Equity was moreover increased by net issuance proceeds from the capital increase in the amount of € 444.8 million. The equity ratio rose from 41.5% to 49.8%.

For financial year 2010, and despite a challenging environment, we expect to generate revenues of approximately € 2.6 billion and a net consolidated profit of roughly € 145 million within a range of plus/minus 5%.

ECONOMIC AND LEGAL ENVIRONMENT

MACROECONOMIC TREND

The impact of the global economic crisis in 2008 led to a global economic recession in the real economy in the current calendar year. In the US the economy contracted by 2.5%, in Japan by 5.9%, in the EU by 4.1% and in Germany by 5.0%. Particularly due to the sharp fall in its exports, Germany experienced its deepest recession in period following World War II.

All over the world, governments took concerted measures to rescue the banking sector and the economy. Distressed banks either had to close or accept state-controlled merger or partial nationalisation. Huge amounts of public funds were spent to keep private banks of systemic importance from going under. In return, the institutions concerned had to give the state a certain say in their management. In Germany, a bank rescue fund (Special Fund for Financial Market Stabilisation, SoFFin) was created. With these measures, it was possible to kick-start lending to the economy.

The year 2009 also witnessed the launch of the largest economic stimulus packages ever, both globally and in Germany, to rescue the real economy. In Germany alone, the economic stimulus programme launched amounted to € 50 billion, the biggest ever in the country's history. This programme was used to finance public investments, cuts in taxes and levies, as well as incentives for purchasing cars (German "cash-for-clunkers" premium). Together with the massive funding of the labour market through generous provisions on short-time work, domestic consumption and domestic construction investment could be stabilised to a large extent. As a result, the drastic decline in exports was largely offset by an increase in domestic demand. The recession in Germany for 2009 turned out to be only 5% versus the original forecast of 6%.

The 5% decline (2008: growth of 1.3%) in price-adjusted gross domestic product (GDP), the first decrease in six years, turned out to be the largest ever recorded in the post-war era. It was largely confined to the first two quarters of financial year 2009, with the situation stabilising moderately at a low level in the further course of the year. The recessive trend was driven in particular by the decline in the contribution from exports (–3.4%) and investments (–12.5%), whereas public and private consumption – propped up by economic stimulus packages – produced moderate growth (+1.4%). Since the economic stimulus measures were financed by debt, Germany's

net debt swelled by € 77.2 billion in 2009. With reference to GDP, that translates into a deficit of 3.2%, thus exceeding the reference criterion of the Maastricht Treaty (3.0%) for the first time in four years. The economic stimulus packages and more generous rules on short-time work helped keep the number of gainfully employed persons in Germany at nearly the previous year's level (40.2 million), with the jobless rate rising only slightly from 3.1 to 3.2 million. The annual inflation rate of 0.4% was nearly at the same level as the previous year.

DEVELOPMENTS WITHIN THE SECTOR

In financial year 2009, the financial markets crisis had an only indirect impact, if any, on the healthcare system and healthcare service providers in Germany. The supply side in the healthcare system is determined by the development in patient treatments in the outpatient and inpatient areas. The revenue side is regulated by statute. For this reason, the providers within the healthcare system were not directly affected by the crisis. If, however, the number of persons in gainful employment should also decline starting in 2010 as a result of the decline in gross domestic product, the possibility of revenues in the German healthcare system also shrinking cannot be ruled out. However, given that the trend in demand for good medical care is also set to rise in future – provided that losses are not compensated by additional subsidies at the federal and state level –, full medical care coverage can only be achieved at lower prices. If this development should continue over several years, the German healthcare system will gradually be deprived of its financial basis. The consequence of this would then be that demand for healthcare services would increasingly come to be financed privately and that the state would lose its control function. For private hospital operators – i.e. also for RHÖN-KLINIKUM AG and its hospitals – that means risks to revenues and earnings, but also a growth opportunity.

In our view the DRG remuneration catalogue, which has been revised each year since 2003, is largely mature. For the full inpatient acute-care area, it now accurately and fairly reflects the cost structures of the procedures to be remunerated in many medical disciplines. Our initiatives for fair and accurate pricing of full inpatient and day-clinical treatments are not being adopted, with the result that potential efficiency gains made possible by a targeted medical offering are not being reaped.

The most important changes in Germany's healthcare system that took effect from 1 January 2009 relate to significant changes in health insurance and – on the remuneration side – to amendments of the German Hospital Finance Reform Act (KHRG). In health insurance, a general insurance obligation has been in force since 1 January 2009. In addition, a base rate in private health insurance (PHIL) coupled with better possibilities of switching between private health insurance funds, and a uniform contribution rate for members of statutory health insurance were introduced. The centralised health fund, as the distribution agency responsible for distributing employers' and employees' contributions to the individual health insurance funds, also commenced its work. A new risk structure compensation mechanism was introduced for the distribution of insured members' contributions to the individual health insurance funds. By these measures the German legislator wants to bring about greater transparency, fairness and competition among health insurance funds. At the end of 2009 already a number of mergers between health insurance funds took place. In 2010 the extra contribution – which is designed as a competitive sanction for inefficient health insurance funds and to be paid for entirely by health insurance members – is about to be introduced nationally.

In the area of hospital remuneration under the Hospital Finance Reform Act, two issues continued to demand attention in 2009. The first one is the discount on certain portions of surplus revenues owed to payers above and beyond the offsetting mechanisms already provided by statute. Its defined percentage was not only the subject of heated debate but often resulted in arbitration proceedings. In the course of the financial year the parties departed from their very divergent initial positions (0% to 5% offered by the hospitals, 65% demanded by the health insurance funds), converging on a consensus basis within a range of 10% to 25%.

From an economic standpoint, the discount is justified by the cumulative remuneration of variable costs. However, what is overlooked is that the remuneration of surplus revenues at variable costs is

actually only justified within narrow bounds. This is because incremental, stepped costs are usually incurred for service volumes exceeding certain levels. The compensation mechanisms of countless previous acts allowed for additional remuneration components for surplus service volumes only with reference to variable costs. This resulted in an absolute financing shortfall for the surplus service volumes rendered by hospitals due to the cumulative effect of compensation mechanisms and discounts. By introducing these discounts, the German legislator wanted to contain the expansion in service volumes that had been taking place in the healthcare system for many years. The problem with this is that rising service volumes are a result of both demographics and advances in technology and thus unavoidable. In this context, the discounts merely saddle healthcare service providers with the entire costs arising from rising service volumes. In 2009 – the last year of the convergence phase – adjustments to state base rates only exacerbated the situation in some cases. Especially those hospitals that still had to cope with still remaining convergence losses are once again faced with a shortfall in financing.

The second issue of major importance in the Hospital Finance Reform Act was the special programme, introduced in 2009, for the post-financing of wage increases for 2008 and for improving working conditions, especially for nursing. Because the calculation was allowed to include not only the general rate of change in the aggregate income of all health insurance members (Grundlohnsummen-Veränderungsrate) of 1.54% but also further wage increases of up to 2.08 percentage points, financial year 2009 was the first time in years that a more or less reasonable basis was created for a compensation of personnel and material costs.

Overall it has to be noted that hospitals' revenue situation – despite what was expected by the legislator – worsened in 2009. Regular hospital surveys confirm the trend of the rising percentage of hospitals suffering from chronic losses.

The long-standing problems still persisting in the healthcare system were not resolved by changes in legislation in 2009 either. Our healthcare system still does not reflect the demographic trend. As before, the system still needs intelligent incentive schemes for avoiding redundant services and promoting co-operation. Moreover, economically induced decreases in revenues in future as well will have a direct impact on the performance and efficiency of our healthcare system. The unresolved investment backlog is preserving inefficient clinical processes, thereby counteracting efficient provision of services.

A statutory restructuring of hospital investment finance originally planned for 2009 was postponed until the period after 2011. The trend towards asset erosion, particularly at publicly owned hospitals, thus continues. Necessary replacement capital expenditure, investments in management rationalisation and investments to keep up with advances in medicine were left off at many hospital sites. The growing demand for healthcare services cannot be reasonably met in future unless the healthcare system is reoriented with the aim of exploiting efficiency reserves and competitive gains. Otherwise the consequence will be cuts in benefits and long waiting lists.

The long-standing trend in the reduction of overcapacities in the inpatient area, which is being characterised by the reduction in beds and the closure of specialised departments at hospitals, continued also in 2009. At the end of 2009, the number of German hospitals is likely to have fallen to around 2,000 (1990: 2,447 hospitals). Since 1990, the number of hospital beds available nationally will have gone from 686,000 to roughly 495,000. The average operating size of a hospital has fallen from 280 beds to roughly 250 beds. By contrast, patient treatments rose from 14.3 million in 1990 to probably 17.6 million in 2009. Over the same period, the average duration of stay in hospital declined from 14.7 days to roughly 8.2 days. At the same time it can be assumed, however, that the average case severity of the patients treated has steadily increased over the years. This stems solely from the fact that new medical technologies have enabled the successful treatment of difficult conditions, notably also of older people.

The figures reveal a dramatic structural transformation in German hospitals over the past 20 years

to which public investments at best have only just started to respond. Many hospitals' bed structures still fail to meet the requirements; there is generally a shortage of beds for cutting-edge medicine on intensive- and intermediate-care wards, in contrasting sharply with surplus of "normal" beds found on inappropriately sized wards. At the same there is often a lack of modern diagnosis and therapy procedures. As a result, only substandard efficiency in clinical operations can be achieved. These developments show that the key to efficiency gains in the healthcare system lies solely in the capacity of investing in rationalisation. With public hospitals' investment capacity being defined by hospital finance legislation, coupled with the very limited capacity of public hospital owners to make investments from own funds as a result of their financial situation as well as their frequent lack of debt-financing options on account of insufficient borrowing capacity, the gulf between privately financed and publicly funded hospitals is likely to grow further.

We believe that the necessary structural transformation will continue for want of alternatives and irrespective of developments in legislation. That is because in future also it will hold true that people will go to those able to heal and help them. In the medium term, a lack of co-ordination of this structural transformation could become a problem. Medical care alliances must be created to preserve a local healthcare network and its financing basis and to secure generalised emergency care.

In outpatient care, the revenue situation has apparently stabilised thanks to the changes in legislation in 2009. We welcome this wholeheartedly because a sufficient number of motivated community-based doctors are also absolutely necessary for a functioning network of generalised healthcare delivery. Nonetheless, according to statements by various mayors and district administrators, particularly in the new federal states, a comprehensive provision of healthcare to the population by physicians accredited by the health insurance funds is possible only to a limited extent. In financial year 2009, we expanded our co-operation with community-based doctors working in areas close to our hospitals for our mutual benefit and for the well-being of patients.

In financial year 2009, all market participants throughout Germany had to step up their efforts to recruit qualified doctors and hospital staff. This is impressively revealed by a glance at how long the jobs section in the medical journal Ärzteblatt has become. In addition to pecuniary interests, the things that matter most for the staff being vied for are how well equipped the workplace is, how good the working conditions are and what opportunities for further and higher-qualification training are available. Within the hospital network of RHÖN-KLINIKUM AG, we once again succeeded in filling vacant positions with sufficiently qualified specialised staff in 2009. For this purpose we have systematically focused efforts on developing further and higher-qualification training offerings.

In financial year 2009, many acquisition candidates offered on the market failed to meet our expectations. The sites to be privatised were frequently characterised by sustained losses in patients and negative margins in double-digit territory. We performed an analysis of the causes of the patient trend which usually pointed to a lack of investment and a shortage of qualified specialist staff. Over many years, these hospitals had trimmed down their offering and deprived themselves of their livelihood. The economic deficiencies as a result of this development in our view can no longer be remedied without sustained subsidies from the seller, not even with emergency wage agreements. Based on our corporate mission, such sites are excluded as takeover projects.

The potential group of sellers which in the past was largely confined to public owners of hospitals, i.e. districts, cities towns, in our view has broadened to include church and other non-profit owners as well as private hospital operators. Our impression is that church and non-profit owners do not have the same scope of protection enjoyed by public hospitals and for that reason – even when by comparison their hospitals are in better economic shape – should be increasingly privatised. In the offers of private hospital operators we note that they are generally guided by commercial considerations, realising that greater synergies and thus greater competitiveness can be achieved within a large hospital group or network. This makes us optimistic that the quantity and

quality of acquisition projects on the market will improve greatly in financial year 2010.

CORPORATE DEVELOPMENT

Also in 2009, RHÖN-KLINIKUM Group continued to forge ahead with its transformation from an operator of hospitals to an integrated healthcare provider in terms of both medical offering and organisation. This was also accompanied by a corresponding organisational orientation within the Board of Management. We are committed to integration between inpatient and outpatient areas as well as co-operation between the different medical disciplines. By integrating outpatient and inpatient care, we create synergies and unlock additional growth potential. We interlink our medical care centres (MVZs) and portal clinics to the specialist departments of the large hospitals and take advantage of their expertise and experience to provide generalised, high-quality care for patients.

Together with our partners in the respective regions, we would like to expand the medical offering and bring the quality of the patient treatments we provide with them jointly in the outpatient and inpatient area up to recognised standards.

Moreover, in 2009 we also scrutinised our internal structural and procedural processes in the operating and administrative area. It is only by continuously reviewing our structural and procedural processes and constantly adjusting to changing conditions that we are in the position to ensure that the quality of treatment and cost efficiency stay in harmony with each other.

A special focus of our Group development is providing patients with basic and first-line medical care through our basic-care facilities which we want to continue establishing in the form of MVZs and portal clinics. In this connection we also continue to pursue the issues of medical networking and the exchange of medical data between our facilities via web-based patient files.

In financial year 2009, RHÖN-KLINIKUM AG carried out a capital increase to create the financial basis for further growth. According to the Supervisory Board's resolution in principle of 24 May 2009, Board of Management and the Supervisory Board on 19 July 2009 jointly decided to carry out a capital increase against cash contribution from authorised capital. The new shares (34,552,000 non-par value shares) were offered to shareholders for subscription in a ratio of three old shares to one new share. The subscription price per new share was € 13.30. All subscribable new ordinary bearer shares without nominal value (non-par value shares having a proportionate interest in the registered share capital of € 2.50) were fully entitled to participate in profits as of 1 January 2009, and all of them were placed. The Company generated gross proceeds from the capital increase of € 459.7 million, putting us in the position to also handle large takeovers. In March 2010, RHÖN-KLINIKUM AG also successfully placed on the market a bond with a volume of € 400 million and a maturity of six years. The issue proceeds will be used to refinance existing financial liabilities as well as for general company purposes. With both capital moves, RHÖN-KLINIKUM AG is poised for further growth.

We gladly embrace the debate with the public and politicians for the cause of a high-quality and efficient healthcare system. In the end it is patients, and the trust they place in medical care and quality of the treatment, who decide. In the interest of patients we do not make any comprises in quality-oriented treatment. And also in future we will put all our expertise, investment and financial strength as well as our innovation to work for our patients.

In 2009, growing misgivings were heard within society against the privatisation of public institutions in general. This debate was triggered above all by serious shortcomings of private as well as public financial institutions that could only be offset by huge public rescue schemes. Similar misgivings were clearly articulated along the same lines with regard to thoughts of privatisation in the healthcare system. Regardless of this, we recorded a disproportionate rise in patient treatments throughout the Group. We interpret this as a clear sign of the trust people put in our medical care. Since 2007, the hospitals operating within the network of RHÖN-KLINIKUM AG have witnessed growth in patients of roughly 14%, more than three times as high as the national average of around 4.3%. Although after being privatised the flagships of our Group, our univer-

sity hospitals in Gießen and Marburg, were frequently the subject of negative coverage in the media, patient treatments since the takeover have risen by 12.1% in Gießen and by 16.8% in Marburg. We regard all this as clear evidence of the trust in the quality of our medical care.

CORPORATE CONSTITUTION

The main pillars of the corporate constitution of RHÖN-KLINIKUM AG and its Group are the overall body of rules and guidelines according to which the Group is managed and controlled (corporate governance) as well as all measures and provisions securing ethically sound corporate management (compliance). Together with measures to deal efficiently and proactively with risks and opportunities (management of risks and opportunities) and to effectively ensure the best possible quality of treatment (quality management), the purpose of these key elements of our corporate constitution is to firmly establish investors' trust in the Company and help continuously enhance the value of the Group.

Corporate Governance

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

In financial year 2009, the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG conducted a thorough regular examination of the German Corporate Governance Code, its development and amendments as well as compliance with the Code at RHÖN-KLINIKUM AG and its subsidiaries. As a result of these deliberations, a jointly issued and updated Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (AktG) was submitted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG on 28 October 2009 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 18 June 2009. According to these, the German Corporate Governance Code in its obligatory components was complied with in its entirety with the exception of Code Item 7.1.2 (submission of annual financial statements of the Company in the following April). 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. The Declaration of Compliance was made available to the general public on the homepage of RHÖN-KLINIKUM AG.

The subscribed capital of RHÖN-KLINIKUM AG stated in the consolidated financial statements after the capital increase in financial year 2009 of € 345.6 million is completely made up of 138,232,000 ordinary voting bearer shares (non-par value shares) each having a nominal share in the registered share capital of € 2.50. Restrictions on voting rights or the transfer of shares – even if these may result from agreements of shareholders – do not exist or are not known to us. None of our shares is issued with special rights that confer on its holder special powers of control. Employees who hold shares exercise their voting right freely. Shareholders may exercise their voting rights themselves at the Annual General Meeting or through proxies appointed for this purpose.

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

Up to the reporting date, we had received the following notifications pursuant to sections 21 et seq. German Securities Trading Act (WpHG) and other shareholder notifications received following the capital increase:

- The family of the Supervisory Board chairman directly holds a 12.45% share of voting rights (notification from 2009)
- "Alecta pensionsförsäkring, ömsesidigt", Stockholm/Sweden notified us of a share in voting rights of 9.94% (notification from 2009)
- Franklin Mutual Advisers, LCC Short Hills/USA holds a share of 5.07% (notification from 2006)
- Ameriprise Financial, Inc., Minneapolis/USA holds an indirect share of 4.97% of voting rights (notification from 2009)
- BlackRock, Inc., New York/USA notified us of a share in voting rights of 3.43% (notification from 2009).

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

The Board of Management and the Supervisory Board are constituted according to legislation governing German stock corporations. Under this regime the Board of Management directs the Company; the Supervisory Board advises the Board of Management and supervises its management activity. Appointment and removal of members of the Supervisory Board and the Board of Management take place in accordance with the provisions of stock corporation law and the Co-Determination Act (Mitbestimmungsgesetz). For amendments to the Articles of Association and the removal of members of the Supervisory Board, a majority of 90% of the capital represented at the Annual General Meeting is required. Pursuant to the legal provisions, the Annual General Meeting is responsible for electing the auditor for the annual and half-year financial statements of our Group as well as for the annual financial statements of RHÖN-KLINIKUM AG. The chairman of the Audit Committee has appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the review of the half-year financial statement for 2009 as well as for the audit of the annual financial statement as at 31 December 2009 after the Audit Committee was thoroughly convinced of the auditor's independence, i.e. the absence of any grounds for disqualification and/or bias.

In line with the principle of equal representation of shareholders and staff pursuant to the German Co-Determination Act (Mitbestimmungsgesetz), the Supervisory Board of RHÖN-KLINIKUM AG comprises a total of 20 employees' and shareholders' representatives and held four ordinary meetings and one extraordinary meeting in 2009 (2008: four meetings) with a personnel composition that was unchanged compared with the previous year. Members are appointed for a period of five years. Age restrictions apply. The Supervisory Board regularly takes its decisions in plenary sessions, or in the competent specialised committees with the power to adopt resolutions; only in isolated cases are decisions made by circulation.

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

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

In financial year 2009 the Board of Management of RHÖN-KLINIKUM AG was comprised of eight members and is headed by one chairman and in his absence by the deputy chairman of the Board of Management. 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.

New Terms of Reference were adopted for the Board of Management with effect from 1 January 2009. In the operative area the Board of Management was re-oriented with a view to exploiting the opportunities, arising from the increasing integration of outpatient and inpatient structures, to develop a new market for RHÖN-KLINIKUM AG. In the administrative area, the Internal Auditing and Communication divisions were reorganised to further strengthen the good corporate constitution of RHÖN-KLINIKUM AG both internally and externally. In this context the service contract with the deputy chairman of the Board of Management that was due to expire on 30 September 2009 was extended until 31 December 2010 in order to accompany the re-organisation of the Board of Management until its completion. This was also the objective pursued last year with the early extension of the service contract of the chairman of the Board of Management whose term of office runs until 30 April 2014.

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

Pursuant to the Act on the Appropriateness of Executive Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG) which took effect on 5 August 2009 and the requirements of the German Corporate Governance Code, the plenary meeting is responsible for defining the individual remuneration of the Board of Management after preparation by the Personnel Affairs Committee. The Supervisory Board, at its meeting on 10 February 2010 after preparation by the Personnel Affairs Committee, adopted the remuneration scheme and the essential contractual elements after review and adjustment to the new statutory regulations by way of revision of the remuneration guidelines. These guidelines apply to all service contracts of members of the Board of Management that are concluded or amended after such date. At the same meeting the Supervisory Board also resolved that the remuneration scheme for the Board of Management will be submitted for approval to the Annual General Meeting on 9 June 2010.

In financial year 2009 the remuneration of the active members of the Board of Management totalled € 8.4 million (€ 7.1 million in previous year). Of this total, € 2.0 million (previous year: € 1.5 million) or 23.6% (previous year: 20.5%) was accounted for by components that are not performance-linked and € 6.4 million (previous year: € 5.6 million) or 76.5% (previous year: 79.5%) by variable remuneration components. Claims to post-retirement benefits by the members of the Board of Management amounted to € 5.2 million (previous year: € 4.5 million). The members of the Board of Management that left the Board of Management with effect on 31 December 2008 received remuneration totalling € 1.1 million for their work as members of the Board of Management during financial year 2009. Moreover, their post-retirement benefits were increased by € 0.1 million to € 0.5 million. No remuneration was paid to other former members of the Board of Management or their surviving dependants.

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

The remuneration of the active members of the Supervisory Board amounted to € 2.4 million (previous year: € 2.2 million). Of this total, € 0.9 million was accounted for by fixed remuneration components (previous year: € 0.8 million) or 36.6% (previous year: 36.7%). € 1.5 million was paid as performance-linked remuneration (previous year: € 1.4 million) or 63.4% (previous year: 63.3%).

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.

As at 31 December 2009, the members of the Supervisory Board and the Board of Management together held 12.62% of the Company's registered share capital, of which the Supervisory Board accounts for 12.54% of the shares in issue. Mr. Eugen Münch and his wife Ingeborg together hold 12.45% of the Company's registered share capital and the other members of the Supervisory Board 0.09% of the shares in issue. The members of the Board of Management together hold 0.08% 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 German Securities Trading Act (WpHG). The transactions as specified in the Corporate Governance Report and in the Notes to the consolidated financial statements were reported to us in financial year 2009.

According to the resolution adopted at the 2009 Annual General Meeting, the Board of Management is authorised to buy back shares of up to 10% of the registered share capital as well as to sell shares excluding statutory subscription rights.

Also by reason of resolution adopted by the 2008 Annual General Meeting, the authorisation was subject to the consent by the Supervisory Board for the creation of authorised capital by issuing shares of up to 50% of the Company's registered share capital, limited in term to 31 May 2012.

According to the joint resolution in principle by the Board of Management and the Supervisory Board of 24 May 2009, the Board of Management exercised this right on 19 July 2009 to carry out a capital increase against cash contribution from authorised capital. The new shares (34,552,000 non-par value shares) were offered to shareholders for subscription in a ratio of three old shares to one new share. The subscription price per new share was € 13.30. All subscribable new ordinary bearer shares without nominal value (non-par value shares having a notional nominal amount in the registered share capital of € 2.50) were fully entitled to participate in profits as of 1 January 2009, and all of them were placed. The Company generated gross proceeds of € 459.7 million from the capital increase. After deduction of the expenses made in connection with the capital increase, the net proceeds were € 444.8 million. Information on the breakdown of the subscribed capital of RHÖN-KLINIKUM AG as well as the direct and indirect equity interests in RHÖN-KLINIKUM AG of more than 10 per cent are moreover provided in the Notes to the consolidated financial statements.

The company purchase agreement relating to the acquisition of the 95% interest in Universitätsklinikum Gießen und Marburg GmbH as well as the contracts on the bond issuance in 2005 and the syndicated loan in 2006 contain provisions according to which, subject to the condition of a change of control as a result of a takeover bid, the Federal State of Hesse may demand a repurchase of the corporate interest and the bond and loan creditors may demand immediate repayment. Beyond that there are no agreements under which the Board of Management or employees may establish claims to compensation in the event of a company takeover.

The annual financial statements are drawn up in accordance with the provisions of International Financial Reporting Standards (IFRS) and audited in accordance with both national and international auditing standards. The half-year financial statement is subjected on a voluntary basis to a review by a statutory auditor in accordance with the same aforementioned principles. The annual financial statements of our subsidiaries are based on provisions of the German Commercial Code (HGB). When issuing auditor mandates, due care is taken to ensure the requisite independence of the auditors appointed. The audit mandate for the annual financial statements and for the half-year financial statements of the Group as

well as for the Group's ultimate parent company is issued by the chairman of the Audit Committee after due examination, in accordance with the resolutions of shareholders at the Annual General Meeting.

The chairman of the Board of Management and the board member responsible for Finance, Investor Relations and Controlling share responsibility for risk management. Responsibility for the Group-wide internal auditing system established on uniform criteria as well as for the Group-wide compliance activities is the responsibility of a division of the Board of Management specially established for these activities and acting on behalf of the chairman of the Board of Management.

Our fine-tuned system of Terms of Reference at all levels – including the boardroom, divisional directors, and managing directors at the subsidiary level – and that system's clearly defined reporting lines and approval duties are designed to ensure responsible corporate governance and controlling by the Board of Management as well as immediate transfer of information.

Compliance

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

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

For us and our value standards, a breach of our corporate principle is deemed comparable to corruption in terms of its seriousness. We try to ensure compliance with our company ethics primarily through pre-emptive and preventive anti-corruption activities as core elements of our compliance management system. In addition to information, training, and instruction of our employees, our binding principles for working together with industry, our instructions on procurement procedures and processes, our rules for employees regarding invitations to conventions and guidelines for use of third-party or research funds represent the key measures for preventing corruption within the Group.

The Anti-Corruption Committee is our consultative and supervisory body for the Board of Management and our Group-wide institution for clarifying cases or suspected situations of corruption and which also processes information provided on an anonymous basis. With this Committee we have a body that can, and where required also will respond to corruption with "zero tolerance".

Declaration on Corporate Governance

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

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

Medical quality

The principle that good medical practice is something that must not be left to chance but has to be ensured systematically as well as made manageable and transparent has been the guiding principle of all those responsible for the management of RHÖN-KLINIKUM AG ever since the Company was founded. We also follow this general principle with regard to our quality strategy.

The primacy of patient orientation is the main reason why our quality management significantly exceeds the statutory publication requirements of the German Social Insurance Code (SGB) in force since 2004. Though external reporting is an important matter of concern for us – if presented in comprehensible form it can provide patients with valuable information – the Group's hospitals first and foremost strive to gain knowledge and insights that help optimise and standardise the processes of diagnosing and treating patients.

The year 2009 was marked by the influenza epidemic. Consistent risk management as well as a carefully coordinated vaccination campaign formed a key part of the prevention efforts at the Group's hospitals. The success of these measures was seen in the above-average vaccination rate recorded at our Group hospitals compared with the national average. Moreover, we also stepped up systematic admission screening for MRSA patients as well as the "Clean Hands Initiative". Through the project groups, the hospitals regularly maintained a close exchange with one another. Among other things, this saw the further development of the Group-wide Critical Incident Reporting System (CIRS), a path-breaking scheme for recording and reporting so-called "near-miss incidents".

Our hospitals make the results of the quality measurements transparent by publishing these once a year in quality reports. With our quality management tools we not only identify opportunities for quality improvements but also potential operating risks.

In 2009 RHÖN-KLINIKUM AG, together with Asklepios Kliniken GmbH and Sana Kliniken AG, launched the initiative "Qualitätskliniken.de". The objective of this national quality initiative is to enable a better comparison of hospitals by selected indicators from the areas of medical care, patient safety, patient satisfaction and referrer satisfaction. The quality portal is above all concerned with providing all interested patients and doctors with an orientation basis on care in the participating facilities. The new indicators are to set novel and transparent standards in quality assessment.

Structure, processes and controls of accounting-related internal controlling and risk management system

Pursuant to section 289 (5) HGB and section 315 (2) no. 5 HGB, listed companies have an obligation as of financial year 2009 to provide a description of their accounting-related internal controlling and risk management system. Above and beyond the description of significant risks and their management provided in the management report, the key features of the internal controlling and risk management system will be described. In this context, these features are notably understood to comprise the way in which risks are controlled and monitored.

The accounting-related internal controlling and risk management system subject to the description duty is made up of those structures (structural organisation) as well as processes and controls (procedural organisation) which are relevant for the preparation of the annual financial statements for the RHÖN-KLINIKUM AG Group and for RHÖN-KLINIKUM AG itself on the balance sheet date.

From a legal viewpoint, the RHÖN-KLINIKUM AG Group has a largely decentralised organisation. Both the individual hospitals and the MVZ and service companies for the most part are constituted as legally and economically independent companies – as a rule in the form of a German limited liability company (GmbH). The Group's accounting process is organised in such a way that for each of the subsidiaries on each reporting date – i.e. monthly – a financial statement is prepared in the Group's own data centres based on a uniform Group-wide chart of accounts and a uniform Group-wide accounting program.

The financial statements are reported to the Group Accounting department approximately four working days after the end of the month. There the separate monthly 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. Of key significance in this regard are the changes in service volumes, revenues, costs and margins by comparison with the values of the previous year, the previous month and the planning calculations. For each subsidiary, detailed variation analyses are prepared

and control measures for reaching targets discussed. Subsidiaries that persistently fall short of their earnings and margin targets are placed under special and close monitoring of the entire Board of Management.

For the end of each quarter, consolidated financial statements are prepared. In this context, the information relevant for the purposes of the financial statements of the individual companies according to HGB and for the purposes of the consolidated financial statement according to IFRS are provided at the individual company level. 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 and an elimination of any intercompany profits. IFRS-relevant revaluations and/or reclassifications are performed at the Group level. The quarterly financial statements must be made available no later than 20 working days after the end of the quarter. For the half-year financial report derived from the quarterly financial statements, a period of 45 days for submission and for the annual financial statements a period of 120 days for submission is provided.

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

The Internal Auditing, Controlling and Finance departments are established as independent divisions separate from Group Accounting. These divisions constantly pass on their findings from the same databases that form the basis for the preparation of the annual financial statements and in this way indirectly monitor the financial statements prepared. The controls applied in this context, which depending on the specific case may be preventive or downstream, manual or automated, give due regard to the principles of segregation of functions and also of checks performed by a second person. The quarterly financial statements, the half-year financial statement and the annual financial statement are without exception submitted for review to the Audit Committee of the Supervisory Board. The findings of the Audit Committee are documented. Moreover, the Audit Committee also regularly engages the statutory auditor to conduct an accounting-related in-depth audit. Provided that the examinations by the Audit Committee and of the statutory auditor call for improvements in the Group accounting process, these are implemented without delay.

MANAGEMENT OF RISKS AND OPPORTUNITIES

Managing risks and opportunities is a key corporate task. For RHÖN-KLINIKUM AG and its subsidiaries it is firmly enshrined in the management structure – not least as a means of value enhancement. Our value-oriented corporate strategy gives equal regard to opportunities and risks, protects the interests of our shareholders and other capital market participants, and fully takes account of the legal requirement to have in place a system for early identification of risks jeopardising our corporate existence.

As a provider of healthcare services, we always regard the risk posed to the life and health of our patients as the greatest risk. We give measures that avoid such risk top priority. This involves continuously weighing up opportunities against the risks, since any medical intervention will expose patients to a – possibly even life-threatening – risk, but at the same time also holds out the prospect of recovery or at least an improvement in their quality of life.

The business model of RHÖN-KLINIKUM AG is growth-oriented. We see ourselves as the leader and trendsetter in privatisation. In this regard our business model establishes high standards in terms of quality and efficiency. When acquiring and then integrating new hospitals as well as establishing the outpatient structures we bring our entire experience and expertise to bear in securing our corporate goal of “qualified and sustained growth for achieving generalised healthcare delivery to the population”.

Through a qualified analysis we identify opportunities and risks of potential takeover projects. We decide only for those inpatient or outpatient projects whose

risks are acceptable and manageable while offering us opportunities for enhancing our corporate value. In this way we also indirectly secure our strategic market position and our corporate independence.

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

- Responsibility of each employee

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

- Integration of risk identification into business and work procedures

  Our clinical work and business procedures are oriented on the flow principle and provide for the obligatory use of division of labour, interfaces and the rotating of responsibilities along the treatment chain. This ensures the systematic identification of risks. We promote and train our employees in the responsible use of our working and business procedures. In this way we also achieve a responsible approach to risks and opportunities.

- Uniform and systematic Group-wide risk assessment and risk management

  In order to ensure efficient management of risks to uniform standards throughout the Group, we apply uniform and objectively comprehensible Group-wide procedures for evaluating the likelihood of a risk event occurring and the potential loss involved, the product of which enables the risk value to be determined.

  In addition to evaluating these two factors, suitable strategies and measures are employed to reduce risks. The primary objective of risk management is to minimise – and where possible avoid – risks while weighing these up against the opportunities they hold. Wherever possible we act to pre-empt, avoid or limit damages, or to make provision for these. For this purpose we avail ourselves of defined response mechanisms. When weighing up risks and opportunities, the interests of patients have top priority, since at the same time that is the best way of securing the Company's interests.

- Communication and transparency

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

RESULTS OF RISK EVALUATION FOR 2009

The evaluation of risks for financial year 2009 shows a continuation in the positive trend. The average Group-wide risk value declined once again compared with the previous year. We attribute this favourable development to system-internal control mechanisms. Each risk is subjected to an annual review in which already established countermeasures are optimised as new countermeasures are introduced where required.

In financial year 2009 we monitored a total of 248 (previous year: 240) single risks throughout the Group. The single risks are structured under the following risk areas:

- Group-specific risks
- Hospital-specific risks
  - general business and operator risks
  - nursing and medical field
  - patient management
  - safety risks
  - insurance
  - finance and accounting
  - EDP and telecommunication
  - personnel
  - materials management and investment
  - technology and equipment
- Real estate risks
- Risks relating to medical care centres (MVZs)
- Risks relating to service companies

For the likelihood of a risk event occurring and potential loss involved there are three levels (low, medium, high) with classifications ranging from one to three. The potential loss (also in levels one to three) is oriented on the size of the company. The risk value is calculated as the product from the likelihood of the risk occurring and potential loss involved and a value weighting of between one and nine. We classify risk values of less than 2.0 as small risks, and risk values of 6.0 or higher as high risks (i.e. ones that pose a threat to corporate existence).

No risks posing a threat to the Company's existence have arisen. We see no trends, either at the individual Group companies or within the Group itself, that jeopardise the Company's existence.

Focus in 2009

In financial year 2009 we turned our attention in particular to our contract management. Prompted by various corruption affairs relating to patient admissions and partnerships with doctors that have come to the public's attention of late, we reviewed all contracts to determine whether these firmly enshrine the binding principle of reasonable performance and corresponding consideration. At the same time we have ensured at all subsidiaries that reasonable and proper business practices are maintained in this regard also for the conclusion of future contracts. We are certain that the measures established within the Group have greatly boosted our resistance to such corruption attempts.

We also continued our measures started in the previous year for minimising risks at our outpatient facilities. In this regard we paid special attention to the observance of quality requirements at our newly established MVZs.

In the case of the service companies, the emphasis is on fulfilling the requirements of the Posted Workers Act (Entsendegesetz) and the statutory provisions on minimum wages established by it.

Throughout the Group we undertook efforts in the aforementioned areas to identify, communicate and establish effective countermeasures. Together with the activities of the Audit Committee and the Anti-Corruption Committee as well as the Internal Auditing department, we consider ourselves to be well prepared in this field.

In 2009 we also examined the general risk presented by the short- and medium-term impact of the financial markets crisis on our hospitals on our business model overall. We are convinced that in the short term we are affected only indirectly on account of the regulatory framework of the healthcare system. We also believe that in the medium term the impact on the public entities at all levels of government (local, state and federal) in the form of dramatically rising debt is more likely to hasten a restructuring of the healthcare system that meets our expectations. This does not exclude the possibility that we could also be affected by any changes in healthcare legislation. However, our robust asset and earnings position puts us in a better position to cope with these compared with our public competitors. That in turn could result in our growth being boosted.

With the capital increase carried out in financial year 2009 and the bond issued in the first quarter of 2010, we have absolutely secured the financial basis for continuing our growth course for several years.

The maturities and conditions of our debt instruments are well structured, and interest rates to a very large extent are secured at a low level in the long term. We do not have any dependencies on single lenders. We currently have available credit lines in the amount of roughly € 500 million. In the first quarter of 2010, we have once again covered our debt conversion requirement for 2010 at favourable interest rates in the long term. As a rule, we strive to secure long-term contracts.

We identify efficiency potentials at the individual hospital sites by preparing increasingly refined market and environment analyses. By means of master plans, these potentials are implemented in revenues and earnings. Thanks to our system for monitoring service volumes and earnings we also ensure during the year that we achieve our targets for the financial year. Stringent monthly variance analyses performed for service volumes, revenues and earnings decisively help us adhere to our forecasts.

RISK FIELDS

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

Macroeconomic and legal risks

We are for the most part unaffected by macroeconomic factors given our exclusive focus on the German healthcare market. Similarly, our exposure to interest rate developments, at least in the short and medium term, is very minimal thanks to our sound financial structures and interest hedging transactions.

We are indirectly affected by developments in the German economy since healthcare spending depends on contribution volumes of the insured and thus on the job market situation. This system fails to take account of demographic trends and the ongoing development of medical science. However, shortfalls can be compensated partially or wholly by federal allowances.

In Germany, the amount of remuneration, the procedure for negotiating with the payers of the system and the regime of government grants for investments – among other things – are regulated by law. Since the German healthcare market is characterised to a great extent by principles of social justice and the welfare state, the state and policymakers play a major role in many areas of regulation. Differing political objectives and needs can therefore directly and indirectly affect the legislative environment and thus also the economic conditions of healthcare providers. Changes in legislation relating to payments and benefits (remuneration/fee catalogues) can have positive as well as negative effects. These regulations relate to the nature and scope of the services provided as well as the amount of remuneration paid. Since the level of remuneration is oriented on the average cost structures in the sector, we view our prospects very favourably given our cost leadership.

Our existing facilities are less affected by tax revenues at the various levels of government (local, state and federal) since our investments are essentially financed out of our own funds and for the most part not by public grants. However, the effect of the improved funding, especially of the municipalities and districts, is that the deficits of publicly owned hospitals are more easily compensated. This in turn means that privatisation pressures decrease. Conversely, privatisation pressures increase when revenues at the various levels of government decline.

The care structures within the German health market are highly regulated by state control. Both the inpatient and outpatient sectors are subject to stringent planning and licensing rules. Planning commissions for inpatient healthcare delivery exist for each planning district – generally a city, municipality or district. Frequently, the hospital of a district or a city is the only full inpatient healthcare provider from the region. In the outpatient area the physicians' associations with their licensing commissions keep a watchful eye over the practice density of community-based practitioners.

In addition to state hospital planning, reviews under German cartel regulations are routinely performed in the case of business combinations. The superimposing of cartel-law provisions on the stipulations of the hospital requirement plans in the federal states sometimes ends up blocking sensible partnerships and networks between neighbouring healthcare regions. This legal dualism stifles potential quality improvements and cost control. Apart from the fact that this runs contrary to both the interests of patients and the efficiency of generalised healthcare delivery, the Group's further development is currently largely unaffected by the viewpoint taken by the cartel authorities.

Hospitals normally have personnel cost ratios of between 50% and 70%. This results in a dependence on wage developments. In Germany, remuneration structures are shaped by the trade unions "Marburger Bund" for doctors and "ver.di" for public service employees. Fundamental risks reside in the fact that the economy and wages do not necessarily develop in line with revenues in the healthcare system. Wage increases over the past years were routinely offset only partly by price increases for healthcare services.

Within our Group we have already created the necessary entrepreneurial freedom and independence from public-service collective bargaining law

through flexible working-time and compensation models. In the meantime we observe that a shortage of personnel is emerging particularly in the case of doctors and qualified nurses. Although the scope of academic and non-academic training capacities has not changed, many aspiring doctors and nurses do not find their way to hospitals or leave these facilities after only a few years in the profession. We will have to take account of this trend prospectively by adjustments in remuneration and by making these jobs more attractive.

In the area of material costs – in particular medical supplies – we have continued our efforts to streamline the number of both our suppliers and the products we procure. In doing so we have attached tremendous importance to not becoming dependent on single providers.

For years we have responded to rising energy prices by making efficient use of resources. In new hospital construction projects we attach great value from the outset on insulating the building in order to reduce expenditures on heating and air conditioning. As far as possible, we use efficient energy supply units to minimise the need for primary energy purchases. For purchasing electricity and gas, we exploit the advantages of a Group-wide purchasing network.

We have assigned services for cleaning and catering to competitive Group-owned subsidiaries that perform these services cost-efficiently. As further cost stabilising measures, we have begun expanding the exchange of service volumes between our subsidiaries in the area of medical product manufacture and diagnosis (cytostatics production, microbiology, laboratory testing, radiology and others). In this way we are able to make more efficient use of the Group's medical capacities.

Market or revenue risks

Since all approved hospitals in Germany are included under state hospital planning, they in effect enjoy state regulated protection in their respective catchment area. Classic market and revenue risks exist only where site closures are imminent due to revisions in state hospital planning or where the quality of medical care is considered to be significantly worse than surrounding hospitals. This cannot be seen at our sites.

Within a given region the dividing lines between outpatient and inpatient treatment are increasingly unravelling and giving way to integrated healthcare across sectors. We see this as providing opportunities for our hospitals. With flexibility and investment, we are escorting these structural changes constructively while minimising our risks.

Advances in medicine on the one hand allow for new forms of inpatient treatment, but on the other result in services hitherto performed by the hospitals being shifted to the outpatient area. For this reason we are forging ahead unrelentingly with the Group-wide transformation from traditional hospital operator to integrated provider of healthcare services.

Financial market risks

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

The Group has financial liabilities including negative market values of financial derivatives of € 864.6 million and interest-bearing assets of € 444.9 million. In principle, then, we are subject to interest-rate risks, but these are of minor significance overall.

At balance-sheet date, our non-current financial liabilities stood at € 820.9 million, of which € 285.4 million on conditions of fixed interest rates within a range of 1.43% to 5.60%. These rates are locked in until 2029. The risk of non-current financial liabilities totalling € 535.5 million at variable interest rates is limited by interest-rate hedging transactions. Financial derivatives other than for hedging purposes are not used.

No securities are held within the Group of RHÖN-KLINIKUM AG. No corresponding credit rating and share price risks exist.

Operating and production risks

High quality of treatment forms the basis for patients' trust in our work and at the same time ensures that operating and production risks are kept to a minimum. Treating patients involves complex

organisational processes characterised by division of labour. Whenever these processes are disrupted, this signals poor quality and risks for both patients and the hospital.

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

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

Hygiene in the hospital is essential when it comes to delivering flawless treatment to patients. New hospital buildings designed and realised by us meet the highest standards of hygiene and sterility. Where we take over hospital buildings as a part of new acquisitions, the related facilities are promptly upgraded and adapted to Group standards. Ongoing controlling and checks carried out by internal and external experts combined with the continuous training and higher-qualification measures for our staff ensure the highest standards of hygiene and sterility in our hospitals. A specialised team of the Group is on standby at all times to provide fast and qualified assistance to hygiene officers locally in the event of infection outbreaks.

We ensure the operating safety of our hospitals by keeping in readiness several independent power sources. These are graduated, adjusted to the likelihood of risk for patients. Our substitute (stand-by) energy sources undergo regular service trials at short time intervals, ensuring reliable availability in case of damage or failure (of the main network). With energy coverage gaps in public power grids becoming more common, we are increasingly also providing our hospitals with permanent operational readiness independent of public supply structures should the need arise.

That said, even the best preventive measures cannot completely exclude the possibility of mistakes, occasionally leading to complaints, which we take very seriously. We have developed a sophisticated complaints management system for targeted prevention and avoidance of mistakes. This also provides that the chairman of the Board of Management is informed about each and every patient complaint made in the hospitals, and in individual cases analyses complaints, taking corrective measures where necessary.

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

Procurement risks

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

By means of ongoing market and product monitoring we ensure that dependency on sole suppliers, single products and service providers does not occur. Potential risk from temporary dependence on innovative products is judged to be negligible across the Group. We regard the strict organisational separation of procurement and use as well as decentralised purchasing at each and every hospital site as indispensable means of countering corruption.

In the area of recruiting we rely like other hospitals on the "output" of the German education system. Here we observe that our education system still turns out a sufficient number of qualified physicians, but that fewer and fewer of them actually end up working in hospitals. This trend is probably accounted for by the declining social prestige, the overall remuneration and the mediocre opportunities for further and higher-qualification training as well as the working hours combined with high workloads. Until now we have been able to fill physician vacancies within the Group within a short time. Nonetheless, we are trying even

harder than before to satisfy the non-pecuniary wishes of physicians in terms of training, working time and attractiveness of workplace through Group-wide training networks, training centres, attractive working hours and modern workplaces.

In nursing and support functions, we have largely been able to cover our recruitment needs ourselves through our Group training and higher-qualification facilities. We train our junior commercial staff ourselves in the Group's training programmes for young executives or in collaboration with universities and colleges.

In the medium-to-long term also, we do not see any serious problems in acquiring and retaining qualified staff.

Performance and liquidity risks

The monthly, quarterly and annual reports by our subsidiaries are prepared promptly to uniform standards and analysed at Group level. Regular period-based and inter-operation comparisons of expenses, earnings, performance figures and other indicators enable us to identify undesirable developments early on in order to take action as appropriate and necessary. Monthly performance and liquidity analyses back up our published forecasts as well as our liquidity status.

Overall risk assessment

Based on our analysis of the overall risk position within RHÖN-KLINIKUM Group in financial year 2009, we have concluded that there are no risks that could endanger the existence of RHÖN-KLINIKUM AG or any of its subsidiaries. Compared with the two previous years, there has been a slight improvement in the overall risk position as defined by the various single risks.

CORPORATE SOCIAL RESPONSIBILITY

We see ourselves as a leading private hospital service provider committed to the highest standards of patient-oriented care combining the very best quality of service with good value for everyone at all times. We can only live up to this standard by orienting our entire activities not to short-term success but rather to sustainability. The initial investments generally made on hospital acquisitions to establish the basis for the quality of the acquired facilities are amortised as a rule over at least ten years and therefore have to be supported by sustained and reliable operator concepts oriented to the needs of patients. This is the only way that we can turn the acquisition of a hospital subsequently integrated into the Group into a success for all parties – public selling entity, patients within the region, employees and our shareholders.

Business models oriented on the long term need to be integrated into society, accepted by our staff and be in harmony with the environment. In this sense, though, we do not regard sustainability merely as the means for achieving continuous company growth but as a value to be desired in and of itself. Economic success is inseparably bound up with ecological and social responsibility. A healthcare system oriented to success in the long term without a sound working and living environment is inconceivable. With a view to the trust that patients, employees and investors have placed in us, we have committed ourselves to practising what we preach in the long term. Our business activity is therefore built up on a balanced and open relationship with our society and employees, as well as a circumspection and responsibility towards our environment.

Our responsibility to society

Our chief concern is to offer high-quality medical care that can be accessed and afforded by everyone. For this reason we are constantly seeking to further develop our proven healthcare delivery concepts which we regularly adjust to the changed requirements. We also discuss our ideas on this with all decision-makers in the healthcare system.

We also follow political reform projects constructively and critically, thus also making a contribution to society by helping preserve or improve our healthcare system. In this connection we above all rely on the individual responsibility of each individual to practise the sparing and efficient use of benefits under the system and to fight system-detrimental, bureaucratising and cost-driving developments. We are firmly convinced that inefficiency and waste is the highest form of anti-social, and thus unethical

behaviour. Since a desire to achieve profits can promote efficient behaviour, we regard the achievement of reasonable returns in the healthcare system as morally and ethically sound.

Our responsibility to the environment

Those who make the well-being of people the centre of their entrepreneurial activity within the healthcare system also have special responsibility in areas going beyond the immediate treatment of patients. From this we see it as our duty to be firmly committed to creating and preserving a healthy life and working environment.

Consistent and ongoing environmental management therefore represents a key element of RHÖN-KLINIKUM AG's corporate philosophy. That is why we endeavour at each of our hospitals to make sparing use of natural resources and to avoid adverse impacts on the environment. The most important tool for this is our Company-wide environmental and energy management system which we continuously further develop. An indispensable component is our Company-wide knowledge management in the environmental area, ensuring that a good idea at one site is adopted by the entire Group as best practice.

Particularly in the coming year, we will once again demonstrate our commitment to innovation for sustained environmental management: in 2010 a co-generation plant comprised of a high-temperature fuel cell, conventional motor combined-heat-and-power unit (CHP) and highly efficient absorption cooling generation will supply the university hospital in Gießen with energy. Funding under the "National Innovation Programme for Hydrogen and Fuel Cell Technology" has just been approved for this innovative project by the Federal Ministry of Transport, Building and Urban Affairs. Moreover, many construction projects slated for completion in 2011 are also under way at individual sites; the environmental benefits from these projects are expected to emerge starting in 2012.

Our responsibility to employees

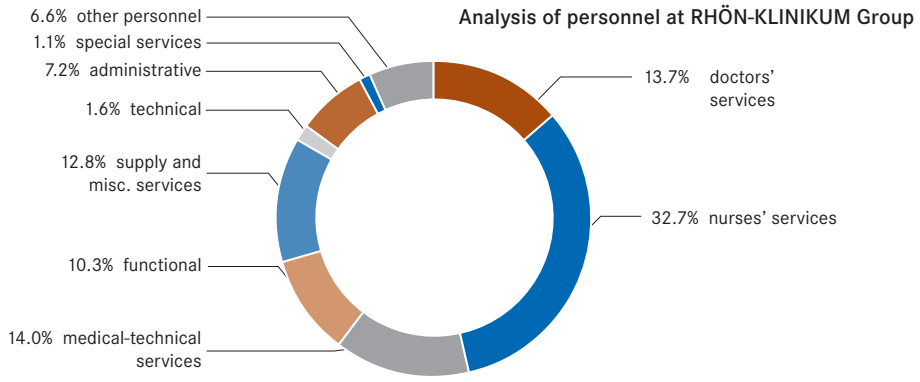
Human resources development is gaining increasing importance in the hospital sector as a tool of human resources management. Having highly qualified and motivated staff is key to the success of our Company and each of our hospitals. For us, continuous higher-qualification and further training together with the individual advancement of our employees are a vital investment in the future of our Group. We achieve this using a combination of both proven and innovative approaches. The focus of our human resources work is on comprehensive skills management extending from training to development of executive employees.

During the past year, RHÖN-KLINIKUM AG offered its employees a wide range of higher-qualification and further training measures. These were oriented on the professional group's current specific as well as interdisciplinary training needs. We continue to attach special importance to training qualified nursing staff. In addition, many employees from all professional groups completed further training or acquired additional qualifications in 2009. At over € 6 million, spending in 2009 exceeded the previous year's level by over € 1.1 million.

At our Group hospitals, having qualified and motivated doctors is crucial when it comes to working successfully for our patients. That is why the Board of Management of RHÖN-KLINIKUM AG has defined further training of our doctors as an essential factor of success and adopted a package of measures that will offer young doctors better development prospects.

At nearly all sites of RHÖN-KLINIKUM Group, doctors currently have the possibility of further qualifying as specialists in a specific field or in supplementary qualifications. The most extensive further training is provided by our university hospitals in Gießen and Marburg as well as our maximum-care hospitals. On 31 December 2009, there were a total of 844 further training authorisations at 53 facilities of RHÖN-KLINIKUM Group, more than two thirds of which are already based on the regulations of the new further training ordinances introduced by the regional medical associations.

To recruit our junior commercial executives, we work together closely with institutions of higher learning and increasingly offer targeted graduate programmes for specialists in the healthcare system as well as for qualified lateral hires. With Fachhochschule Gießen-Friedberg we have developed a professional-oriented



masters study programme open to our junior commercial executives.

RESEARCH, TEACHING AND DEVELOPMENT

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

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

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

CONSOLIDATED TREND

SITES, CAPACITIES AND SERVICES

With its 53 hospitals in Germany and a market share of approximately 3.5% with reference to capacities or revenues, RHÖN-KLINIKUM AG is a leading provider of acute-care hospital services, which accounts for around 97% of consolidated revenues and is rounded off at some sites by the offerings of our rehabilitation clinics. The establishment of outpatient medical care centres (MVZs) is in full swing. These latter two areas did not satisfy the size requirements for segment reporting in financial year 2009.

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

In addition to the hospitals at parent company headquarters in Bad Neustadt, other major sites are 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 MVZ companies are subsidiaries of a hospital company based in Bad Neustadt a. d. Saale, which is authorised to provide services within the meaning of German legislation applicable to doctors accredited by statutory health insurance bodies.

For the service companies, the ultimate Group parent functions directly as shareholder.

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

	Hospitals	Beds
As at 1 January 2009	**48**	**14,828**
MEDIGREIF group with sites in Burg, Boizenburg, Zerbst, Oschersleben, Vogelsang-Gommern	5	842
	53	**15,670**
Changes in approved beds at long-standing hospitals		59
As at 31 December 2009	**53**	**15,729**

As at 31 December 2009 our consolidated financial statement included 53 hospitals with 15,729 beds/places at a total of 42 sites in ten federal states. Only a minor change of 59 in acute inpatient approved beds, in line with the requirement budgets in the individual federal states, was recorded in financial year 2009.

We acquired the MEDIGREIF group, consisting of five basic-care hospitals with a total of 842 approved beds and two MVZ companies with six physician practices as well as a service company, on 31 December 2009 and included it in our consolidated financial statement on the same date.

	Approved beds/places		Change	
	2009	2008	absolute	%
Inpatient capacities				
acute hospitals	14,131	13,249	882	6.7
rehabilitation hospitals and other inpatient facilities	1,238	1,238	0	0.0
	15,369	14,487	882	6.1
Day-case and day-clinical capacities	360	341	19	5.6
Total	**15,729**	**14,828**	**901**	**6.1**

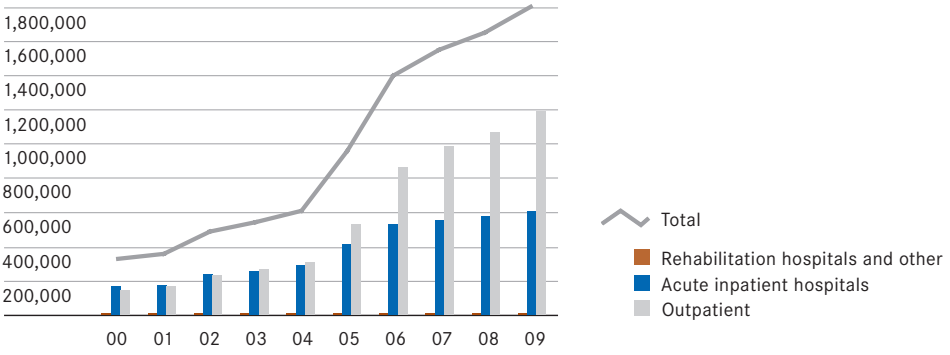
Our available capacities in the acute-care area (approved beds and places) increased on a yearly average by roughly 1.5%. Based on the rise in patient treatments by roughly 5.2% and a shortening in the duration of stay by 0.2 days to 6.8 days, the average occupancy rate of our acute capacities increased slightly from 82.1% to 82.6% over the year.

Capacity in the rehabilitation and other areas remained flat compared with the previous year at 1,238 beds. Occupancy in the rehabilitation and other areas averaged 86.8% (previous year: 87.3%) with an average duration of stay of 40.4 days (previous year: 32.3 days).

By 31 December 2009 we had opened or acquired a total of 26 medical care centres (MVZs) Group-wide with a total of 98 specialist doctor's practices at or near our hospital sites.

	Date	MVZs	Practices
As at 1 January 2009		**20**	**70**
Opened in Nienburg	1 January 2009	1	2
Opened in Wittingen	1 July 2009	1	2
Opened in Herzberg	1 October 2009	1	2
Opened in Cuxhaven	1 October 2009	1	3
Acquisition of MEDIGREIF group	31 December 2009	2	6
Extension at already existing MVZs		–	13
As at 31 December 2009		**26**	**98**

Number of cases (patients treated) at RHÖN-KLINIKUM Group



The expansion of our MVZ capacities with a total of four facilities put into service in 2009, two MVZs acquired as part of the MEDIGREIF group in 2009 and the expansion at existing MVZ facilities is moving ahead on schedule. As at 1 January 2010, we put into service three further MVZs with a total of seven specialist physician practices, and in existing MVZs we expanded capacities by a total of five physician practices, so that we started into financial year 2010 with a total of 29 MVZs and 110 physician practices.

Our service companies operated jointly with partners for provision of infrastructural services (i.e. cleaning, catering, domestic services, and others) reveal the following trend in the course of financial year 2009:

	Number of companies			Services within Group		
	Catering	Laundry	Building cleaning	Catering	Laundry	Building cleaning
As at 1 January 2009	**3**	**1**	**7**	**24**	**2**	**43**
Newly founded/ closed	0	0	0			
Orders executed in 2009				0	0	1
As at 31 December 2009	**3**	**1**	**7**	**24**	**2**	**44**

Since our service companies expanded their service offering for the Group's hospitals almost everywhere, Group-internal revenues rose by 24% to € 82.2 million.

			Deviation	
January to December	**2009**	**2008**	**absolute**	**%**
Inpatient and day-case treatments				
acute hospitals	603,987	574,158	29,829	5.2
rehabilitation hospitals and other facilities	9,713	9,862	–149	–1.5
	613,700	**584,020**	**29,680**	**5.1**
Outpatient attendances				
at our acute hospitals	974,312	927,721	46,591	5.0
at our MVZs	211,927	136,231	75,696	55.6
Total	**1,799,939**	**1,647,972**	**151,967**	**9.2**

In 2009 a total of 1,799,939 patients (+151,967 patients or +9.2%) were treated by the Group's hospitals and MVZs. Of this increase, patients treated on an inpatient and day-care basis account for roughly 19.5% and 80.5% to outpatient treatments. Excluding the hospital in Nordenham consolidated for the first time (from 31 December 2008) and Warburg consolidated for the first time for the full year (from 1 September 2008), as well as our MVZs at various sites, this leaves organic growth in patient numbers of 54,232 patients or 3.3%. Of this growth, 19,082 patients (+3.3%) are attributable to the inpatient area and 35,150 patients (+3.3%) to the outpatient area. At nearly all sites our organic growth outstripped that of the market.

January to December	**2009**	**2008**
Case revenue		
inpatient (€)	3,599	3,477
outpatient (€)	94	94

Whereas compared with the previous year per-case revenue rose by an average of 3.5% in the inpatient area, per-case revenues were flat in the outpatient area. The rise in the inpatient area results among other things from the end to discounts on revenues to finance integrated care models and the restructuring of the healthcare system (aggregate impact: one per cent), and from other revenue increases (rate of change in aggregate income of all health insurance fund members, various surcharges for developments in staff cost, and convergence gains).

	Number
As at 31 December 2008	**33,679**
Change in employees at hospital companies	1,549
Added from personnel taken over at MEDIGREIF	1,421
Added from personnel taken over at MVZ companies	105
Personnel added at service companies	128
As at 31 December 2009	**36,882**

On 31 December 2009, the Group employed 36,882 persons (31 December 2008: 33,679). This increase of 3,203 employees compared with the reporting date of 31 December 2008 consisted of 1,549 additional employees resulting from staff increases at our long-standing hospitals, 1,421 employees resulting from staff taken over with the MEDIGREIF group, 105 employees added as a result of staff changes at our MVZ companies, and 128 employees added as a result of increases at our service companies.

Doctors accounted for 13.7% (previous year: 13.9%) of the total headcount on the reporting date, while nursing and medical-technical staff accounted for 57.0% (previous year: 57.6%). In the financial year under review, we recorded an average 5.4% rise in full-time staff over the year. This increase is below the trend in service volumes – as measured in patient treatments (+9.2%) and revenues (+8.9%).

Statutory social security contributions and old-age pension expenses as a percentage of the wage bill amounted to 20.5% (previous year: 20.4%).

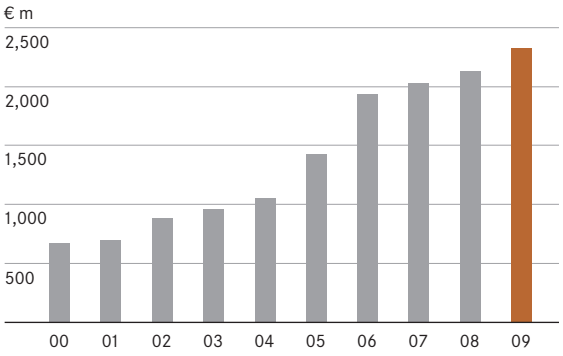
Business performance

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

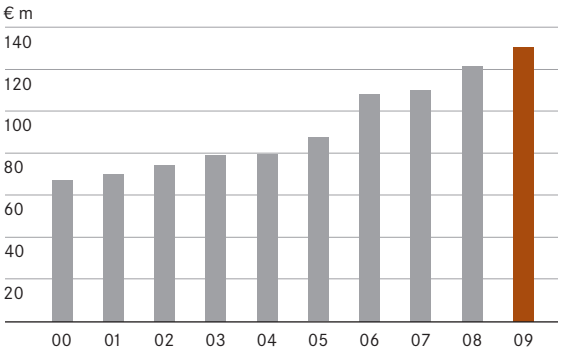
In financial year 2009 also, our hospitals took on and successfully managed the challenges of the regulated healthcare market in Germany. The increases in per-case revenues of 3.5% recorded in 2009 in the inpatient area did not quite suffice to offset rises in personnel and material costs. Only by raising service volumes – as measured in patient treatments – and by gains from restructuring, did our hospitals succeed in raising the earnings reported in their separate financial statements. However, that came at the price of lower margins. In addition, operating losses (EBIT) at the Bad Kissingen, Warburg and Nordenham sites in the aggregate amount of € 7.4 million (previous year: € 4.9 million) led to only moderate development in earnings and margins.

We have consistently further optimised processes at our MVZs. After completing their start-up phase, the MVZs made stable contributions to operating earnings of € 0.2 million (previous year: € –0.2 million). Nearly all sites have developed in line with our expectations. Our service companies posted a rise in earnings to € 0.5 million (previous year: € 0.3 million), thus developing in line with expectations.

Revenue



Net consolidated profit according to IFRS



REVENUES AND EARNINGS

Compared with the previous year we achieved efficiency gains throughout the Group, as measured by the € 9.9 million improvement in EBIT.

EBIT	2009	2008	Change	
January to December	€ m	€ m	€ m	%
Acquisitions in 2008	–5.1	–0.7	–4.4	N. A.
Acquisitions in 2007	1.3	0.5	0.8	160.0
Acquisitions in 2006	7.9	2.5	5.4	216.0
Acquisitions in 2005	28.7	23.3	5.4	23.2
Acquisitions in 2004	3.9	1.1	2.8	254.5
MVZ and service companies	0.7	0.1	0.6	N. A.
Other Group	167.8	164.7	3.1	1.9
EBIT of operating companies	205.2	191.5	13.7	7.2
Group management	–23.2	–19.4	–3.8	–19.6
Total	**182.0**	**172.1**	**9.9**	**5.8**

Earnings before interest and tax (EBIT) rose € 9.9 million or 5.8% versus the previous year. Our EBIT from operating companies rose by € 13.7 million or 7.2% to € 205.2 million, thus reaching 8.8% of revenues. This ratio (apart from the rise in the operating loss from the Bad Kissingen, Warburg and Nordenham sites) is almost exactly at the previous year's level (9.2%). The expansion of the Group's management, and in particular the expansion of the Board of Management, lowered consolidated EBIT in 2009 by € 3.8 million.

EBIT growth in the operating companies of € 3.1 million was generated at the long-standing hospitals (already consolidated in 2003) and of € 14.4 million at the hospitals consolidated from 2004 to 2007. As expected, the acquisitions carried out in financial year 2008 (Nordenham and Warburg) have not yet been able to make any positive contributions to consolidated earnings. However, the losses for the year of these two companies were already reduced by € 4.9 million to € 5.1 million. The site that posted the largest increase in EBIT (of € 4.4 million) was Universitätsklinikum Gießen und Marburg GmbH.

Our MVZ companies generated a positive EBIT of € 0.2 million (previous year: negative EBIT of € 0.2 million). Compared with the previous year, we generated an EBIT of € 0.5 million with our service companies (previous year: € 0.3 million).

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

	2009	2008	Change	
	€ m	€ m	€ m	%
Revenues	2,320.1	2,130.3	189.8	8.9
EBITDA	284.0	262.8	21.2	8.1
EBIT	182.0	172.1	9.9	5.8
EBT	158.7	142.9	15.8	11.1
Operating cash flow	238.3	213.8	24.5	11.5
Net consolidated profit	131.7	122.6	9.1	7.4

In financial year 2009, revenues rose by € 189.8 million or 8.9% to reach € 2,320.1 million (previous year: € 2,130.3 million) of which our acute and rehabilitation hospitals accounted for € 2,306.8 million (previous year: € 2,121.5 million) and our medical care centres (MVZs) for € 13.3 million (previous year: € 8.8 million).

In the inpatient area, the facilities in Warburg (consolidated for the first time as of 1 September 2008)

and Nordenham (consolidated for the first time as of 31 December 2008) acquired in the previous year accounted for € 24.6 million of the growth in revenue. The Group's long-standing hospitals increased their revenues by € 160.7 million (+7.6%), and the MVZs succeeded in expanding their revenues by € 4.5 million (+51.1%).

	2009 %	2008 %
Return on equity (after taxes)	11.4	14.4
Return on revenue	5.7	5.8
Cost of materials ratio	25.7	25.3
Personnel cost ratio	59.4	59.6
Depreciation and amortisation ratio	4.4	4.3
Other cost ratio	9.7	9.7
Tax rate	17.0	14.2

The decline in return on equity is attributable to the increase in equity resulting from the capital increase in the third quarter of 2009.

The decline in the personnel expense ratio from 59.6% to 59.4% reflects Group-wide restructuring successes and a disproportionately moderate increase in personnel at sites reporting an expansion in service volumes. Both effects were able to offset the wage developments in personnel costs which increased in disproportionate measure to the rate of change in the aggregate income of all health insurance fund members.

In the previous year we launched portal clinics in Miltenberg, Hammelburg and Wittingen as well as the paediatric clinic in Gießen. The amortisation charges recognised in relation to these facilities became effective in full for the first time in financial year 2009. To drive further growth, we continued to invest in medical equipment at all hospital sites, in particular at our university sites in Gießen and Marburg. For this reason, amortisation increased compared with the previous year by € 11.3 million or 12.5% to € 102.0 million. The amortisation ratio rose from 4.3% to 4.4%.

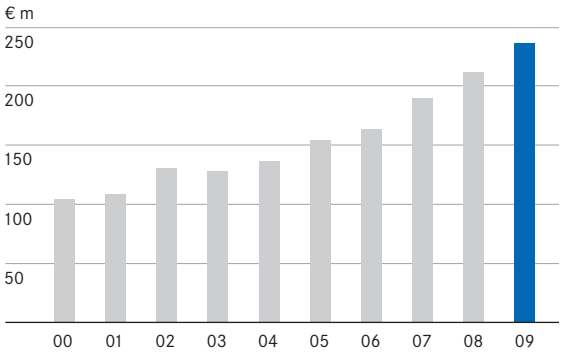
In financial year 2009 the tax ratio, at 17.0% (previous year: 14.2%), was back to a normal level. In financial year 2008, the recognition of tax income in connection with the capitalisation of loss carry-forwards eased the tax burden to the tune of € 4.2 million.

	2009 € million	2008 € million	Change € million	Change %
Materials and consumables used	595.2	539.9	55.3	10.2
Employee benefits expense	1,379.2	1,270.6	108.6	8.5
Depreciation	102.0	90.7	11.3	12.5
Other operating expenditure	224.9	206.3	18.6	9.0
Total	**2,301.3**	**2,107.5**	**193.8**	**9.2**

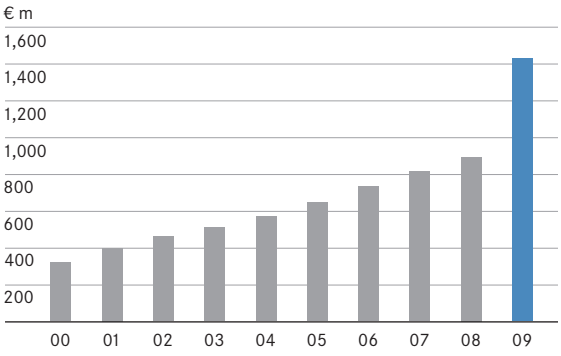
The cost of materials for 2009 contains additional expenses of € 8.1 million for the hospitals in Warburg and Nordenham included on a full-year basis for the first time. The MVZs commissioned during the financial year account for additional expenses of € 1.8 million. Excluding these expenses of € 9.9 million in the aggregate, the cost of materials rose compared with the previous year by € 45.4 million or 8.4%. Compared with the trend in revenues adjusted by consolidated effects (+7.5%), the rise in the cost of materials was disproportionate. As a result, the cost-of-materials ratio rose from 25.3% to 25.7%. This stems from rises in service volumes in operating areas characterised by a high material cost intensity and from the expansion of drug supplies to facilities outside the Group of which the sales proceeds are reported under "Other income".

The rise in the employee benefits expenses by € 108.6 million or 8.5% includes the initial effects (€ 22.5 million) of personnel expenses at St. Petri-Hospital Warburg GmbH, Wesermarsch-Klinik Nordenham GmbH as well as the MVZs commissionings incurred for the first time on a full-year basis. Adjusted for these consolidation effects, employee benefits expenses rose by € 86.1 million or 6.8%. Employee benefits expenses were slightly below the trend in revenues adjusted for consolidation effects (+7.5%).

Operating cash flow



Equity capital according to IFRS



Depreciation/amortisation/impairments increased compared with the previous year by € 11.3 million or 12.5% to € 102.0 million. This is attributable to portal clinics in Miltenberg, Hammelburg and Wittingen as well as the paediatric clinic in Gießen put into service in the course of financial year 2008. The depreciation attributable to these facilities was recognised in full in financial year 2009. To drive further growth, we continued to invest in medical equipment at all hospital sites, but in particular at our university sites in Gießen and Marburg.

The financial result decreased by € 5.9 million compared with the same period last year. Changes in the market values of financial instruments, which are recognised through profit or loss, increased expenses in financial year 2009 to € 1.2 million (previous year: € 4.2 million). Adjusted for the aforementioned effects and adjusted for the expense-reducing effect from the first-time recognition of construction-time interest amounting to € 2.7 million (previous year: € 0.4 million), the financial result improved compared with the previous year by € 0.6 million or 2.4%. This trend was attributable to the interest income realised from the investment of the proceeds from the capital increase from the middle of August 2009. 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 € 4.2 million.

Income tax expense rose by € 6.8 million to € 27.1 million (previous year: € 20.3 million) compared with the previous year. In the previous year the recognition of deferred tax for previous years had a tax-reducing effect of € 4.2 million. The remaining amount of the expense increase results from the correspondingly higher tax assessment basis.

Net consolidated profit rose by € 9.1 million (+7.4%) from € 122.6 million to reach € 131.7 million. After adjusting for non-operating earnings effects at the level of net consolidated profit (fair value of financial instruments, recognition of construction times and interest income from the interest realised on the investment of the proceeds from the capital increase), the increase in operating earnings was € 6.2 million. Excluding the negative impact on earnings recognised in 2009 of € 4.0 million from the hospitals in Nordenham and Warburg consolidated for the first time in 2008, that translates into an earnings increase of € 10.3 million and an operating consolidated profit of € 132.9 million (previous year: € 122.6 million).

The earnings share of minority interests rose by € 0.6 million to € 5.9 million. This was owing to the earnings performance in particular at our Dachau and Munich sites.

The interest of RHÖN-KLINIKUM AG shareholders in profit for 2009 rose by € 8.4 million or 7.2% to € 125.7 million (previous year: € 117.3 million) compared with the same period last year. This corresponds to earnings per share of € 1.07 (previous year: € 1.13) in accordance with IAS 33. The nominally unweighted earnings result – based on the number of ordinary shares after the capital increase – totals € 0.91 for financial year 2009 (previous year: € 0.85). Of this result, we plan to use € 41.5 million (previous year: € 36.3 million) to distribute a dividend of 30 cents (previous year: 35 cents).

ASSET AND CAPITAL STRUCTURE

	31 Dec. 2009		31 Dec. 2008	
	€ m	%	€ m	%
ASSETS				
Non-current assets	1,965.5	68.8	1,662.4	77.7
Current assets	893.0	31.2	478.5	22.3
	2,858.5	**100.0**	**2,140.9**	**100.0**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	1,422.9	49.8	889.3	41.5
Long-term loan capital	757.2	26.5	729.4	34.1
Short-term loan capital	678.4	23.7	522.2	24.4
	2,858.5	**100.0**	**2,140.9**	**100.0**

The balance sheet total rose by 33.5% to € 2,858.5 million compared with the previous year. Driven by investments and acquisitions, our non-current assets increased by € 303.1 million or 18.2% since the last balance sheet date. Current assets increased by € 414.5 million or 86.6% essentially as a result of the proceeds from the capital increase.

The equity ratio rose smartly from 41.5% to 49.8%. Equity now stands at € 1,422.9 million (previous year: € 889.3 million). The increase of € 533.6 million stems from the net consolidated profit of € 131.7 million less dividends paid to shareholders and minority interests in the amount of € 38.7 million and less the € 4.2 million impairment requirement for the effective portion of the interest-rate hedging instruments recognised directly in equity (cash flow hedge). Equity was moreover increased by net issuance proceeds from the capital increase in the amount of € 444.8 million. The negative market values of financial derivatives designated as interest hedging instruments are recognised at € 16.1 million in total (31 December 2008: € 11.9 million) as a deduction item after taking into account deferred tax.

Overall, 110.9% (previous year: 97.4%) of non-current assets are covered nominally by equity and non-current liabilities. At the reporting date, net financing debt to banks declined from € 605.8 million to € 400.4 million, in particular as a result of the capital inflow generated from the capital increase.

January to December	2009	2008
	€ m	€ m
Cash generated (+)/utilised (–) by operating activities	212.5	187.0
Cash generated (+)/utilised (–) in investing activities	–406.7	–254.8
Cash generated (+)/utilised (–) by financing activities	537.9	–20.0
Change in financing funds	**343.7**	**–87.8**
Cash and cash equivalents at 1 January	76.9	164.7
Cash and cash equivalents at 31 December	**420.6**	**76.9**

In financial year 2009, cash generated from operations amounted to € 212.5 million (previous year: € 187.0 million). The change primarily resulted from € 11.3 million higher depreciation/amortisation/impairments and the € 9.1 million higher net consolidated profit.

Cash used in investing activities amounting to € 406.7 million (previous year: € 254.8 million) was well above the previous year's level since during the reporting year a number of major investment projects were pursued and the MEDIGREIF group acquired as of 31 December 2009.

Cash generated from financing activities amounting to € 537.9 million (previous year: cash used in the amount of € 20.0 million) was in particular attributable (in the amount of € 444.8 million) to the capital increase.

Overall, net financing debt as the result of cash and cash equivalents and liabilities to banks was € 400.4 million as at 31 December 2009 (previous year: € 605.8 million). From the net proceeds of the capital increase of € 444.8 million, an amount of € 138.2 million had been expended on the reporting date for the acquisition of the MEDIGREIF group and to raise our interest in Amper Kliniken AG.

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 see finance management 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. Any temporary cash investments are performed on extremely conservative terms.

The next objective is to limit financial risks. These can 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 long-term 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.

With regard to the objective of profitability, we seek to optimise returns.

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

	Key financial ratios		
	Target value		
		2009	2008
Net debt to banks/ EBITDA	≤ 3	1.4	2.3
EBITDA/ net interest expenditure	≥ 6	12.2	9.0

Our internal financing strength has increased significantly. Compared with the same period last year, cash flow rose by € 24.5 million or 11.5% to reach € 238.3 million (previous year: € 213.8 million).

The Group's financial structures were boosted significantly as a result of the capital increase. As at the balance sheet date, we have available credit lines as well as liquidity available in the short term amounting to over € 500 million. Our medium-to-long-term financing requirement is monitored continuously, and negotiations relating to follow-on contracts are taken up well in advance.

Giving due regard to all the circumstances of financial year 2009, the Board of Management makes the following overall statement on the Group's economic position:

Nearly all of the Group's hospitals succeeded in raising their service volumes, earnings strength and efficiency in compliance with all existing market regulations. Thanks to the growth in internal financing and the expansion in the equity basis from the capital increase, the Company's financial stability has improved substantially. The initial basis for a significant growth phase has been created. Net financing debt stands at 16.6% and the equity ratio at 59.0% of the adjusted balance sheet total. The Group's better financial basis was recognised by the rating agency Moody's in February 2010 with an upgrade in the rating from Baa3 to Baa2.

INVESTMENTS

Aggregate investments of € 545.8 million (previous year: € 358.2 million) in financial year 2009 are shown in the following table:

	Use of grants	Use of own funds	Total
	€ m	€ m	€ m
Current capital expenditure	41.4	291.1	332.5
Hospital takeovers	90.0	123.3	213.3
Total	**131.4**	**414.4**	**545.8**

During financial year 2009, we invested a total of € 545.8 million (previous year: € 358.2 million) in intangible assets, in property, plant and equipment as well as in investment property. Of this total, € 131.4 million (previous year: € 79.3 million) relates to grants under the Hospital Financing Act (KHG) reflected as a deduction from costs.

In the consolidated financial statements we report net investments of € 414.4 million (previous year:

€ 278.9 million). Assets acquired on takeovers accounted for € 123.3 million (previous year: € 3.6 million) and current capital expenses for € 291.1 million (previous year: € 275.3 million) of total net investments during the year under review.

Investment for hospital takeovers was attributable entirely to the acquisition of the MEDIGREIF group. As at the balance sheet date there are still purchase price payments outstanding of € 0.5 million.

An analysis of investments in 2009 by region is given below:

	€ m
Baden-Wuerttemberg	8.1
Bavaria	50.0
Brandenburg	4.7
Hesse	121.8
Lower Saxony	81.7
Mecklenburg-West Pomerania	101.8
North Rhine-Westphalia	2.9
Saxony	23.6
Saxony-Anhalt	120.3
Thuringia	30.9
Total investment	**545.8**
Deduct: grants under KHG	131.4
Net investment	**414.4**

Under company purchase agreements we still have outstanding investment obligations of € 277.7 million until 2012. 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 2012.

ADDENDUM 2009

During the first two months of 2010, share prices for the most part moved sideways. The price of the RHÖN-KLINIKUM share remained stable within a range of € 17.18 – € 19.06. These fluctuations in the share price were disproportionately moderate compared with the DAX® and MDAX® indices.

The positive trend in service volumes of the year 2009 continued without interruption in the first two months of financial year 2010. We are firmly convinced that, assuming normal business performance also in 2010, we will generate organic growth in service volumes of up to 5% which may translate into revenues growth of up to 3%.

We steadfastly pursued our integration and restructuring efforts. With our subsidiaries we have begun to implement a list of binding measures to raise performance and efficiency.

On 18 February 2010 the rating agency Moody's, recognising our significantly improved financial base, upgraded the rating of RHÖN-KLINIKUM AG from Baa3 to Baa2. The rating was issued with a stable outlook.

On 4 March 2010, RHÖN-KLINIKUM AG successfully placed on the market a bond with a volume of € 400 million and a maturity of six years. The bond's coupon is 3.875% at an issue price of 99.575%. The issue proceeds will be used to refinance existing financial liabilities as well as for general company purposes. The bond was oversubscribed by more than twelve times. It was subscribed by 350 investors from over 25 countries.

A listing on the Luxembourg Stock Exchange is planned.

OUTLOOK

STRATEGIC OBJECTIVES

We wholly maintain our successful growth strategy with the goal of establishing a full-coverage healthcare network with integrated outpatient and inpatient structures in Germany. To this end we are striving to steadily expand and network our facilities in the outpatient and inpatient areas. We are seeking to gradually get closer to realising our goals through medical performance networks and partnerships. Our restructuring expertise as well as our innovative strength are the mainstays of our care and growth concept.

We will steadily work towards further developing our business model from that of a classic hospital operator to integrated healthcare provider. In this way we secure high-quality medical care within our hospital network, win the trust of patients and put ourselves in the position to achieve further increases in revenues and earnings. Within the bounds set by

legislation, organic growth is possible only with limits – generally up to 5%. We are realising our goal of establishing national, generalised outpatient and inpatient healthcare coverage primarily through acquisitions and partnerships.

In external growth we continue to follow our dual strategy of "competence and reliability in acquisitions" 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. We are seeking significant revenue growth driven by hospital acquisitions and at the same time are determined to forge ahead with the establishment of medical care centres (specialist MVZs), the construction of portal clinics and the expansion of hospital sites through acquisitions and co-operation schemes. Looking forward, we are seeking a market share of 8% on the German hospital market. Every patient in Germany should have no more than a one-to-two-hour journey to reach one of our healthcare facilities.

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

ECONOMIC AND LEGAL ENVIRONMENT

In 2010 we assume that the recession of 2009 in Germany has bottomed out and that gross domestic product (GDP) can be maintained at the current level or even slightly raised. This will depend to a decisive extent on the economic stimulus measures of 2009, due to be phased out gradually in 2010, being replaced by a self-sustaining economic development. For this it is not only necessary for domestic demand to stay more or less at the level of 2009 but also for exports to pick up again sharply.

On the employment market we expect a slight decline in employment. At the same time, tax revenue will fall sharply due to the lag in the effects from the downturn in the economy in 2008 and the tax cuts that will come into effect starting in 2010. Coupled with the sharp rise in spending to service the debt-financed economic stimulus programmes and to finance social expenditures, we believe this will result in a sharp rise in public debt. With regard to the trend in interest rates, we do not foresee any rise, at least not for the first two quarters of 2010. Nevertheless, interest premiums to reflect the credit risks of debtors will continue to be relatively high.

For the public healthcare segment we expect the long-standing trend in service volumes to continue, in which demographic developments alone will see a further steady rise in the demand for outpatient and inpatient healthcare service by roughly 1% to 2%. In 2010 revenues of the healthcare system are comprised of employee and employer contributions to social insurance, of co-payments of insured members charged for the first time and of state allocations to the centralised health fund. Currently the shortfalls compared with the expected expenditure volume are being put at around € 4 billion. That means that financial year 2010 will once again see only a moderate rise in prices for services, thus continuing the trend of steadily mounting pressures on providers as in past years. On the expenses side, the declining real prices will not be able to finance the increases in personnel costs on a massive scale that are looming on the horizon. Assuming that hospitals have exhausted their efficiency reserves, the already existing pressures on earnings and margins will increase even further. The survival of many public, non-profit and private hospitals will depend on the extent to which they will be able to cover deficits either from still existing liquidity and credit reserves or from the contributions of their owners or shareholders. With regard to public funding of hospital investments, we do not foresee any significant increases for 2010 either. The investment backlog put at some € 50 billion will persist. As a consequence of their lack of investment capacity, many hospitals will be denied the opportunity of reaping potential efficiency gains with the aid of rationalisation investments.

BUSINESS PERFORMANCE

RHÖN-KLINIKUM AG and its subsidiaries have made a successful start into financial year 2010. Patient numbers continue to rise steadily, and results achieved in the first months are in line with our targets.

For 2010 we expect further rising profit contributions from hospitals and university hospitals in the restructuring phase. As every year, our long-standing Group members are making every effort to achieve further organic growth from their own strength and to further improve their earnings position.

For 2010, we do not foresee significant improvements on the revenues side due to higher prices. Our subsidiaries are targeting organic growth of roughly 5% and assume that for this growth revenues of approximately 50% of standard remunerations can be achieved. These surplus revenues, together with restructuring and efficiency gains, can be used to offset cost increases and to a certain extent to still achieve additional profit contributions to boost earnings by roughly 5%.

Overall, though, we are confident that we will succeed in meeting the challenges of financial year 2010.

Not taking into account potential new acquisitions and assuming a moderate trend in wages, we expect revenues of roughly € 2.6 billion and a net consolidated profit of roughly € 145 million within a fluctuation range of plus or minus 5%. In financial year 2010, investments – excluding new acquisitions – will once again be at a high level.

On continuation of our growth strategy and on the assumption that the current legal regulations will still apply beyond 2010, our trend in revenue growth of approximately 3% and – assuming moderate wage agreements – approximately 5% in earnings will continue. That said, there is also the possibility of a protracted decline in social insurance contributions in the event of rising unemployment, which cannot be excluded. In that case it would not be possible for deficits to be offset from tax funds, forcing a further spate of austerity legislation starting in 2011 at the latest. That in turn could result in revenue losses accompanied by declines in earnings. Whether and, if so, to what extent these developments will be felt by the Group of RHÖN-KLINIKUM AG will depend decisively on the future success of our ongoing restructuring measures and our ability to innovate. We shall spare no efforts in offsetting any declines in earnings as they arise.

Bad Neustadt a. d. Saale, 26 April 2010

The Board of Management

Andrea Aulkemeyer	Dr. Erik Hamann	Wolfgang Kunz	Gerald Meder
Wolfgang Pföhler	Ralf Stähler	Dr. Irmgard Stippler	Dr. Christoph Straub


-0.6
-0.4
-400
-0.8
-600
-200
-0.2
-760
mm Hg
bar (100 kpa)
-1
0
GREGGERSEN

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2009

ASSETS	Notes	31 Dec. 2009 € '000	31 Dec. 2008 € '000
Non-current assets			
Goodwill and other intangible assets	7.1	341,719	250,276
Property, plant and equipment	7.2	1,599,861	1,387,012
Investment property	10.3.3	5,069	4,007
Income tax claims	7.3	17,149	18,776
Other assets	7.5	1,788	2,308
		1,965,586	**1,662,379**
Current assets			
Inventories	7.6	45,928	42,027
Accounts receivable, other receivables and other assets	7.7	377,546	331,985
Current income tax claims	7.8	24,567	17,971
Cash and cash equivalents	7.9	444,921	86,532
		892,962	**478,515**
		2,858,548	**2,140,894**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec. 2009 € '000	31 Dec. 2008 € '000
Shareholders' equity			
Subscribed capital	7.10	345,580	259,200
Capital reserve		395,994	37,582
Other reserves		634,597	549,315
Treasury shares		–76	–77
Equity attributable to shareholders of RHÖN-KLINIKUM AG		1,376,095	846,020
Outside owners' minority interests in Group equity		46,844	43,243
		1,422,939	**889,263**
Non-current liabilities			
Financial liabilities	7.11	697,904	658,282
Deferred tax liabilities	7.12	1,321	3,648
Provisions for post-employment benefits	7.13	10,987	9,465
Other liabilities	7.16	46,952	57,998
		757,164	**729,393**
Current liabilities			
Financial liabilities	7.11	166,734	48,758
Accounts payable	7.15	120,683	101,675
Current income tax liabilities	7.17	10,285	7,695
Other provisions	7.14	23,237	23,235
Other liabilities	7.16	357,506	340,875
		678,445	**522,238**
		2,858,548	**2,140,894**

CONSOLIDATED INCOME STATEMENT

1 JANUARY – 31 DECEMBER 2009

	Note	2009 € '000	2008 € '000
Revenues	6.1	2,320,089	2,130,277
Other operating income	6.2	163,241	149,192
		2,483,330	**2,279,469**
Materials and consumables used	6.3	595,203	539,863
Employee benefits expense	6.4	1,379,245	1,270,593
Depreciation/amortisation and impairment	6.5	101,996	90,680
Other expenses	6.6	224,888	206,256
		2,301,332	**2,107,392**
Operating profit		**181,998**	**172,077**
Finance income	6.8	4,828	7,591
Finance expenses	6.8	28,117	36,756
Financial result (net)	**6.8**	**–23,289**	**–29,165**
Earnings before tax		**158,709**	**142,912**
Income taxes	6.9	27,057	20,268
Net consolidated profit		**131,652**	**122,644**
of which attributable to			
Minority interests	6.10	5,931	5,345
Shareholders of RHÖN-KLINIKUM AG		125,721	117,299
Earnings per share in €	**6.11**	**1.07**	**1.13**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER 2009

	2009 € '000	2008 € '000
Net consolidated profit	**131,652**	**122,644**
of which attributable to		
Minority owners	5,931	5,345
Shareholders of RHÖN-KLINIKUM AG	125,721	117,299
Change in fair value of derivatives used for hedging purposes	–4,941	–14,217
Income taxes	782	2,250
Change in the amount recognised in equity (cash flow hedges)	**–4,159**	**–11,967**
Total value of changes recognised in equity	**–4,159**	**–11,967**
of which attributable to		
Minority interests	0	0
Shareholders of RHÖN-KLINIKUM AG	–4,159	–11,967
Total after-tax profit and value changes recognised in equity	**127,493**	**110,677**
of which attributable to		
Minority interests	5,931	5,345
Shareholders of RHÖN-KLINIKUM AG	121,562	105,332

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Subscribed capital	Capital reserve	Other reserves[1]	Treasury shares	Equity attributable of to shareholders of RHÖN-KLINIKUM AG	Minority interests of outside owners in Group equity[1]	Equity
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance at 31 Dec. 2007/ 1 Jan. 2008	**259,200**	**37,582**	**473,006**	**–77**	**769,711**	**41,120**	**810,831**
Equity transactions with owners							
Capital contributions/ disbursements	–	–	–	–	0	–	0
Dividend payments	–	–	–29,023	–	–29,023	–3,244	–32,267
Profit for the period and changes taken directly to equity	–	–	105,332	–	105,332	5,345	110,677
Other changes							
Changes in scope of consolidation	–	–	–	–	0	22	22
As at 31 Dec. 2008	**259,200**	**37,582**	**549,315**	**–77**	**846,020**	**43,243**	**889,263**
Balance at 31 Dec. 2008/ 1 Jan. 2009	**259,200**	**37,582**	**549,315**	**–77**	**846,020**	**43,243**	**889,263**
Equity transactions with owners							
Capital contributions/ disbursements	86,380	358,412	–	–	444,792	12	444,804
Dividend payments	–	–	–36,280	–	–36,280	–2,396	–38,676
Profit for the period and changes taken directly to equity	–	–	121,562	–	121,562	5,931	127,493
Other changes							
Changes in scope of consolidation	–	–	–	–	0	54	54
Issue of treasury shares	–	–	–	1	1	–	1
As at 31 Dec. 2009	**345,580**	**395,994**	**634,597**	**–76**	**1,376,095**	**46,844**	**1,422,939**

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

CASH FLOW STATEMENT

	Notes	2009 € million	2008 € million
Earnings before taxes		158.7	142.9
Financial result (net)	6.8	22.6	25.0
Depreciation/amortisation/impairment and gains/losses on disposal of assets	6.5	102.0	91.2
Non-cash valuations of financial derivatives	7.18	0.7	4.2
Other non-cash transactions	7.1	4.0	0.0
		288.0	**263.3**
Change in net working capital			
Change in inventories	7.6	–3.1	–1.4
Change in accounts receivable	7.7	–17.4	–4.8
Change in other receivables	7.7	4.1	21.3
Change in liabilities (excluding financial liabilities)	7.15	–3.5	–27.0
Change in provisions	7.14	1.1	0.0
Income taxes paid	6.9	–29.7	–31.8
Interest paid		–27.0	–32.6
Cash generated from operating activities		**212.5**	**187.0**
Investments in property, plant and equipment and in intangible assets	7.2	–285.9	–268.3
Purchase of securities		0.0	0.0
Sale of securities		0.0	9.5
Acquisition of subsidiaries, net of cash acquired	4	–128.8	–5.6
Sale of subsidiaries, net of cash disposed		0.0	–0.1
Sale proceeds from disposal of assets		3.2	2.1
Interest received		4.8	7.6
Cash used in investing activities		**–406.7**	**–254.8**
Proceeds from issuing long-term debt	7.11	195.0	160.0
Repayment of debt principal	7.11	–63.2	–147.8
Contributions from RHÖN-KLINIKUM AG shareholders		444.8	0.0
Dividend payments to shareholders of RHÖN-KLINIKUM AG	7.10	–36.3	–29.0
Dividends paid to minority owners	7.10	–2.4	–3.2
Cash used/generated in financing activities		**537.9**	**–20.0**
Change in cash and cash equivalents	7.9	343.7	–87.8
Cash and cash equivalents at 1 January		76.9	164.7
Cash and cash equivalents at 31 December		**420.6**	**76.9**

NOTES 2009

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1 GENERAL INFORMATION

RHÖN-KLINIKUM AG and its subsidiaries build, acquire and operate hospitals of all categories, primarily in the acute care sector. At some sites and for selected medical disciplines, rehabilitation services are also offered to complement existing acute inpatient offerings. The importance of the organisationally combined area of outpatient, day-clinical and basic care facilities is growing. We provide our services exclusively in Germany.

These inpatient and outpatient healthcare services are provided in a statutorily regulated market which is subject to strong political influences.

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.

After preparation and signing of the Consolidated Financial Statement by the Board of Management on 15 March 2010, the Board of Management adopted an amendment to the appropriation of profit and in this connection also a reduction in the amount allocated to retained earnings by € 4,146,960.00 to € 258,854.67 of RHÖN-KLINIKUM AG. In the Notes to the Consolidated Financial Statement the related items were amended accordingly.

2 ACCOUNTING POLICIES

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

2.1 Principles of preparing financial statements

The consolidated financial statements of RHÖN-KLINIKUM AG for the year ended 31 December 2009 have been prepared applying section 315a German Commercial Code (Handelsgesetzbuch – HGB) in accordance with International Financial Reporting Standards (IFRS) and the corresponding interpretations of the International Accounting Standards Board (IASB), which are the subject of mandatory adoption in accordance with the European Parliament and Council Directive number 1606/2002 concerning the application of international accounting standards in the European Union in financial year 2009.

The following Standards that came into force in 2009 as well as revisions of standards already adopted by the European Union were applied by RHÖN-KLINIKUM AG in financial year 2009 and will be applied in subsequent years as well:

- Collective standard “Improvements to IFRSs” (May 2008)
- IAS 1 “Presentation of Financial Statements”
- IFRS 8 “Operating Segments”
- Revisions of IFRS 4 and IFRS 7 “Financial Instruments: Disclosures”.

These did not have any impact on the net assets, financial position and results of operations.

As part of the “Annual Improvement Process” project, the IASB in May 2008 published the first collective standard for the amendment of various IFRSs. The Standard was adopted into European law by the European Union in January 2009 and is comprised of numerous smaller revisions of existing Standards. In this collective Standard, the IASB clarified that the disclosure of financial liabilities not primarily held for trading (e.g. derivatives which are not financial guarantees or designated hedging instruments) is governed by the general regulations of IAS 1.69 on the classification of liabilities as current or non-current. According to this, such liabilities are to be classified as non-current when their term is more than twelve months and they are

not expected to be recovered or settled within twelve months of the reporting date. Since 1 January 2009, RHÖN-KLINIKUM AG has therefore reported derivative financial instruments not designated as hedges as part of hedge accounting as either “current” or “non-current” depending on the maturity of the respective contract. The comparison periods were adjusted accordingly. The remaining amendments of IFRS as a result of the collective Standard did not have any material impact on the net assets, financial position and results of operations nor on the cash flow of RHÖN-KLINIKUM AG.

In September 2007 the IASB published a revision of IAS 1 “Presentation of Financial Statements”. The amendment of IAS 1 was adopted into European law by the European Union in December 2008. IAS 1 (revised) in some cases resulted in changes in the English-language terms of components of the financial statements. The terms “statement of financial position” (previously “balance sheet”) and “statement of cash flows” (previously “cash flow statement”) were introduced, which however are not the subject of mandatory adoption. In German translation the corresponding terms “Bilanz” (balance sheet) and “Kapitalflussrechnung” (cash flow statement) continue to be used. Moreover, the revision of IAS 1 provides that all changes in equity related to transactions with owners are to be presented separately from those changes in equity not related to transactions with owners. Income and expenditure are to be presented separately from transactions with owners either in a single financial statement component (comprehensive income statement) or in two statements (an income statement and an abridged comprehensive income statement). The individual components of the item “other income” can be presented either net (after taking account of the related tax impacts) or gross (before taking account of the related tax impacts and disclosure of the total of income tax on these components as a comprehensive amount). RHÖN-KLINIKUM AG decided in favour of the “two-statement approach” and presents its comprehensive income statement as one of two statements in its Consolidated Financial Statement as at 31 December 2009. The individual components of the item “other income” are presented on a gross basis. For each component of the expenses and income recognised directly in equity, the related tax impacts are stated in the comprehensive income statement. The changes in the presentation were also taken into account for the comparison periods.

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). With regard to the impacts of the new Standard on the Consolidated Financial Statements of RHÖN-KLINIKUM AG, we refer to the Notes in section 5 “Segment reporting” below.

In November 2009 the European Union made revisions to IFRS 7. These revisions are the subject of mandatory adoption from 1 January 2009. The revisions to IFRS 7 result in the requirement for more precise disclosures on measurement at fair value and on the liquidity risk for financial instruments. With the adoption of the revisions, a tabular breakdown for each class of financial assets based on a three-tier fair value hierarchy is introduced. The accounting entity must also provide additional disclosures on the reliability of the fair value measurement. The revisions refine and extend the existing requirements for disclosures on the liquidity risk of financial instruments. Companies are now required to state a maturity analysis separately by non-derivative and derivative financial liabilities, and the related disclosures on the management of liquidity risk have been modified.

IAS 23 (Revised) “Borrowing Costs”, which has been adopted by the European Union and is the subject of mandatory adoption from financial year 2009, was applied by RHÖN-KLINIKUM AG prospectively in advance already in financial year 2008.

The following revisions of Standards which have already been adopted by the European Union are the subject of mandatory adoption from 1 July 2009 and are of practical relevance for RHÖN-KLINIKUM AG from financial year 2009:

- IAS 27 (revised) “Consolidated and Separate Financial Statements”
- IFRS 3 (revised) “Business Combinations”.

Under the new IAS 27 (revised), the treatment of the purchase and/or sale of shares after acquisition with the possibility of control being maintained is subject to the mandatory application of the “economic entity

approach" according to which such minority transactions are to be regarded as business transactions with owners and recognised directly in equity. In the case of share sales resulting in the loss of control, any gain or loss on disposal is recognised through profit or loss. If shares continue to be held after loss of control, the remaining shares are measured at fair value. Moreover, losses attributable to minority interests that exceed their carrying amounts in future are to be presented as negative carrying amounts in the Group's consolidated equity capital.

The new IFRS 3 (revised) contains changed rules on the scope, purchase price components, treatment of minority interests and goodwill as well as on scope of the assets, liabilities and contingent liabilities to be recognised as part of business combinations. The standard also contains rules on accounting for loss carryforwards and on the classification of the acquiree's contracts. The amended standard introduces material changes in the definition of cost. For example, the adjustment of cost in the event of the purchase price agreement being dependent on future events is to be included in the determination of the purchase price at fair value on the acquisition date, regardless of the likelihood of the event occurring. Subsequent changes in the fair value of contingent purchase price components classified as liabilities are always recognised prospectively through profit or loss. In the case of successive share purchases, the standard requires adjustment of the previously held shares through profit or loss.

Depending on the nature and scope of future acquisitions and sales of companies, the changes will have an impact on the net assets, financial position and results of operations of RHÖN-KLINIKUM Group which cannot yet be assessed at the present time.

As far as can be seen at present, the following revised and newly published standards and interpretations which have already been adopted by the European Union are of no practical relevance for 2009 as well as subsequent financial years:

- Revision of IAS 32 and IAS 1 "Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation"
- Revision of IAS 32 "Financial Instruments: Presentation – Classification of Rights Issues"
- IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items"
- IAS 39 "Reclassification of Financial Assets: Effective Date and Transitional Provisions"
- Revision of IFRS 1 "First-time Adoption of International Financial Reporting Standards"
- Revision of IFRS 1 and IAS 27 "Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- IFRS 2 "Share-based Payment: Vesting Conditions and Cancellations"
- Revisions of IFRIC 9 and IAS 39, "Embedded Derivatives"
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"
- IFRIC 12 "Service Concession Arrangements"
- IFRIC 13 "Customer Loyalty Programmes"
- IFRIC 14 and IAS 19 "Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"
- IFRIC 18 "Transfers of Assets from Customers".

As far as can be seen at present, the following revised and newly published standards and interpretations which have not yet been adopted by the European Union are of practical relevance for 2010 as well as subsequent financial years:

- Collective Standard “Improvements to IFRSs” (April 2009).

In April 2009 the IASB published the second annual collective standard “Improvement to IFRSs” for making minor changes to IFRS. The objective of these changes is to clarify the content of the rules and to remove unintended inconsistencies between standards. A significant part of the changes is the subject of mandatory first-time adoption retroactively for financial years commencing on or after 1 January 2010. RHÖN-KLINIKUM AG is currently reviewing the precise impact in terms of accounting policies.

As far as can be seen at present, the following revised and newly published standards and interpretations which have not yet been adopted by the European Union are of practical relevance from financial year 2013:

- IFRS 9 “Financial Instruments”.

In November 2009, the IASB published the Standard IFRS 9 on the classification and measurement of financial assets. Under IFRS 9, the classification and measurement of financial assets is governed by a new, less complex approach. Under this new approach there are only two instead of four measurement categories for financial assets: measurement at fair value or measurement at amortised cost. In this regard, measurement at amortised cost requires the entity to hold the financial asset to collect the contractual cash flows and the financial asset to have contractual terms that give rise at specified dates to cash flows that exclusively represent payments of principal and interest on the principal outstanding. Financial instruments not satisfying these two conditions are to be measured at fair value. The classification is based on the company’s business model on the one hand, and on the characteristic properties of the contractual cash flows of the respective 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. According to the guidance of the IASB, IFRS 9 is the subject of mandatory adoption for financial years commencing on or after 1 January 2013. Earlier adoption is permitted. It is currently uncertain when the EU will adopt the Standard. RHÖN-KLINIKUM AG is currently reviewing the precise impact in terms of accounting policies.

As far as can be seen at present, the following revised and newly published standards and interpretations which have not yet been adopted by the European Union are of no practical relevance for 2010 as well as subsequent financial years:

- New version of IAS 24 “Related Party Disclosures”
- Revisions of IFRS 1 “Additional Exemptions for First-time Adopters”
- Revisions of IFRS 1 “Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters”
- Revisions of IFRS 2 “Group Cash-settled Share-based Payment Transactions”
- Revisions of IFRIC 14 “Prepayments of a Minimum Funding Requirement”
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”.

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

The preparation of the consolidated financial statements was based on historical cost, qualified by the financial assets and financial liabilities (including financial derivatives) recognised at fair value through profit or loss.

The consolidated financial statements will be approved for publication by the Supervisory Board on 27 April 2010.

2.2 Consolidation

2.2.1 Subsidiaries

Subsidiaries are all companies (including special-purpose entities) in which the Group exercises control over finance and business policy. This is normally accompanied by a share of more than 50.0% of the voting rights. When assessing whether the Group exercises control, the existence and impact of potential voting rights that are currently exercisable or convertible are considered.

Subsidiaries are included in the consolidated financial statements (full consolidation) from the date that the Group obtains control and are deconsolidated when the control ends. Acquired subsidiaries are accounted for using the purchase method.

As part of their first-time consolidation, assets, liabilities and contingent liabilities identifiable within the scope of a business combination are recognised separately at their fair values at the acquisition date.

The cost of the acquisition is measured as the fair value, at the transaction date (date of exchange), of assets given up, equity instruments issued, and liabilities incurred or acquired plus any costs directly attributable to the acquisition.

Any excess in the cost of the acquisition over the Group's interest in the fair value of the net assets is recognised as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the consolidated income statement.

For business combinations taking effect from 1 July 2009, we apply the revised provisions of IFRS 3 (revised). Under these, the cost of the acquisition is measured as the fair value, at the transaction date, of assets given, equity instruments issued, and liabilities incurred or acquired. These also contain the fair values of all recognised assets and liabilities resulting from a contingent consideration agreement. Costs relating to the acquisition are expensed as incurred.

For each company acquisition the Group decides on a case-by-case basis whether the non-controlling interests in the acquired company are recognised at fair value or based on the proportionate share in the net assets of the acquired company.

Consistent with past practice, Group-internal transactions and balances as well as unrealised gains and losses from transactions between Group companies are eliminated. To the extent necessary, the accounting policies of subsidiaries are adjusted to ensure application of uniform accounting principles within the Group.

2.2.2 Transactions with minority interests

Transactions with minority interests are treated like transactions with non-Group third parties. Sales of interests to minority interests result in a realisation of profits or losses in the consolidated financial statement. Accordingly, purchases of interests in minorities result in goodwill equal to the difference between the purchase price and the proportionate carrying amount of the subsidiary's net assets. This approach is consistent with the parent company model.

According to the economic entity approach applicable after 1 July 2009, transactions with minority interests are treated like transactions with equity investors. On acquisition of minority interests, the difference between the amount paid and the acquired share of the carrying amount of the subsidiary's net assets are recognised in equity. Profits or losses on the sale of minorities are likewise recognised in equity.

2.2.3 Associated companies and jointly controlled entities

Associated companies are those companies over which the Group has a substantial influence but over which it does not have control because the voting interest is between 20% and 50%. Investments in associated companies and jointly controlled entities (joint ventures) are accounted for using the equity method and initially recognised at cost. The Group's interest in associated companies and jointly controlled entities includes the goodwill arising on acquisition (less accumulated impairment losses).

The Group's interest in the profits and losses of associated companies or joint ventures is recognised in the income statement from the date of acquisition and the cumulative changes are offset against the carrying amount of the investment. If the Group's share in the loss of an associated company or joint venture is equal to or greater than the Group's share in this company including other unsecured receivables, no further losses are recognised unless the Group has entered into an obligation for the associated company or jointly controlled entity or has made payments for it.

Unrealised intercompany profits or losses from transactions between Group companies and associated companies or jointly controlled entities are eliminated on a pro rata basis if the underlying circumstances are material.

In an impairment test, the carrying amount of an equity-accounted company is compared with its recoverable amount. If the carrying amount exceeds the recoverable amount, an impairment equal to the difference must be recognised. If the reasons for a previously recognised impairment have ceased to exist, the impairment is reversed through the income statement.

The financial statements of equity-accounted investments are always prepared using uniform accounting principles within the Group.

Associated companies whose individual or overall impact on the net assets and results of operations is not material are not accounted for using the equity method but are included in the consolidated financial statements at the lower of cost or fair value.

2.3 Segment reporting

From financial year 2009, segment reporting is performed in accordance with IFRS 8 on the basis of the management approach, i.e. from the perspective of the Management. External reporting is based on internally applied control and reporting variables as well as reporting structures that are available to and used by the decision-makers.

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

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

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

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

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

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

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

2.4 Goodwill and other intangible assets

2.4.1 Goodwill

Goodwill is the excess of the cost of the company acquisition over the Group's interest in the fair value of the net assets of the acquired company at the acquisition date. Goodwill arising on acquisitions is allocated to intangible assets. Goodwill is subjected to an annual impairment test and measured at its historical cost less any impairment losses. Impairment losses are not reversed. Profits and losses arising on the sale of a company include the carrying amount of the goodwill allocated to the company sold.

For the purpose of the impairment test, goodwill is allocated to cash generating units. At RHÖN-KLINIKUM AG these correspond as a rule to the individual hospitals unless the related goodwill of co-operating units is monitored at a higher level.

2.4.2 Computer software

Purchased computer software licences are recognised at cost plus the cost of bringing them to their working condition. These costs are amortised over the estimated useful life (three to seven years, straight-line method), and are shown under "depreciation/amortisation and impairment" in the income statement.

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

2.4.3 Other intangible assets

Other intangible assets are recognised at historic cost and – if amortisable – amortised over their respective useful lives (three to five years) using the straight-line method. The cost is shown under "depreciation/amortisation and impairment" in the income statement.

2.4.4 Research and development expenses

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

2.4.5 Government grants

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

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

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

2.5 Property, plant and equipment

Land and buildings are reported under "Property, plant and equipment" and mainly comprise hospital buildings. In the same way as the other items of property, plant and equipment, they are measured at cost less any depreciation. Cost includes the expenditure directly attributable to the acquisition or construction of an asset as well as any overheads attributable to construction.

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

Land is not depreciated. All other assets are depreciated using the straight-line method, with costs being depreciated over the expected useful lives of the assets to their net book value as follows:

Buildings	33 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 income and the carrying amount and recognised through profit or loss.

2.6 Impairment of property, plant and equipment and intangible assets (excluding 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 at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

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

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

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

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

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

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

If no active market exists for financial assets or if these assets are not listed, the fair values are calculated using suitable measurement methods. These include references to recent transactions between independent business partners, the use of current market prices of other assets that are substantially similar to the asset under consideration, discounted cash flow methods, as well as option price models which make use as far as possible of market data and as little as possible of individual company data. At each balance sheet date it is reviewed 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 the Management. Derivatives are also included in this category provided they are not classified as hedges.

The category “held-for-trading” financial instruments under IAS 39 is also applicable for certain hedging instruments which are used for interest rate hedging in the RHÖN-KLINIKUM Group in accordance with management criteria, but for which hedge accounting has not been applied under IAS 39. These are derivative financial instruments such as interest rate swaps and options. Assets in this category are shown as current assets if they mature within the next twelve months.

2.7.2 Loans and receivables, held-to-maturity investments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are deemed to be current assets provided their maturity does not exceed twelve months from the balance sheet date. Assets whose maturity exceeds twelve months after the balance sheet date are recognised as non-current assets. Accounts receivable and other receivables are assigned to this category. As at the balance sheet date there were no held-to-maturity investments.

2.7.3 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either explicitly assigned to this category or could not be assigned to any of the other categories described. They are assigned to non-current assets provided that the Management does not have the intention of selling them within twelve months from the balance sheet date. As at the balance sheet date, there were no available-for-sale financial assets.

2.8 Investment property

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

If we retain beneficial ownership in leased assets as lessor (operating leases), 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 at RHÖN-KLINIKUM AG are materials and supplies. These are measured at the lower of cost (including transaction costs) and net realisable value. Cost of inventories is determined by the weighted-average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to sell.

2.10 Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost less impairments. An impairment of accounts receivable is recognised when there are objective indications that the receivable amounts owed are not fully recoverable. The amount of the impairment is recognised in profit or loss under the item "Other expenses". Major financial difficulties at a debtor and an increased probability of a debtor becoming insolvent may be indications of an impairment of accounts receivable. The amount of any impairment is determined on the basis of the difference between the current carrying amount of a receivable and the expected cash flows which are expected from the receivable.

2.11 Cash and cash equivalents

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

2.12 Shareholders' equity

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

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

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

In a cash flow hedge, the liabilities recognised on the balance sheet are hedged against future cash flow fluctuations. If a cash flow hedge exists, the effective part of the change in the value of the hedging instrument is recognised as a hedge reserve at equity without effect in profit or loss until recognition of the result from the hedged item. the ineffective portion or change in value of the hedging instrument is recognised through profit or loss in the income statement.

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

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

The full fair value of the financial derivatives designated as hedging instruments is shown as a non-current asset or non-current liability if the remaining life of the hedged item is longer than twelve months, and as a current asset or current liability if the remaining life is shorter.

For the recognition of changes in the fair values – recognition through profit or loss in the income statement or recognition directly in equity – it is decisive whether or not the financial derivative is included in an effective hedging relationship in accordance with IAS 39. If there is no hedge accounting or if portions of the hedging relationship are ineffective, the changes in fair values relating to such portions are immediately recognised through profit or loss in the income statement under finance income or finance expenses. On the other hand, if an effective hedging relationship exists, the hedging transaction is accounted for under hedge accounting in accordance with the rules of IAS 39.

The Group also enters into hedging transactions that not accounted for under hedge accounting but which effectively help hedge financial risk in accordance with the principles of risk management.

2.13 Financial liabilities

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

Non-current liabilities as well as financial liabilities are initially recognised at fair value less transaction costs. In subsequent periods they are measured at amortised cost; any difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is recognised over the term of the loan in the income statement under the financial result using the effective interest method. Loan liabilities are classified as current liabilities unless the Group has the unconditional right to postpone settlement of the liability to at least twelve months from the balance sheet date.

2.14 Deferred tax

Deferred tax is recognised using the liability method for all temporary differences between 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 partial retirement schemes. These obligations are valued in accordance with IAS 19 by an independent actuarial expert. The partial retirement benefits are recognised at the present value of the obligations. During the phase in which the employees continue to work, an outstanding settlement amount builds up at the company, as the employees do not receive the full payment for the work they perform during the work phase (block model). The 2005 G mortality tables of Professor Dr. Klaus Heubeck with a discount rate of 3.7% (previous year: 6.2%) have been used as a basis for calculating the value of the partial retirement obligations. A salary trend of 2.5% has also been assumed. The top-up amount is recognised immediately through profit-and-loss.

2.15.2 Termination benefits

Termination benefits are provided if an employee is made redundant before the normal retirement date or accepts voluntary redundancy in return for severance compensation, which includes top-up amounts from termination benefits under partial 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 capped under an agreed budget during the convergence phase (gradual transition until 2009 from hospital-specific base rates to uniform base rates at the federal state level). As a result, service volumes exceeding the budget and service volumes falling short of the budget are 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 with a credit rating of at least BBB+/Baa1.

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 2009, please refer to our comments under Note 7.7 "Accounts receivable, other receivables and other financial assets (current)". The maximum risk of default is equal to the aggregate amount of the financial assets (less impairment) recognised on the balance sheet. Counterparty risks from entering into financial transactions are minimised by adherence to rules and limits.

2.21.3 Liquidity risk

Careful liquidity management includes holding a sufficient reserve of cash, having the possibility of obtaining finance for an adequate amount under agreed credit lines, and being able to raise liquidity from market issuances. Given the dynamic nature of the market environment in which the Group operates, our objective is to maintain the necessary flexibility in finance matters by having sufficient credit lines available and access to the capital markets at all times. In order to ensure the Group's ability to act at all times, a minimum strategic liquidity of cash and free, immediately available credit lines is held. A liquidity report is prepared daily for monitoring liquidity risk. Short- to medium-term liquidity planning calculations are also carried out.

2.21.4 Interest rate risk

Interest rate risk results from uncertainty about future developments in the level of interest rates and affects all interest-bearing items as well as interest derivatives. RHÖN-KLINIKUM AG is therefore always exposed to interest rate risks.

Of the Group's financial liabilities, 33.8% (previous year: 45.8%) were subject to a fixed interest rate and 66.2% (previous year: 54.2%) were subject to a floating interest rate as at the balance sheet date. Interest rate derivatives are used in the Group of RHÖN-KLINIKUM AG to minimise the interest rate risks in view of the existing and planned debt structure. 78.8% of cash at banks (previous year: 1.1%) 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.
- In respect to their market value and cash flows, derivatives are exposed to risks attributable to interest rate changes.

If the level of the market interest rates had been 100 basis points higher as at the balance sheet date, the financial result would have been € 0.8 million higher. If the level of market interest rates had been 100 basis points lower, the financial result would have been € 0.5 million lower.

The theoretical impact of rising interest rates on the financial result is attributable to the potential effects of the floating-interest liabilities (€ –0.3 million), the effects attributable to the floating-interest cash at banks (€ 0.6 million) as well as the impact attributable to the change in value of derivatives (€ 15.7 million).

The theoretical impact of an ad hoc fall in interest rates on the financial result is attributable to the effects of the floating-interest liabilities (€ 0.3 million), the effects attributable to the floating-interest cash at banks (€ –0.5 million) as well as the effects attributable to the change in value of derivatives (€ –15.3 million). If the level of the market interest rates had been 100 basis points higher or lower on 31 December 2009, shareholders' equity would have been € 15.3 million higher or € 15.0 million lower, respectively.

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 110.9% in the year under review (previous year: 97.4%). Long-term appropriation of funds relates to financial assets and property, plant and equipment. Although given our personnel cost ratio of more than 50% we are frequently attributed to the services sector, our business model has a long-term focus and is initially investment-driven. We intend to ensure that at least 35% of capital expenditure is sustainably backed by equity. As at 31 December 2009, this ratio at the Group level was 49.8% (previous year: 41.5%).

We also manage Group growth by way of appropriate equity measures through resolutions on the appropriation of profits for the consolidated companies. With regard to retaining parts of the net income, we continue to focus on the equity ratio at the Group level.

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

With regard to the use of debt, we focus on the following management ratios for minimising risks. Our aim is to achieve a maximum three-fold multiple for the ratio between net debt to banks (= financial liabilities less cash and cash equivalents) and EBITDA and to achieve a maximum six-fold multiple for the ratio between EBITDA and net financial result.

Net debt must not exceed three times (3.0) EBITDA of € 284.0 million (previous year: € 262.8 million). The maximum limit in financial year 2009 would be € 852.0 million (previous year: € 788.4 million). This ratio was met in the year under review, with a ratio of 1.4 (previous year: 2.3).

The financial result from the consolidated income statement multiplied by a factor of six must not be more than the figure of EBITDA for the financial year. For financial year 2009, EBITDA was € 284.0 million and the financial result was € 23.3 million. The resultant ratio of 12.2 (previous year: 9.0) provides considerable further credit scope, and an additional cushion can be provided for interest rate increases.

The Group's capital charges are closely linked to all of the above-mentioned ratios, so that any differences would result in a deterioration in credit terms.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

- The planning parameters taken as a basis of the impairment test for goodwill
- Assumptions made in determining pension obligations
- Assumptions and probabilities for determining provision requirements
- Assumptions relating to the credit risk of accounts receivable

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

3.1 Estimated impairment of goodwill

To determine goodwill at fair value less costs to sell, the operating cash flows of the individual hospitals were discounted at the weighted average cost of capital (WACC) after tax of 6.9% (previous year: 7.1%). Based on this calculation, no impairment requirement was ascertained. Key assumptions having a substan-

tial influence on fair value less costs to sell are WACC and the average EBIT margin. See page 149 for average growth in revenues and average EBIT margin. For the cash generating units, the recoverable amount is equal to the carrying amount, starting from an assumed cost of capital of 7.7% (previous year: 8.2%).

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. DRGs are measured nationally on a uniform basis through the DRG catalogue. The measurement ratios are reviewed and adjusted each year by Institut für das Entgeltsystem im Krankenhaus GmbH (InEK).

If the actual volumes exceed or fall short of the agreed total budget, only the additional variable costs are paid or saved variable costs deducted, using fixed rates. 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 2009, we adhered strictly to the legal framework in our accounting. We assume that the agreements for 2009 will not have any negative impact on the result in 2010.

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 101 subsidiaries in Germany of which 95 are fully consolidated, as well as a joint venture accounted for using the equity method.

During the financial year under review, one business combination was effected as a share deal:

Initial consolidation parameters	Acquisition date	Interest acquired %	Cost			Share of profit/loss since inclusion in consolidated financial statement	
			Purchase price cash € million	Transaction costs € million	Total € million	Revenue € million	Earnings € million
MEDIGREIF group	31 Dec. 2009	100.0	116.2	0.0	116.2	0.0	0.0
Total acquisitions consolidated in 2009 for the first time			**116.2**	**0.0**	**116.2**	**0.0**	**0.0**

By notarised agreement dated 11 November 2009, we acquired a 100% interest in the MEDIGREIF group consisting of five basic-care hospitals with a total of 842 approved beds, two MVZ companies with six physician practices as well as a service company. The MEDIGREIF group is included in the consolidated financial statement from 31 December 2009.

The first-time consolidation of the acquired companies took place when control was obtained. At this time, all material conditions for implementation of the conditions agreed in the purchase price had been satisfied and no other obstacles to implementation could be identified. The purchase price allocation is preliminary because the final purchase price has not yet been determined.

Based on the preliminary purchase price allocation, the inclusion of the MEDIGREIF group impacted on the Group's net assets as follows:

MEDIGREIF group	Carrying amount before acquisition € million	Adjustment amount € million	Fair value after acquisition € million
Acquired assets and liabilities			
Intangible assets	1.2	–0.3	0.9
Property, plant and equipment	24.8	3.7	28.5
Accounts receivable	8.3	0.0	8.3
Cash and cash equivalents	13.6	0.0	13.6
Other assets	2.4	0.0	2.4
Minority interests	–0.1	0.0	–0.1
Financial liabilities	–6.0	0.0	–6.0
Accounts payable	–8.9	0.0	–8.9
Provisions	–0.3	0.0	–0.3
Other liabilities	–10.8	–5.4	–16.2
Net assets acquired			**22.2**
+ goodwill			94.0
Cost			**116.2**
– purchase price payments outstanding			–0.5
– acquired cash and cash equivalents			–13.6
Cash outflow on transaction			**102.1**

From the acquirer's perspective, hidden liabilities were realised in the acquired intangible assets and property, plant and equipment of the MEDIGREIF group. Adjustments of € –0.3 million were made to intangible assets and adjustments of € –2.3 million to buildings, subject to customary useful lives applied in the Group. There were also adjustments of € 0.3 million to land and property and of € 5.7 million for the capitalisation of finance leases. The adjustments for other liabilities amounting to € 0.3 million relate to the above realisation of hidden liabilities and reserves on land and property and the related allocation to deferred tax liabilities. Furthermore, liabilities from finance leases of € 5.7 million were reported under "Other liabilities".

If the acquisition of the MEDIGREIF group had already taken place with effect from 1 January 2009, consolidated revenues would have amounted to € 2,411.9 million and net consolidated profit € 137.5 million.

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 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:

	2009 € million	2008 € million
Business areas		
Acute hospitals	2,265.2	2,080.0
Medical care centres	13.3	8.8
Rehabilitation hospitals	41.6	41.5
	2,320.1	**2,130.3**
Regions		
Bavaria	486.5	462.1
Lower Saxony	388.5	344.0
Saxony	316.6	287.0
Thuringia	293.2	269.2
Brandenburg	107.7	103.4
Baden-Wuerttemberg	117.2	111.1
Hesse	530.8	488.8
North Rhine-Westphalia	50.2	36.6
Saxony-Anhalt	29.4	28.1
	2,320.1	**2,130.3**

In financial year 2009, revenues rose by € 189.8 million or 8.9% to reach € 2,320.1 million, of which our acute and rehabilitation hospitals accounted for € 2,306.8 million (previous year: € 2,121.5 million) and revenues generated by our medical care centres (MVZs) for € 13.3 million (previous year: € 8.8 million). In the inpatient area, the facilities in Warburg and Nordenham acquired in the previous year accounted for € 24.6 million of the growth in revenue.

The Group's long-standing hospitals increased their revenues by € 160.7 million (+7.6%) and the MVZs succeeded in expanding their revenues by € 4.5 million (+51.1%).

6.2 Other operating income

Other operating income comprises:

	2009 € million	2008 € million
Income from services rendered	130.2	119.2
Income from grants and other allowances	13.2	11.9
Income from reversal of impairment of receivables	5.3	3.3
Indemnities received	1.5	1.1
Other	13.0	13.7
	163.2	**149.2**

Income from services rendered includes income from ancillary and incidental activities as well as income from rental and lease agreements. The rise results from higher sales of drugs and is attributable particularly to Universitätsklinikum Gießen und Marburg GmbH.

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

Of the increase in other operating income, € 5.3 million is attributable to consolidation effects (first-time consolidation of St. Petri-Hospital Warburg GmbH on 1 September 2008, of Wesermarsch-Klinik Nordenham GmbH on 31 December 2008, as well as the commissioning of the MVZ companies).

6.3 Materials and consumables used

	2009 € million	2008 € million
Cost of raw materials, consumables and supplies	493.2	449.8
Cost of purchased services	102.0	90.1
	595.2	**539.9**

Compared with the previous year, the cost of materials increased by € 55.3 million to € 595.2 million. The rise results from the sharp increase in purchased goods for the production of cytostatics. Of the increase in materials and consumables used, € 9.9 million or 17.9% is attributable to consolidation effects (first-time consolidation of St. Petri-Hospital Warburg GmbH on 1 September 2008, of Wesermarsch-Klinik Nordenham GmbH on 31 December 2008, as well as the commissioning of the MVZ companies).

6.4 Employee benefits expense

	2009 € million	2008 € million
Wages and salaries	1,144.5	1,055.5
Social insurance contributions	92.3	82.8
Expenditure for post-employment benefits		
defined contribution plans	140.2	130.5
defined benefit plans	2.2	1.8
	1,379.2	**1,270.6**

Expenses for defined contribution plans concern payments to the supplementary insurance funds (ZVK) and to the federal and state pension scheme (VBL). The defined benefit plans relate to the benefit commitments of Group companies, and comprise commitments for retirement pensions, invalidity pensions and pensions for surviving dependants as well as severance payments for members of the Board of Management after termination of the employment relationship.

Employee benefits expenses include a figure of € 0.8 million for severance payments.

Of the increase in employee benefits expenses, € 22.5 million is attributable to consolidation effects (first-time consolidation of St. Petri-Hospital Warburg GmbH on 1 September 2008, of Wesermarsch-Klinik Nordenham GmbH on 31 December 2008, as well as the commissioning of the MVZ companies). Adjusted for the above consolidation effects, employee benefits expenses rose by € 86.1 million or 6.8%.

6.5 Depreciation/amortisation and impairment

This item includes amortisation of intangible assets and depreciation of property, plant and equipment and investment property. Of the increase in depreciation/amortisation and impairment, € 4.0 million or 35.4% is attributable to consolidation effects (first-time consolidation of St. Petri-Hospital Warburg GmbH on 1 September 2008, of Wesermarsch-Klinik Nordenham GmbH on 31 December 2008, as well as the commissioning of the MVZ companies). Moreover, the impact of the portal clinics commissioned in the course of financial year 2008 in Miltenberg, Hammelburg and Wittingen, as well as the paediatric clinic in Gießen in financial year 2009, was felt in full, as were the investments in medical equipment at all hospital sites, in particular at the university sites in Gießen and Marburg.

6.6 Other expenses

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

	2009 € million	2008 € million
Maintenance	75.2	67.9
Charges, subscriptions and consulting fees	54.0	51.9
Administrative and IT costs	19.4	18.9
Impairment on receivables	8.7	6.4
Insurance	10.4	10.2
Rents and leaseholds	10.7	9.1
Travelling, entertainment and representation expenses	6.4	6.1
Other personnel and continuing training costs	10.8	8.5
Losses on disposal of non-current assets	0.6	1.1
Secondary taxes	1.0	0.8
Other	27.7	25.4
	224.9	**206.3**

6.7 Research costs

Our research costs relate primarily to process optimisations in the area of inpatient hospital care and not to making marketable products. The research results are therefore generally produced as a result of or in objective connection with the activities of healthcare provision. For this reason, differentiating and measuring these in isolation is possible only to a very limited extent. Depending on the volume of costs to be attributed to research activities, we estimate our annual research expenditure to be within a range of 0.5% to 3.0% of our revenues. They are primarily accounted for by personnel expenses and other operating expenses. As part of the takeover of the two university and scientific sites Gießen and Marburg, we committed ourselves to provide funding to the two medical faculties in an amount of at least € 2.0 million p.a.

6.8 Financial result – net

The financial result is shown as follows:

	2009 € million	2008 € million
Finance income		
Bank balances	3.4	7.6
Other interest income	1.4	0.0
	4.8	**7.6**
Finance expenses		
Bond	4.0	4.0
Liabilities to banks	21.7	28.1
Losses from change in fair values of financial derivatives	1.2	4.2
Other interest expenses	1.2	0.5
	28.1	**36.8**
	-23.3	**-29.2**

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

During the financial year, borrowing costs of € 2.7 million (previous year: € 0.4 million) were incurred which arose from financing the acquisition/production of qualifying assets and were recognised in additions to property, plant and equipment. An average interest rate of 3.8% (previous year: 4.6%) was used, which reflects the Group's general costs of borrowing from banks.

The ineffective portion of the measurement gains or losses for hedge accounting shown under losses from the change in fair values of financial derivatives amounts to € 0.1 million.

Other interest expenses include the share of losses of joint ventures amounting to approximately € 6,000.

In accordance with IAS 17 (Leases), finance leases are reported under property, plant and equipment, and the interest component of € 0.4 million included in the leasing instalments is shown under the "Other interest expenses".

The net interest income under IFRS 7 for financial assets and liabilities which are not included in the category "financial assets and liabilities shown at fair value in profit and loss" amounted to € 25.3 million in financial year 2009 (previous year: € 25.7 million), and comprises income of € 4.0 million (previous year: € 6.6 million) and expenses of € 29.3 million (previous year: € 32.3 million).

6.9 Income taxes

Income taxes consist of the corporate income tax including the solidarity surcharge, and to a lesser extent of trade tax. This item also includes deferred taxes resulting from differences between the carrying amount and the tax base as well as from consolidation adjustments and expected realisable tax loss carry-forwards which, as a rule, have no expiry date.

Income tax comprises the following:

	2009 € million	2008 € million
Current income tax	28.2	26.8
Deferred taxes	–1.2	–6.5
	27.0	**20.3**

Income tax expense rose by € 6.7 million to € 27.0 million year-on-year (previous year: € 20.3 million). The income tax burden stood at 17.0% (previous year: 14.2%).

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

	2009		2008	
	€ million	%	€ million	%
Earnings before taxes	**158.7**	**100.0**	**142.9**	**100.0**
Nominal tax expense (tax rate 15.0%, previous year 15.0%)	23.8	15.0	21.4	15.0
Solidarity surcharge (tax rate 5.5%)	1.3	0.8	1.2	0.8
Additional expense from dividend payment	0.6	0.4	0.6	0.4
Increase in tax liability due to non-deductible charges	0.2	0.1	0.2	0.1
Taxes, previous years	1.2	0.8	0.9	0.6
Trade tax	0.9	0.6	0.2	0.2
Goodwill amortisation	–0.5	–0.3	–0.5	–0.3
Recognition of loss carry-forwards	–5.3	–3.3	–4.9	–3.4
Derecognition of previous loss carry-forwards	3.1	2.0	1.0	0.7
Other	1.7	1.1	0.2	0.1
Effective income tax expense	**27.0**	**17.0**	**20.3**	**14.2**

Further details of how deferred tax has been allocated to assets and liabilities are given in the Notes to the consolidated balance sheet. The rise under the “Other” item results from non-recurring tax effects recognised in the previous year as an increase in income.

6.10 Profit attributable to minority interests

This is the share of profit attributable to minority shareholders.

6.11 Earnings per share

Earnings per share are calculated using the net consolidated profit and the weighted average number of shares outstanding during the financial year.

The following table sets out the development in ordinary shares outstanding:

	No. of shares on 1 Jan. 2009	No. of shares on 31 Dec. 2009
Non-par shares	103,680,000	103,680,000
New shares from capital increase	0	34,552,000
Treasury shares	–24,257	–24,000
	103,655,743	**138,208,000**

For further details, please refer to the disclosures on shareholders’ equity (Note 7.10).

Earnings per share are calculated as follows:

	Ordinary shares
Share in net consolidated profit (€ ’000)	125,711
(previous year)	(117,299)
Weighted average number of shares outstanding, in thousands	117,571
(previous year)	(103,656)
Earnings per share in €	1.07
(previous year)	(1.13)
Dividend per share in €	0.30
(previous year)	(0.35)

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 2009	**235.2**	**34.1**	**269.3**
Additions due to change in scope of consolidation	94.0	0.7	94.7
Additions	0.0	8.1	8.1
Disposals	6.0	0.1	6.1
Transfers	0.0	0.3	0.3
31 December 2009	**323.2**	**43.1**	**366.3**
Cumulative amortisation and impairment			
1 January 2009	**0.0**	**19.0**	**19.0**
Depreciation	0.0	5.7	5.7
Disposals	0.0	0.1	0.1
31 December 2009	**0.0**	**24.6**	**24.6**
Carrying amount at 31 December 2009	**323.2**	**18.5**	**341.7**

	Goodwill € million	Other intangible assets € million	Total € million
Cost			
1 January 2008	**242.6**	**27.5**	**270.1**
Additions due to change in scope of consolidation	1.6	0.0	1.6
Additions	0.0	6.8	6.8
Disposals	9.0	0.6	9.6
Transfers	0.0	0.4	0.4
31 December 2008	**235.2**	**34.1**	**269.3**
Cumulative amortisation and impairment			
1 January 2008	**0.0**	**14.5**	**14.5**
Depreciation	0.0	5.0	5.0
Disposals	0.0	0.5	0.5
31 December 2008	**0.0**	**19.0**	**19.0**
Carrying amount at 31 December 2008	**235.2**	**15.1**	**250.3**

The item “Other intangible assets” primarily includes software.

Of disposals of goodwill in financial year 2009 amounting to € 6.0 million, € 4.0 million results from retrospectively recognised deferred tax assets from loss carry-forwards, which could not be reliably measured when the business combinations were first accounted for and thus did not satisfy the criteria for separate recognition in accordance with IFRS 3.37, and € 2.0 million (previous year: € 9.0 million) from the adjustment of contingent purchase price liabilities for acquisitions performed in previous years.

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 relating 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 it is reviewed 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 2009.

We tested goodwill of the newly acquired companies for impairment as at 31 December 2009 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 2009, we have defined this discount rate at 6.85% (previous year: 7.08%). Significant goodwill relates to the following cash generating units:

Company	31 Dec. 2009 € million	31 Dec. 2008 € million
Universitätsklinikum Gießen-Marburg GmbH	137.5	137.5
MEDIGREIF group	94.0	–
Zentralklinik Bad Berka GmbH	13.8	13.8
Klinikum Hildesheim GmbH	10.5	13.6
St. Elisabeth-Krankenhaus GmbH	9.1	9.1
Klinikum Salzgitter GmbH	8.6	8.6
Krankenhaus Waltershausen-Friedrichroda GmbH	6.2	6.2
Klinikum Pirna GmbH	6.0	6.0
Klinikum Pforzheim GmbH	5.8	5.8
Amper Kliniken AG	5.2	5.2
Kreiskrankenhaus Gifhorn GmbH	3.6	5.6
Other goodwill of less than € 5.0 million	22.9	23.8
	323.2	**235.2**

For the planning period 2010–2020 (previous year: 2009–2019), average revenue growth of the companies accounting for the main portion of goodwill is in the range of 2.4% to 3.6% (previous year: 2.4% to 4.3%).

The EBIT margins of the companies range from 5.1% to 18.8% (previous year: 4.6% to 20.0%) during the planning period.

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

- EBIT declines by 5%
- EBIT declines by 10%.

As a result of the sensitivity analysis we were able to determine that, giving due regard to the above assumptions, no impairment requirement existed for the goodwill.

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

7.2 Property, plant and equipment

	Land and buildings € million	Technical plant and equipment € million	Operating and office equipment € million	Plant under construction € million	Total € million
Cost					
1 January 2009	**1,330.9**	**60.5**	**400.6**	**167.3**	**1,959.3**
Additions due to change in scope of consolidation	20.0	0.3	6.8	0.1	27.2
Additions	45.4	3.7	58.5	175.5	283.1
Disposals	0.5	0.2	16.3	0.1	17.1
Transfers	32.9	2.1	8.8	–44.1	–0.3
31 December 2009	**1,428.7**	**66.4**	**458.4**	**298.7**	**2,252.2**
Cumulative depreciation and impairment					
1 January 2009	**324.1**	**34.9**	**213.3**	**0.0**	**572.3**
Depreciation	39.3	4.3	52.5	0.0	96.1
Disposals	0.1	0.1	15.9	0.0	16.1
31 December 2009	**363.3**	**39.1**	**249.9**	**0.0**	**652.3**
Carrying amount at 31 December 2009	**1,065.4**	**27.3**	**208.5**	**298.7**	**1,599.9**

	Land and buildings € million	Technical plant and equipment € million	Operating and office equipment € million	Plant under construction € million	Total € million
Cost					
1 January 2008	**1,221.1**	**51.4**	**334.0**	**100.7**	**1,707.2**
Additions due to change in scope of consolidation	1.5	0.0	0.5	0.0	2.0
Additions	55.5	7.8	78.3	126.9	268.5
Disposals	1.6	0.7	15.5	0.2	18.0
Transfers	54.4	2.0	3.3	–60.1	–0.4
31 December 2008	**1,330.9**	**60.5**	**400.6**	**167.3**	**1,959.3**
Cumulative depreciation and impairment					
1 January 2008	**288.5**	**31.8**	**181.6**	**0.0**	**501.9**
Depreciation	35.8	3.9	46.0	0.0	85.7
Disposals	0.2	0.7	14.4	0.0	15.3
Transfers	0.0	–0.1	0.1	0.0	0.0
31 December 2008	**324.1**	**34.9**	**213.3**	**0.0**	**572.3**
Carrying amount at 31 December 2008	**1,006.8**	**25.6**	**187.3**	**167.3**	**1,387.0**

The Group has registered charges on real property as collateral for bank loans with a total net book value of € 38.5 million (€ 55.5 million). The financial liabilities secured by registered charges on real property as at the balance sheet date was € 16.3 million (previous year: € 42.4 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 (KHG) and which was invested in line with the applicable conditions totals € 808.2 million (previous year: € 767.9 million). To secure conditionally repayable single grants under the Hospital Financing Act (e.g. for the construction of new hospitals or major extensions) totalling € 233.1 million (previous year: € 236.9 million), the Group holds registered charges on real property in the amount of € 443.6 million (previous year: € 428.8 million). There are no reasons to assume that these grants will have to be repaid.

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

	31 Dec. 2009 € million	31 Dec. 2008 € million
Cost of assets capitalised under finance leases	14.3	8.6
Cumulative depreciation	8.6	6.6
Net carrying amount	5.7	2.0

7.3 Income taxes receivables

Corporate income tax netting credits shown under this item comprise claims in accordance with section 37 Corporate Income Tax Act (KStG) (latest version) which will be paid out in equal annual instalments during the period between 2010 and 2017. They are shown at their present value of € 17.1 million, and are messured on the basis of a historical interest rate of 4.0% which is commensurate with the term.

7.4 Equity-accounted investments

By notarised agreement dated 22 January 2009, we founded a joint venture together with Stadtwerke Gießen for the operation of a fuel cell to supply energy to the University Hospital of Gießen. The investment in the company is accounted for using the equity method. The Group holds the following proportionate shares:

Balance sheet data for equity-accounted investment	31 Dec. 2009 € million
Non-current assets	0.3
Current assets	0.3
Non-current liabilities to shareholders	0.5
Current liabilities	0.1
Shareholders' equity	0.0
Pro rata equity attributable to RHÖN-KLINIKUM AG	0.0
Other	0.0
Carrying amount from equity-accounted investments	**0.0**

Profit or loss data have not been provided because they are not material for the earnings position of the Group in 2009.

7.5 Other assets (non-current)

	31 Dec. 2009 € million	31 Dec. 2008 € million
Equity investments	0.2	0.2
Other assets	1.6	2.1
Carrying amount	**1.8**	**2.3**

Interests in joint ventures of approximatley € 6,000 are reported under investments on the grounds of materiality.

Other minor companies in which we hold an interest of between 20.0% and 50.0% are not consolidated. In general, they are shown at amortised cost. This is also applicable for the other financial assets.

7.6 Inventories

Raw materials, consumables and supplies of € 45.9 million (previous year: € 42.0 million) mainly consist of medical supplies. Impairment losses of € 5.0 million (previous year: € 4.6 million) have been deducted. All inventories are owned by RHÖN-KLINIKUM Group. There are no assignments or pledges of inventories.

7.7 Accounts receivable, other receivables and other assets (current)

	31 Dec. 2009 < 1 year € million	31 Dec. 2008 < 1 year € million
Accounts receivable (gross)	328.1	302.3
Impairments on accounts receivable	–19.0	–19.0
Accounts receivable (net)	309.1	283.3
Receivables under hospital financing law	17.2	18.1
Advance payments on acquisition of interest	22.4	0.0
Other receivables	28.8	30.5
	377.5	**331.9**

Allowances recognised on accounts receivable (net) totalling € 309.1 million (previous year: € 283.3 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 from 1 January 2010. However, given the joint and several liability of the payers we regard the risk of default as low.

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

Advance payments made for the acquisition of equity interests exclusively relate to advance payments for the acquisition of a 20% interest in Amper Kliniken AG.

Other receivables include reimbursement claims against insurers for loss events in the amount of € 3.7 million (previous year: € 3.5 million). No impairment losses or reversals of impairment losses were recognised on other receivables.

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

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

	Carrying amount	of which: neither impaired nor due on reporting date	of which: not impaired on the reporting date and due within the following periods		
	€ million	€ million	0–30 days € million	31–90 days € million	91–180 days € million
31 December 2009					
Accounts receivable	328.1	261.7	28.3	9.9	4.4
31 December 2008					
Accounts receivable	302.3	236.2	20.7	9.3	5.8

With regard to the accounts receivable in the amount of € 261.7 million (previous year: € 236.2 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.

Compared with the previous year, the allowances relating to accounts receivable were unchanged at € 19.0 million. Excluding the consolidation effect (first-time consolidation of the MEDIGREIF group as at 31 December 2009), the allowance relating to accounts receivable would have been € 0.6 million lower and would amount to € 18.4 million.

Accounts receivable were derecognised through the income statement in the amount of € 3.8 million in financial year 2009 (previous year: € 3.4 million). Settlement mechanisms in accordance with the Hospital Remuneration Act (KHEntgG) partially compensated for these defaults. Inflows of € 1.1 million (previous year: € 1.0 million) were recognised in the income statement in relation to previously derecognised accounts receivable.

7.8 Current income taxes receivable

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

7.9 Cash and cash equivalents

	31 Dec. 2009 € million	31 Dec. 2008 € million
Cash with banks and cash on hand	78.8	58.4
Short-term bank deposits	366.1	28.1
	444.9	**86.5**

The effective interest rate for bank balances was 1.3% (previous year 2.9%). These deposits have an average term of 72 days.

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

	31 Dec. 2009 € million	31 Dec. 2008 € million
Cash and cash equivalents	444.9	86.5
Bank overdrafts	–24.3	–9.6
	420.6	**76.9**

The proceeds from the capital increase, less the cost of the MEDIGREIF group acquisition and the advance payment for the acquisition of the interest in Amper Kliniken AG, resulted in an increase in short-term bank balances shown under cash and cash equivalents.

7.10 Shareholders' equity

The capital increase from authorised capital announced on 24 May 2009 was implemented on 6 August 2009 after a two-week placement phase. After the capital increase, 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	Notional interest in the share capital €
Ordinary shares as at 1 January 2009	**103,680,000**	**259,200,000**
Changes in 2009	34,552,000	86,380,000
Ordinary shares as at 31 December 2009	**138,232,000**	**345,580,000**

The registered share capital of RHÖN-KLINIKUM AG can be increased by way of an issue of new shares in return for cash contributions. After implementation of the above capital increase, RHÖN-KLINIKUM AG as at 31 December 2009 had an authorised capital of € 43,220,000 (31 December 2008: € 129,600,000) which can be issued up to the amount of € 43,220,000 on one or several occasions until 31 May 2012. The Board

of Management is also authorised, with the approval of the Supervisory Board, to define further details with regard to implementing capital increases from authorised capital. During the financial year under review, the registered share capital of RHÖN-KLINIKUM AG was increased within the scope of the authorised capital by € 86,380,000 to € 345,580,000.

As part of the capital increase, RHÖN-KLINIKUM AG received proceeds of € 373.3 million in the reporting year. After deducting the costs of the capital increase amounting to € 14.9 million, capital reserves stood at € 396.0 million (previous year: € 37.6 million).

The other reserves at the balance sheet date comprise the earnings generated in prior years of companies included in the consolidated financial statements, to the extent that these earnings have not been paid out to shareholders, as well as effects of consolidation adjustments amounting to € 650.7 million (previous year: € 561.3 million). 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 2009 a total of € 16.1 million (previous year: € 11.9 million) was allocated from hedging relationships to “Other reserves” which resulted in a reduction in equity.

The Annual General Meeting held on 10 June 2009 decided to authorise the Board of Management for a period of 18 months from the date of adoption of the resolution, subject to the consent of the Supervisory Board, to purchase treasury shares up to a total amount equal to no more than 10% of the current registered share capital in accordance with section 71 (1) no. 8 of the Stock Corporation Act (AktG). This authorisation may be used on one or several occasions, to the full extent of repurchases thereby authorised or to a lesser extent. The aggregate of treasury shares purchased for other reasons and held by RHÖN-KLINIKUM AG, or attributable to it in accordance with sections 71a et seq. AktG, and treasury shares repurchased by virtue of this authorisation of 10 June 2009 must not exceed ten per cent of the registered share capital in any one period.

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 2009	**24,257**
Changes in 2009	–257
Treasury shares as at 31 December 2009	**24,000**

In accordance with the provisions of the German Stock Corporation Act (AktG), the amount of dividends distributable to shareholders is based on the net distributable profit shown in the annual financial statements of RHÖN-KLINIKUM AG which are prepared in accordance with the German Commercial Code (HGB). Within the framework of its responsibilities, and as part of the process of preparing the annual financial statements, the Board of Management paid amounts from net income into retained earnings, and calculated these amounts in such a way that the remaining cumulative profit precisely corresponds to the proposed dividend payment of 30 cents (previous year: 35 cents) per share.

During the last annual general meeting, the shareholders approved the proposal of the Board of Management so that an actual dividend payment of 35 cents (previous year: 28 cents) was made in financial year 2009.

The Board of Management and the Supervisory Board therefore propose to the Annual General Meeting that the net distributable profit of RHÖN-KLINIKUM AG of € 41.5 million (previous year: € 36.3 million) should be used completely for paying out a dividend of 30 cents per ordinary share with dividend entitlement (previous year: 35 cents).

The dividend amount attributable to the treasury shares is to be carried forward to the new account.

Minority interests of € 46.8 million (previous year: € 43.2 million) relate to interests held by non-Group third parties in the following consolidated subsidiaries:

	Outside shareholders' interests	
	31 Dec. 2009	31 Dec. 2008
	%	%
Hospital companies		
Amper Kliniken AG, Dachau	25.1	25.1
Frankenwaldklinik Kronach GmbH, Kronach	5.1	5.1
IGB Integratives Gesundheitszentrum Boizenburg GmbH, Boizenburg	8.0	–
Kliniken München Pasing und Perlach GmbH, Munich	6.3	6.3
Klinikum Pforzheim GmbH, Pforzheim	5.1	5.1
Klinikum Salzgitter GmbH, Salzgitter	5.1	5.1
Kreiskrankenhaus Gifhorn GmbH, Gifhorn	4.0	4.0
Städtisches Krankenhaus Wittingen GmbH, Wittingen	4.0	4.0
St. Elisabeth-Krankenhaus GmbH Bad Kissingen, Bad Kissingen	1.5	1.5
Universitätsklinikum Gießen und Marburg GmbH, Gießen	5.0	5.0
Zentralklinik Bad Berka GmbH, Bad Berka	12.5	12.5
MVZ companies		
MVZ Universitätsklinikum Marburg GmbH, Marburg	5.0	5.0
Service companies		
KDI Klinikservice GmbH, Dachau	25.1	25.1
RK-Cateringgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Cateringgesellschaft West mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Cateringgesellschaft Süd 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 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 Mitte mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Reinigungsgesellschaft Ost mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Reinigungsgesellschaft Zentral mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Wäschereinigung GmbH, Bad Neustadt a. d. Saale	49.0	49.0
Other companies		
Altmühltalklinik-Leasing-GmbH, Kipfenberg	49.0	49.0
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	25.1	25.1

7.11 Financial liabilities

	31 Dec. 2009		31 Dec. 2008	
	Due after 1 year	Due within 1 year	Due after 1 year	Due within 1 year
	€ million	€ million	€ million	€ million
Non-current financial liabilities, bond	0.0	111.8	109.8	1.9
Liabilities to banks	678.7	30.4	534.3	36.8
Negative fair values of derivative financial instruments	19.2	0.2	14.2	0.5
Total non-current financial liabilities	**697.9**	**142.4**	**658.3**	**39.2**
Current financial liabilities				
Liabilities to banks	0.0	24.3	0.0	9.6
Total current financial liabilities	**0.0**	**24.3**	**0.0**	**9.6**
Total financial liabilities	**697.9**	**166.7**	**658.3**	**48.8**

RHÖN-KLINIKUM AG issued a bond on the capital market in the amount of € 110.0 million in financial year 2005. The term of the bond runs from 7 July 2005 until 7 July 2010. The nominal coupon rate is 3.5%. Interest is paid in arrears on 7 July of each year, for the first time on 7 July 2006. The transaction costs totalled € 0.8 million and are amortised using the effective interest method.

In financial year 2006, a syndicated loan in the amount of € 400 million was taken out by RHÖN-KLINIKUM AG under the lead management of Commerzbank AG, Luxembourg branch, for financing investments. The minimum term of the agreement is seven years, with € 55.0 million expiring after six years. As at the reporting date of 31 December 2009, € 350.0 million of the total volume had been drawn down. The term-linked interest rate was between 0.91% p.a. and 3.39% p.a. in the year under review. Interest is charged on the credit volume which has not been drawn down at a rate of 0.18% p.a.

In financial year 2007, two fixed-interest loans with a total volume of € 90.0 million and a term until 2017 were taken out in order to reschedule existing floating-rate liabilities. Interest is charged on these loans at a rate of 5.23% and 5.13% p.a. respectively.

In financial year 2008, RHÖN-KLINIKUM AG took out a fixed-interest loan with a volume of € 10.0 million and a term until 2017 in order to reschedule existing floating-rate liabilities. Interest is charged on this loan at a rate of 5.10% p.a. Moreover, two promissory note loans were issued with a total volume of € 150.0 million and terms until 2013 and 2015 respectively. Variable interest (based on 3-month EURIBOR) is charged on these notes. To hedge against interest rate risks, an interest rate hedge was entered into.

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

Of the non-current financial liabilities, variable interest (based on EURIBOR) is charged on € 535.5 million (previous year: € 363.9 million). To limit interest rate risk, 72.0% of the volume bearing a long-term floating interest rate was hedged using various interest rate derivatives. The interest fluctuation risks and contractual interest adjustment dates relating to the interest-bearing liabilities are as follows:

	31 Dec. 2009			31 Dec. 2008		
Duration of fixed interest agreements	Interest rate[1]	Original value	Carrying amount of loans	Interest rate[1]	Original value	Carrying amount of loans
	%	€ million	€ million	%	€ million	€ million
Bond	3.65	110.0	109.9	3.65	110.0	109.8
Interest on bond			1.9			1.9
		110.0	**111.8**		**110.0**	**111.7**
Liabilities to banks						
2009				4.90	440.8	410.7
2010	1.43	572.7	554.1	3.88	25.2	20.9
2011	5.10	46.3	29.2	5.07	46.3	31.2
2012	5.35	3.8	3.0	5.34	3.6	3.0
2013	4.46	2.0	1.6	0.00	0.0	0.0
2014	5.60	1.5	0.9	0.00	0.0	0.0
2015	0.00	0.0	0.0	0.00	0.0	0.0
> 2016	5.18	122.2	120.3	5.16	106.8	105.3
		748.5	**709.1**		**622.7**	**571.1**
		858.5	**820.9**		**732.7**	**682.8**

[1] *Weighted interest rate.*

The effective interest rates at balance sheet date are:

	31 Dec. 2009	31 Dec. 2008
	%	%
Bond	3.65	3.65
Liabilities to banks	2.20	4.93
Overdrafts with banks	2.80	4.72

The remaining terms of the financial liabilities are:

	31 Dec. 2009 € million	31 Dec. 2008 € million
Up to 1 year	166.7	48.8
Between 1 and 5 years	444.2	396.3
More than 5 years	253.7	262.0
Total	**864.6**	**707.1**

Of the reported financial liabilities, € 16.3 million (previous year: € 42.4 million) is secured by registered charges on real property.

7.12 Deferred tax liabilities

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. 2009		31 Dec. 2008	
	Assets € million	Liabilities € million	Assets € million	Liabilities € million
Tax-loss carry forwards	10.8	0.0	8.0	0.0
Property, plant and equipment	0.0	17.0	0.0	17.6
Interest bearing debts	3.3	0.0	2.3	0.0
Measurement differences with subsidiaries	0.0	0.7	0.0	0.6
Other assets and liabilities	6.4	4.1	7.1	2.8
Total	**20.5**	**21.8**	**17.4**	**21.0**
Balance		**1.3**		**3.6**

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 € 68.3 million (previous year: € 50.5 million). On the balance sheet date, tax losses carried forward which have so far not been utilised amounted to € 109.2 million (previous year: € 64.6 million); no deferred tax assets were recognised in relation to € 40.9 million (€ 14.1 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 € 80.0 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. 2009 € million	31 Dec. 2008 € million
Deferred tax liabilities at beginning of year	3.6	12.9
Recognition directly in equity of deferred taxes in connection with financial derivatives recognised in equity	–0.8	–2.2
Claims acquired on company acquisitions	–0.3	–0.6
Gain/loss from current netting in the income statement	–1.2	–6.5
Deferred tax liabilities at end of year	**1.3**	**3.6**

7.13 Provisions for post-employment benefits

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

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

Obligations under defined benefit plans relate to pension commitments of four (previous year: five) Group companies. These obligations comprise commitments relating to retirement pensions, invalidity pensions and pensions for surviving dependants. Provisions cover commitments to existing eligible employees as well as former employees with vested benefits and pensioners. Benefits are determined on the basis of length of service and pensionable salaries.

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

The cost of defined benefit plans recognised in the income statement is broken down as follows:

	2009 € million	2008 € million
Current service cost	1.1	0.8
Interest cost (unwinding of the discount related to projected benefits)	0.5	0.5
Netted actuarial gains or losses	0.7	0.5
	2.3	**1.8**

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. 2009 € million	31 Dec. 2008 € million
Defined benefit obligation	12.3	11.0
Actuarial gains or losses not yet netted	–1.3	–1.5
Provision for pensions (defined benefit liability)	**11.0**	**9.5**

	2009 € million	2008 € million
As at 1 January	**9.5**	**8.2**
Current service cost	1.1	0.8
Interest cost (unwinding of the discount related to projected benefits)	0.5	0.5
Netted actuarial gains or losses	0.7	0.5
Plan change	–0.2	0.0
Payments rendered	–0.6	–0.5
As at 31 December	**11.0**	**9.5**

The calculation is based on the following assumptions:

	31 Dec. 2009 %	31 Dec. 2008 %
Rate of interest	5.20	6.20
Projected increase in wages and salaries	2.50	2.50
Projected increase in pensions	2.00	2.00

The defined benefit obligation as well as the actuarial gain/loss attributable to experience-based adjustments developed as follows:

	2009 € million	2008 € million	2007 € million	2006 € million	2005 € million
Defined benefit obligation, 31 December	12.3	11.0	9.6	9.6	14.5
Fair value of plan assets	0.0	0.0	0.0	0.0	0.0
Shortfall, 31 December	12.3	11.0	9.6	9.6	14.5
Experience-based adjustment to plan liabilities	–0.1	0.7	–0.3	0.8	0.7

The development of the defined benefit obligation in financial year 2009 compared with the previous year is shown in the following:

	2009 € million	2008 € million
As at 1 January	**11.0**	**9.6**
Service time cost	1.1	0.8
Interest expense	0.5	0.5
Pension payments	–0.6	–0.5
Actuarial gains/losses	0.3	0.6
As at 31 December	**12.3**	**11.0**

In 2009 pension payments of € 0.5 million (previous year: € 0.5 million) were expected to be made in 2010.

The 2005 G mortality tables of Professor Dr. Klaus Heubeck were again used as the basis for actuarial calculations (unchanged compared with the previous year).

7.14 Other provisions

Other provisions developed as follows in the financial year:

	1 Jan. 2009	Change in scope of consolidation	Used	Reversed	Addition	31 Dec. 2009	of which < 1 year	of which > 1 year
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Demolition obligations	2.0	0.0	0.5	0.0	0.0	1.5	1.5	0.0
Liability risks	20.5	0.0	4.3	1.3	6.0	20.9	20.9	0.0
Provisions for onerous contracts	0.3	0.0	0.2	0.0	0.0	0.1	0.1	0.0
Other provisions	0.4	0.3	0.0	0.0	0.0	0.7	0.7	0.0
	23.2	**0.3**	**5.0**	**1.3**	**6.0**	**23.2**	**23.2**	**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 2010.

The provisions for liability risks relate to claims for damages by third parties. These compare with repayment claims of € 3.7 million against insurers. These are shown under other receivables. In the assessment of the Board of Management, the settlement of these liability events using the provisions will not entail any significant additional expenses.

Provisions for onerous contracts relate mainly to rental guarantees that are expected to be used in financial year 2010.

Other provisions relate to risks from the final settlement of government grants.

Compared with the previous year, their maturities are as follows:

	31 Dec. 2009	of which < 1 year	of which > 1 year	31 Dec. 2008	of which < 1 year	of which > 1 year
	€ million	€ million	€ million	€ million	€ million	€ million
Demolition obligations	1.5	1.5	0.0	2.0	2.0	0.0
Liability risks	20.9	20.9	0.0	20.5	20.5	0.0
Provisions for onerous contracts	0.1	0.1	0.0	0.3	0.3	0.0
Other provisions	0.7	0.7	0.0	0.4	0.4	0.0
	23.2	**23.2**	**0.0**	**23.2**	**23.2**	**0.0**

In financial year 2009, RHÖN-KLINIKUM AG had contingent liabilities of up to € 5.0 million. These are uncertain repayment obligations resulting from the use of single government grants as well as pending legal actions relating to deductions on surplus service volumes under the German Hospital Remuneration Act (KHEntG). At the present time RHÖN-KLINIKUM AG does not expect any significant usage in future.

7.15 Accounts payable

	31 Dec. 2009		31 Dec. 2008	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Accounts payable	120.7	0.0	101.7	0.0

Accounts payable exist towards third parties. Of the total amount of € 120.7 million (previous year: € 101.7 million), € 120.7 million (previous year: € 101.7 million) are due within one year.

7.16 Other liabilities

	31 Dec. 2009		31 Dec. 2008	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Personnel liabilities	141.8	11.5	128.8	26.0
Accruals/deferrals	8.0	0.0	7.9	0.0
Operating taxes and social security contributions	21.3	0.0	20.1	0.0
Pre-payments	1.1	0.0	0.9	0.0
Other liabilities	16.9	0.0	16.3	0.0
Other liabilities (non-financial instruments)	**189.1**	**11.5**	**174.0**	**26.0**
Liabilities under Hospital Financing Act	133.5	8.4	126.2	8.4
Purchase prices	0.5	0.0	6.1	0.0
Other financial liabilities	34.4	27.1	34.6	23.6
Other liabilities (financial instruments)	**168.4**	**35.5**	**166.9**	**32.0**
Other liabilities (total)	**357.5**	**47.0**	**340.9**	**58.0**

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

The liabilities under the German 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 (Bundespflegesatzverordnung) and the Hospital Remuneration Act (Krankenhausentgeltgesetz).

The purchase prices relate to contractual obligations subject to conditions.

The carrying amounts of the current monetary liabilities recognised under this item correspond to their fair values. The other non-current liabilities have been discounted using the effective interest method on the basis of historical market rates.

Of the figure stated for other non-current liabilities, € 14.3 million (€ 15.3 million) is attributable to obligations arising from research grants owed to the University of Gießen and Marburg.

Other liabilities with remaining maturities of more than five years amount to € 0.2 million (previous year: € 0.2 million).

7.17 Current income tax liabilities

Current income tax liabilities in the amount of € 10.3 million (previous year: € 7.7 million) comprise corporate income tax and solidarity surcharge not yet assessed for the past financial year and previous years.

7.18 Financial derivatives

The Group is exposed to fluctuations in market interest rates in respect of its financial liabilities and interest-bearing investments. Our non-current financial liabilities totalled € 820.9 million (previous year: € 682.8 million); of this figure, € 285.4 million (previous year: € 318.0 million) was subject to fixed interest rates and terms running until 2029. Interest rate caps with a volume of € 212.4 million (previous year: € 231.0 million) exist in relation to other non-current liabilities which are financed at a variable rate. Interest rate swaps in a volume of € 372.9 million (previous year: € 167.6 million) are in place for long-term floating-interest financial debt, of which € 200.0 million on a forward swap taken out in financial year 2009 to replace interest rate caps due to expire at the end of 2011/beginning of 2012.

Financial derivatives measured at fair value through profit or loss resulted in losses of € 1.2 million (previous year: € 4.2 million). The future cash flows hedged with cash flow hedges will mature within the next nine years.

Financial derivatives are recognised at market values (as measured on the balance sheet date on the basis of recognised valuation models using current market data). A large portion of the hedging instruments are accounted as being one unit with the hedged item under hedge accounting. In these hedging relationships, changes in the market values of derivatives are recorded in a hedge reserve under equity amounting to € 16.1 million (previous year: € 11.9 million).

Financial derivatives are monitored and controlled directly by the Board of Management working together with a specialised department that reports to the Board of Management.

2009	Fair value	Term from	Term to	Reference interest rate 31 Dec. 2009	Interest rate cap or fixed rate	Reference amount 31 Dec. 2009
	€ million			%	%	€ million
Interest rate swap, asset	0.0	04/05/2004	31/12/2011	2.50	5.70	1.7
Interest rate swaps, liabilities	–16.5	11/06/2008	11/06/2018	0.70	4.65	150.0
	–0.3	02/01/2007	30/09/2018	0.70	3.94	4.7
	–0.1	16/01/2008	06/03/2013	0.70	4.25	2.0
	0.0	30/09/2009	30/12/2013	0.70	2.31	1.4
	0.0	30/09/2009	30/06/2014	0.70	2.42	2.4
	0.0	30/11/2009	28/03/2013	0.70	1.83	2.8
	–0.1	30/11/2009	30/06/2016	0.70	2.57	7.8
	0.0	15/03/2001	15/03/2011	0.70	5.74	0.6
Interest rate caps, assets	0.0	28/02/2006	26/02/2010	0.70	4.00	2.1
	0.0	30/06/2006	31/03/2010	0.70	4.00	10.3
	0.1	02/01/2007	01/01/2012	0.70	4.00	100.0
	0.1	02/01/2007	31/12/2011	0.70	4.00	100.0
Forward swap, liability	–2.1	02/01/2012	07/06/2013	0.70	3.49	200.0

2008	Fair value	Term from	Term to	Reference interest rate 31 Dec. 2008	Interest rate cap or fixed rate	Reference amount 31 Dec. 2008
	€ million			%	%	€ million
Interest rate swap, asset	0.0	04/05/2004	31/12/2011	5.94	5.70	2.3
Interest rate swaps, liabilities	–13.5	11/06/2008	11/06/2018	2.89	4.65	150.0
	–0.6	28/02/2002	28/02/2012	2.89	5.99	6.5
	–0.2	02/01/2007	29/06/2018	2.89	3.94	5.1
	–0.1	28/02/2002	28/02/2012	2.89	6.30	1.7
	–0.1	16/01/2008	06/03/2013	2.89	4.25	2.0

7.19 Additional disclosures regarding financial instruments

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

		2009	of which financial instruments		2008	of which financial instruments	
	Measurement category under IAS 39		Carrying amount	Fair value		Carrying amount	Fair value
ASSETS		€ million	€ million	€ million	€ million	€ million	€ million
Non-current assets							
Other assets		**1.8**	0.5	0.5	**2.3**	1.3	1.3
of which other assets	Loans + receivables	**1.5**	0.2	0.2	**1.4**	0.4	0.4
of which derivative financial instruments (HfT)	Financial assets measured at fair value through profit or loss	**0.3**	0.3	0.3	**0.9**	0.9	0.9
Current assets							
Accounts receivable, other receivables and other assets		**377.5**	367.2	367.2	**332.0**	325.6	325.6
of which accounts receivable, other receivables	Loans + receivables	**377.4**	367.1	367.1	**326.0**	325.5	325.5
of which securities (HfT)	Financial assets measured at fair value through profit or loss	**0.0**	0.0	0.0	**0.0**	0.0	0.0
of which derivative financial instruments (HfT)	Financial assets measured at fair value through profit or loss	**0.1**	0.1	0.1	**0.1**	0.1	0.1
Cash and cash equivalents	Loans + receivables	**444.9**	444.9	444.9	**86.5**	86.5	86.5
SHAREHOLDERS' EQUITY AND LIABILITIES							
Non-current liabilities							
Financial liabilities		**697.9**	697.9	558.7	**658.3**	658.3	522.5
of which financial liabilities	Financial liabilities measured at amortised cost	**678.7**	678.7	539.5	**644.1**	644.1	508.3
of which derivative financial instruments (hedge accounting)	n.a.	**19.2**	19.2	19.2	**14.2**	14.2	14.2
Other liabilities		**47.0**	35.5	34.5	**58.0**	32.0	32.0
of which other liabilities	Financial liabilities measured at amortised cost	**42.1**	30.6	29.6	**58.0**	32.0	32.0
of which under finance leases	n.a.	**4.9**	4.9	4.9	**0.0**	0.0	0.0
Current liabilities							
Accounts payable	Financial liabilities measured at amortised cost	**120.7**	120.7	120.7	**101.7**	101.7	101.7
Financial liabilities		**166.7**	166.7	166.7	**48.8**	48.8	48.8
of which financial liabilities	Financial liabilities measured at amortised cost	**166.5**	166.5	166.5	**48.3**	48.3	48.3
of which derivative financial instruments (HfT)	Liabilities measured at fair value through profit or loss	**0.2**	0.2	0.2	**0.5**	0.5	0.5
Other liabilities		**357.5**	168.4	168.4	**340.9**	166.9	166.9
of which other liabilities	Financial liabilities measured at amortised cost	**356.7**	167.6	167.6	**338.9**	164.9	164.9
of which under finance leases	n.a.	**0.8**	0.8	0.8	**2.0**	2.0	2.0

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

	Loans + receivables		812.3	812.3		412.4	412.4
	Financial assets measured at fair value through profit or loss		0.4	0.4		1.0	1.0
	Financial liabilities measured at amortised cost		1.164.2	1.023.9		991.0	855.2
	Liabilities measured at fair value through profit or loss		0.2	0.2		0.5	0.5

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	0.3	0.0	0.3
Securities	0.0	0.0	0.0	0.0
Current derivative assets	0.0	0.1	0.0	0.1
Non-current derivative liabilities	0.0	19.2	0.0	19.2
Current derivative liabilities	0.0	0.2	0.0	0.2

The levels of the fair value hierarchy and their application to our assets and liabilities are described below:

- Level 1: Listed market prices for identical assets or liabilities on active markets
- Level 2: Other information in the form of listed market prices which are directly (e.g. prices) or indirectly (e.g. derived from prices) observable, and
- Level 3: Information on assets and liabilities not based on observable market data.

Accounts receivable, other receivables, other financial assets as well as cash and cash equivalents in general mainly have short remaining maturities. Their carrying amounts as at the reporting date therefore correspond to their fair values.

The figure shown for financial liabilities includes loans from banks as well as a bond. The fair value of the loans from banks is calculated on the basis of the discounted cash flow. A risk- and maturity-related rate appropriate for RHÖN-KLINIKUM AG has been used for discounting purposes. The fair value of the bond is calculated as the nominal value multiplied by the price of the final trading day of the year under review.

For the accounts payable and other liabilities with short remaining maturities, the carrying amounts correspond to their fair values on the reporting date.

The fair value of liabilities under finance leases was calculated using a market interest curve as at the balance sheet date and corresponds to their carrying amount.

7.19.2 Net gains or losses by measurement category

	From capital gains	From subsequent measurement		From disposal	Net result	
		at fair value	impairment		2009	2008
	€ million	€ million	€ million	€ million	€ million	€ million
Loans and receivables	0.0	0.0	–0.6	2.7	2.1	3.1
Financial assets and liabilities measured at fair value through profit or loss	0.0	1.2	0.0	0.0	1.2	4.0
Total	**0.0**	**1.2**	**–0.6**	**2.7**	**3.3**	**7.1**

+ = 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.

The financial assets measured at fair value through profit or loss comprise the market valuation of derivative financial instruments recognised through the income statement as well as income from current securities.

7.19.3 Financial liabilities (maturity analysis)

The following table sets out the contractually agreed (undiscounted) interest payments and redemption payments of the original financial liabilities and of the financial derivatives:

	Cash outflows		
	2010	2011–2016	> 2016
	€ million	€ million	€ million
Financial liabilities	–185.2	–655.9	–134.0
Trade accounts payable	–120.7	0.0	0.0
Derivatives	–0.2	0.0	–19.2
Other liabilities	–184.0	–16.1	–14.5
Liabilities from finance leases	–1.1	–5.8	0.0
	–491.2	**–677.8**	**–167.7**

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

	Cash outflows		
	2009	2010–2015	> 2015
	€ million	€ million	€ million
Financial liabilities	–82.4	–637.9	–145.0
Trade accounts payable	–101.7	0.0	0.0
Derivatives	–0.9	0.0	–14.2
Other liabilities	–180.7	–32.0	0.0
Liabilities from finance leases	–2.4	0.0	0.0
	-368.1	**-669.9**	**-159.2**

The above table includes all financial instruments 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 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 includes a figure of € 15.2 million (previous year: € 9.9 million) for outstanding construction invoices, € 0.7 million (previous year: € 4.2 million) for non-cash losses on financial derivatives, as well as € 4.0 million for disposals of goodwill in financial year 2009.

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

	Interest held %	Equity € '000	Profit/loss for the year € '000
Hospital companies			
Amper Kliniken AG, Dachau	74.9	71,117	5,080
Aukamm-Klinik für operative Rheumatologie und Orthopädie GmbH, Wiesbaden	100.0	2,455	849
Fachkrankenhaus für Psychiatrie und Neurologie Hildburghausen GmbH, Hildburghausen	100.0	35,515	5,547
Frankenwaldklinik Kronach GmbH, Kronach	94.9	23,369	2,898
Haus Saaletal GmbH, Bad Neustadt a. d. Saale	100.0	187	75
Herz- und Gefäß-Klinik GmbH, Bad Neustadt a. d. Saale	100.0	9,728	0
Herzzentrum Leipzig GmbH, Leipzig	100.0	37,472	25,962
IGB Integratives Gesundheitszentrum Boizenburg GmbH, Boizenburg	92.0	716	301
Klinik "Haus Franken" GmbH, Bad Neustadt a. d. Saale	100.0	2,406	–144
Klinik für Herzchirurgie Karlsruhe GmbH, Karlsruhe	100.0	15,775	6,957
Klinik Kipfenberg GmbH Neurochirurgische und Neurologische Fachklinik, Kipfenberg	100.0	6,303	3,181
Kliniken Herzberg und Osterode GmbH, Herzberg am Harz	100.0	16,190	1,150
Kliniken Miltenberg-Erlenbach GmbH, Erlenbach	100.0	10,883	633
Kliniken München Pasing und Perlach GmbH, Munich	93.7	43,852	5,332
Klinikum Uelzen GmbH, Uelzen	100.0	30,404	2,078
Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder)	100.0	108,163	7,576
Klinikum Hildesheim GmbH, Hildesheim	100.0	24,482	7,311
Klinikum Meiningen GmbH, Meiningen	100.0	35,139	13,457
Klinikum Pforzheim GmbH, Pforzheim	94.9	57,917	5,471
Klinikum Pirna GmbH, Pirna	100.0	33,293	4,066
Klinikum Salzgitter GmbH, Salzgitter	94.9	27,026	1,538
Krankenhaus Anhalt-Zerbst GmbH, Zerbst	100.0	7,148	3,213
Krankenhaus Cuxhaven GmbH, Cuxhaven	100.0	21,036	1,085
Krankenhaus Köthen GmbH, Köthen	100.0	11,527	1,316
Krankenhaus St. Barbara Attendorn GmbH, Attendorn	100.0	10,310	–601
Krankenhaus Waltershausen-Friedrichroda GmbH, Friedrichroda	100.0	22,109	1,928
Kreiskrankenhaus Gifhorn GmbH, Gifhorn	96.0	29,920	4,018
MEDIGREIF - Betriebsgesellschaft für Krankenhäuser und Integrative Gesundheits-zentren mit beschränkter Haftung (MEDIGREIF BKIG mbH), Greifswald	100.0	–84	–3,199
MEDIGREIF Bördekrankenhaus GmbH, Neindorf	100.0	556	–1,142
MEDIGREIF Kreiskrankenhaus Burg GmbH, Burg	100.0	21,933	3,109
MEDIGREIF Verwaltungs- und Betriebsgesellschaft Fachkrankenhaus Vogelsang-Gommern mit beschränkter Haftung, Greifswald	100.0	4,196	1,339
Mittelweser Kliniken GmbH Nienburg Hoya Stolzenau, Nienburg	100.0	25,848	1,690
Neurologische Klinik GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale	100.0	2,192	977
Park-Krankenhaus Leipzig GmbH, Leipzig	100.0	13,933	4,986
Soteria Klinik Leipzig GmbH, Leipzig	100.0	4,224	1,647
Städtisches Krankenhaus Wittingen GmbH, Wittingen	96.0	4,491	–621
St. Elisabeth-Krankenhaus GmbH Bad Kissingen, Bad Kissingen	98.5	8,513	–2,981
St. Petri Hospital Warburg GmbH, Warburg	100.0	4,842	–934
Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden	100.0	22,727	1,573
Universitätsklinikum Gießen und Marburg GmbH, Gießen	95.0	47,610	4,822
Weißeritztal-Kliniken GmbH, Freital	100.0	35,766	3,694
Wesermarsch-Klinik Nordenham GmbH, Nordenham	100.0	2,690	–3,984
Zentralklinik Bad Berka GmbH, Bad Berka	87.5	99,273	23,476

	Interest held %	Equity € '000	Profit/loss for the year € '000
MVZ companies			
MEDIGREIF Medizinisches Versorgungszentrum Sachsen-Anhalt GmbH, Zerbst	100.0	1,347	83
Medizinisches Versorgungszentrum Anhalt GmbH, Zerbst	100.0	331	94
MVZ Management GmbH Franken, Bad Neustadt a. d. Saale	100.0	324	89
MVZ Management GmbH Attendorn, Attendorn	100.0	100	–65
MVZ Management GmbH Baden-Württemberg, Pforzheim	100.0	257	51
MVZ Management GmbH Brandenburg, Frankfurt (Oder)	100.0	116	–84
MVZ Management GmbH Niedersachsen, Nienburg	100.0	81	–113
MVZ Management GmbH Sachsen, Pirna	100.0	315	92
MVZ Management GmbH Thüringen, Bad Berka	100.0	814	261
MVZ Management GmbH Sachsen-Anhalt, Köthen	100.0	137	–102
MVZ Management GmbH Hessen, Wiesbaden	100.0	65	–217
MVZ Service Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	1,489	0
MVZ Universitätsklinikum Marburg GmbH, Marburg	95.0	186	50

	Interest held %	Equity € '000	Profit/loss for the year € '000
Research and education companies			
ESB-Gemeinnützige Gesellschaft für berufliche Bildung mbH, Bad Neustadt a. d. Saale	100.0	1,728	36
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	25	–6

	Interest held %	Equity € '000	Profit/loss for the year € '000
Property companies			
Altmühltalklinik-Leasing GmbH, Kipfenberg	51.0	6,043	642
BGL Grundbesitzverwaltungs-GmbH, Bad Neustadt a. d. Saale	100.0	24,841	560
GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH, Leipzig	100.0	313	49
Grundstücksgesellschaft Park Dösen GmbH, Leipzig	100.0	6,310	–210
GTB Grundstücksgesellschaft mbH, Leipzig	100.0	41,768	2,058

	Interest held %	Equity € '000	Profit/loss for the year € '000
Service companies			
RK-Cateringgesellschaft West mbH, Bad Neustadt a. d. Saale	51.0	40	–9
RK-Reinigungsgesellschaft Nord mbH, Bad Neustadt a. d. Saale	51.0	207	3
RK-Reinigungsgesellschaft Süd mbH, Bad Neustadt a. d. Saale	51.0	76	2
RK-Cateringgesellschaft Süd mbH, Bad Neustadt a. d. Saale	51.0	51	0
RK-Reinigungsgesellschaft West mbH, Bad Neustadt a. d. Saale	51.0	86	9
RK-Cateringgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	51.0	167	136
RK-Reinigungsgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	51.0	33	0
RK-Reinigungsgesellschaft Ost mbH, Bad Neustadt a. d. Saale	51.0	178	102
RK-Reinigungsgesellschaft Zentral mbH, Bad Neustadt a. d. Saale	51.0	243	47
UKGM Service GmbH, Bad Neustadt a. d. Saale	100.0	111	66
RK-Wäschereinigung GmbH, Bad Neustadt a. d. Saale	51.0	30	0

	Interest held %	Equity € '000	Profit/loss for the year € '000
Shelf companies/other companies			
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	74,9	125	36
Energiezentrale Universitätsklinikum Gießen GmbH, Gießen	50,0	10	–15
Leben am Rosenberg GmbH, Kronach	100,0	104	10
Heilbad Bad Neustadt GmbH, Bad Neustadt a. d. Saale	100,0	1,916	404
KDI Klinikservice GmbH, Dachau	74,9	96	27
Kinderhort Salzburger Leite gGmbH, Bad Neustadt a. d. Saale	100,0	405	6
Klinik Feuerberg GmbH, Bad Neustadt a. d. Saale	100,0	51	–3
Psychosomatische Klinik GmbH, Bad Neustadt a. d. Saale	100,0	35	–3
PTZ GmbH, Bad Neustadt a. d. Saale	100,0	17,305	–1,688
RK-Bauträger GmbH, Bad Neustadt a. d. Saale	100,0	102	–24
RK Klinik Betriebs GmbH Nr. 11, Bad Neustadt a. d. Saale	100,0	554	3
RK Klinik Betriebs GmbH Nr. 16, Bad Neustadt a. d. Saale	100,0	46	–4
RK Klinik Betriebs GmbH Nr. 28, Bad Neustadt a. d. Saale	100,0	34	–4
RK Klinik Betriebs GmbH Nr. 29, Bad Neustadt a. d. Saale	100,0	34	–4
RK Klinik Betriebs GmbH Nr. 31, Bad Neustadt a. d. Saale	100,0	34	–4
RK Klinik Betriebs GmbH Nr. 32, Bad Neustadt a. d. Saale	100,0	45	–4
RK Klinik-Betriebs GmbH Nr. 33, Bad Neustadt a. d. Saale	100,0	36	–4
RK Klinik Betriebs GmbH Nr. 34, Bad Neustadt a. d. Saale	100,0	43	–4
RK Klinik Betriebs GmbH Nr. 35, Bad Neustadt a. d. Saale	100,0	196	–4
RK Klinik Betriebs GmbH Nr. 36, Bad Neustadt a. d. Saale (fomerly: MVZ Management GmbH Leipzig, Leipzig)	100,0	185	–4
WMK-Service GmbH, Nordenham	100,0	99	–29
Wolfgang Schaffer GmbH, Bad Neustadt a. d. Saale	100,0	563	6

9.2 Other companies in accordance with section 313 (2) (2) et seq. HGB

	Interest held %	Equity € '000	Profit/loss for the year € '000
Christliches Hospiz Pforzheim GmbH, Pforzheim[1]	13,6	822	376
Hospiz Mittelhessen gGmbH, Wetzlar[1]	15,9	180	22
Imaging Service AG, Niederpöcking[1]	18,8	512	42
miCura Pflegedienste Dachau GmbH, Dachau[1]	36,7	45	19
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale[1]	25,0	–901	47
Soemmering GmbH, Bad Nauheim[1]	31,7	–33	13

[1] *Figures according to annual financial statement of 31 December 2008.*

10 OTHER DISCLOSURES

10.1 Annual average number of employees

	2009 Number[1]	2008 Number[1]	Change Number[1]	Change %
Medical doctors	3,299	3,144	155	4.9
Nursing services	10,750	10,355	395	3.8
Medical-technical services	4,507	4,248	259	6.1
Functional	3,417	3,201	216	6.7
Supply and misc. services	4,347	3,995	352	8.8
Technical	546	541	5	0.9
Administrative	2,288	2,169	119	5.5
Other personnel	438	411	27	6.6
	29,592	**28,064**	**1,528**	**5.4**

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

10.2 Other financial obligations

	31 Dec. 2009 € million	31 Dec. 2008 € million
Order commitments	**22.1**	**24.7**
Operating leases		
Due in subsequent year	4.7	4.0
Due in 2 to 5 years	7.4	5.6
Due in 5 years	1.1	0.5
Other		
Due in subsequent year	58.2	49.2
Due in 2 to 5 years	26.0	16.5
Due in 5 years	6.9	5.6

Of the figure for order commitments, € 1.1 million (previous year: € 2.3 million) is attributable to intangible assets, and € 18.3 million (previous year: € 18.6 million) to property, plant and equipment.

The other financial obligations are mainly attributable to service agreements (maintenance agreements, agreements concerning the sourcing of products, agreements relating to laundry services, etc.).

Company purchase agreements have resulted in investment obligations totalling € 277.7 million (previous year: € 424.0 million); most of these obligations have to be settled within a period of up to 36 months.

In addition, absolute bank guarantee undertakings of unlimited amount exist for claims of the associations of accredited physicians (Kassenärztliche Vereinigungen) and health insurance funds against MVZ subsidiaries from their accredited physician activity.

10.3 Leases within the Group

Leasing transactions are classified as finance leases or operating leases. Leasing transactions in which the Group acts as the lessee and bears all the major risks and rewards associated with ownership are generally treated as finance leases. This is applicable particularly with regard to Universitätsklinikum Gießen und Marburg GmbH, RK Reinigungsgesellschaft Nord mbH, and the MEDIGREIF group consolidated for the first time as at 31 December 2009. Accordingly, the Group capitalises the assets at the present value of the minimum leasing payments of € 14.3 million, and subsequently depreciates the assets over the estimated economic useful life or the shorter term of the contract. At the same time, a corresponding liability is recognised, which is paid down using the effective interest method. All other leases in which the Group acts as the lessee are treated as operating leases. In this case, the payments are recognised as expense on a straight-line basis.

10.3.1 Obligations as lessee of operating leases

The Group rents medical equipment as well as residential and office space; these are classified as cancellable operating leases. Under these lease agreements, the Group has a maximum termination notice of twelve months. The leases generally have a term of 2 to 15 years.

10.3.2 Obligations as lessee of finance leases

The Group mainly rents medical equipment within the framework of finance leases. In the Group, there is a principle of always acquiring ownership of operating assets. The leases amounting to € 5.7 million which also have to be acquired on the acquisition of hospitals are serviced as planned; however, when they have expired they are replaced by investments.

Liabilities from finance leases – minimum lease payments:	2009 € million	2008 € million
Due in subsequent year	1.1	2.4
Due in 2 to 5 years	4.1	0.0
Due in 5 years	1.7	0.0
	6.9	**2.4**
Future financing costs under finance leases	**1.2**	**0.4**
Present value of liabilities under finance leases	**5.7**	**2.0**

Present value of liabilities under finance leases:	2009 € million	2008 € million
Due in subsequent year	0.8	2.0
Due in 2 to 5 years	3.3	0.0
Due in 5 years	1.6	0.0
	5.7	**2.0**

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. Changes in the scope of consolidation relate to let properties of the MEDIGREIF group. 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:

	Total € million
Cost	
1 January 2009	**5.0**
Additions due to change in scope of consolidation[1]	1.3
31 December 2009	**6.3**
Cumulative depreciation	
1 January 2009	**1.0**
Depreciation	0.2
31 December 2009	**1.2**
Carrying amount at 31 December 2009	**5.1**

[1] *Including acquisitions.*

	Total € million
Cost	
1 January 2008	**5.0**
31 December 2008	**5.0**
Cumulative depreciation	
1 January 2008	**0.8**
Depreciation	0.2
31 December 2008	**1.0**
Carrying amount at 31 December 2008	**4.0**

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 2009. The operating costs for these investment properties amounted to € 0.2 million in the financial year (previous year: € 0.2 million).

Other spaces let under operating leases are insignificant non-independent parts of building sections. We have therefore not shown them separately.

The minimum lease payments to be received in future (up to one year) are € 1.2 million. The minimum lease payments for the period of up to five years are € 1.4 million. The corresponding figure for the period in excess of five years is € 0.6 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 2009 was as follows:

	Expense 2009 € '000	Income 2009 € '000	Receivables 31 Dec. 2009 € '000	Liabilities 31 Dec. 2009 € '000
Imaging Service AG, Niederpöcking	74.6	0.0	0.0	0.0
miCura Pflegedienste Dachau GmbH, Dachau	152.7	0.0	0.0	0.0
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale	0.0	458.2	9.0	0.0
	227.3	**458.2**	**9.0**	**0.0**

From the point of view of the Group, the volume of transactions with equity-accounted companies in financial year 2009 was as follows:

	Expense 2009 € '000	Income 2009 € '000	Receivables 31 Dec. 2009 € '000	Liabilities 31 Dec. 2009 € '000
Energiezentrale Universitätsklinikum Gießen GmbH, Gießen	0.0	4.0	502.0	0.0
	0.0	**4.0**	**502.0**	**0.0**

We define related persons as the members of management in key positions as well as their first degree relations and their spouses in accordance with section 1589 of the German Civil Code (BGB). We have included the Board of Management of RHÖN-KLINIKUM AG, the second management tier as well as the members of the Supervisory Board among the members of management in key positions.

Members of the Supervisory Board of RHÖN-KLINIKUM AG or companies and entities related to them provided the following services subject to arm's length conditions:

Related parties	Companies (as defined by IAS)	Nature of services	€ '000
Prof. Dr. Gerhard Ehninger	AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	170.3
	DKMS – Deutsche Knochenmarkspenderdatei gemeinnützige Ges. mbH, Tübingen	Transplants/removals	357.5

As at the balance sheet date of 31 December 2009, there were accounts payable totalling about € 39,000 to AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH as well as DKMS – Deutsche Knochenmarkspenderdatei gemeinnützige Gesellschaft mbH.

The expenses were recognised in the income statement under other operating expenses. No impairments were to be recognised in financial year 2009.

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

	Fixed € '000	Profit-linked € '000	Total € '000
Dr. Bernhard Aisch	79	0	79
Gisela Ballauf	30	3	33
Bernd Becker (until 2 December 2009)	31	4	35
Helmut Bühner	42	5	47
Ursula Harres	40	2	42
Annett Müller (from 10 December 2009)	30	2	32
Werner Prange	43	2	45
Joachim Schaar	48	33	81
	343	**51**	**394**

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

	2009 € '000	2008 € '000
Remuneration of the Supervisory Board	2,352	2,226
Remuneration of the current Board of Management	8,435	5,945
Remuneration of former members of the Board of Management	1,135	1,141
Remuneration of the Advisory Board	22	17

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 2009 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 WpHG. The following transactions subject to notification pursuant to section 15a WpHG were recorded at RHÖN-KLINIKUM AG in financial year 2009:

Date of transaction	First and last Name	Function/status	Financial instrument and ISIN	Form and place of transaction	Volume	Share price €	Total amount €
25 May 2009	Dr. Brigitte Mohn	Member of Supervisory Board	RHÖN-KLINIKUM share ISIN DE0007042301	Purchase amount Xetra®	2,000	14.95862	29,917.24
21 July 2009	Eugen Münch	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Sell OTC	9,500,000	not numberable[1]	not numberable[1]
21 July 2009	Ingeborg Münch	Spouse of Supervisory Board member	Subscription rights ISIN DE000A0Z1MH3	Sell OTC	5,500,000	not numberable[1]	not numberable[1]
24 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	24,000	0.52375	12,570.00
22 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.50	1,250.00
23 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.51	1,275.00
24 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.51	1,275.00
27 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.471	1,177.50
28 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.10	250.00
28 July 2009	Wolfgang Kunz	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Stuttgart Stock Exchange	2,700	0.20	540.00
28 July 2009	Wolfgang Kunz	Member of Board of Management	RHÖN-KLINIKUM share ISIN DE0007042301	Purchase amount Xetra®	2,700	14.00	37,800.00
28 July 2009	Detlef Klimpe	Member of Supervisory Board	RHÖN-KLINIKUM share ISIN DE0007042301	Purchase amount Frankfurt Stock Exchange	1,339	13.30	17,808.70
30 July 2009	Dr. Brigitte Mohn	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Sale amount Frankfurt Stock Exchange	1	0.41	0.41
31 July 2009	Dr. Brigitte Mohn	Member of Supervisory Board	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	1,333	13.30	17,728.90
29 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.283	707.50
30 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,500	0.65	1,625.00
31 July 2009	Jens-Peter Neumann	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	2,498	0.889	2,220.72
4 Aug 2009	Jens-Peter Neumann	Member of Supervisory Board	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	6,666	13.30	88,657.80
29 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	3,000	0.351	1,053.00
29 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	3,000	0.39	1,170.00
30 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	3,000	0.44	1,320.00
30 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	3,000	0.45	1,350.00
30 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	6,000	0.625	3,750.00
30 July 2009	Prof. Dr.med. Gerhard Ehninger	Member of Supervisory Board	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	2,643	13.30	35,151.90
21 July 2009	Eugen Münch	Member of Supervisory Board	Subscription rights[2] ISIN DE000A0Z1MH3	Sell OTC	9,500,000	0.22	2.033 million
21 July 2009	Ingeborg Münch	Spouse of Supervisory Board member	Subscription rights[2] ISIN DE000A0Z1MH3	Sell OTC	5,500,000	0.22	1.177 million

* *Acquisition of shares by way of exercise of subscription rights.*

1 *The final purchase price has not been determined yet. The minimum purchase price will be equal to one third of the subscription right value and may increase if the subscription rights are sold at a higher price.*

2 *This notification of 30 July 2009 is a supplement to the notification dated 21 July 2009. No further transaction has occured. The details regarding price and volume, which were not known at the time of the notification of 21 July 2009, have now been specified and represent the total and final consideration paid to the Münch family. The subscription rights have been sold to third parties for a price of € 0.42 per subscription right.*

Date of transaction	First and last Name	Function/status	Financial instrument and ISIN	Form and place of transaction	Volume	Share price	Total amount
						€	€
30 July 2009	Helmut Bühner	Member of Supervisory Board	RHÖN-KLINIKUM share ISIN DE0007042301	Purchase amount Xetra®	150	14.90	2,235.50
30 July 2009	Wolfgang Pföhler	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Stuttgart Stock Exchange	100	0.331	33.10
31 July 2009	Gerald Meder	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Sale amount Frankfurt Stock Exchange	1	0.889	0.89
6 Aug 2009	Eugen Münch	Member of Supervisory Board	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	189,349	13.30	2,518,341.70
6 Aug 2009	Ingeborg Münch	Spouse of Supervisory Board member	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	364,334	13.30	4,845,642.20
24 July 2009	Wolfgang Mündel	Member of Supervisory Board	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	4,000	0.51	2,040.00
6 Aug 2009	Wolfgang Mündel	Member of Supervisory Board	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	24,000	13.30	319,200.00
6 Aug 2009	Wolfgang Pföhler	Member of Board of Management	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	1,800	13.30	23,940.00
6 Aug 2009	Gerald Meder	Member of Board of Management	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	8,587	13.30	114,207.10
6 Aug 2009	Andrea Aulkemeyer	Member of Board of Management	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	3,296	13.30	43,836.80
28 July 2009	Dr. Irmgard Stippler	Member of Board of Management	Subscription rights ISIN DE000A0Z1MH3	Purchase amount Frankfurt Stock Exchange	12,000	0.156	1,872.00
6 Aug 2009	Dr. Irmgard Stippler	Member of Board of Management	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	4,000	13.30	53,200.00
6 Aug 2009	Wolfgang Kunz	Member of Board of Management	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	2,500	13.30	33,250.00
6 Aug 2009	Helmut Bühner	Member of Supervisory Board	RHÖN-KLINIKUM share* ISIN DE0007042301	Buy OTC	23	13.30	305.90

* *Acquisition of shares by way of exercise of subscription rights.*

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 2009 € '000	Total 2008 € '000
Eugen Münch	20	56	138	195	409	402
Wolfgang Mündel	20	56	149	124	349	341
Bernd Becker (until 2 December 2009)	18	48	58	0	124	118
Dr. Bernhard Aisch	20	12	22	0	54	50
Gisela Ballauf	20	14	25	0	59	60
Sylvia Bühler	20	12	22	0	54	50
Helmut Bühner	20	12	22	0	54	50
Prof. Dr. Gerhard Ehninger	20	14	25	0	59	48
Ursula Harres	20	12	22	0	54	43
Caspar von Hauenschild	20	24	63	11	118	111
Detlef Klimpe	20	28	107	0	155	141
Dr. Heinz Korte	20	28	107	0	155	141
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach	20	14	25	0	59	55
Joachim Lüddecke	20	26	66	0	112	99
Michael Mendel	20	20	80	0	120	111
Dr. Brigitte Mohn	20	10	18	0	48	58
Annett Müller (from 10 December 2009)	1	0	0	0	1	0
Jens-Peter Neumann	20	12	22	0	54	50
Werner Prange	20	24	61	0	105	99
Joachim Schaar	20	12	22	0	54	58
Michael Wendl	20	28	107	0	155	141
	399	**462**	**1,161**	**330**	**2,352**	**2,226**

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

	Fixed			Profit-linked	Total 2009	Total 2008
Total remuneration	Basic salary € '000	Fringe benefits € '000	Post-employment benefits € '000	€ '000	€ '000	€ '000
Current members of the Board of Management as at 31 December 2009						
Andrea Aulkemeyer	192	9	0	673	874	858
Dr. Erik Hamann[1]	174	7	0	337	518	0
Wolfgang Kunz	192	14	0	673	879	861
Gerald Meder	288	8	0	1,770	2,066	2,024
Wolfgang Pföhler	384	12	0	1,851	2,247	2,202
Ralf Stähler[1]	174	8	0	337	519	0
Dr. Irmgard Stippler[1]	174	8	0	337	519	0
Dr. Christoph Straub[1]	192	0	150	471	813	0
	1,770	**66**	**150**	**6,449**	**8,435**	**5,945**
Former members of the Board of Management						
Dietmar Pawlik[2]	155	9	0	391	555	571
Dr. Brunhilde Seidel-Kwem[2]	168	8	0	404	580	570
	323	**17**	**0**	**795**	**1,135**	**1,141**

[1] *From 1 January 2009.*

[2] *Until 31 December 2008.*

On termination of their service contracts, the board members receive severance compensation when certain conditions are met. This compensation amounts to 12.5% of the annual remuneration owed on the date of termination of the service contract for each full year (twelve full calendar months) of service as member of the Board of Management, but not exceeding 1.5 times such latter remuneration. For such post-termination entitlements of the members of the Board of Management, the following provisions have been formed for post-employment benefits:

Old-age pension benefits	Provisions as at 31 Dec. 2008 € '000	Increase in old-age pension benefits € '000	Provisions as at 31 Dec. 2009 € '000	Nominal amount on contract expiry[3] € '000
Current members of the Board of Management as at 31 December 2009				
Andrea Aulkemeyer	593	161	754	1,063
Dr. Erik Hamann[1]	0	43	43	314
Wolfgang Kunz	517	141	658	1,063
Gerald Meder	2,307	270	2,577	3,029
Wolfgang Pföhler	774	275	1,049	2,468
Ralf Stähler[1]	0	43	43	314
Dr. Irmgard Stippler[1]	0	43	43	314
Dr. Christoph Straub[1]	0	58	58	421
	4,191	**1,034**	**5,225**	**8,986**
Former members of the Board of Management				
Dietmar Pawlik[2]	164	64	228	352
Dr. Brunhilde Seidel-Kwem[2]	164	63	227	352
	328	**127**	**455**	**704**

1 *From 1 January 2009.*
2 *Until 31 December 2008.*
3 *Claim after ordinary expiry of contract based on remuneration of the past financial year.*

The Group does not have any long-term incentive plans (e.g. stock options) for executives.

The members of the Board of Management each hold less than 1.0% 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, holds 12.45% of the shares of RHÖN-KLINIKUM AG.

It was not necessary to recognise provisions for current pensions and entitlements to pensions for former members of the Supervisory Board, Board of Management and Advisory Board or their surviving dependants.

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 28 October 2009, 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 2009. These have been published on the website of RHÖN-KLINIKUM AG and thus made available to the general public.

10.7 Disclosure of the fees recognised as expenses (including reimbursement of outlays and VAT) for the statutory auditors

In financial year 2009, expenses resulting from fees for statutory auditors amounting to € 5.9 million (previous year: € 3.9 million) were incurred Group-wide. A breakdown of these fees by service rendered is provided below:

	2009 € '000	2008 € '000
Fees for auditing financial statements	2,941	2,755
Fees for other auditing services	1,748	435
Fees for tax advice	941	512
Fees for other services	239	237
	5,869	**3,939**

The increase in fees for other auditing services is attributable to fees in connection with the capital increase.

Of the total fee, € 1.6 million (previous year: € 1.5 million) is attributable to other statutory auditors who are not auditors of the consolidated financial statements. The fees comprise the following:

	2009 € '000	2008 € '000
Fees for auditing financial statements	1,321	1,258
Fees for other auditing services	23	31
Fees for tax advice	212	190
Fees for other services	8	21
	1,564	**1,500**

11 CORPORATE BODIES AND ADVISORY BOARD OF RHÖN-KLINIKUM AG

1. The Supervisory Board of RHÖN-KLINIKUM AG is comprised as follows:

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

BERND BECKER
Leipzig
1st Deputy Chairman
(until 2 December 2009)
Nurse at Herzzentrum Leipzig GmbH, Leipzig, BA (VWA)

JOACHIM LÜDDECKE
Hanover
1st Deputy Chairman
(from 10 February 2010)
Regional Director and Secretary of ver.di
Also a member of the supervisory board of:
- *Klinikum Region Hannover (deputy chairman of the Board of Management), member in the Mediation and Presiding Committee of this Supervisory Board*

WOLFGANG MÜNDEL
Kehl
2nd Deputy Chairman
Wirtschaftsprüfer (German public auditor) and tax consultant in own practice
Other mandate:
- *Jean d'Arcel Cosmétique GmbH & Co. KG, Kehl (chairman of the Advisory Board)*

DR. BERNHARD AISCH
Hildesheim
Medical Controller at Klinikum Hildesheim GmbH, Hildesheim

GISELA BALLAUF
Harsum
Children's nurse at Klinikum Hildesheim GmbH, Hildesheim
Also a member of the supervisory board of:
- *Klinikum Hildesheim GmbH, Hildesheim (deputy chairman)*

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
Nurse at Herz- und Gefäß-Klinik GmbH, Bad Neustadt a. d. Saale
Other mandate:
- *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 & 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)*

URSULA HARRES
Wiesbaden
Medical-technical assistant at Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden

CASPAR VON HAUENSCHILD
Munich
Corporate consultant in own practice
Also a member of the supervisory board of:
- *St. Gobain ISOVER AG, Ludwigshafen*

DETLEF KLIMPE
Aachen
Commercial Director of Universitätsklinikum Aachen, Aachen (deputy chairman of the Board of Management) (until 30 September 2009)
Lawyer (since 17 November 2009)
Also a member of the supervisory board of:
- *Universitätsklinikum Gießen und Marburg GmbH, Gießen*

DR. HEINZ KORTE
Munich
Notary in own practice
Also a member of the supervisory board of:
- *Universitätsklinikum Gießen und Marburg GmbH, Gießen*

PROFESSOR DR. DR. SC. (HARVARD) KARL W. LAUTERBACH
Cologne
Member of the German Parliament

MICHAEL MENDEL
Vienna
Merchant, member of the Board of Management of Österreichische Volksbanken-AG
Also a member of the supervisory board of:
- *Altium AG, Munich*
- *Aveco AG, Frankfurt am Main*

DR. BRIGITTE MOHN
Gütersloh
Member of the Board of Management of Bertelsmann Stiftung
Also a member of the supervisory board of:
- *Bertelsmann AG, Gütersloh*

Other mandates:
- *Stiftung Deutsche Schlaganfall-Hilfe, Gütersloh (Chairman of the Board of Directors)*
- *MEDICLIN AG, Offenburg (member of the Advisory Board)*
- *Deutsche Kinderturnstiftung, Frankfurt am Main (member of the Board of Trustees)*
- *Member of Bertelsmann Verwaltungsgesellschaft mbH*
- *Stiftung Michael Skopp, Bielefeld (member of the Board of Trustees)*
- *Stiftung Praxissiegel e.V., Gütersloh (deputy chairman of the Board of Management)*
- *Stiftung Dialog der Generationen, Düsseldorf (member of the Board of Trustees)*
- *Stiftung Wittenberg-Zentrum für globale Ethik, Lutherstadt Wittenberg (member of the Board of Trustees)*
- *Member of the Advisory Board of HelpGroup GmbH, Bonn-Alfter*

ANNETT MÜLLER
Dippoldiswalde
Physiotherapist at Weißeritztal-Kliniken GmbH, Freital
(from 10 December 2009)

JENS-PETER NEUMANN
Paphos
Corporate consultant

WERNER PRANGE
Osterode
Nurse at Kliniken Herzberg und Osterode GmbH, Herzberg
Other mandates:
- *Chairman of the Works Council of Kliniken Herzberg und Osterode GmbH*
- *Chairman of the Central Works Council of RHÖN-KLINIKUM AG*

JOACHIM SCHAAR
Wasungen
Administrative Director of Klinikum Meiningen GmbH, Meiningen

MICHAEL WENDL
Munich
Secretary of ver.di, Regional Directorate of Bavaria
Also a member of the supervisory board of:
- *Städtisches Klinikum München GmbH, Munich (deputy chairman of the Supervisory Board)*

2. The Board of Management of RHÖN-KLINIKUM AG is comprised as follows:

WOLFGANG PFÖHLER
business address at Bad Neustadt a. d. Saale
Chairman of the Board of Management,
Also a member of the supervisory board of:
- *Universitätsklinikum Gießen und Marburg GmbH, Gießen*
- *Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden*
- *gemeinnützige Diakoniekrankenhaus Mannheim GmbH, Mannheim (deputy chairman of the Supervisory Board)*
- *gemeinnützige Heinrich-Lanz-Stiftung, Mannheim (chairman of the Board of Directors)*

Other mandate:
- *Deutsche Krankenhausgesellschaft e.V., 1st Vice-President*

GERALD MEDER
business address at Bad Neustadt a. d. Saale
Deputy Chairman of the Board of Management,
Responsible for Specialised, Intermediate and Maximum Care division,
Group Labour Relations
Also a member of the supervisory board of:
- *Amper Kliniken AG, Dachau (chairman of the Supervisory Board)*
- *Universitätsklinikum Gießen und Marburg GmbH, Gießen (chairman of the Supervisory Board)*
- *Klinikum Hildesheim GmbH, Hildesheim (chairman of the Supervisory Board)*
- *Klinikum Pforzheim GmbH, Pforzheim (chairman of the Supervisory Board)*
- *Klinikum Salzgitter GmbH, Salzgitter (chairman of the Supervisory Board)*
- *Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden*

ANDREA AULKEMEYER
business address at Bad Neustadt a. d. Saale
Internal Advisory, Internal Accounting, Compliance
Other mandates:
- *Forum MedTech Pharma e.V., Nürnberg (member of the Board of Management)*
- *Verband der Privatkliniken in Thüringen e.V., Bad Klosterlausitz (chairman of the Board of Directors)*
- *Landeskrankenhausgesellschaft Thüringen e.V., Erfurt (member of the Board of Management)*

DR. ERIK HAMANN
business address Bad Neustadt a. d. Saale
Finance, Investor Relations and Controlling
Also a member of the supervisory board of:
- *Klinikum Pforzheim GmbH, Pforzheim*
- *Klinikum Salzgitter GmbH, Salzgitter*
- *Klinikum Hildesheim GmbH, Hildesheim*
- *Amper Kliniken AG, Dachau*

WOLFGANG KUNZ
business address at Bad Neustadt a. d. Saale
Company and Group Accounting
Also a member of the supervisory board of:
- *Klinikum Pforzheim GmbH, Pforzheim*
- *Klinikum Salzgitter GmbH, Salzgitter*
- *Klinikum Hildesheim GmbH, Hildesheim*

RALF STÄHLER
business address at Bad Neustadt a. d. Saale
Outpatient-Inpatient Basic and Standard Care division

DR. IRMGARD STIPPLER
business address Bad Neustadt a. d. Saale
Communication and IT

DR. CHRISTOPH STRAUB
business address at Bad Neustadt a. d. Saale
Outpatient-Inpatient Basic and Standard Care division

3. Advisory Board

PROFESSOR DR. MED. FREDERIK WENZ
Heidelberg (chairman)

HEINZ DOLLINGER
Dittelbrunn

WOLF-PETER HENTSCHEL
Bayreuth

MINISTERIALRAT A. D. HELMUT MEINHOLD
Heppenheim

PROFESSOR DR. MICHAEL-J. POLONIUS
Dortmund

HELMUT REUBELT
Dortmund

FRANZ WIDERA
Duisburg

Bad Neustadt a. d. Saale, 26 April 2010

The Board of Management

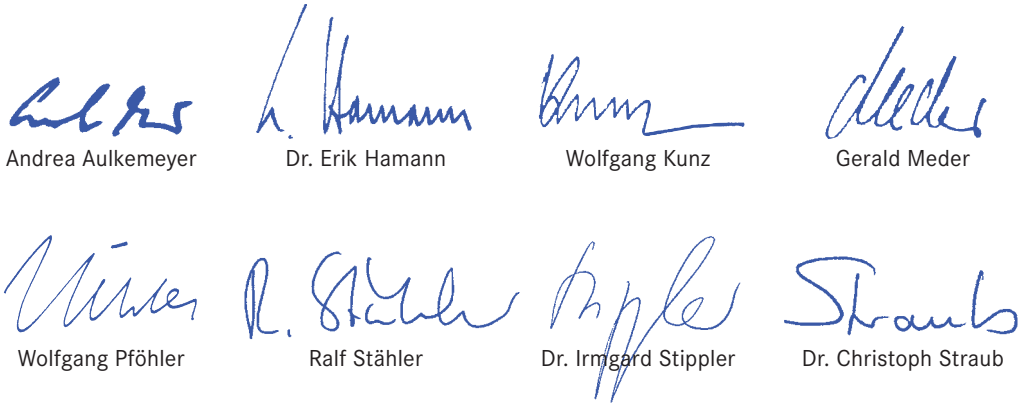
Andrea Aulkemeyer	Dr. Erik Hamann	Wolfgang Kunz	Gerald Meder
Wolfgang Pföhler	Ralf Stähler	Dr. Irmgard Stippler	Dr. Christoph Straub

ASSURANCE OF LEGAL REPRESENTATIVES

We assure to the best of our knowledge that based on the accounting principles to be applied to the Consolidated Financial Statement of RHÖN-KLINIKUM AG a true and fair view of the asset, financial and earnings position of the Group is given therein and that the Consolidated Report of 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, 26 April 2010

The Board of Management



Andrea Aulkemeyer | Dr. Erik Hamann | Wolfgang Kunz | Gerald Meder

Wolfgang Pföhler | Ralf Stähler | Dr. Irmgard Stippler | Dr. Christoph Straub

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a. d. Saale, comprising the consolidated balance sheet, income statement and comprehensive income statements, statement of changes in shareholders' equity, cash flow statement, and the notes to the consolidated financial statements together with the Group management report, for the financial year ended 31 December 2009. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRS as adopted by the EU and the additional requirements of section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB) is the responsibility of the Board of Management of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance section 317 HGB and German generally accepted accounting standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) as well as the International Standards on Auditing (ISA). These standards require an audit to be planned and performed in such a way that misstatements having a material impact on the view of the asset, financial and earnings position as presented by the consolidated financial statements in compliance with the applicable accounting principles and by the Group management report are identified with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of the audit procedures. We have examined, primarily on a test basis, the effectiveness of the accounting-related internal control system as well as evidence supporting the disclosures in the consolidated financial statements and Group management report. Our audit also included an assessment of the annual financial statements of those companies included in the scope of consolidation, the determination of the companies included in the scope of consolidation, the accounting and consolidation principles applied and significant estimates made by the Board of Management, as well as an evaluation of the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not given rise to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU, and the additional requirements of section 315a (1) HGB, and give a true and fair view of the asset, financial and earnings position of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and presents a true and fair view of the Group's overall position and the potential risks and rewards for its future development.

We issue this Auditor's Report based on our audit duly performed on 15 March 2010 and on our supplemental audit relating to the amendment of the Notes and the Management Report. Reference is made to the reasons for the amendment as stated by the Company in Section 1. of the amended Notes. The supplemental audit has not given rise to any reservations.

Frankfurt am Main, 15 March 2010/26 April 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Schmidt
Wirtschaftsprüfer

ppa. Tino Fritz
Wirtschaftsprüfer

SUMMARY REPORT OF RHÖN-KLINIKUM AG

BALANCE SHEET

ASSETS	31 Dec. 2009 € million	31 Dec. 2008 € million
Intangible assets	4.4	4.3
Property, plant and equipment	34.9	35.2
Financial assets	1,171.0	986.4
Fixed assets	1,210.3	1,025.9
Inventories	5.2	4.5
Receivables and other assets	386.3	229.7
Securities, cash and cash equivalents	336.4	1.5
Current assets	727.9	235.7
Prepaid expenses	2.2	2.5
	1,940.4	1,264.1

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec. 2009 € million	31 Dec. 2008 € million
Subscribed capital	345.6	259.2
Capital reserve	410.9	37.6
Retained earnings	138.7	138.5
Net distributable profit	41.5	36.3
Shareholders' equity	936.7	471.6
Contributions to finance fixed assets	0.4	0.2
Tax provisions	0.0	0.0
Other provisions	34.4	30.4
Provisions	34.4	30.4
Liabilities	968.9	761.9
	1,940.4	1,264.1

INCOME STATEMENT

	2009 € million	2008 € million
Revenues	137.3	134.5
Changes in services in progress	–0.1	0.8
Other operating income	17.9	19.9
Materials and consumables used	36.6	37.1
Employee benefits expense	79.4	74.7
Depreciation	6.1	5.5
Other operating expenses	51.8	34.8
Operating result	–18.8	3.1
Investment result	76.2	75.7
Financial result	–15.7	–21.4
Earnings from ordinary operations	41.7	57.4
Taxes	0.0	0.7
Net profit for the year	41.7	56.7
Allocation to retained earnings	0.2	20.4
Net distributable profit	41.5	36.3

The annual financial statements of RHÖN-KLINIKUM AG, which have been audited and certified by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, will be published in the Federal Gazette (Bundesanzeiger) and deposited with the Commercial Register.

Should you wish to receive a full copy, please write to RHÖN-KLINIKUM AG.

PROPOSED APPROPRIATION OF PROFIT

The annual financial statements of RHÖN-KLINIKUM AG for the year ended 31 December 2009, 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 € 41,469,600.00. The Board of Management and the Supervisory Board propose appropriating an amount of € 41,462,400.00 from net distributable profit to

distribute a dividend of € 0.30 per non-par share with dividend entitlement (DE0007042301)

and to carry forward the remaining amount of € 7,200.00.

Bad Neustadt a. d. Saale, 27 April 2010

RHÖN-KLINIKUM Aktiengesellschaft

The Supervisory Board The Board of Management

MILESTONES

1973

Takeover of management of Kur- und Therapiezentrum Bad Neustadt a. d. Saale, comprising 1,500 condominium units, as a rehabilitation centre

1975

Opening of psychosomatic hospital Psychosomatische Klinik Bad Neustadt a. d. Saale

1977

Development of a training concept for ethnic German immigrants in partnership with a non-profit associated company providing room and board

1984

Opening of the cardiovascular hospital Herz- und Gefäß-Klinik Bad Neustadt a. d. Saale

1988

Inception of RHÖN-KLINIKUM AG with an initial capital of DM 10 million (€ 5.11 million), through conversion of the share capital of Rhön-Klinikum GmbH (limited liability company) into ordinary share capital. Resolution on authorised capital

1989

Increase in share capital of RHÖN-KLINIKUM AG by DM 5 million (€ 2.56 million) to DM 15 million through issuance of 100,000 non-voting preference shares

Takeover of majority of condominium rights; on 27 November 1989 IPO of first German hospital group: listing of preference shares for official trading on the stock exchanges in Munich and Frankfurt am Main

Takeover of 50% of the shares of DKD – Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden

Takeover of all shares of Heilbad Bad Neustadt GmbH & Co. Sol- und Moorbad

1991

Opening of neurological hospital Neurologische Klinik Bad Neustadt a. d. Saale

Founding and takeover of 75% of shares in Zentralklinik Bad Berka GmbH, Bad Berka

Listing of the ordinary shares and placement of 25% of ordinary shares

Increase in the share capital of RHÖN-KLINIKUM AG against cash contributions from DM 15 million (€ 7.67 million) by DM 15 million (€ 7.67 million) to DM 30 million (€ 15.34 million); admission of all ordinary and preference shares to the stock exchanges in Munich and Frankfurt am Main

Commissioning of extension of Herz- und Gefäß-Klinik Bad Neustadt a. d. Saale

1992

Opening of the hand surgery clinic Klinik für Handchirurgie Bad Neustadt a. d. Saale

1993

Opening of a specialist centre for addictive diseases as temporary solution until the opening of a planned new facility (opened in January 1997)

Opening of specialist hospital for neurology Neurologische Klinik in Kipfenberg

Increase in the share capital of RHÖN-KLINIKUM AG against cash contributions from DM 30 million (€ 15.34 million) by DM 6 million (€ 3.07 million) to DM 36 million (€ 18.41 million)

1994

Opening of operative and intensive care centre of Zentralklinik Bad Berka with 14 operating rooms and 88 intensive care beds

Opening of Herzzentrum Leipzig with the status of a university hospital

1995

Opening of Klinikum Meiningen, with 532 beds

Opening of replacement bed facility of Zentralklinik Bad Berka with 488 beds

MEDIGREIF KREISKRANKENHAUS BURG GMBH

KRANKENHAUS ANHALT-ZERBST GMBH

Opening of heart surgery clinic Klinik für Herzchirurgie Karlsruhe with 65 beds

Reduction in nominal value of RHÖN-KLINIKUM shares from DM 50.00 to DM 5.00

Increase in the share capital of RHÖN-KLINIKUM AG against cash contribution from DM 36 million (€ 18.41 million) by DM 7.2 million (€ 3.68 million) to DM 43.2 million (€ 22.09 million)

1996

Takeover of a further 50% of the shares of DKD – Stiftung Deutsche Klinik für Diagnostik Wiesbaden, making us sole shareholder

Commissioning of reconstructed central facility of Zentralklinik Bad Berka

1997

Opening of Soteria-Klinik Leipzig-Probstheida

Takeover of Krankenhaus Waltershausen-Friedrichroda with 248 beds

1998

Takeover of Kliniken Herzberg und Osterode with 279 beds

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

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

1999

Takeover of Kreiskrankenhaus Freital (near Dresden) with 301 beds

Opening of world's first robot-assisted operation wing in Herzzentrum Leipzig-Universitätsklinik

Takeover of Städtische Klinik Leipzig Süd-Ost (Park-Krankenhaus) with 526 beds

Takeover of Städtisches Krankenhaus St. Barbara Attendorn with 297 beds

Increase in share capital of RHÖN-KLINIKUM AG from own funds to € 25.92 million as well as 1:3 stock split

2000

Takeover of Kreiskrankenhaus Uelzen and Hamburgisches Krankenhaus Bad Bevensen with 410 beds

Takeover of Krankenhaus in Dippoldiswalde (near Freital and Dresden) with 142 beds

2001

Commissioning of extension of Kliniken Herzberg und Osterode/amalgamation of Herzberg and Osterode locations

2002

Takeover of hospitals in Nienburg/Weser, Hoya and Stolzenau with a total of 388 beds

Takeover of Klinikum Frankfurt (Oder) with 910 beds

Takeover of Fachkrankenhaus für Psychiatrie und Neurologie Hildburghausen with 405 beds

Takeover of Aukamm-Klinik für operative Rheumatologie und Orthopädie Wiesbaden with 63 beds

Takeover of Klinikum Pirna (near Dresden) with 342 beds

2003

Takeover of Johanniter-Krankenhaus Dohna-Heidenau (near Pirna, today amalgamated with Pirna) with 142 beds

Opening of new facility of Kliniken Uelzen und Bad Bevensen/amalgamation of Uelzen and Bad Bevensen locations

Takeover of 12.5% interest of Free State of Thuringia in Zentralklinik Bad Berka GmbH

Takeover of Stadtkrankenhaus Cuxhaven with 270 beds

2004

Takeover of Carl von Heß-Krankenhaus 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

MEDIGREIF BÖRDEKRANKENHAUS GMBH

MEDIGREIF VERWALTUNGS- UND BETRIEBSGESELLSCHAFT FACHKRANKENHAUS VOGELSANG-GOMMERN MBH

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 95%)

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 the José Carreras Leukemia Center in Marburg (CLC)

Part-new construction of Krankenhaus Cuxhaven

IGB INTEGRATIVES GESUNDHEITS-ZENTRUM BOIZENBURG GMBH


AUSGA
Und dann war der kleine Tiger w
gesund, und alle holten ihn a
Pauken und Trompete

THE ADDRESSES OF RHÖN-KLINIKUM AG

BADEN-WUERTTEMBERG

KLINIK FÜR HERZCHIRURGIE KARLSRUHE GMBH
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KEY RATIOS Q1–Q4 2009

	Jan.–Dec. 2009 € '000	Okt.–Dec. 2009 € '000	July–Sept. 2009 € '000	April–June 2009 € '000	Jan.–March 2009 € '000
Revenues	2,320,089	596,965	582,611	581,394	559,119
Materials and consumables used	595,203	157,215	148,573	145,834	143,581
Employee benefits expense	1,379,245	348,595	350,465	345,410	334,775
Depreciation/amortisation and impairment	101,996	27,165	25,502	25,099	24,230
Net consolidated profit according to IFRS	131,652	34,536	31,366	35,006	30,744
– Earnings share of RHÖN-KLINIKUM AG shareholders	125,721	33,415	30,370	32,910	29,026
– Earnings share of minority owners	5,931	1,121	996	2,096	1,718
Return on revenue (%)	5.7	5.8	5.3	6.0	5.5
EBT	158,709	43,199	37,858	42,298	35,354
EBIT	181,998	47,198	43,632	48,418	42,750
EBIT ratio (%)	7.8	7.9	7.4	8.4	7.7
EBITDA	283,994	74,363	69,134	73,517	66,980
EBITDA ratio (%)	12.2	12.5	11.8	12.7	12.0
Operating cash flow	238,286	64,389	57,407	58,927	57,563
Property, plant and equipment as well as investment property	1,604,930	1,604,930	1,499,304	1,455,606	1,418,259
Income tax claims (long-term)	17,149	17,149	16,947	19,151	18,945
Equity capital according to IFRS	1,422,939	1,422,939	1,387,556	915,248	915,715
Return on equity (%)	11.4	9.8	10.9	15.3	13.6
Balance sheet total according to IFRS	2,858,548	2,858,548	2,714,444	2,210,598	2,177,617
Investments					
– in property, plant and equipment as well as in investment property	414,413	230,588	69,641	62,895	51,289
– in other assets	199	199	0	0	0
Earnings per ordinary share (€)	1.07	0.24	0.23	0.32	0.28
Number of employees (headcount)	36,882	36,882	34,828	34,226	33,958
Case numbers (patients treated)	1,799,939	445,287	451,558	450,775	452,319
Beds and places	15,729	15,729	14,874	14,860	14,860

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